

---

---

**SACRAMENTO VALLEY CHARTER SCHOOL**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

---

---



**SACRAMENTO VALLEY CHARTER SCHOOL**  
**AUDITED FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**TABLE OF CONTENTS**

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6-10
SUPPLEMENTARY INFORMATION	
Schedule of Functional Expenses	11
Organization	12
Schedule of Average Daily Attendance	13
Schedule of Instructional Time	14
Notes to Supplementary Information	15
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 <i>GOVERNMENT AUDITING STANDARDS</i>	16-17
INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE	18-19
SCHEDULE OF FINDINGS AND RESPONSES	20-21
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS	22



**Patel &  
Associates, LLP**  
Certified Public Accountants

266 17<sup>th</sup> Street, Suite 200  
Oakland, California 94612-4124

Telephone: (510) 452-5051  
Fax: (510) 452-3432  
e-mail: [rpatel@patelcpa.com](mailto:rpatel@patelcpa.com)

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Sacramento Valley Charter School  
West Sacramento, California

### **Report on the financial Statements**

We have audited the accompanying financial statements of Sacramento Valley Charter School which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended 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.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-2014*, issued by the Education Audit Appeals Panel. 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 opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sacramento Valley Charter School as of June 30, 2014, 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 Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as listed in the table of contents, are presented for purposes of additional analysis, and as required by the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-2014*, issued by the Education Audit Appeals Panel and are not a required part of the 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 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 Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2014 on our consideration of Sacramento Valley 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 Sacramento Valley Charter School's internal control over financial reporting and compliance.



Oakland, California  
December 11, 2014

**SACRAMENTO VALLEY CHARTER SCHOOL**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2014**

**ASSETS:**

Current assets:	
Cash	\$ 373,262
Due from state and local governments (Note 3)	251,073
Prepaid expenses	6,123
	<hr/>
Total current assets	630,458
	<hr/>
Property and equipment - net (Note 4)	96,857
	<hr/>
Total assets	\$ 727,315

**LIABILITIES AND NET ASSETS**

Current liabilities:	
Accounts payable	\$ 81,602
Due to Temple (Note 5)	15,000
Line of credit (Note 6)	210,000
Note payable to Temple (Note 5)	277,520
	<hr/>
Total current liabilities	584,122
	<hr/>
Net assets:	
Unrestricted	143,193
	<hr/>
Total net assets	143,193
	<hr/>
Total liabilities and net assets	\$ 727,315

The accompanying notes are an integral part of these financial statements

**SACRAMENTO VALLEY CHARTER SCHOOL**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and revenues</b>				
Local Control Funding Formula Sources				
State Aid	\$ 903,039	\$	\$	\$ 903,039
EPA entitlement	251,093			251,093
State Aid - Prior Years	8,513			8,513
Cash in-lieu of property taxes	218,123			218,123
Other state revenue	95,606			95,606
Local revenue:				
Contributions	29,940			29,940
Other local revenue	6,411			6,411
	1,512,725			1,512,725
Net assets released from restrictions:				
Satisfaction of program restrictions	2,425	(2,425)		
	1,515,150	(2,425)		1,512,725
<b>Expenses</b>				
Program expenses:				
Educational programs	1,089,155			1,089,155
Supporting services:				
Management and general	160,770			160,770
	1,249,925			1,249,925
Change in net assets	265,225	(2,425)		262,800
Net assets, beginning of year	(122,032)	2,425		(119,607)
Net assets, end of year	\$ 143,193	\$	\$	\$ 143,193

The accompanying notes are an integral part of these financial statements

**SACRAMENTO VALLEY CHARTER SCHOOL**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2014**

Cash flows from operating activities:

Change in net assets	\$ 262,800
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	15,648
Changes in operating assets and liabilities:	
Due from state and local governments	17,407
Prepaid expenses	1,328
Accounts payable	<u>21,474</u>
Net cash provided by operating activities	<u>318,657</u>
Cash flows from investing activities:	
Purchase of property and equipment	<u>(19,098)</u>
Net cash used by investing activities	<u>(19,098)</u>
Cash flows from financing activities:	
Repayment of note payable	(240,000)
Proceeds from line of credit	210,000
Repayment of line of credit	<u>(20,000)</u>
Net cash used by financing activities	<u>(50,000)</u>
Net increase in cash	249,559
Cash, beginning of year	<u>123,703</u>
Cash, end of year	<u>\$ 373,262</u>
Supplementary disclosure:	
Interest paid during the year	<u>\$ 1,397</u>

The accompanying notes are an integral part of these financial statements

**SACRAMENTO VALLEY CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE 1: SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES**

Sacramento Valley Charter School (the Charter school) is a California non-profit public benefit corporation that was incorporated on June 14, 2011, and is organized to manage, operate, guide, direct and promote a California public charter school.

The Charter school is funded principally through State of California public education monies received through the California Department of Education and the Yolo County Office of Education. A Board of Directors, consisting of nine board members, governs the Charter school. Washington Unified School District (the Sponsoring District) renewed the charter for the Charter school for a five-year term through June 2019. Along with the approval of the Charter, the Charter school signed a Memorandum of Understanding (MOU) with the Sponsoring District.

The charter could be revoked by the Sponsoring District for material violations of the charter, failure to meet pupil outcomes identified in the charter, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

**A. Basis of Accounting and Financial Statement Presentation**

The financial statements are prepared on the accrual basis of accounting and in conformity with accounting standards applicable to not-for-profit entities. The Charter school reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Temporarily restricted net assets at June 30, 2014 consist of lottery revenues restricted for the purchase of instructional materials. The Charter school had no permanently restricted net assets at June 30, 2014.

**B. Revenue Recognition**

Contributions and grants are recognized in full when received or unconditionally promised. All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor restricted amounts are reported as increases in temporarily or permanently restricted net assets. Temporarily restricted net assets become unrestricted, and are reported in the statement of activities as net assets released from restrictions, when time restrictions expire or the contributions are used for the restricted purpose.

**C. Property and Equipment**

Property and equipment is stated at cost or, if donated, at the estimated fair market value at the date of donations. The Charter school capitalizes all expenditures for property and equipment in excess of \$5,000. Depreciation is computed using the straight-line method over an estimated useful life for vehicles of 7 years.

**SACRAMENTO VALLEY CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**D. Donated Property and Equipment**

Donation of property and equipment is recorded as contributions at fair value at the date of donation. Such donation is reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose.

**E. 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 certain reported amounts and disclosures. Significant estimates included in these financial statements are management's estimate of the collectability of accounts receivable and the useful life of vehicles. Accordingly, actual results could differ from those estimates.

**F. Income Taxes**

The Charter school is publicly supported and has received tax-exempt status under Internal Revenue Code Section 501(c)(3) and Section 23701(d) of the California Revenue and Taxation Code.

The Charter school uses the same accounting methods for tax and financial reporting. Accordingly, no provision for federal and state income taxes has been made in the accompanying financial statements. There is no unrelated taxable income and accordingly, there is no provision for income taxes in these financial statements.

GAAP provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Charter School in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Charter School's returns are subject to examination by Federal and State taxing Authorities, generally three years and four years respectively after they are filed.

**G. Functional Expenses**

The costs of providing the Charter school's program and supporting services have been summarized on a functional basis in the statements of activities and in the schedule of financial expenses. Accordingly, certain costs have been allocated based on employees' time incurred and management's estimate of the usage of resources.

**SACRAMENTO VALLEY CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE 2: CASH IN BANK**

The Charter school maintains its cash balance with a financial institution located in Northern California. Cash balances in these accounts are insured up to \$250,000 by the Federal Depository Insurance Corporation. At June 30, 2014, there was uninsured balance of \$132,994, before reconciling items.

**NOTE 3: DUE FROM STATE AND LOCAL GOVERNMENTS**

Due from State and Local Governments at June 30, 2014 consist of the following:

State sources	\$ 228,088
Local sources	<u>22,985</u>
	\$ <u>251,073</u>

**NOTE 4: PROPERTY AND EQUIPMENT**

A summary of property and equipment at June 30, 2014 is as follows:

Vehicles	\$ 134,537
Less: accumulated depreciation	<u>(37,680)</u>
	\$ <u>96,857</u>

The depreciation expense for the year was \$15,648.

**NOTE 5: RELATED PARTY TRANSACTIONS**

The Charter school and the Sikh Temple Sacramento (the Temple) share common board members and have entered into a memorandum of understanding (MOU) for issuance of note payable and use of facility. The following are the terms:

*Note Payable*

During 2011-12, the Charter school received loan advances totaling \$555,000 from the Temple for start-up costs. The Temple raised the funds from the members of the congregation. The loan is interest free and currently has no maturity date. During the year ended June 30, 2014, the Charter school repaid \$240,000 to the Temple. The outstanding balance as of June 30, 2014 is \$277,520.

**SACRAMENTO VALLEY CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Operating Lease Commitment**

The Charter school leases the school facilities from the Temple under a non-cancelable operating lease effective August 2011 through July 2014. The operating lease was renewed for 5 more years effective July 1, 2014. Rental expense for the period ending June 30, 2014, was \$87,000. Unpaid rent totaled \$15,000 as of June 30, 2014.

Future minimum lease payments under this lease as of June 30, 2014 are as follows:

Year Ending June 30,	
2015	\$ 187,800
2016	187,800
2017	187,800
2018	187,800
2019	187,800
	<hr/>
	\$ 939,000

**NOTE 6: LINE OF CREDIT**

The Charter school has a revolving line of credit with a bank for up to \$300,000 with interest equal to the base rate announced by the bank plus 2%. Interest only is payable monthly with remaining principal and interest due upon maturity. The line is secured by substantially all of the Charter school's assets. As of June 30, 2014, the outstanding balance was \$210,000. Interest paid during the year ended June 30, 2014 was \$1,397.

**NOTE 7: AGREEMENT**

The Charter school has an MOU with the Sponsoring District through June 30, 2016. As stated in the Education Code, up to 1% of all the Charter school's revenues (excluding grants and private monies outside of the funding model) is paid to the Sponsoring District for the actual expenses incurred in monitoring and overseeing the Charter school. The MOU also states that the Sponsoring District shall serve as the LEA for special education purposes for the Charter school, therefore, the Sponsoring District will retain all state and federal special education funding allocated for the Charter school's students through the SELPA. In addition, the Charter school will pay the Sponsoring District a pro-rata share of the unfunded special education costs, or encroachment. For the year ended June 30, 2014, the Charter school accrued the expense of \$48,420 for special education encroachment costs.

**SACRAMENTO VALLEY CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE 8: CONTINGENCIES:**

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 disallowance under terms of the grants, it is believed that any reimbursement, if required would not be material.

**NOTE 9: EVALUATION OF SUBSEQUENT EVENTS**

The management of Sacramento Valley Charter School reviewed the results of operations for the period of time from its year end June 30, 2014 through December 11, 2014, the date the financial statements were available to be issued and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

**SUPPLEMENTARY INFORMATION**

**SACRAMENTO VALLEY CHARTER SCHOOL**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Program Expenses	Supporting Services	Total Expenses
Certificated salaries	\$ 523,094	\$ 27,520	\$ 550,614
Classified salaries	134,900	40,670	175,570
Employee benefits	88,135	5,803	93,938
Books and supplies	106,147	3,457	109,604
Rent	69,600	17,400	87,000
Services and other operating expenses	103,211	65,920	169,131
Depreciation	15,648		15,648
Special education share of excess costs	<u>48,420</u>		<u>48,420</u>
 Total expenses	 <u>\$ 1,089,155</u>	 <u>\$ 160,770</u>	 <u>\$ 1,249,925</u>

**SACRAMENTO VALLEY CHARTER SCHOOL**  
**ORGANIZATION**  
**JUNE 30, 2014**

Sacramento Valley Charter School (the Charter school) is a California non-profit public benefit corporation that was incorporated on June 14, 2011, and is organized to manage, operate, guide, direct, and promote a California public charter school. The Charter school provides instruction to kindergarten to eighth grades.

**GOVERNING BOARD**

<b><u>Name</u></b>	<b><u>Office</u></b>	<b><u>Term</u></b>
Dr. Narinder Dhaliwal	Chairman	8/31/2014
Amar Shergill	Board Member	8/31/2015
Darshan Mundy	Board Member	8/31/2015
Harjinder Mattu	Board Member	8/31/2014
Iqbal Badwalg	Board Member	8/31/2014
Narinder Thandi	Board Member	8/31/2014
Surjit Dhillon	Board Member	8/31/2015
Gurmeet Mohem	Board Member	8/31/2015
Tirath Pal Sandhu	Board Member	8/31/2015

**ADMINISTRATION**

Jane Egashira  
Principal

**SACRAMENTO VALLEY CHARTER SCHOOL**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Second Period Report	Annual Report
Classroom based ADA:		
Grades K through 3	128.74	128.79
Grades 4 through 6	67.42	67.80
Grades 7 through 8	34.26	33.93
ADA total	<u>230.42</u>	<u>230.52</u>

See accompanying notes to supplementary information

**SACRAMENTO VALLEY CHARTER SCHOOL**  
**SCHEDULE OF INSTRUCTIONAL TIME**  
**FOR THE YEAR ENDED JUNE 30, 2014**

<u>Grade Level</u>	1982-83 Actual <u>Minutes</u>	1986-87 Minutes as <u>reduced</u>	2013-2014 Actual <u>Minutes</u>	Number of Days Traditional <u>Calendar</u>	<u>Status</u>
Kindergarten	N/A	34,971	60,410	178	In Compliance
Grade 1	N/A	48,960	60,410	178	In Compliance
Grade 2	N/A	48,960	60,410	178	In Compliance
Grade 3	N/A	48,960	60,410	178	In Compliance
Grade 4	N/A	52,457	60,410	178	In Compliance
Grade 5	N/A	52,457	60,410	178	In Compliance
Grade 6	N/A	52,457	64,845	178	In Compliance
Grade 7	N/A	52,457	64,845	178	In Compliance
Grade 8	N/A	52,457	64,845	178	In Compliance

See accompanying notes to supplementary information

**SACRAMENTO VALLEY CHARTER SCHOOL  
NOTES TO SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2014**

**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 Sacramento Valley 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 school districts. This schedule provides information regarding the attendance of students at various grade levels.

**B. Schedule of Instructional time**

This schedule presents information on the amount of instruction time offered by the charter school and whether the charter school complied with the provisions of subdivision (a)(1) of Education Code Section 47612.5 and subdivision (a)(3) of Education Code Section 46201.

Sacramento Valley Charter School must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Education Code Section 46201.

However, the 1982-83 actual minutes are not available because Sacramento Valley Charter School was granted the charter school status in 2011.

For fiscal year 2013-2014, the minimum instructional time has been reduced pursuant to the provisions of Education Code Section 46201.2 and 46201.3.



266 17<sup>th</sup> Street, Suite 200  
Oakland, California 94612-4124

Telephone: (510) 452-5051

Fax: (510) 452-3432

e-mail: [rpatel@patelcpa.com](mailto:rpatel@patelcpa.com)

**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  
Sacramento Valley Charter School  
West Sacramento, 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 Sacramento Valley Charter School (the Charter School), which comprise statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 11, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Charter School'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. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses listed as 2014-001 and 2014-002 that we consider to be significant deficiencies.

## **Compliance and Other Matters**

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

## **Charter School's Response to Findings**

The Charter school's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The 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 Charter School'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 Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*PwC M+A Newbold, LLP*

Oakland, California  
December 11, 2014

### **INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE**

Board of Directors  
Sacramento Valley Charter School  
West Sacramento, California

#### **Report on State Compliance**

We have audited Sacramento Valley Charter School's compliance with the requirements as identified in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-2014* applicable to Sacramento Valley Charter School's government programs as noted below for the year ended June 30, 2014.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on Sacramento Valley Charter School's compliance based on our audit. We conducted our audit 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 State of California's *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-2014*, published by the Education Audit Appeals Panel. 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 Sacramento Valley 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. Our audit does not provide a legal determination of Sacramento Valley Charter School's compliance with those requirements.

#### ***Unmodified Opinion on Each of the Other Programs***

In our opinion, Sacramento Valley Charter School complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2014.

### ***Other Matters***

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

<u>Description</u>	<u>State Compliance Education Audit Appeals Panel's Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-2014</u>	<u>Procedures Performed</u>
Contemporaneous Records of Attendance	8	Yes
Mode of Instruction	1	Yes
Nonclassroom-Based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	3	Not Applicable
Annual Instructional Minutes-Classroom Based	4	Yes
Charter School Facility Grant Program	1	Not Applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Not Applicable
After school	5	Not Applicable
Before school	6	Not Applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes

Oakland, California

December 11, 2014

**SACRAMENTO VALLEY CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014**

**2014-001: ACCOUNTING AND RECONCILIATION (30000)**

***Criteria or Specific Requirements:***

A good internal control system over accounting and financial reporting includes a control that can detect material misstatements in the financial statements in a timely manner independent of a financial statement audit. This requires recording of transactions and reconciliation of accounts in a timely manner.

***Condition:***

During our audit, we noted that transactions were not recorded in the accounting books in a timely manner. In few instances, there were significant delays. This caused delay in reconciliation of bank accounts also. We did not receive the original bank reconciliations for few months.

***Cause:***

The Charter school hired an outside accountant for maintaining and reconciling the accounting books. Proper fiscal oversight was not provided to ensure that accounting books are maintained and reconciled in a timely manner. Bank reconciliation statements were not properly maintained.

***Effect:***

If the accounting records are not maintained and reconciled in a timely manner, it exposes the Charter school to potential increased risks of errors or fraud.

***Recommendation:***

We recommend that the Charter school should review and consider improving its accounting policies and procedures to ensure that the accounting records are properly prepared, maintained and accounting entries are posted in a timely manner. A review be done by an independent authorized person for their accuracy in a timely manner.

***Views of the responsible officials and planned corrective action:***

The Charter school will review and consider improvement to its accounting policies and procedures. To improve timeliness, the bookkeeping function will be brought in house. This will allow entry into QuickBooks as (1) deposits are made, (2) checks are written, and (3) payroll is processed. Bank reconciliations will be prepared timely, printed, reviewed by a separate person and filed with the bank statements.

**SACRAMENTO VALLEY CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014**

**2014-002: JOURNAL ENTRY PROCESS (30000)**

***Criteria or Specific Requirements:***

Effective internal controls over accounting systems include having written policies and procedures in place and include requiring approval as evidence and supporting documents for all transactions.

***Condition***

Our review of the journal entry process revealed that some of the entries were not supported by approval evidence and documentation was not consistently attached to indicate the reason for the journal entries.

***Cause***

There was no adequate internal control system in place to ensure that all journal entries are reviewed by a second individual and that copies of supporting documents are maintained with a copy of the journal entry.

***Effect***

Lack of well documented, approved journal entries results in a lack of clarity of information and causes reviewing multiple levels of information to determine the appropriateness of an entry.

***Recommendation***

We recommend that the Charter school review its journal entry policies and procedures. Supporting documents and information should be attached to the journal entry form in order to verify that journal entries made to the accounting records are proper and a review by a second individual should be performed and documented.

***Views of the responsible officials and planned corrective action:***

The Charter school will review its journal entry policies and procedures. All journal entries will be printed with supporting documents attached before being filed. The journal entries will be reviewed by a second individual as part of review of the monthly financial statement.

**SACRAMENTO VALLEY CHARTER SCHOOL**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

<b><u>FINDINGS</u></b>	<b><u>STATUS</u></b>
<u>2013-1: ACCOUNT RECONCILIATION AND FINANCIAL CLOSE (30000)</u> Internal controls over financial reporting were not functioning properly.	Partially implemented. See current year's finding 2014-001