

# MURPHY, DOUGHERTY & COMPANY

Certified Public Accountants

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1310 Church Street, Suite 3000, Route 690 • Moscow, PA 18444

Ph: (570) 848 2866 • Fax: (570) 848 2833

J. PAUL MURPHY, CPA  
MICHAEL DOUGHERTY, CPA

PAUL T. MURPHY, CPA  
LEAH C. ROSENKRANS, CPA

## INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

The Board of Trustees  
Bear Creek Community Charter School  
Bear Creek Township, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bear Creek Community Charter School, Bear Creek Township, Pennsylvania as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

(BEAR CREEK COMMUNITY CHARTER SCHOOL)  
(INDEPENDENT AUDITOR'S REPORT – CONTINUED)

**Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit**

The financial statements do not include financial data for the School's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the School's primary government unless the School also issues financial statements for the financial reporting entity that include the financial data for its component unit. The School has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net position, revenues, and expenses of the aggregate discretely presented component unit would have been reported as \$23,255,659, \$19,537,568, \$3,718,091, \$1,180,075, and \$1,039,398, respectively as of and for the year ended December 31, 2017.

**Adverse Opinion**

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component unit of the Bear Creek Community Charter School as of June 30, 2018, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information for the primary government of the Bear Creek Community Charter School, Bear Creek Township, Pennsylvania, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As disclosed in Notes 1 and 6 to the financial statements, the School adopted the provisions of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions for the year ended June 30, 2018 to conform with accounting principles generally accepted in the United States of America. The School recognized its total other postemployment benefits liability ("OPEB"), restated its beginning net position for this adoption, and expanded its note disclosures and included required supplementary information with respect to total OPEB. Our opinion was not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 4 through 10, the budgetary comparison information on page 33, the schedule of the School's proportionate share of the net pension liability on page 34, the schedule of School contributions to the pension plan on page 35, the schedule of the School's share of the OPEB liability on page 36 and the schedule of the School's OPEB contributions on page 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing

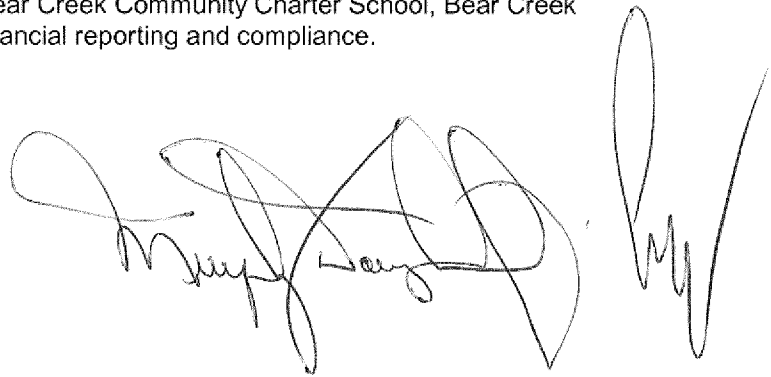
(BEAR CREEK COMMUNITY CHARTER SCHOOL)  
(INDEPENDENT AUDITOR'S REPORT – CONTINUED)

the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2018 on our consideration of Bear Creek Community Charter School, Bear Creek Township, Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bear Creek Community Charter School, Bear Creek Township, Pennsylvania's internal control over financial reporting and compliance.

Moscow, Pennsylvania  
December 13, 2018

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

Board of Trustees  
Bear Creek Community Charter School  
Bear Creek Township, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Bear Creek Community Charter School, Bear Creek Township, Pennsylvania, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Bear Creek Community Charter School, Bear Creek Township, Pennsylvania's basic financial statements and have issued our report thereon dated December 13, 2018.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Bear Creek Community Charter School, Bear Creek Township, Pennsylvania's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bear Creek Community Charter School, Bear Creek Township, Pennsylvania's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bear Creek Community Charter School, Bear Creek Township, Pennsylvania's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

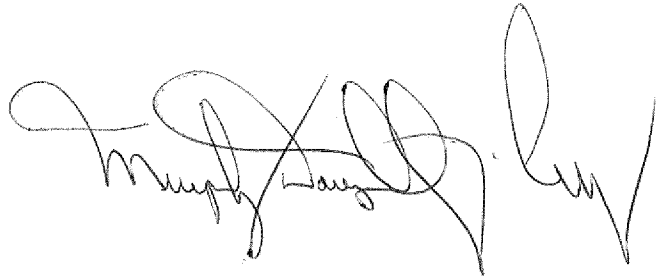
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Bear Creek Community Charter School, Bear Creek Township, Pennsylvania's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standard* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moscow, Pennsylvania  
December 13, 2018

A handwritten signature in black ink, appearing to read "M. J. ...", is written over the printed text of the date and location.

BEAR CREEK COMMUNITY CHARTER SCHOOL  
SCHEDULE OF PRIOR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018

\* NO PRIOR FINDINGS NOTED.