

**SONOMA CHARTER SCHOOL  
CHARTER # 0009  
(A CALIFORNIA NON-PROFIT  
PUBLIC BENEFIT CORPORATION)**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**SONOMA CHARTER SCHOOL**  
**(A California Non-Profit Public Benefit Corporation)**

**JUNE 30, 2019**

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## FINANCIAL SECTION

**STEPHEN ROATCH ACCOUNTANCY CORPORATION**  
*Certified Public Accountants*

**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Sonoma Charter School  
Sonoma, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of Sonoma Charter School, a California non-profit public benefit corporation, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sonoma Charter School as of June 30, 2019, 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.

Emphasis of Matter

As described in Note 1B to the financial statements, in fiscal year 2018-19, the Charter School adopted the Financial Accounting Standards Board's Accounting Standards Update 2016-14 (ASU 2016-14), *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

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 listed in the table of contents is presented for purposes of additional analysis and is 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 supplementary information listed in the table of contents 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 13, 2019 on our consideration of Sonoma 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Sonoma Charter School's 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 Sonoma Charter School's internal control over financial reporting and compliance.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 13, 2019

**SONOMA CHARTER SCHOOL**  
(A California Non-Profit Public Benefit Corporation)  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2019**

**ASSETS**

Current:

Cash and Cash Equivalents (Note 2)	\$ 973,062
Accounts Receivable (Note 3)	181,098
Prepaid Expenses (Note 1H)	8,491
Total Current Assets	1,162,651

Long-Term:

Property and Equipment: (Note 4)	123,928
Less: Accumulated Depreciation	(71,258)
Total Long-Term Assets	52,670

Total Assets	\$ 1,215,321
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**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Current:

Accounts Payable	\$ 550,790
Deferred Revenue (Note 1J)	10,000
Total Current Liabilities	560,790

**NET ASSETS**

Net Assets Without Donor Restrictions:

Invested in Property and Equipment	52,670
Board Designated for Restricted Programs (Note 7)	312,944
Undesignated	288,917
Total Net Assets	654,531

Total Liabilities and Net Assets	\$ 1,215,321
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**SONOMA CHARTER SCHOOL**  
(A California Non-Profit Public Benefit Corporation)  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<b><u>REVENUES</u></b>	WITHOUT DONOR <u>RESTRICTIONS</u>	WITH DONOR <u>RESTRICTIONS</u>	<u>TOTALS</u>
LCFF Sources:			
State Aid	\$ 141,419		\$ 141,419
Education Protection Account	39,794		39,794
In-Lieu of Property Taxes	1,572,366		1,572,366
Federal Revenues:			
Title I Part A Basic Grant	36,043		36,043
Title II Part A	6,046		6,046
Title III English Learner Student	5,745		5,745
State Revenues:			
Lottery	47,095		47,095
Mandated Costs	39,891		39,891
Other State	50,555		50,555
Local Revenues:			
Interest	19,012		19,012
Donations and Fundraising	187,670		187,670
Other Local	30,557		30,557
Total Revenues	<u>2,176,193</u>	<u>\$ 0</u>	<u>2,176,193</u>
<b><u>EXPENSES</u></b>			
Program:			
Educational Programs	1,684,491		1,684,491
Supporting Services:			
General and Administrative	675,903		675,903
Total Expenses	<u>2,360,394</u>	<u>0</u>	<u>2,360,394</u>
Changes in Net Assets	(184,201)	0	(184,201)
Net Assets - Beginning of Year	575,442	263,290	838,732
Reclassifications (Note 1B)	263,290	(263,290)	0
Net Assets - End of Year	<u>\$ 654,531</u>	<u>\$ 0</u>	<u>\$ 654,531</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**SONOMA CHARTER SCHOOL**  
**(A California Non-Profit Public Benefit Corporation)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Program Services	Supporting Services	
	Educational Programs	General and Administrative	Total Expenses
Teachers' Salaries	\$ 563,860		\$ 563,860
Supervisor's and Administrator's Salary		\$ 115,000	115,000
Instructional Aides' Salaries	206,521		206,521
Clerical and Support Salaries		159,643	159,643
Employee Benefits	226,149	75,454	301,603
Books and Supplies	115,151	9,006	124,157
Services and Other Operating Expenses:			
Travel and Conferences	76,577	27,511	104,088
Dues and Memberships		6,230	6,230
Special Education Contribution	452,899		452,899
Insurance		12,425	12,425
Computer Related Services	12,688	7,500	20,188
Professional Services	16,287	112,396	128,683
Copy Machine Related Services	14,311		14,311
Utilities and Housekeeping Services		83,289	83,289
Repairs and Maintenance		4,435	4,435
Miscellaneous	48	2,940	2,988
Oversight Fee		53,878	53,878
Depreciation		6,196	6,196
<b>Total Expenses</b>	<b>\$ 1,684,491</b>	<b>\$ 675,903</b>	<b>\$ 2,360,394</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS



**SONOMA CHARTER SCHOOL**  
(A California Non-Profit Public Benefit Corporation)  
**STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in Net Assets	\$ (184,201)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:	
Depreciation Expense	6,196
(Increase) Decrease in Assets:	
Accounts Receivable	(79,445)
Prepaid Expenses	(8,491)
Increase (Decrease) in Liabilities:	
Accounts Payable	199,746
Deferred Revenue	<u>10,000</u>
Net Cash Used by Operating Activities	(56,195)
Cash and Cash Equivalents, Beginning of Year	<u>1,029,257</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 973,062</u></u>

**SUPPLEMENTAL DISCLOSURES:**

Cash Paid for Interest	<u><u>\$ 0</u></u>
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**SONOMA CHARTER SCHOOL**  
(A California Non-Profit Public Benefit Corporation)

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

The Sonoma Charter School (Charter School), a California non-profit public benefit corporation, was formed to manage, operate, guide, direct and promote the Sonoma Charter School, a California Public School. The charter was approved by Sonoma Valley Unified School District in 1993 and was granted tax exempt status on March 27, 2014. The Charter School was established in 1993 and serves students in kindergarten through eighth grade. The Charter School is funded principally through State of California public education monies received through the California Department of Education and Sonoma Valley Unified School District (District). The Charter School is governed by a seven-member Board of Trustees.

The District granted the charter through June 30, 2023. The charter may be revoked by the District for material violations of the charter, failure to meet student outcomes identified in the charter, failure to meet generally accepted standards of fiscal management, or for any violation of any provision of the law.

B. Implementation of New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14 (ASU 2016-14), Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not for Profit Entities, with required implementation for the Charter School during the fiscal year ended June 30, 2019. The primary objective of this statement is to improve the presentation of information communicated in not-for-profit financial statements, in particular net assets, liquidity, financial performance, and cash flows. Due to the adoption of ASU 2016-14, net assets presented as unrestricted as of June 30, 2018 have been reclassified from \$575,442 to \$838,732 (net assets without donor restrictions) and nets assets presented as temporarily restricted as of June 30, 2018 have been reclassified from \$263,290 to \$0 (net assets with donor restrictions).

C. Basis of Presentation

The Charter School's financial statements representation follows the requirement of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) No. 958-205, which provides guidance for the classification of net assets. The amounts for the two classes of net assets are based on the existence or absence of donor-imposed restrictions. Net assets consist of the following:

Net Assets Without Donor Restrictions – All resources over which the Governing Board has discretionary control to use in carrying on the general operations of the Charter School. This portion of net assets is not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions – These net assets are subject to donor-imposed restrictions to be used for specific purposes. Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. At that time, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. The Charter School had no net assets with donor restrictions as of June 30, 2019.

**SONOMA CHARTER SCHOOL**  
(A California Non-Profit Public Benefit Corporation)

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. The Charter School uses the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized in the accounting period in which the liability is incurred.

E. Revenue Recognition

Contributions and grants are recognized when the donor/grantor makes an unconditional promise to give to the Charter School or when received, whichever occurs first. Donor-restricted contributions and grants are reported as increases in net assets with donor restrictions. Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. At that time, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Government grants are recognized as revenue in accordance with the terms of the applicable grant agreement, which is generally upon the incurrence of expenses related to the required services. Per-pupil funding from the California Department of Education is recognized as revenue by the Charter School based on the average daily attendance (ADA) of students.

F. Cash, Cash Equivalents and Concentration of Credit Risk

The Charter School maintains commercial bank accounts that are insured to \$250,000 by the Federal Depository Insurance Corporation (FDIC). For purposes of the statement of cash flows, the Charter School considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

G. Accounts Receivable

The Charter School considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

H. Prepaid Expenses

Prepaid expenses reflect payments made in the current fiscal year for expenses related to future periods.

**SONOMA CHARTER SCHOOL**  
(A California Non-Profit Public Benefit Corporation)

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Property and Equipment

All acquisitions or improvements of property and equipment and all expenditures for repairs, maintenance, renewals, and betterments exceeding \$5,000 that materially prolong the useful lives of assets are capitalized. All capital assets are capitalized at cost, or in the case of donated equipment, fair market value on the date of receipt, and depreciated using the straight-line method over their estimated useful lives of 20 years.

J. Deferred Revenue

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

K. Donated Materials, Services, and Facilities

In-kind contributions are recorded at their estimated fair values at the date of donation. Donated services are recorded when they create or enhance non-financial assets or require a specialized skill that the Charter School would otherwise need to purchase.

L. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

M. Income Taxes

Sonoma Charter School has been granted tax-exempt status under Internal Revenue Code Section 501(c)(3) and Section 23701(d) of the California Revenue and Taxation Code. There is no unrelated taxable income and, accordingly, no provision for income taxes has been reflected in these financial statements.

N. Oversight

The Sonoma Valley Unified School District receives 3% of the Charter School's annual total local control funding formula revenue for monitoring and supervisory responsibility.

O. Functional Classification of Expenses

The costs of the program and supporting services have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited on a reasonable basis that is consistently applied. The Charter School classifies its expenses based on the following categories:

**SONOMA CHARTER SCHOOL**  
(A California Non-Profit Public Benefit Corporation)

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

O. Functional Classification of Expenses (Concluded)

Program Services

- Instruction and instructional related programs
- Special education
- Field trips

Supporting Activities

- Administration and business office staff
- Professional services
- Insurance

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2019, consist of the following:

Cash in Revolving Fund	\$ 33,735
County Pool Investments	<u>939,327</u>
Total	<u>\$ 973,062</u>

Cash in Revolving Fund

Cash in revolving fund consists of all cash maintained in commercial bank accounts that are used as revolving funds.

County Pool Investments

County pool investments consist of Charter School cash held by the Sonoma County Treasury that is invested in the county investment pool. The fair value of the Charter School's investment in the pool is reported in the financial statements at amounts that are based upon the Charter School's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

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. The Charter School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Charter School manages its exposure to interest rate risk by investing in the Sonoma County Investment Pool.

**SONOMA CHARTER SCHOOL**  
(A California Non-Profit Public Benefit Corporation)

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)**

General Authorization

Limitation as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedule below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Weighted Average Maturity

The Charter School monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the Charter School's portfolio is presented in the following schedule:

Investment Type	Carrying Value	Fair Value	Weighted Average Days to Maturity
County Pool Investments	\$ 939,327	\$ 940,464	552

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments in the County Treasury are not required to be rated.

**SONOMA CHARTER SCHOOL**  
(A California Non-Profit Public Benefit Corporation)

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the Charter School's deposits may not be returned to it. The Charter School does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies.

California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, the Charter School's bank balance was not exposed to custodial credit risk.

Fair Value Measurements

The Charter School categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the Charter School has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specific term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the Charter School's own data. The Charter School should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the Charter School are not available to other market participants.

Uncategorized - Investments in the Sonoma County Treasury Investment Pool are not measured using the input levels above because the Charter School's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

**SONOMA CHARTER SCHOOL**  
(A California Non-Profit Public Benefit Corporation)

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 2 - CASH AND CASH EQUIVALENTS (CONCLUDED)**

Fair Value Measurements (Concluded)

The Charter School's fair value measurements are as follows at June 30, 2019:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
County Pool Investments	\$ 940,464	\$ 940,464

All assets have been valued using a market approach, with quoted market prices.

**NOTE 3 - ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2019 consist of the following:

Federal Government	\$ 17,761
State Government	163,337
Total	\$ 181,098

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment activity for the year ended June 30, 2019, is shown below:

	<u>Balances</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>June 30, 2019</u>
Property and Equipment	\$ 123,928			\$ 123,928
Less Accumulated Depreciation	65,062	\$ 6,196		71,258
Property and Equipment, net	\$ 58,866	\$ 6,196	\$ 0	\$ 52,670

**NOTE 5 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Charter School has \$1,154,160 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash and cash equivalents of \$973,062 and accounts receivable of \$181,098. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The accounts receivable are subject to implied time restrictions but are expected to be collected within one year.



**SONOMA CHARTER SCHOOL**  
(A California Non-Profit Public Benefit Corporation)

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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NOTE 6 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement 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).

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

The Charter School contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. 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 the CalSTRS, 100 Waterfront Place, West Sacramento, California 95605.

Funding Policy

Active plan members first hired on or before December 31, 2012, are required to contribute 10.25% of their salary, and members first hired on or after January 1, 2013, are required to contribute 10.205% of their salary, and the Charter School 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 2018-19 was 16.28% of annual payroll. The contribution requirements of the plan members are established by State statute. The Charter School's contributions to CalSTRS for the fiscal years ended June 30, 2019, 2018, and 2017, were \$106,074, \$97,958, and \$111,901, respectively, and equal 100% of the required contributions for each year.

B. California Public Employees' Retirement System (CalPERS)

Plan Description

The 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, Sacramento, CA 95811.

**SONOMA CHARTER SCHOOL**  
(A California Non-Profit Public Benefit Corporation)

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**NOTE 6 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)**

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

Funding Policy

Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary. The California Public Employee's Pension Reform Act (PEPRA) specifies that new members entering the plan on or after January 1, 2013, shall pay the higher of 50.0% of normal costs or 7.0% of their salary, and the Charter School 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 2018-19 was 18.062%. The contribution requirements of the plan members are established by State statute. The Charter School's contributions to CalPERS for the fiscal years ended June 30, 2019, 2018, and 2017, were \$56,166, \$23,472, and \$20,836, respectively, and equal 100% of the required contributions for each year.

**C. Social Security**

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The Charter School has elected to use Social Security as its alternative plan. Contributions made by the Charter School and participating employees vest immediately. Both the Charter School and participating employees are required to contribute 6.2% of each employee's gross earnings up to the annual limit.

**NOTE 7 - BOARD DESIGNATED NET ASSETS**

As of June 30, 2019, the Board designated net assets of \$312,944 for unspent restricted categorical program balances. The Board had no other designations as of June 30, 2019.

**NOTE 8 - RISK MANAGEMENT**

The Charter School is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018-19, the Charter School participated in one joint powers authority (JPA) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage for each of the past three years.

**NOTE 9 - JOINT VENTURE**

The Charter School participates in one joint venture under a joint powers agreement (JPA) with the Redwood Empire Schools' Insurance Group (RESIG) for property & liability, and workers' compensation insurance coverage. The relationship between the Charter School and the JPA is such that the JPA is not a component unit of the Charter School for financial reporting purposes.

**SONOMA CHARTER SCHOOL**  
(A California Non-Profit Public Benefit Corporation)

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**NOTE 9 - JOINT VENTURE (CONCLUDED)**

The JPA arranges for and/or provides coverage for its members. The JPA is governed by a board consisting of a representative from each member district and charter school. The board controls the operations of their JPA, including selection of management and approval of operating budgets independent of any influence by the member districts and charter schools beyond their representation on the Board.

Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the JPA. The JPA is audited on an annual basis. Financial information can be obtained by contacting the JPA's management.

**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

**A. State and Federal Allowances, Awards and Grants**

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

**B. Litigation**

The Charter School is subject to various legal proceedings and claims. In the opinion of management, the ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the Charter School.

**NOTE 11 - SUBSEQUENT EVENTS**

The Charter School's management has evaluated events or transactions that occurred for possible recognition or disclosure in the financial statements from the balance sheet date through December 13, 2019, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require disclosure in or adjustment to the current year financial statements.

SUPPLEMENTARY INFORMATION SECTION

**SONOMA CHARTER SCHOOL**  
(A California Non-Profit Public Benefit Corporation)  
**ORGANIZATION/BOARD OF TRUSTEES/ADMINISTRATION**  
**JUNE 30, 2019**

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ORGANIZATION

The Sonoma Charter School was established in February 1993 through authority established in Education Code Section 47602. The Charter School is located in Sonoma, California, and currently operates one elementary school, which provides education to pupils, kindergarten through eighth grade. The Charter School is sponsored by the Sonoma Valley Unified School District.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Gregory Stubbs	Board Chair Community Representative	June 2021
Alex Wilkens	Vice Chair Parent Representative	June 2020
Nadine Harmon	Secretary Teacher Representative	June 2019
Lissa Turnbull	Parent Representative	June 2020
Niki Gibbons	Community Representative	June 2019
Vacant	Community Representative	n/a
Vacant	Teacher Representative	n/a

ADMINISTRATION

Marc Elin  
Director

Molly Koler  
Chief Business Officer

**SONOMA CHARTER SCHOOL**  
(A California Non-Profit Public Benefit Corporation)  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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<u>Grade Spans</u>	<u>P-2 Report</u>		<u>Annual Report</u>	
	<u>Classroom-Based</u>	<u>Totals</u>	<u>Classroom-Based</u>	<u>Totals</u>
TK / K - 3	84.13	85.18	83.74	84.67
Grades 4-6	71.35	71.99	71.46	72.04
Grades 7-8	41.16	41.80	41.46	42.01
Totals	<u>196.64</u>	<u>198.97</u>	<u>196.66</u>	<u>198.72</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

**SONOMA CHARTER SCHOOL**  
(A California Non-Profit Public Benefit Corporation)

**SCHEDULE OF INSTRUCTIONAL TIME**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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<u>Grade Level</u>	<u>Minutes Required</u>	<u>2018-19 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	36,000	43,855	179	N/A	In Compliance
Grade 1	50,400	56,775	179	N/A	In Compliance
Grade 2	50,400	56,775	179	N/A	In Compliance
Grade 3	50,400	56,775	179	N/A	In Compliance
Grade 4	54,000	57,885	179	N/A	In Compliance
Grade 5	54,000	57,885	179	N/A	In Compliance
Grade 6	54,000	58,565	179	N/A	In Compliance
Grade 7	54,000	58,565	179	N/A	In Compliance
Grade 8	54,000	58,565	179	N/A	In Compliance

**SONOMA CHARTER SCHOOL**  
(A California Non-Profit Public Benefit Corporation)  
**RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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	Charter Schools Enterprise Fund
Annual Financial Report Net Assets - June 30, 2019	\$ 751,764
Adjustments Increasing (Decreasing) Net Assets:	
Understatement of Special Education Expenses	(97,233)
Audited Financial Statement Net Assets - June 30, 2019	<u>\$ 654,531</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION



**SONOMA CHARTER SCHOOL**  
**(A California Non-Profit Public Benefit Corporation)**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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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 classroom-based and all students at various grade levels.

B. Schedule of Instructional Time

Education Code Section 47612.5 requires classroom-based charter schools to offer a minimum number of minutes of instruction. This schedule presents information on the amount of instructional time offered by the charter school and identifies whether the Charter School complied with the provisions of Education Code Section 47612.5(a)(1).

C. Reconciliation of Annual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the net assets as reported in the Annual Financial Report to the audited financial statements.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

# **STEPHEN ROATCH ACCOUNTANCY CORPORATION**

*Certified Public Accountants*

## **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 Trustees  
Sonoma Charter School  
Sonoma, 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 Sonoma Charter School, a California non-profit public benefit corporation, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 13, 2019.

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness, as noted in **Finding 2019-001**.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies, as noted in **Findings 2019-002 and 2019-003**.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sonoma 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 Responses to Findings

Sonoma Charter School's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Sonoma Charter School's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 13, 2019

**STEPHEN ROATCH ACCOUNTANCY CORPORATION**  
*Certified Public Accountants*

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

Board of Trustees  
Sonoma Charter School  
Sonoma, California

**Report on State Compliance**

We have audited Sonoma Charter School's compliance with the types of compliance requirements described in the *2018-19 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 the Charter School's state programs identified on the following page for the fiscal year ended June 30, 2019.

**Management's Responsibility**

Management is responsible for compliance with the requirements of state laws and regulations applicable to its state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Charter School'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 *2018-19 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting (Audit Guide)*, prescribed in the *California Code of Regulations*, Title 5, section 19810 and following. Those standards and the Audit Guide 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 Charter School's state programs occurred. An audit includes examining, on a test basis, evidence about Sonoma 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 on compliance with state laws and regulations. Our audit does not provide a legal determination of Sonoma Charter School's compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine Sonoma Charter School's compliance with 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 Misassignments	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
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
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Not Applicable
District of Choice	Not Applicable
<b>School Districts, County Offices of Education, and Charter Schools:</b>	
California Clean Energy Jobs Act	No (see below)
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
<b>Charter Schools:</b>	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	No (see below)
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	Not Applicable

We did not perform procedures for the California Clean Energy Jobs Act because the Charter School has not expended any program funding to date.

We did not perform procedures for the nonclassroom-based instruction/independent study for charter schools because the ADA claimed by the Charter School did not exceed the threshold that requires testing.

Opinion on State Compliance

In our opinion, Sonoma Charter School complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2019.

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 *2018-19 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 13, 2019

FINDINGS AND QUESTIONED COSTS SECTION



**SONOMA CHARTER SCHOOL**  
(A California Non-Profit Public Benefit Corporation)  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	<u>  X  </u> Yes	<u>      </u> No
Significant deficiencies identified not considered to be material weaknesses?	<u>  X  </u> Yes	<u>      </u> None reported

Noncompliance material to financial statements noted?        Yes   X   No

**State Awards**

Any audit findings required to be reported in accordance with the *2018-19 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*?        Yes   X   No

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

**SONOMA CHARTER SCHOOL**  
(A California Non-Profit Public Benefit Corporation)

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

**2019 - 001 / 30000**

**MATERIAL WEAKNESS**

**AVAILABLE RESERVES / DEFICIT SPENDING**

**Criteria:** All organizations should maintain an adequate reserve to provide the necessary resources that are occasionally needed to cope with unforeseen events or emergencies.

**Condition:** The Charter School incurred an operating deficit of \$184,201 during fiscal year 2018-19, which represents a decrease of 22% of the Charter School's total net assets.

**Questioned Costs:** None.

**Context:** The available reserves of the Charter School declined 22% in one fiscal year. In addition, the 2019-20 approved budget projects a further operating deficit of \$219,667, a decrease of 33.6% of the total net assets of the Charter School.

The Charter School's originally adopted budget for fiscal year 2018-19 projected an operating surplus of \$10,769, a \$194,970 unfavorable variance with the unaudited actuals for 2018-19.

**Effect:** If new revenue streams are not added or appropriate program cuts are not made in a timely manner, and available reserves are allowed to continue their decline, it may impair the Charter School's ability to meet its obligations as they become due in future years.

**Cause:** The Charter School has not reduced its program spending down to a level, which can be supported by the amount of revenue received. In addition, the special education excess costs paid to Sonoma Valley Unified School District continue to rise, and increased \$128,800 during 2018-19.

**Recommendation:** The Charter School should take appropriate action to increase revenue sources or reduce program spending down to a level, which can be supported by the amount of revenue received.

**Charter Response:** Beginning this fiscal year, Sonoma Charter School will be putting a freeze on spending and analyzing options for mid-year staff reductions. We will also be seeking additional revenue sources from the community. Historically, Sonoma Charter School has maintained strong partnerships with the community that help to fund programs and services through the years.

**SONOMA CHARTER SCHOOL**  
(A California Non-Profit Public Benefit Corporation)

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2019 - 002 / 30000**

**SIGNIFICANT DEFICIENCY**

PAYROLL

- Criteria:
1. All charter schools should establish appropriate accounting controls to ensure that payroll transactions are performed in a complete and accurate manner. In addition, the accounting controls should be designed to detect and correct payroll errors in a timely manner.
  2. Payroll charges should be supported by salary schedules or contracts.

- Conditions:
1. The current accounting controls over payroll transactions are inadequate and are not designed to detect and correct errors in a timely manner. As a result, we identified a payroll calculation error that occurred during fiscal year 2018-19, that was not detected or corrected prior to the arrival of the auditors.
  2. The hourly rate for a teaching assistant was not supported by a salary schedule, board minutes or another acceptable form of documentation.

- Questioned Costs:
1. One employee was overpaid \$74.25.
  2. None.

Context: The conditions were noted in 2 of 42 payroll transactions tested.

Effect: When effective accounting controls are not in place, accounting errors and/or improprieties are more likely to occur and not be detected in a timely manner.

- Causes:
1. The current accounting controls do not appear to require a detailed review to be performed by someone other than the individual who processed the payroll.
  2. A new contract was not created to support the increase in the hourly rate for a teaching assistant from \$14 to \$16 per hour during 2018-19.

**SONOMA CHARTER SCHOOL**  
(A California Non-Profit Public Benefit Corporation)

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)**

PAYROLL (CONCLUDED)

- Recommendations:
1. The Charter School should establish procedures to ensure that all employees are paid the correct amount in the future. The accounting controls established should require a detailed review to be performed by someone other than the individual who is responsible for processing the payroll.
  2. Supporting documentation, such as a board approved salary schedules, contracts, or board minutes, should be maintained to support all pay rates.

- Charter Response:
1. All changes to pay will now be reflected in a new contract signed by the employee and approved by the governing board.
  2. All time cards are now calculated by the employee, the office secretary and the Chief Business Officer. The time sheet is signed by the employee and initialed by the secretary and CBO to show that the time was calculated 3 times and all match.

**SONOMA CHARTER SCHOOL**  
(A California Non-Profit Public Benefit Corporation)

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2019 - 003 / 30000**

**SIGNIFICANT DEFICIENCY**

**CASH DISBURSEMENTS**

Criteria: 1. Authorization for purchases should be obtained and documented prior to ordering goods or services.

2. Evidence of receipt of conforming goods or services should be obtained prior to processing invoices for payment.

3. Payments should be supported by invoices or receipts.

Conditions: 1. Purchase orders were not prepared on a consistent basis to document the pre-authorization of Charter School expenses.

2. Payments were issued prior to obtaining documented evidence that conforming goods or services had been received.

3. Supporting documentation could not be located to support one payment.

Questioned Costs: None.

Context: The conditions were noted throughout fiscal year 2018-19.

Effects: 1. Employees may commit the Charter School to paying for goods or services, when funds are not available in the budget to cover such expenses.

2. Payments may be issued for goods or services which have not been received or performed.

3. There is no way to determine the propriety of expenses that are not supported by invoices or receipts.

Causes: 1. The Charter School has not enforced the use of purchase orders to document pre-authorization of Charter expenses.

2. Payments were issued prior to obtaining documented evidence that goods or services had been received.

3. Charter School purchasing procedures have not been adequately enforced.

**SONOMA CHARTER SCHOOL**  
(A California Non-Profit Public Benefit Corporation)

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**SECTION II - FINANCIAL STATEMENT FINDINGS (CONCLUDED)**

**CASH DISBURSEMENTS (CONCLUDED)**

- Recommendations:**
1. Employees should not commit Charter School funds prior to obtaining a properly authorized purchase order. If a purchase order is not prepared, the Director should sign the invoice, prior to issuing payment, to document that it has been approved for payment.
  2. Invoices, receipts or packing slips should be signed and dated by the individual who verified receipt of conforming goods and services. Payments should not be processed prior to obtaining such documentation.
  3. Charter School employees should be held accountable for submitting original invoices and receipts. Payments should not be made prior to obtaining the appropriate documentation.

- Charter Responses:**
1. Employees will now need to request a purchase order and have it approved by the director before ordering any good or services.
  2. All packing slips are now kept and signed by the employee that received the product. The packing slip is then attached to the invoice as proof that the product was received and can be paid for at that time.
  3. If a packing slip is not included with the product, the employee will sign the invoice, guaranteeing that it was received and can then be paid for.

**SONOMA CHARTER SCHOOL**  
(A California Non-Profit Public Benefit Corporation)

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS**

There were no matters to report for the fiscal year ended June 30, 2019.

**SONOMA CHARTER SCHOOL**  
(A California Non-Profit Public Benefit Corporation)

**STATUS OF PRIOR YEAR RECOMMENDATIONS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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There were no matters reported in the prior year audit report.