

JOHN MUIR CHARTER SCHOOL  
COUNTY OF NEVADA  
GRASS VALLEY, CALIFORNIA

AUDIT REPORT

JUNE 30, 2015

JOHN MUIR CHARTER SCHOOL

JUNE 30, 2015

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JOHN MUIR CHARTER SCHOOL

JUNE 30, 2015

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Directors  
John Muir Charter School  
Nevada City, California

We have audited the accompanying financial statements of the governmental activities and major fund of John Muir Charter School as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the John Muir Charter 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit 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.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the John Muir Charter School, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

*Change in Accounting Principle*

As described in Note 6 to the financial statements, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The District is recognizing its share of the unfunded liability for the California State Teachers' Retirement Plan (STRS) and the California Public Employees' Retirement System Schools Pool Cost-Sharing Multiple Employer Plan (PERS) for the first time based on the most recent actuarial valuations dated June 30, 2013. The District reported a net pension liability of \$8.7 million at June 30, 2015. Our opinion is 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 on pages 3 through 11 and budgetary comparison information and accounting by employer for pensions on pages 41 through 43 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 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.

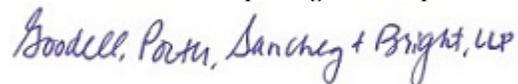
*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the John Muir Charter School's basic financial statements. The financial and statistical information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The financial and statistical information listed as supplementary information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial and statistical information listed as supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2015, on our consideration of the John Muir Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 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 John Muir Charter School's internal control over financial reporting and compliance.



GOODELL, PORTER, SANCHEZ & BRIGHT, LLP  
Certified Public Accountants

December 8, 2015

JOHN MUIR CHARTER SCHOOL

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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The discussion and analysis of John Muir Charter School's ("Charter School") financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole. To provide a complete understanding of the Charter School's financial performance, please read it in conjunction with the Independent Auditor's Report on page 1, notes to the basic financial statements and the Charter School's financial statements.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999. Certain comparative information is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

- P-2 average daily attendance (ADA) decreased by 98 from 2013-2014 to 2014-2015.
- General Fund expenditures exceed revenues by \$524 thousand, ending the year with available reserves of \$438 thousand.
- In complying with GASB 34, fixed assets are valued at historical cost. The total of the District's fixed assets, land, site, buildings, and equipment, valued on an acquisition cost basis was \$29 thousand. After depreciation, the June 30, 2015 book value for fixed assets totaled \$18 thousand.
- In complying with GASB 68, the Charter School is recognizing its portion of the unfunded STRS and PERS pension liabilities for the first time in 2014-2015. These liabilities are based on the most recent actuarial valuations. Implementation of GASB 68 requires the Charter School to restate the June 30, 2014 net position by recognizing the pension liabilities. Recognizing the liabilities decreased the June 30, 2014 total net position on the Statement of Net Position by \$10.1 million.

JOHN MUIR CHARTER SCHOOL

MANAGEMENT DISCUSSION AND ANALYSIS

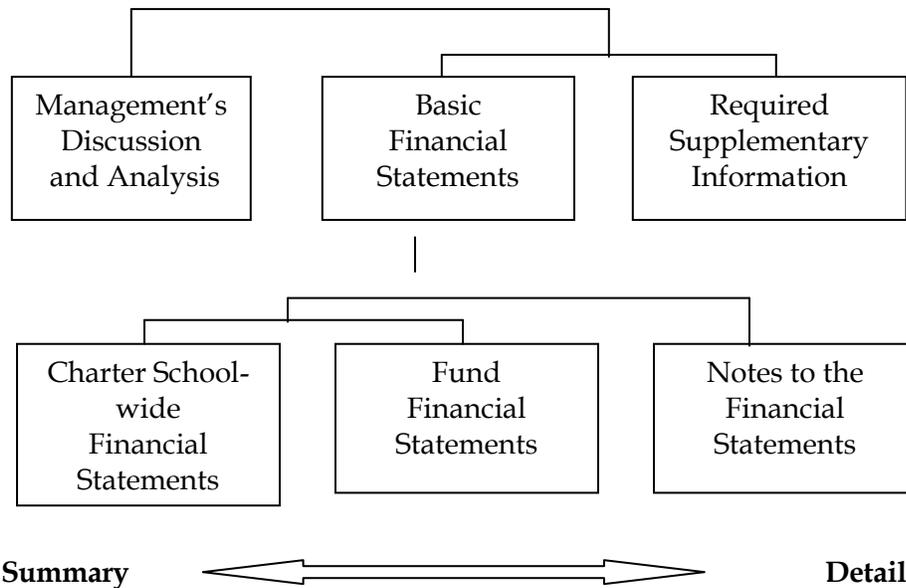
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. These statements are organized so the reader can understand the John Muir Charter School as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

**Components of the Financial Section**



The first two statements are *entity-wide financial statements*, the Statement of Net Position and Statement of Activities. These statements provide information about the activities of the whole Charter School, presenting both an aggregate view of the Charter School’s finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. A comparison of the Charter School’s general fund budget is included.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

**Reporting the Charter School as a Whole**

*Statement of Net Position and the Statement of Activities*

These two statements provide information about the Charter School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Charter School’s assets and liabilities using the accrual basis of accounting.

JOHN MUIR CHARTER SCHOOL

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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**OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)**

**Reporting the Charter School as a Whole (Concluded)**

*Statement of Net Position and the Statement of Activities (Concluded)*

This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the Charter School as a whole and its activities in a way that helps answer the question, "How did we do financially during 2014-2015?"

These two statements report the Charter School's net position and changes in that position. This change in net position is important because it tells the reader that, for the Charter School as a whole, the financial position of the Charter School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Over time, the increases or decreases in the Charter School's net position, as reported in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the Charter School's operating results. However, the Charter School's goal is to provide services to our students, not to generate profits as commercial entities. One must consider many other non-financial factors, such as the quality of education provided and the safety of the schools to assess the overall health of the Charter School.

- ◆ Increases or decreases in the net position of the Charter School over time are indications of whether its financial position is improving or deteriorating, respectively.
- ◆ Additional non-financial factors such as condition of school buildings and other facilities, and changes to the property tax base of the Charter School need to be considered in assessing the overall health of the Charter School.

**Reporting the Charter School's Most Significant Funds**

*Fund Financial Statements*

The fund financial statements provide more detailed information about the Charter School's most significant funds - not the Charter School as a whole. Funds are accounting devices the Charter School uses to keep track of specific sources of funding and spending on particular programs.

- ◆ Governmental Funds

All of the Charter School's activities are reported in governmental funds. The General Fund is the Charter School's only fund. Governmental funds focus on how money flows into and out of the funds and the balances that remain at the end of the year. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Charter School's operations and services that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the Charter School's programs.

JOHN MUIR CHARTER SCHOOL  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS**

*The Charter School as a Whole*

The Charter School's net position was a deficit \$8.7 million at June 30, 2015, of which a deficit \$8.8 million was unrestricted. The government-wide data is presented in Table 1.

**(Table 1)**  
**Comparative Statement of Net Position**

	Governmental Activities	
	2015	2014
<b>ASSETS</b>		
Cash	\$ 3,028,908	\$ 1,462,001
Receivables	1,369,091	1,895,683
Prepaid expenditures	215,278	92,022
Other current assets	45,964	8,170
Capital assets	17,501	23,335
Total assets	<u>4,676,742</u>	<u>3,481,211</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred pension expense	<u>778,746</u>	<u>0</u>
<b>LIABILITIES</b>		
Accounts payable and other current liabilities	1,127,769	1,197,797
Unearned revenue	1,795,724	
Net pension liability	8,697,996	
Long-term liabilities	326,798	269,232
Total liabilities	<u>11,948,287</u>	<u>1,467,029</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred earnings on pension plan investments	<u>2,249,080</u>	<u>0</u>
<b>NET POSITION</b>		
Net investment in capital assets	17,501	
Restricted	209	278,735
Unrestricted (deficit)	<u>(8,759,589)</u>	<u>1,735,447</u>
Total net position (deficit)	<u>\$ (8,741,879)</u>	<u>\$ 2,014,182</u>

The implementation of GASB 68 in the fiscal year ended June 30, 2015, resulted in a deficit unrestricted net position.

JOHN MUIR CHARTER SCHOOL  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONTINUED)**

*The Charter School as a Whole (Continued)*

The Charter School's net position decreased \$682 thousand this fiscal year. (See Table 2) The Charter School's expenses for instructional and pupil services represented 88% percent of total expenses. The purely administrative activities and plant services of the Charter School accounted for the remaining 12% of total costs. (See Figure 2)

**(Table 2)**  
**Comparative Statement of Change in Net Position**

	Governmental Activities	
	2015	2014
<b>REVENUES</b>		
Program revenues	\$ 2,564,174	\$ 1,414,003
General revenues		
Federal and State Aid not restricted to specific purposes	13,710,564	12,587,759
Interest and investment earnings	11,338	6,046
Miscellaneous	231,438	140,154
Total revenues	<u>16,517,514</u>	<u>14,147,962</u>
<b>EXPENSES</b>		
Instruction	12,043,896	10,749,699
Instruction related services	3,155,152	1,903,782
General administration	1,891,617	1,234,649
Plant services	109,000	94,643
Total expenses	<u>17,199,665</u>	<u>13,982,773</u>
Increase (decrease) in net position	<u>\$ (682,151)</u>	<u>\$ 165,189</u>

JOHN MUIR CHARTER SCHOOL  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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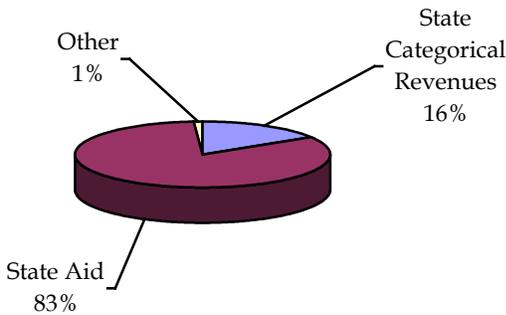
**FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONCLUDED)**

*The Charter School as a Whole (Concluded)*

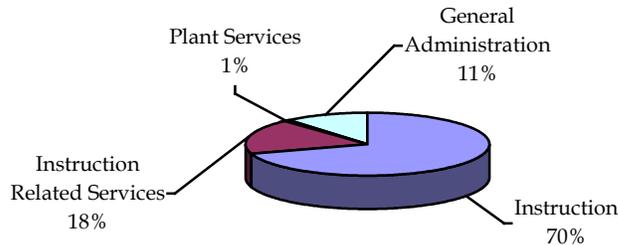
**Governmental Activities**

As reported in the Statement of Activities, the cost of all of the Charter School’s governmental activities this year was \$17.2 million. State aid not restricted to specific purposes totaled \$13.7 million. (See Figure 1)

**Sources of Revenue for the 2014-2015 Fiscal Year**  
**Figure 1**



**Expenses for the 2014-2015 Fiscal Year**  
**Figure 2**



**FINANCIAL ANALYSIS OF THE FUND STATEMENTS**

The fund financial statements focus on individual parts of the Charter School’s operations in more detail than the government-wide statements. The Charter School’s fund statements provide information on inflows and outflows and balances of spendable resources. The Charter School’s Governmental Funds reported an ending fund balance of \$1.7 million, a decrease of \$524 thousand.

JOHN MUIR CHARTER SCHOOL  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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**FINANCIAL ANALYSIS OF THE FUND STATEMENTS (CONCLUDED)**

**General Fund Budgetary Highlights**

Over the course of the year, the Charter School revised the annual operating budget quarterly. The significant budget adjustments fell into the following categories:

- ◆ Budget revisions to the adopted budget required after approval of the State budget.
- ◆ Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing adjustments related to actual enrollments.
- ◆ Other budget revisions are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories for school and department budgets.

The final revised budget for the General Fund reflected a net decrease to the ending balance of \$187 thousand.

The Charter School ended the year with a decrease of \$524 thousand to the General Fund ending balance. The State recommends an ending reserve for economic uncertainties of 3% of total expenditures. The Charter School's ending available reserve was 2.7%, which included this reserve for economic uncertainties.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of the 2014-2015 fiscal year, the Charter School had invested \$29 thousand in equipment. The capital assets net of depreciation was \$18 thousand at June 30, 2015 with equipment depreciation expense of \$6 thousand during 2014-2015.

**Table 3  
Comparative Schedule of Capital Assets  
(net of depreciation)  
June 30, 2015 and 2014**

	2015	2014	Difference (Decrease)
Machinery and Equipment	\$ 17,501	\$ 23,335	\$ (5,834)

JOHN MUIR CHARTER SCHOOL  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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**CAPITAL ASSET AND DEBT ADMINISTRATION (CONCLUDED)**

**Long-Term Debt**

At June 30, 2015, the Charter School had \$327 thousand in long-term debt outstanding.

**Table 4  
Comparative Schedule of Outstanding Debt  
June 30, 2015 and 2014**

	2015	2014
Compensated Absences	\$ 326,798	\$ 269,232

The compensated absences will be paid by the General Fund.

**FACTORS BEARING ON THE CHARTER SCHOOL’S FUTURE**

The Local Control Funding Formula (LCFF) is aimed at correcting historical inequities while decreasing previous constraints on restricted program expenses. The formula is intended to make funding more transparent and simple. With the new flexibility also come new requirements for accountability. The Local Control Accountability Plan (LCAP) is mandated and must be aligned and adopted with the Charter School’s 2015-2016 budget. The LCAP is expected to describe how the Charter School intends to meet annual goals for all pupils, with specific activities to address state and local priorities identified during the LCAP development process.

The LCFF is the largest unknown for the Charter School. The new funding structure has no statutory cost of living allowance built into it and relies solely on the annual budget process at the legislative level. Planning for the “out years” will be much more difficult and volatile under the LCFF funding formula. The eight years necessary to bring the Charter School to their target funding could be unpredictable and unstable, thereby creating a need for a larger reserve than past years. The ongoing unpredictability of the Charter School’s supplemental and concentration funding under the LCFF will also create unstable budgets even after the Charter School’s target has been met in 2020-2021.

Future predictions and uncertainties with the changes to the State funding formula, enrollment and aging Charter School facilities require management to plan carefully and prudently to provide the necessary resources to meet student’s needs and continue to keep pace with inflation increases over the next several years.

JOHN MUIR CHARTER SCHOOL

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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**CONTACTING THE CHARTER SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact R.J. Guess at John Muir Charter School, 12338 McCourtney Road, Grass Valley, CA 95949.

JOHN MUIR CHARTER SCHOOL

STATEMENT OF NET POSITION

JUNE 30, 2015

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash (Note 2)	\$ 3,028,908
Accounts Receivable (Note 3)	1,369,091
Prepaid Expenses (Note 1H)	215,278
Other Current Assets	45,964
Capital Assets, Net of Depreciation (Note 4)	<u>17,501</u>
Total Assets	<u>4,676,742</u>
<b>DEFERRED OUTFLOWS OF RESOURCES (NOTE 1H)</b>	
Deferred Pension Expense	<u>778,746</u>
<b>LIABILITIES</b>	
Accounts Payable and Other Current Liabilities	1,127,769
Unearned Revenue (Note 1H)	1,795,724
Net Pension Liability (Note 6)	8,697,996
Long-term Liabilities (Note 5)	
Due Within One Year	<u>326,798</u>
Total Liabilities	<u>11,948,287</u>
<b>DEFERRED INFLOWS OF RESOURCES (NOTE 1H)</b>	
Deferred Earnings on Pension Plan Investments	<u>2,249,080</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	17,501
Restricted For:	
Education Programs	209
Unrestricted (Deficit)	<u>(8,759,589)</u>
Total Net Position (Deficit)	<u>\$ (8,741,879)</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

JOHN MUIR CHARTER SCHOOL

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Governmental Activities</u>	<u>Expenses</u>	<u>Program Revenues</u> <u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u> <u>Governmental Activities</u>
Instruction	\$ 12,043,896	\$ 1,431,864	\$ (10,612,032)
Instruction-Related Services:			
Supervision of Instruction	2,397,631	852,529	(1,545,102)
Instructional Library, Media and Technology	101,011	6,542	(94,469)
School Site Administration	656,510	83,396	(573,114)
General Administration	1,891,617	189,843	(1,701,774)
Plant Services	109,000		(109,000)
Total Governmental Activities	<u>\$ 17,199,665</u>	<u>\$ 2,564,174</u>	<u>(14,635,491)</u>
General Revenues:			
Federal and State Aid Not Restricted to Specific Purposes			13,710,564
Interest and Investment Earnings			11,338
Miscellaneous			231,438
Total General Revenues			<u>13,953,340</u>
Change (Decrease) in Net Position			(682,151)
Net Position Beginning (Deficit) Restated - Note 8			<u>(8,059,728)</u>
Net Position Ending (Deficit)			<u>\$ (8,741,879)</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

JOHN MUIR CHARTER SCHOOL

BALANCE SHEET

JUNE 30, 2015

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	<u>General Fund</u>
<b>ASSETS</b>	
Cash (Note 2)	\$ 3,028,908
Accounts Receivable (Note 3)	1,369,091
Prepaid Expenditures (Note 1H)	215,278
Other Current Assets	<u>45,964</u>
Total Assets	<u>\$ 4,659,241</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts Payable	\$ 1,127,769
Unearned Revenue (Note 1H)	<u>1,795,724</u>
Total Liabilities	<u>2,923,493</u>
Fund Balances (Note 1H):	
Nonspendable	215,278
Restricted	209
Assigned	1,082,388
Unassigned	<u>437,873</u>
Total Fund Balances	<u>1,735,748</u>
Total Liabilities and Fund Balances	<u>\$ 4,659,241</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

JOHN MUIR CHARTER SCHOOL  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015

Total fund balance - governmental funds	\$	1,735,748
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets, at historical cost:	\$	29,169	
Accumulated depreciation:		<u>(11,668)</u>	
Net:			17,501

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Net pension liability	\$	8,697,996	
Compensated absences		<u>326,798</u>	
Other post-employment benefits			(9,024,794)

Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources relating to pensions	\$	778,746	
Deferred inflows of resources relating to pensions		<u>(2,249,080)</u>	
Net			<u>(1,470,334)</u>

Total (decrease) net position - governmental activities	\$	<u><u>(8,741,879)</u></u>
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

JOHN MUIR CHARTER SCHOOL  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund
<b>REVENUES</b>	
Local Control Funding Formula Sources	
State Apportionments	\$ 7,542,420
Local Sources	5,811,216
Total Local Control Funding Formula Sources	13,353,636
Other State Revenue	2,589,847
Other Local Revenue	251,252
Total Revenues	16,194,735
<b>EXPENDITURES</b>	
Certificated Salaries	6,546,045
Classified Salaries	2,307,631
Employee Benefits	2,319,603
Books and Supplies	891,775
Services and Other Operating Expenditures	4,654,012
Total Expenditures	16,719,066
Excess of Revenues Over (Under) Expenditures	(524,331)
Fund Balances - July 1, 2014	2,260,079
Fund Balances - June 30, 2015	\$ 1,735,748

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

JOHN MUIR CHARTER SCHOOL  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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Net change (decrease) in fund balances - total governmental funds	\$	(524,331)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period was:

Depreciation expense:		(5,834)
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Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:

		(94,420)
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Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences

		(57,566)
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Total change (decrease) in net position - governmental activities	\$	(682,151)
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JOHN MUIR CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The Charter School accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's California School Accounting Manual. The accounting policies of the Charter School conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

A. Reporting Entity

On August 2, 1999, the State Board of Education granted charter school status to Muir Charter School through the authority established in Education Code Section 47604 (Senate Bill 1448, Statutes of 1992, Chapter 781). The State Board of Education can revoke Muir Charter School's charter if the Board of Education determines that the Charter School did any of the following:

- Committed a material violation of any of the conditions, standards, or procedures set forth in the charter petition.
- Failed to meet or pursue any of the pupil outcomes identified in the charter petition.
- Failed to meet generally accepted accounting standards of fiscal management.
- Violated any provision of law.

The Board of Directors is the level of government which has governance responsibilities over all activities related to public school education in the Charter School. The Charter School has considered all potential component units in determining how to define the reporting entity, using criteria set forth in generally accepted accounting principles. The Charter School determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Charter School and its component units.

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

JOHN MUIR CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Concluded)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Charter School's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The Charter School does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Charter School, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Charter School.

Fund Financial Statements:

Fund financial statements report detailed information about the Charter School. The focus of governmental fund financial statements is on major funds rather than reporting funds by type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current asset and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues - exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Charter School, "available" means collectible within the current period or within 60 days after year-end.

JOHN MUIR CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Non-exchange transactions, in which the Charter School receives value without directly giving equal value in return, include grants and entitlements. Under the accrual basis, revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the Charter School must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the Charter's policy to use restricted resources first, then unrestricted resources as they are needed. Expenditures incurred in the unrestricted resources shall be reduced first from the committed resources, then from assigned resources and lastly, the unassigned resources.

JOHN MUIR CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

Expenses/expenditures (Concluded):

Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the State Teachers Retirement Plan (STRS) and the CalPERS Schools Pool Cost-Sharing Multiple Employer Plan (PERS) and additions to/deductions from STRS and PERS fiduciary net positions have been determined on the same basis as they are reported separately by STRS and PERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Measurement Period	July 1, 2013 to June 30, 2014

D. Fund Accounting

The accounts of the Charter School are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Charter School resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. Each major fund is presented in a separate column. The Charter School reports the following major fund:

General Fund is the general operating fund of the Charter School. It is used to account for all financial resources.

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the Charter School's Board of Directors must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The Charter School's Board of Directors satisfied these requirements.

JOHN MUIR CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting (Concluded)

These budgets are revised by the Charter School Board of Directors during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund as required supplementary information in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The Charter School employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

F. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

G. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

H. Assets, Liabilities and Equity

1. Deposits and Investments

Cash balances held in commercial bank accounts are insured to \$250,000 by the Federal Deposit Insurance Corporation.

In accordance with *Education Code* Section 41001, the Charter School maintains substantially all of its cash in the County Treasury. The county pools these funds with those of other local education agencies in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investments losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the county either are secured by federal depository insurance or are collateralized.

JOHN MUIR CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

1. Deposits and Investments

Investments Valuation - In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. However, the Charter School's financial statements do not reflect the fair value of investments as the differences between total investment cost and fair value has been determined to be immaterial.

2. Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The Charter School has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The Charter School has chosen to report the expenditures in the benefited period.

3. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over an estimated useful life of 5 to 50 years depending on the asset class.

4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section from deferred outflows of resources. This separate financial section, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

JOHN MUIR CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

5. Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

7. Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction or improvement of the assets.

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Position - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

8. Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Charter School's policy is to apply restricted net position first.

9. Fund Equity

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned, based primarily on the extent to which the Charter School is bound to honor constraints on how specific amounts are to be spent:

JOHN MUIR CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

9. Fund Equity (Continued)

Nonspendable Fund Balance - Includes the portions of fund balance not appropriate for expenditures.

Restricted Fund Balance - Includes amounts subject to externally imposed and legally enforceable constraints.

Committed Fund Balance - Includes amounts subject to Charter School constraints self-imposed by formal action of the Charter Board of Directors.

Assigned Fund Balance - Includes amounts the Charter School intends to use for a specific purpose. Assignments may be established by the Board of Directors or designee.

Unassigned Fund Balance - Includes the residual balance that has not been assigned to other funds and is not restricted, committed, or assigned to specific purposes.

*Fund Balances*

The Charter School's fund balances at June 30, 2015 consisted of the following:

	General Fund
Nonspendable:	
Prepaid Expenditures	\$ 215,278
Total Nonspendable Fund Balance	215,278
Restricted For:	
Unspent Categorical Revenues	209
Total Restricted Fund Balance	209
Assigned For:	
CAHSEE Reserve	636,748
Program Carryover	445,640
Total Assigned Fund Balance	1,082,388
Unassigned:	
Reserve for Economic Uncertainties	437,873
Total Unassigned Fund Balance	437,873
Total Fund Balances	\$ 1,735,748

JOHN MUIR CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

9. Fund Equity (Concluded)

*Fund Balance Policy*

The Charter School has an expenditure policy relating to fund balances. For purposes of fund balance classification, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require charter schools to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Directors. At June 30, 2015, the Charter School has not established a minimum fund balance policy nor has it established a stabilization arrangement.

Additional detailed information, along with the complete *Fund Balance Policy* can be obtained from the Charter School.

10. Local Control Funding Formula/In Lieu Property Tax

The Charter School's local control funding formula revenue is received from a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year.

JOHN MUIR CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Concluded)

10. Local Control Funding Formula/In Lieu Property Tax (Concluded)

The County Auditor reports the amount of the sponsoring agency's allocated property tax revenue to the California Department of Education. The sponsor agency of the Charter School is required by law to provide in-lieu property tax payments on a monthly basis, from August to July. The amount paid per month is based upon an allocation per student, with a specific percentage to be paid each month. In lieu taxes are recorded as local control funding formula sources by the Charter School.

The California Department of Education reduces the Charter School's entitlement by the Charter School local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment.

I. Impact of Recently Issued Accounting Principles

The GASB issued Statement 68, *Accounting and Financial Reporting for Pensions* in June 2012 to amend Statements 27 and 50 and improve accounting and financial reporting by state and local governments for pensions. The Statement details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan. The Statement is effective beginning in fiscal year 2014-2015.

The GASB issued Statement 69, *Government Combinations and Disposals of Government Operations* in January 2013 to provide guidance for reporting mergers, acquisitions, transfers of operations, and disposals of government operations. The Charter does not have activities affected by the Standard and therefore the adoption of GASB 69 does not impact the Charter School's financial statements. The Statement is effective beginning in fiscal year 2014-2015.

The GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* which amends Statement 68 by requiring that, at transition, a government should recognize a beginning deferred outflow of resources for its pension contributions made after the measurement date of the beginning net pension liability. The Statement is effective beginning in fiscal year 2014-2015.

JOHN MUIR CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Impact of Recently Issued Accounting Principles (Continued)

The GASB issued Statement 72, *Fair Value Measurement and Application* in February 2015 to enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using consistent and accepted valuation techniques. The Statement is effective beginning in fiscal year 2015-2016.

The GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* in June 2015. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. The Statement is effective beginning in fiscal year 2015-2016.

The GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* in June 2015. The Statement will require enhanced note disclosures and schedules of required supplementary information that will be presented for other post-employment benefit plans (OPEB) to enhance the decision-usefulness of the financial reports of those OPEB plans. The Statement is effective beginning in fiscal year 2015-2016.

The GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in June 2015. The requirements of this Statement will improve the decision-usefulness of financial information and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. The Statement is effective beginning in fiscal year 2017-2018.

The GASB issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* superseding Statement No. 55 in June 2015. The GAAP hierarchy consists of the sources of accounting principles used to prepare financial statements in conformity with GAAP and the framework for selecting those principles. As a result of implementing this Standard, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The Statement is effective beginning in fiscal year 2015-2016.

JOHN MUIR CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Impact of Recently Issued Accounting Principles (Concluded)

The GASB issued Statement 77, *Tax Abatement Disclosures* in August 2015. The Statement requires disclosure of tax abatement information to make these transactions more transparent to financial statement users. Users will be better equipped to understand how tax abatements affect a government's future ability to raise resources and the impact those abatements have on a government's financial position and economic condition. The Statement is effective beginning in fiscal year 2016-2017.

The Office of Management and Budget issued the guidance *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance for Federal Awards) on December 29, 2013 which supersedes and streamlines requirements from eight different circulars into one document. The new administrative requirements and cost principles are required to be implemented for all federal awards made after December 26, 2014. The Uniform Guidance for Federal Awards will not affect the Charter School until fiscal year 2015-2016 as all 2014-2015 federal awards occurred prior to December 26, 2014.

NOTE 2 - CASH

A. Summary of Cash

The Charter School had the following cash at June 30, 2015:

	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Credit Quality Rating</u>
Cash in Commercial Bank	\$ 1,000	\$ 1,000	Not Rated
Cash in County Treasury	3,030,454	3,027,908	Not Rated
Total Cash	<u>\$ 3,031,454</u>	<u>\$ 3,028,908</u>	N/A

B. Policies and Practices

The Charter School is authorized by State statutes and in accordance with the Charter School's Investment Policy (Policy) to invest in the following:

- Securities issued or guaranteed by the Federal Government or its agencies
- State Local Agency Investment Fund (LAIF)
- Insured and/or collateralized certificates of deposit

JOHN MUIR CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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NOTE 2 - CASH (CONTINUED)

B. Policies and Practices (Concluded)

The Policy, in addition to State statues, establishes that funds on deposit in banks must be federally insured or collateralized and investments shall (1) have maximum maturity not to exceed five years, (2) be laddered and based on cash flow forecasts; and (3) be subject to limitations to a certain percent of the portfolio for each of the authorized investments. The Charter School's investments comply with the established policy.

Cash in Commercial Bank

Cash balances held in commercial bank accounts are insured to \$250,000 by the Federal Deposit Insurance Corporation. These amounts are held within various financial institutions. As of June 30, 2015 the carrying amount of the Charter School accounts was \$1,000, all of which was insured.

Cash in County Treasury

In accordance with *Education Code* Section 41001, the Charter School maintains substantially all of its cash with the County Treasury as an involuntary participant of a common investment pool, which totaled \$183,487,785 of June 30, 2015. The fair market value of this pool as of that date, as provided by the pool sponsor, was \$183,642,076. Interest is deposited into participating funds. The balance available for withdrawal is based on the accounting records maintained by the county treasurer, which is recorded on the amortized cost basis.

C. Risk Disclosures

GASB Statement No. 40 requires a determination as to whether the Charter School was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures.

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Interest Rate Risk (Concluded) - The Charter School manages its exposure to interest rate risk by investing in the County Pool and having the pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

JOHN MUIR CHARTER SCHOOL  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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NOTE 2 - CASH (CONCLUDED)

C. Risk Disclosures (Concluded)

At June 30, 2015 the Charter School had the following investment maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>		
		<u>Less than 1</u>	<u>1 to 4</u>	<u>More than 4</u>
County Treasury	<u>\$3,030,454</u>	<u>\$1,493,105</u>	<u>\$1,143,996</u>	<u>\$393,353</u>

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the Charter School was not exposed to credit risk.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the Charter School's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the Charter School's name. At year end, the Charter School was not exposed to custodial credit risk.

Concentration of Credit Risk - This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the Charter School was not exposed to concentration of credit risk.

Foreign Currency Risk - This is the risk that exchange rate will adversely affect the fair value of an investment. At year end, the Charter School was not exposed to foreign currency risk.

JOHN MUIR CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2015 consist of the following:

	<u>General Fund</u>
State Government	
Categorical Aid Programs	\$ 233,725
Lottery	112,757
	<u>346,482</u>
Total State Government	346,482
Local Government	997,151
Miscellaneous	25,458
	<u>1,022,609</u>
Total Accounts Receivable	<u><u>\$ 1,369,091</u></u>

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2015, is shown below:

	<u>Balance</u> <u>July 01, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
Capital assets being depreciated:				
Equipment	\$ 29,169			\$ 29,169
Total capital assets, being depreciated	<u>29,169</u>			<u>29,169</u>
Less accumulated depreciation for:				
Equipment	5,834	\$ 5,834		11,668
Total accumulated depreciation	<u>5,834</u>	<u>5,834</u>		<u>11,668</u>
Total capital assets, being depreciated, net	<u>23,335</u>	<u>(5,834)</u>		<u>17,501</u>
Governmental activities capital assets, net	<u>\$ 23,335</u>	<u>\$ (5,834)</u>	<u>\$ 0</u>	<u>\$ 17,501</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:

Instruction	<u>\$5,834</u>
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NOTE 5 - LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2015, is shown below:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Due Within</u> <u>One Year</u>
Compensated Absences	\$ 269,232	\$ 57,566	\$ 0	\$ 326,798	\$ 326,798

The compensated absences will be paid by the General Fund.

JOHN MUIR CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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NOTE 6 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under cost-sharing multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (STRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

*Pension Plan Fiduciary Net Position.* The plans fiduciary net positions disclosed in this report may differ from the plan assets reported in the funding actuarial valuations reported due to several reasons. First, for the accounting valuations, items such as deficiency reserves, fiduciary self-insurance and OPEB expense are included in fiduciary net positions. These amounts are excluded for rate setting purposes in the funding actuarial valuations. In addition, differences may result from early closing and final reconciled reserves.

A. State Teachers' Retirement System (STRS)

*Plan Description.* The John Muir Charter School contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The State of California is a Nonemployer Contributing Entity to STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. Although CalSTRS is the administrator of the STRS, the state is the sponsor of the STRS and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRS. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, California 95610.

*Benefit.* STRS provides defined benefit program benefits under two formulas: 2% at 60 for members hired on or before December 31, 2012 and 2% at 62 for members hired after that date. Both formulas define hire as the date at which the member was hired to perform service that could be creditable to CalSTRS. The benefit under each formula is calculated as 2% per year of creditable service. The 2% at 60 formula uses final compensation to calculate the benefit. The 2% at 62 formula uses an average of the highest compensation for three consecutive years to calculate the benefit.

*Funding Policy.* Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method. Active plan members are required to contribute 8.15% of their salary and the John Muir Charter School and the State are required to contribute actuarially determined rates.

JOHN MUIR CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 6 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. State Teachers' Retirement System (STRS) (Continued)

*Funding Policy (Concluded).* The actuarial methods and assumptions used for determining the rates are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-2014 was 8.25% and for fiscal year 2014-2015 8.88% of annual payroll. The required State contribution rate for fiscal year 2014-2015 was 5.68%. The John Muir Charter School's contributions to STRS for the fiscal years ending June 30, 2015, 2014 and 2013 were \$544,133, \$476,808, and \$398,429, respectively, and equal 100% of the required contributions for each year.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2015 the Charter School reported a liability of \$7,596,810 for its proportionate share of the net pension liability for STRS. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013. The Charter School's proportion of the net pension liability was based on a projection of the Charter School's and the State of California's (non-employer contributing entity) long-term share of contributions to the pension plan relative to the projected contributions of all participating charter schools and the state, actuarially determined. At June 30, 2014, the Charter School's proportion of contributions was 0.0130 percent.

For the year ended June 30, 2015, the Charter School recognized pension expense of \$818,390 which included the State's required on-behalf contribution. At June 30, 2015, the Charter School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred Outflows and Inflows of Resources:		
Difference between expected and actual experience	-	-
Changes in Assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	\$ 1,870,700
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to measurement date of June 30, 2014	<u>\$ 544,133</u>	<u>-</u>
Totals	<u><u>\$ 544,133</u></u>	<u><u>\$ 1,870,700</u></u>

JOHN MUIR CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 6 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. State Teachers' Retirement System (STRS) (Continued)

*Actuarial Assumptions.* The total pension liability for STRS was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment rate of return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series table adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 Experience Analysis for more information.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on Board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the Board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	4.50%
Private Equity	12%	6.20%
Real Estate	15%	4.35%
Inflation Sensitive	5%	3.20%
Fixed Income	20%	0.20%
Cash/Liquidity	1%	0.00%

\* 10-year geometric average

JOHN MUIR CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 6 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. State Teachers' Retirement System (STRS) (Concluded)

*Discount Rate.* The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming the contributions, benefit payments, and administrative expense occurred midyear. Based on those assumptions, the STRS's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payment to determine the total pension liability.

Presented below is the Charter School's proportionate share of the net pension liability of employers and the state using the current discount rate of 7.60 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one to three percent lower or one to three percent higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability of Employers</u>
3% Decrease (4.60%)	\$ 23,208,250
2% Decrease (5.60%)	16,974,490
1% Decrease (6.60%)	11,841,440
Current Discount Rate (7.60%)	7,596,810
1% Increase (8.60%)	4,057,560
2% Increase (9.60%)	1,083,680
3% Increase (10.60%)	(1,424,670)

B. California Public Employees Retirement System (CalPERS)

*Plan Description.* The John Muir Charter School contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Room 1820, Sacramento, CA 95814.

*Funding Policy.* Active plan members were required to contribute 6.974% of their salary and the John Muir Charter School was required to contribute an actuarially annually determined rate.

JOHN MUIR CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 6 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

B. California Public Employees Retirement System (CalPERS) (Continued)

*Funding Policy (Continued).* The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2013-2014 was 11.442% and for fiscal year 2014-2015 11.771% of annual payroll. The contribution requirements of the plan members are established by State statute. The John Muir Charter School's employer contributions to CalPERS for the fiscal year ending June 30, 2015, 2014 and 2013 were \$234,613, \$117,777 and \$117,637, respectively and equal 100% of the required contributions for each year.

*Benefits.* CalPERS provides defined benefit program benefits based on members' years of service, age, final compensation and benefit formula. Members become fully vested in their retirement benefits earned to date after five years of credited service.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2015, the Charter School reported a liability of \$1,101,186 for its proportionate share of the net pension liability for CalPERS. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013. The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating charter schools and the state, actuarially determined. At June 30, 2014, the Charter School's proportion of contributions was 0.0097 percent.

For the year ended June 30, 2015, the Charter School recognized pension expense of \$234,613. At June 30, 2015, the Charter School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred Outflows and Inflows of Resources:		
Difference between expected and actual experience	-	-
Changes in Assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	\$ 378,380
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to measurement date of June 30, 2014	<u>\$ 234,613</u>	<u>-</u>
Totals	<u><u>\$ 234,613</u></u>	<u><u>\$ 378,380</u></u>

JOHN MUIR CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 6 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

B. California Public Employees Retirement System (CalPERS) (Continued)

*Actuarial Assumptions.* For the year ended June 30, 2014, the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and the June 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

CalPERS uses a mortality table based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.50 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool.

The following presents the net pension liability of the Plan as of June 30, 2014, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

<u>Discount Rate</u>	<u>Plan's Net Pension Liability</u>
1% Decrease (6.50%)	\$ 1,926,336
Current Discount Rate (7.50%)	1,095,615
1% Increase (8.50%)	401,462

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

JOHN MUIR CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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NOTE 6 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

B. California Public Employees Retirement System (CalPERS) (Concluded)

*Discount Rate (Concluded).* The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<b>New Strategic Asset Class</b>	<b>Real Return Allocation</b>	<b>Real Return Years 1-10<sup>1</sup></b>	<b>Years 11+<sup>2</sup></b>
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastructure and Forestland	3%	4.50%	5.09%
Cash/Liquidity	2%	(0.55)%	(1.05)%

<sup>1</sup> An expected inflation of 2.5% used for this period

<sup>2</sup> An expected inflation of 3.0% used for this period

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by social security or an alternative plan. The Charter School has elected to use Social Security.

D. On Behalf Payment

The Charter School was recipients of on-behalf payments made by the State of California to the State Teachers Retirement System (STRS). These payments consist of State general fund contributions of \$274,257 to STRS (5.68% of salaries subject to STRS).

NOTE 7 - COMMITMENTS AND CONTINGENCIES

A. Litigation

The Charter School may become involved in litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Charter School at June 30, 2015.

B. State Allowances, Awards and Grants

The Charter School has received state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

JOHN MUIR CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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NOTE 8 - RESTATEMENT OF NET POSITION

The amounts previously reported as Governmental Activities Net Position at June 30, 2014 on the Government-Wide Statement of Net Position have been restated due to implementing Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The June 30, 2014, Net Position is being restated to recognize the net effect resulting from recognition of Deferred Outflows of Pension costs and related pension liability as follows:

	Government-Wide Financial Statements
Net Position, June 30, 2014 as originally reported	\$ 2,014,182
Retroactive recognition of the Charter School's share of unfunded pension liabilities for STRS and PERS	(10,073,910)
Net Position, June 30, 2014 as restated	\$ <u>(8,059,728)</u>

NOTE 9 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 8, 2015, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION SECTION

JOHN MUIR CHARTER SCHOOL  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET (GAAP) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		Actual Amounts (GAAP Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Control Funding Formula Sources:				
State Apportionments	\$ 9,890,318	\$ 7,890,691	\$ 7,542,420	\$ (348,271)
Local Sources	<u>5,395,113</u>	<u>5,395,113</u>	<u>5,811,216</u>	<u>416,103</u>
Total Local Control Funding Formula Sources	15,285,431	13,285,804	13,353,636	67,832
Other State Revenue	499,536	3,070,511	2,589,847	(480,664)
Other Local Revenue	<u>164,330</u>	<u>270,011</u>	<u>251,252</u>	<u>(18,759)</u>
Total Revenues	<u>15,949,297</u>	<u>16,626,326</u>	<u>16,194,735</u>	<u>(431,591)</u>
<b>EXPENDITURES</b>				
Certificated Salaries	6,975,426	6,482,858	6,546,045	(63,187)
Classified Salaries	1,537,225	2,646,577	2,307,631	338,946
Employee Benefits	2,367,499	2,160,911	2,319,603	(158,692)
Books and Supplies	1,020,269	1,250,809	891,775	359,034
Services and Other Operating Expenditures	<u>3,460,078</u>	<u>4,272,389</u>	<u>4,654,012</u>	<u>(381,623)</u>
Total Expenditures	<u>15,360,497</u>	<u>16,813,544</u>	<u>16,719,066</u>	<u>94,478</u>
Excess of Revenues Over (Under) Expenditures	588,800	(187,218)	(524,331)	(337,113)
Fund Balances - July 1, 2014	<u>2,986,496</u>	<u>2,260,079</u>	<u>2,260,079</u>	<u>0</u>
Fund Balances - June 30, 2015	<u>\$ 3,575,296</u>	<u>\$ 2,072,861</u>	<u>\$ 1,735,748</u>	<u>\$ (337,113)</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

JOHN MUIR CHARTER SCHOOL

SCHEDULES OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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	<u>2015</u>
<b><u>California State Teachers' Retirement System (CalSTRS)</u></b>	
Charter School's proportion of the net pension liability	0.0130%
Charter School's proportionate share of the net pension liability	\$ 7,596,810
Charter School's covered-employee payroll	\$ 5,779,491
Charter School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	131%
Plan fiduciary net position as a percentage of the total pension liability	77%

<b><u>Public Employee Retirement System (CalPERS)</u></b>	
Charter School's proportion of the net pension liability	0.0097%
Charter School's proportionate share of the net pension liability	\$ 1,101,186
Charter School's covered-employee payroll	\$ 1,029,339
Charter School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	107%
Plan fiduciary net position as a percentage of the total pension liability	83%

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

JOHN MUIR CHARTER SCHOOL

SCHEDULES OF THE CHARTER SCHOOL'S CONTRIBUTIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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<b><u>California State Teachers' Retirement System (CalSTRS)</u></b>	
	2015
Contractually required contribution	\$ 476,808
Contributions in relation to the contractually required contribution	476,808
Contribution deficiency (excess)	\$ 0
Charter School's covered-employee payroll	\$ 5,779,491
Contributions as a percentage of covered-employee payroll	8.250%
 <b><u>Public Employee Retirement System (CalPERS)</u></b>	
Contractually required contribution	\$ 117,777
Contributions in relation to the contractually required contribution	117,777
Contribution deficiency (excess)	\$ 0
Charter School's covered-employee payroll	\$ 1,029,339
Contributions as a percentage of covered-employee payroll	11.442%

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

JOHN MUIR CHARTER SCHOOL

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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NOTE 1 - PURPOSE OF SCHEDULES

A. Budgetary Comparison Schedule

The Charter School employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Directors to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budget for the General Fund is presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

The excess of expenditures over appropriations in individual governmental funds at June 30, 2015 are as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
Major Governmental Funds:	
General Fund	
Certificated Salaries	\$ 63,187
Employee Benefits	158,692
Contract Services	381,623

The Charter School did not revise the budget for the STRS pension expense covered by the State of California direct payments.

The Charter School incurred unanticipated expenditures for which the budget was not revised.

B. Schedules of the Charter School's Proportionate Share of the Net Pension Liability

These schedules present information on the Charter School's portion of the Net Pension Liability of CalSTRS and the Net Pension Liability of CalPERS in compliance with GASB 68.

These will be 10-year schedules. However, this is the first year of implementation of GASB 68 and the information in these schedules is not required to be presented retroactively. Years will be added to these schedules in future fiscal years until 10 years of information is available.

JOHN MUIR CHARTER SCHOOL

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONCLUDED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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NOTE 1 - PURPOSE OF SCHEDULES (CONCLUDED)

C. Schedules of the Charter School's Contributions

These schedules provide information about the Charter School's required and actual contributions to CalSTRS and CalPERS during the year.

These will be 10-year schedules. However, this is the first year of implementation of GASB 68 and the information in these schedules is not required to be presented retroactively. Years will be added to these schedules in future fiscal years until 10 years of information is available.

SUPPLEMENTARY INFORMATION SECTION

JOHN MUIR CHARTER SCHOOL

GRASS VALLEY, CALIFORNIA

JUNE 30, 2015

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ORGANIZATION

John Muir Charter School was established August 2, 1999, through authority established in Education Code Section 47604. John Muir Charter School filed Articles of Incorporation with the California Secretary of State's office on January 3, 2002, and is a non-profit public benefit corporation recognized by the State of California. John Muir Charter School entered into a Memorandum of Understanding with the Nevada County Superintendent of School's Office and the California Conservation Corps with the understanding the Nevada County Superintendent of Schools Office will act as fiscal agent for the Charter School. The Charter School is currently operating to serve the unique educational needs of the youth of the California Conservation Corps, the Local Conservation Corps, Job Corps, YouthBuild and Workforce Investment and Opportunity Act funded programs and is sponsored by Nevada County Board of Education.

CHARTER BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Les Atchison	President	December, 2016
Michael Corbett	Treasurer	December, 2018
Len Eckhardt	Officer	December, 2018
Sally Wilson	Officer	December, 2016
Gil Botello	Officer	December, 2018

ADMINISTRATION

RJ Guess  
Executive Director

Rachael Navarrete  
Chief Financial Officer

JOHN MUIR CHARTER SCHOOL  
 SCHEDULE OF AVERAGE DAILY ATTENDANCE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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	<u>Second Period Report</u>	<u>Annual Report</u>
Regular ADA		
Ninth through Twelfth	<u>1,455</u>	<u>1,372</u>
Classroom-based ADA for Ninth through Twelfth	<u>1,455</u>	<u>1,372</u>

Average daily attendance is a measurement of the numbers of pupils attending classes of the Charter School. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to the charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

SEE NOTES TO SUPPLEMENTARY INFORMATION

JOHN MUIR CHARTER SCHOOL  
SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>Minutes Requirement As Reduced</u>	<u>2014-2015 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Grade 9	64,800	62,949	66,600	175	In Compliance
Grade 10	64,800	62,949	66,600	175	In Compliance
Grade 11	64,800	62,949	66,600	175	In Compliance
Grade 12	64,800	62,949	66,600	175	In Compliance

Charter Schools must maintain their instructional minutes at the levels required by Education Code Section 47612.5, reduced pursuant to the provisions of Education Code Section 46201.2(b) for the 2014-2015 school year.

JOHN MUIR CHARTER SCHOOL  
RECONCILIATION OF UNAUDITED ACTUAL  
FINANCIAL REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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Auditor's Comments:

The audited financial statements were in agreement with the Unaudited Actuals General Fund (Form 01) Financial Report for the year ended June 30, 2015.

JOHN MUIR CHARTER SCHOOL

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budget			
	2015-2016	2014-2015	2013-2014	2012-2013
<u>General Fund</u>				
Revenues and Other Financial Sources	\$ 20,756,337	\$ 16,194,735	\$ 14,147,964	\$ 10,066,875
Expenditures (Total Outgo)	17,831,556	16,719,066	13,947,472	10,542,433
Change in Fund Balance (Deficit)	2,924,781	(524,331)	200,492	(475,558)
Ending Fund Balance	\$ 5,198,960	\$ 1,735,748	\$ 2,260,079	\$ 2,059,587
Available Reserves	\$ 2,330,197	\$ 437,873	\$ 578,227	\$ 700,402
Reserve for Economic Uncertainties	\$ 526,819	\$ 437,873	\$ 402,326	\$ 296,270
Unassigned Fund Balance	\$ 1,803,378	\$ 0	\$ 175,901	\$ 404,132
Available Reserves as a Percentage of Total Outgo	13.1%	2.6%	4.1%	6.6%
Total Long-Term Debt	\$ 326,798	\$ 326,798	\$ 269,232	\$ 210,594
Average Daily Attendance at P-2	1,751	1,455	1,553	1,217

The General Fund decreased \$799,397 over the past three years. Available reserves consist of all unassigned fund balances contained within the General Fund. The State of California has not established reserve requirements for charter schools.

The Charter School ADA has increased by 238 during the past two years.

The amounts reported as Budget 2015-2016 are presented for additional analysis and have not been audited.

JOHN MUIR CHARTER SCHOOL  
NOTES TO SUPPLEMENTAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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NOTE 1 - PURPOSE OF SCHEDULES

A. Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes of the Charter School. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to Charter Schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

B. Schedule of Instructional Time

This schedule presents information on the amount of instructional time and number of days offered by the Charter School and whether Charter School complied with the provisions of Education Code Sections 47612 and 47612.5.

C. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance as reported on the Unaudited Actual Financial Report to the audited financial statements.

D. Schedule of Financial Trends and Analysis

This schedule is presented to improve evaluation and reporting of the going concern status of the Charter School.

OTHER INDEPENDENT AUDITORS REPORTS SECTION

INDEPENDENT AUDITOR'S 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 Directors  
John Muir Charter School  
Nevada City, California

We have audited, in accordance with 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 and each major fund of John Muir Charter School, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise John Muir Charter School's basic financial statements and have issued our report thereon dated December 8, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered John Muir Charter School's, internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of John Muir Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of John Muir Charter School'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 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 a 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2015-001 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether John Muir Charter School's financial statements are free of 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*.

### **John Muir Charter School's Responses to Findings**

John Muir Charter School's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. John Muir Charter School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



GOODELL, PORTER, SANCHEZ & BRIGHT, LLP  
Certified Public Accountants

December 8, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Directors  
John Muir Charter School  
Nevada City, California

We have audited John Muir Charter School's compliance with the types of compliance requirements described in the 2014-2015 *Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* that could have a direct and material effect on each of John Muir Charter School's State government programs as noted below for the year ended June 30, 2015.

**Management's Responsibility**

Management is responsible for compliance with the requirements of State laws and regulations.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance with State laws and regulations of John Muir Charter School's State government programs based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the 2014-2015 *Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the applicable State laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about John Muir Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. However, our audit does not provide a legal determination of John Muir Charter School's compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine the Charter School's compliance with the state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures Performed</u>
<b>Local Education Agencies Other Than Charter Schools:</b>	
Attendance	Not Applicable
Teacher Certification and Mis-assignments	Not Applicable
Kindergarten Continuance	Not Applicable
Independent Study	Not Applicable
Continuation Education	Not Applicable
Instructional Time	Not Applicable
Instructional Materials	Not Applicable
Ratio of Administrative Employees to Teachers	Not Applicable
Classroom Teacher Salaries	Not Applicable
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Not Applicable
School Accountability Report Card	Not Applicable

<u>Description</u>	<u>Procedures Performed</u>
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Not Applicable
Transportation Maintenance of Effort	Not Applicable
Regional Occupational Centers or Programs Maintenance of Effort	Not Applicable
Adult Education Maintenance of Effort	Not Applicable
<b>School Districts, County Office of Education and Charter Schools:</b>	
California Clean Energy Jobs Act	No (See below)
After School Education and Safety Program:	
General Requirements	Not Applicable
After School	Not Applicable
Before School	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
<b>Charter Schools:</b>	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	Yes

Procedures were not performed for California Clean Energy Jobs Act because the Charter School is in the preliminary phase and did not incur any expenditures in 2014-2015.

**Opinion on Each State Government Program**

In our opinion, John Muir Charter School, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its State government programs for the year ended June 30, 2015.

**Purpose of this Report**

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2014-2015 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



GOODELL, PORTER, SANCHEZ & BRIGHT, LLP  
 Certified Public Accountants

December 8, 2015

## FINDINGS AND RESPONSES SECTION

JOHN MUIR CHARTER SCHOOL

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:  
Material weakness(es) identified? \_\_\_ Yes    X No  
Significant deficiency(ies) identified  
that are not considered to be material  
weakness? X Yes    \_\_\_ None reported

Noncompliance material to financial  
statements noted? \_\_\_ Yes    X No

*State Awards*

Internal control over state programs:  
Material weakness(es) identified? \_\_\_ Yes    X No  
Significant deficiency(ies) identified  
that are not considered to be material  
weakness? \_\_\_ Yes    X None reported

Type of auditor's report issued on compliance  
for state programs: Unqualified

JOHN MUIR CHARTER SCHOOL

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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**Section II - Financial Statements Findings**

2015 - 001 - CASH DISBURSEMENT - 30000

Criteria: Sound accounting practices require the use of purchase orders or purchase requisitions as a management tool to document prior approval of Charter School expenditures, including employee reimbursements.

Statement of Condition: It was found to be common practice for purchases to be made without advance approval. Purchases and employee reimbursements were approved before payment but after purchase. We did not note any inappropriate expenditures for 2014-2015 however, a system should be implemented that requires pre-approval of all expenditures.

Cause: There is not a formal policy in place to require advance approval of purchases.

Effect or Potential Effect: Without proper approval by an authorized person, unauthorized disbursements may be made and not detected limiting management's control over purchases, cash disbursements and ultimately the budget.

Recommendation: To improve internal and budgetary controls, we recommend all Charter School expenditures be supported by a completed purchase requisition or purchase order prepared and approved in advance of the purchase.

Charter Response: The Charter School agrees with the finding and has implemented improved internal control procedures over cash disbursements.

**Section III - State Award Findings and Responses**

No matters are reported

JOHN MUIR CHARTER SCHOOL

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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There were no findings or recommendations considered reportable conditions determined as a result of our audit of John Muir Charter School for the fiscal year ended June 30, 2014.