

**CHILDREN'S COMMUNITY
CHARTER SCHOOL**

ANNUAL AUDIT REPORT

June 30, 2015

CHILDREN’S COMMUNITY CHARTER SCHOOL
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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Directors
Children's Community Charter School
Paradise, California

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Children's Community Charter School, a California nonprofit public benefit corporation as of and for the year ending, of June 30, 2015, which comprise Children's Community Charter School's basic financial statements listed in the table of contents, and the related notes to the financial statements.

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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion 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 auditors' 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 opinion.

INDEPENDENT AUDITORS' REPORT

Continued

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children's Community Charter School as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

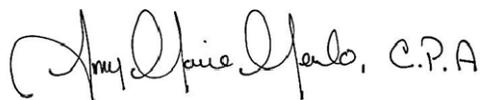
OTHER MATTERS

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Charter's financial statements as a whole. The accompanying supplementary schedules on pages 19-21 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

OTHER REPORTING REQUIREMENTS BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued a report dated December 13, 2015, on our consideration of Children's Community Charter School's internal control over financial reporting and on 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 Children's Community Charter School's internal control over financial reporting and compliance.



Amy Opie Herbo, C.P.A.

December 13, 2015
Chico, California

CHILDREN'S COMMUNITY CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 321,350
Accounts receivable	143,118
Prepaid expenditures	895
Total Current Assets	465,363
Long-term Assets	
Property and Equipment	
Land	159,972
Buildings	1,361,474
Site Improvements	103,324
Equipment	29,980
Less accumulated depreciation	(444,852)
Net Property and equipment	1,209,898
Total Assets	\$ 1,675,261
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	\$ 126,954
Accrued payroll payable	36,058
Total Current Liabilities	163,012
NET ASSETS	
Temporarily restricted	148,142
Unrestricted Net Assets	
Unrestricted - invested in capital assets, net of related debt	1,209,898
Unrestricted - board designated for Economic Uncertainties	70,000
Unrestricted - Other	84,209
Total unrestricted net assets	1,364,107
Total Net Assets	1,512,249
Total Liabilities and Net Assets	\$ 1,675,261

The accompanying notes are an integral part of these financial statements.

CHILDREN'S COMMUNITY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Local Control Funding Formula Revenues			
State of California aid	\$ 620,087	\$ -	\$ 620,087
Education protection account funds	-	300,686	300,686
In-lieu of property taxes - local sources	467,286	-	467,286
Other State revenue	17,245	134,655	151,900
Local revenue	101,383	-	101,383
Interest income	77	-	77
Net assets released from restrictions	329,599	(329,599)	-
Total Revenues	1,535,677	105,742	1,641,419
EXPENSES			
Program Services:			
Instruction	849,791	-	849,791
Instruction related services	87,200	-	87,200
Pupil services	76,538	-	76,538
Plant services	143,277	-	143,277
Transfers between agencies	9,156	-	9,156
Total Program Services	1,165,962	-	1,165,962
Supporting Services:			
General administration	304,592	-	304,592
Total Expenses	1,470,555	-	1,470,555
Change in Net Assets	65,122	105,742	170,864
Net Assets - July 1, 2014	1,298,985	42,400	1,341,385
Net Assets - June 30, 2015	\$ 1,364,107	\$ 148,142	\$ 1,512,249

The accompanying notes are an integral part of these financial statements.

CHILDREN'S COMMUNITY CHARTER SCHOOL
STATEMENT OF CASH FLOWS
JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 170,864
Adjustments to reconcile change in net assets to net cash used by operating activities	
Depreciation	44,878
Changes in:	
Receivables	81,402
Prepaid expenses	16,405
Accrued payroll	36,058
Accounts payable	(28,655)
Unearned revenue	(50,349)
Net Cash Provided by Operating Activities	<u>270,603</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of property and equipment	<u>(6,070)</u>
Net Cash Used by Investing Activities	<u>(6,070)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on note payable	<u>(49,048)</u>
Net Cash Used by Financing Activities	<u>(49,048)</u>
Net Increase in Cash and Cash Equivalents	215,485
Cash and Cash Equivalents - July 1, 2014	<u>105,865</u>
Cash and Cash Equivalents - June 30, 2015	<u>\$ 321,350</u>

The accompanying notes are an integral part of these financial statements.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed in the preparation of the financial statements that the Children's Community Charter School believes are an integral part of the financial statements.

Organization

Children's Community Charter School (the Charter), is a nonprofit public benefit corporation that operates one elementary school in Paradise, California. The Charter is assigned Charter Number 94 from the California Department of Education and was established in 1996. The Children's Community Charter School is sponsored by Paradise Unified School District, a local educational agency, through a charter agreement that is authorized through June 30, 2012. Paradise Unified School District is responsible for monitoring the Children's Community Charter School in accordance with state law. The Children's Community Charter School operates a site-based, traditional classroom instruction program for students in grades kindergarten through eight.

The Children's Community Charter School is funded through State of California public education monies received from California Department of Education and Paradise Unified School District in addition to local donations and fundraising. The principal funding the Charter uses for operations is Local Education Agency Funds that is a combination of funds received from the California Department of Education and in lieu of local property taxes from Paradise Unified School District.

Per the bylaws of the Charter, Children's Community Charter School is governed by a 9 member Board of Directors (the Board). The Board configuration shall be: 2 community members; 5 parents or guardians; 1 classroom teacher and the site administrator. As of June 30, 2015, the Board had only 7 members. The Children's Community Charter School is currently working on obtaining additional board members. Additional detail of the board members is available on page 18.

Basis of Presentation and Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements presentation follows the requirements of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC), Number 928-205 which provides for guidance for the classification of net assets. Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Children's Community Charter School and changes therein are classified and reported as follows:

Unrestricted Net Assets: Net assets that are not subject to donor-imposed stipulations. These assets are available for use in carrying out the operations of Children's Community Charter School.

Temporarily Restricted Net Assets: Net assets subject to donor- and grantor-imposed stipulations that may or will be met, either by actions of the Charter

and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations and that the net assets be maintained permanently by the Charter. The Charter has no permanently restricted net assets as of June 30, 2015.

Revenue and Support

Contributions are recognized when the donor makes a promise to give to the Charter that is in substance, unconditional. Grants and other contributions of cash are reported as temporarily restricted support if they are received with donor stipulations. Restricted contributions and grants that are made to support the Charter's current year activities are recorded as unrestricted revenue if they are used in the same year they were awarded. Contributions of assets other than cash are recorded at their estimated fair value.

Revenue from the state and local governments resulting from the Charter's status and based on the number of students enrolled is recorded when the services are performed in accordance with the charter agreement. Federal and other state and local funds are recorded when expenditures are incurred and billable to the government agencies.

Non-exchange transactions, in which the Charter receives value without directly giving equal value in return, include property taxes, grants, and entitlements. 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 required to be used or the year when use is first permitted, matching requirements, in which the Charter must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Charter on a reimbursement basis.

Functional Allocation of Expense

Directly identifiable expenses are charged to the Charter's programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expense includes those expenses that are not directly identifiable with any other specific function, but provide for the overall support of and direction of the Charter.

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. Accordingly, all significant liabilities as of June 30, 2015, for the Charter have been recorded with the correlating expense.

When both restricted and unrestricted resources are available and eligible to have the expenditures charged to the funding source, it is the Charter's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Investments

For purposes of the Statement of Cash Flows, the Charter considers all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

Cash and CD's are secured by FDIC insurance up to \$250,000 at each financial institution. Cash balances in excess of \$250,000 are collateralized with pledged securities from the financial institution where the funds are held.

As of June 30, 2015, the Charter had \$300 of cash on hand and \$321,050 of reconciled cash balances in banks. The total of these funds were reported in the financial statements as related schedules of the Charter for the year ended June 30, 2015.

Accounts Receivable

Accounts receivable represent amounts due from private persons, firms, or corporations based on contractual agreements or amounts billed but not received as of June 30, 2015. In addition, the Charter reports amounts due from federal, state, and local governments including entitlements and grants from federal, state, and local governments that the Charter has earned or been allocated but has not received as of June 30, 2015, as receivables from government agencies. Management believes that all receivables are fully collectible and as a result no allowance for doubtful accounts was deemed necessary.

Prepaid Expenses

Prepaid expenses consist of operating expenses for which payment is due in advance and are expensed when the benefit is received.

Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair market value on the date donated. Renewals and betterments are capitalized. Assets capitalized have an original cost of \$5,000 or more and over one year useful life. The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend an asset's life, are not capitalized. Depreciation on all capital assets is computed using a straight-line basis over the estimated useful lives of the various classes of depreciable capital assets as follows: of leasehold improvements (25 years), site improvements (20 years), and equipment (5 years). The Charter does not possess any significant infrastructure such as roads or bridges or any works of art.

CHILDREN'S COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Income Taxes

The Charter is exempt from federal income tax under Section 501(c) (3) of the *Internal Revenue Code* and Section 23701(d) of the *California Revenue and Taxation Code*. The Charter is not a private foundation under Section 509(a) (2). The Charter has not entered into any activities that would jeopardize its tax-exempt status. Accordingly, no provision for income taxes is required.

The Charter files exempt organization returns in the U.S. federal and California jurisdictions. As of June 30, 2015, the federal returns for tax years 2012 and beyond and California returns for tax years 2011 and beyond remain subject to examination by the taxing authorities.

The Charter accounts for income taxes in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in the Charter's financial statements and prescribes a recognition threshold and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC 740 also provides guidance on derecognition and measurement of a tax position taken or expected to be taken.

The Use of Estimates

The preparation of 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 (assets, liabilities, revenues and expenses) and the related accompanying notes. Actual results may differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through December 13, 2015, the date the financial statements were available to be issued.

NOTE 2. ACCOUNTS RECEIVABLE

Amounts due from governmental agencies to the Charter as of June 30, 2015, are as follows:

Due from State governments	\$ 138,944
Due from local governments	4,174
Total Accounts Receivable	\$ 143,118

CHILDREN'S COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3. PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment in the accompanying financial statements of the Charter is presented net of accumulated depreciation in the accompanying financial statements. The components of the property plant and equipment for the year ended June 30, 2015, is shown below:

Property, Plant and Equipment	June 30, 2015
Land	\$ 159,972
Depreciable Capital Assets	
Buildings	1,361,474
Site improvements	103,324
Equipment	29,980
Total depreciable capital assets	<u>1,494,778</u>
Less accumulated depreciation for:	
Buildings	363,818
Site improvements	64,332
Equipment	16,702
Total accumulated depreciation	<u>444,852</u>
Net Depreciable Capital Assets	<u>1,049,926</u>
Capital Assets - Net	\$ <u>1,209,898</u>

The Charter purchased new Wi-Fi networking during the year and recorded an increase of \$6,070 to its equipment. The Charter did not dispose of any property, plant or equipment during the year.

Depreciation expense amounted to \$44,878 for the year ended June 30, 2015. Of the total amount of depreciation, \$43,658 of the expense was charged to instruction and \$1,220 was charged to instruction related services.

NOTE 4. ACCOUNTS PAYABLE

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

Vendors payable	\$ 877
Employee benefits payable	42,663
Due to local governments	83,344
Other payables	70
Total Accounts Payable	\$ <u>126,954</u>

CHILDREN'S COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5. LONG-TERM DEBT – NOTES PAYABLE

A schedule of changes in general long-term debt during the fiscal year ending June 30, 2015, is shown below:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due Within One Year
Notes payable	\$ 49,048	\$ -	\$ 49,048	\$ -	\$ -

Science Building Note

In 2010 the Charter borrowed \$186,048 from Paradise Unified School District to assist in the construction of a new science building. Per the terms of the agreement, no payments were to be made until a previous note was paid in full – said note was paid in full in 2013. There is no interest to be accrued or paid on the note. As of July 1, 2014, the principal balance outstanding was \$49,048, and the entire balance was paid off during the year resulting in no outstanding balance as of June 30, 2015.

NOTE 6. RESTRICTIONS ON NET ASSETS

As of June 30, 2015, temporarily restricted net assets were available for the following purposes:

State of California	
Clean Energy - Proposition 39	100,698
Common Core	14,166
Proposition 20 Lottery	502
Lottery - other than Proposition 20	32,776
Total Temporary Restrictions as of June 30, 2015	\$ 148,142

Of the \$1,364,107 of unrestricted net assets, the Board of Directors have designated \$70,000 for Economic Uncertainties; \$1,209,898 of the balance is invested in capital assets; leaving a balance of \$84,209 of other unrestricted net assets.

NOTE 7. LINE OF CREDIT

The Charter obtained a line of credit on June 25, 2013, in the amount of \$150,000 with a local bank, Northern California National Bank. The interest rate on the line of credit is prime plus 1.5% with a floor rate of 6%. As of June 30, 2015, 6% was the consistent rate used by the bank for the Charter. The original line of credit expired on June 30, 2014, and in September 2014 and July 2015 the line of credit was renewed with the same terms. The most current line of equity will expire on June 30, 2016. During the year ended and as of June 30, 2015, there was no balance on the line of credit.

CHILDREN'S COMMUNITY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 8. OPERATING LEASES

The Charter has entered into various operating leases for copiers and laptops with lease terms in excess of one year. Rent expense for the leases during the year ended June 30, 2015, was \$18,570. Future minimum lease payments are as follows:

For the year ending June 30:	Lease Payments
2016	\$ 6,833
2017	6,833
2018	6,833
2019	6,833
2020	3,416
Total	\$ 30,748

NOTE 9. JOINT POWERS AGREEMENTS

The Charter participates in joint ventures under joint powers agreements with the Joint Powers Authorities (JPA), California's Valued Trust (CVT). CVT arranges for and provides healthcare insurance coverage and life insurance for its members.

The relationship between the Charter and the JPA is such that the JPA is not component units of the Charter for financial reporting purposes.

CVT is governed by a board consisting of a representative from the members. The Board controls the operations of the JPA including selection of management and approval of operating budgets, independent of any influence by the Charter's member beyond their representation on the board. Each member Charter pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA. The Charter's share of year-end assets, liabilities, or fund equity is not calculated by the JPA. Separately issued financial statements can be requested from CVT.

NOTE 10. COMMITMENTS AND CONTINGENCIES

Federal and State Allowances, Awards, and Grants

The Charter has received federal, state and local government funds for specific purposes that are subject to review and audit by the grantor agencies. If the review or audit discloses exceptions, the Charter may incur a liability to grantor agencies. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Charter at June 30, 2015.

NOTE 11. CONCENTRATIONS

Revenue Concentration Risk

The Charter receives a substantial portion of its support and revenue from the California Department of Education. If the Charter laws were modified, reducing or eliminating these revenues, the Charter's finances could be materially adversely affected.

Concentration of Credit Risk

Financial instruments which potentially subject the Charter to concentrations of credit risk are cash and cash equivalents. The Charter places its cash and cash equivalents on deposit in what it believes to be highly credited financial institutions. The Charter believes that there is little risk in any losses and has not experienced any losses in such accounts.

The Charter maintains several bank accounts at two financial institutions. The Charter at times maintains cash balances in excess of the \$250,000 amount insured by the Federal Deposit Insurance Corporation (FDIC). The school has not made any provision as it has not incurred any losses due to exceeding insured amounts.

As of June 30, 2015, total bank cash balances in the two local banks used by the Charter were \$241,295 and \$102,402, providing that all of the funds of the Charter were insured at that time.

NOTE 12. RISK MANAGEMENT

The Charter is exposed to various risks including loss or damage to property, general liability, and injuries to employees. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years. No significant reductions in insurance coverage from the prior year have been made.

NOTE 13. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

California State Teachers' Retirement System (CalSTRS)

Plan Description

The Children's Community Charter School contributes to the State Teachers' Retirement System (CalSTRS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by CalSTRS. Plan information for CalSTRS is not publicly available. 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. According to the most recent available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2014, total plan net assets are \$191 billion, the total actuarial present value of accumulated plan benefits is \$287 billion, contributions from all employers totaled \$2.3 billion, and the plan is 68.5% funded. The School did not contribute more than 5% of the total contributions to the plan.

Copies of the CalSTRS annual financial reports may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, CA 95826 and www.calstrs.com.

Funding Policy

Active plan members are required to contribute 8.15% of their salary and the Charter is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2014-15 was 8.88% of annual payroll. The contribution requirements of the plan members are established by state statute. The Charter's contributions to CalSTRS for the fiscal years ended June 30, 2015, 2014, and 2013, were \$51,334, \$43,739, and \$44,127, respectively, and equal 100% of the required contributions for the years.

California Public Employees Retirement System (CalPERS)

Plan Description

The Charter contributes to the School Employer Pool under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Plan information for CalPERS is not publicly available. 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. According to the most recently available Actuarial Valuation Report for the year ended June 30, 2013, the Schools Pool total plan assets are \$49.4 billion, the total actuarial present value of accumulated plan benefits are 72 billion, contributions from all employers totaled \$1.8 billion, and the plan is 80.5% funded. The Charter did not contribute more than 5% of total contributions to the plan. 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 CalPERS Executive Office, 400 P Street, Sacramento, California 95814 or at www.calpers.ca.gov.

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the Charter is required to contribute an actuarially determined rate. 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 year 2014-2015 was 11.771%. The contribution requirements of the plan members are established by state statute. The Charter's contributions to CalPERS for the fiscal years ended June 30, 2015, 2014, and 2013, were \$9,999, \$9,433, and \$11,013, respectively, and equal 100% of the required contributions for the years.

NOTE 14. RELATED PARTY TRANSACTIONS

For the year ended June 30, 2015, the Children's Community Charter School had 3 board members whom were also paid employees of the Charter. One board member was employed as a teacher at the Charter, another board member was employed to assist in the office and one was employed as the site administrator. The salaries for these three related parties totaled \$133,481 for the year ended June 30, 2015.

All transactions were properly approved by the board members at regular board meetings.

OTHER SUPPLEMENTARY INFORMATION SECTION

**CHILDREN’S COMMUNITY CHARTER SCHOOL
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2015**

The Children’s Community Charter School (the Charter) was established in 1996 and is located in Paradise, California in Butte County. The Charter is Number 94 as assigned by the California Department of Education. There were no changes in the boundaries of the Charter during the current year. The Charter is currently operating one elementary school that provides education for students in kindergarten to grade eight through classroom based instruction.

In July 2010, the Charter and Paradise Unified School District (PUSD) entered into an agreement for PUSD to be the sponsoring local educational agency until June 30, 2015. On December 8, 2014, the PUSD Board of Directors approved the charter renewal for the term of July 1, 2015, through June 30, 2020.

The Charter bylaws indicate that the Charter shall be governed by a board of no less than 9 members and no more than 11. Per the Bylaws of the Charter all members are voting. The desired board configuration of the Charter, per the Bylaws, will consist, at a minimum, of the following: 2 community members; 5 parents or guardians; 1 classroom teacher and the site administrator. Board members serve two year terms on a rotating schedule. All terms expire on June 30th in the year the rotating schedule designates. As of June 30, 2015, the Charter had the following board members:

BOARD OF DIRECTORS

NAME	OFFICE	TERM EXPIRES
Karen Crist	Board Chair	2017
Bev Gloyd	Treasurer	2016
Max Barteau	Secretary	2017
Shawna Howard	Former Chair / Member	2016
Nicki Haun	Member	2017
Brenda Sobon	Teacher Representative / Member	2017
Emily Mullins	Site Administrator	2015

ADMINISTRATION

Emily Mullins
Principal / Superintendent

Linda Hovey
Business Manager

CHILDREN'S COMMUNITY CHARTER SCHOOL
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 JUNE 30, 2015

SECOND PERIOD REPORT

	As Original Filed	
	Classroom Based ADA	Total ADA
Grades TK/K through three	90	90
Grades four through six	85	85
Grades seven and eight	41	41
Grand Total of ADA	216	216

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	As Original Filed	
	Classroom Based ADA	Total ADA
Grades TK/K through three	90	90
Grades four through six	84	85
Grades seven and eight	40	41
Grand Total of ADA	214	216

See the accompanying notes to the other supplementary information.

**CHILDREN'S COMMUNITY CHARTER SCHOOL
SCHEDULE OF INSTRUCTIONAL TIME
JUNE 30, 2015**

<u>Grade Level</u>	<u>Ed Code 47612.5 Minutes Requirement</u>	<u>* Ed Code 46201.2 Reduced Minute Requirement</u>	<u>2014-2015 Actual Minutes</u>	<u>Traditional Calendar Days</u>	<u>Status</u>
Kindergarten	36,000	34,971	36,050	175	Complied
Grade 1	50,400	48,960	49,385	175	Complied
Grade 2	50,400	48,960	49,385	175	Complied
Grade 3	50,400	48,960	49,385	175	Complied
Grade 4	54,000	52,457	53,130	175	Complied
Grade 5	54,000	52,457	53,130	175	Complied
Grade 6	54,000	52,457	55,300	175	Complied
Grade 7	54,000	52,457	55,300	175	Complied
Grade 8	54,000	52,457	55,300	175	Complied

* For the fiscal years 2013-14 through 2014-2015, Education Code 46201.2 allows for the Organization to satisfy the instructional minutes requirements at this level.

See the accompanying notes to the other supplementary information.

**CHILDREN'S COMMUNITY CHARTER SCHOOL
RECONCILIATION OF ANNUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
JUNE 30, 2015**

Unaudited Actuals Financial Report - Alternative Form *	
June 30, 2015, Net Position	\$ 1,527,339
ADJUSTMENTS DECREASING NET ASSETS:	
Decrease in capital assets - Net of accumulated depreciation	<u>(15,090)</u>
Audited Statement of Financial Position	
June 30, 2015 - Net Assets	\$ 1,512,249

* Form is utilized by Charter Schools and is equivalent to the Annual Financial and Budget Report (SACS) used by School Districts

See the accompanying notes to the other supplementary information.

NOTE 1. PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance

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

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the Charter and whether the Charter complied with the provisions of *California Education Code*, Section 46201 through 46206.

Reconciliation of Annual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the net assets as reported on the Charter's Annual Financial Report form to the audited financial statements.

OTHER INDEPENDENT AUDITORS' REPORTS SECTION

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

Board of Directors
Children's Community Charter School
Paradise, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Children's Community Charter School (the Charter), a nonprofit public benefit corporation, which comprise the statement of financial position as of and for the year ended June 30, 2015, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our thereon dated December 13, 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Charter'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 the Charter's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

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

Continued

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Charter'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*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing and not 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 internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Chico, California
December 13, 2015

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors
Children's Community Charter School
Paradise, California

REPORT ON STATE COMPLIANCE

We have audited Children's Community Charter School (the Charter), a nonprofit public benefit corporation, compliance with the compliance requirements identified in the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel that could have a direct and material effect on each of the Charter's state government programs for the year ended June 30, 2015, as identified below.

MANAGEMENT'S RESPONSIBILITY

Management is responsible with the compliance of the requirements of laws, regulations, contracts and grants applicable to its State's programs.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on compliance of each of the Charter's state programs based on our audit of the types of compliance requirements referred to above. 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 *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in the *California Code of Regulations, Title 5, Section 19810* and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about the Charter'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 on compliance with state programs. However, our audit does not provide a legal determination of the Charter's compliance with those requirements.



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Continued

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

<u>Program Name</u>	<u>Procedures Performed</u>
Local Education Agencies Other Than Charter Schools	
Attendance	Not applicable
Teacher Certification and Misassignments	Not applicable
Kindergarten Continuance	Not applicable
Independent Study	Not applicable
Continuation Education	Not applicable
Instructional Time	Not applicable
Instructional Materials	Not applicable
Ratios 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
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
School Districts, County Offices of Education and Charter Schools	
California Clean Energy Jobs Act	No
After School Education and Safety Program	No
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
Charter Schools	
Attendance - Charter School	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study for Charter Schools	No
Determination of Funding for Nonclassroom-Based Instruction	No
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	No

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Continued

The Charter did not have any expenditures for the California Clean Energy Jobs Act during the 2014-2015 year, therefore all steps related to the testing was not performed.

The Charter did not participate in the After School Education and Safety Program during the 2014-2015 year, therefore all steps related to the program testing were performed.

Testing was not performed for nonclassroom-based instruction/independent study because the ADA for this program was below the level that requires testing.

Since the Charter did not generate more than 20% of total ADA through nonclassroom-based instruction, all steps related to the determination of funding for nonclassroom-based instruction were not performed.

Since the Charter did not receive the Charter School Facility Grant, all steps related to the program were not performed.

OPINION ON COMPLIANCE WITH STATE PROGRAMS

In our opinion the Charter complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each program for the year ended June 30, 2015.

This report is intended solely for the information and use of the Board of Directors, management, the California Department of Education, the State Controller's Office, and the California Department of Finance, and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature of Amy Marie Lopez, C.P.A.

Chico, California
December 13, 2015

FINDINGS AND RECOMMENDATIONS SECTION

**CHILDREN'S COMMUNITY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015**

**SECTION I
SUMMARY OF AUDITORS' RESULTS**

FINANCIAL STATEMENTS

Type of auditors' report issued	Unqualified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

STATE AWARDS

Internal control over state programs	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for state programs	Unqualified

**CHILDREN'S COMMUNITY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015**

**SECTION II FINDINGS
FINANCIAL STATEMENTS AUDIT**

None.

**CHILDREN'S COMMUNITY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015**

**SECTION III FINDINGS
STATE AWARDS AUDIT**

None.

**CHILDREN'S COMMUNITY CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2015**

There were no findings in the prior year.