



Ronald Reagan Charter School Alliance

**Special Board Meeting Agenda**

23151 Palomar Street  
Wildomar, CA 92595  
Phone: (951) 678-5217

<u>Board Members</u>
Roland Skumawitz, President
Ingrid Flores
Elizabeth Halikis
Daniel Leavitt, Secretary/Treasurer
Matthew Roberson

**December 5, 2016 @5:00 p.m.**

**1.0 CALL TO ORDER**

The meeting was called to order by the Board Chair at \_\_\_\_\_.

**2.0 OPEN GENERAL SESSION**

Establishment of a Quorum

<b>ROLL CALL</b>	Present	Absent
Mr. Roland Skumawitz	_____	_____
Dr. Ingrid Flores	_____	_____
Mrs. Elizabeth Halikis	_____	_____
Mr. Daniel Leavitt	_____	_____
Mr. Matthew Roberson	_____	_____

*Other guests present:*  
Roy Kim, Savantco

**3.0 PLEDGE OF ALLEGIANCE**

**4.0 APPROVAL OF THE AGENDA**

Motion: \_\_\_\_\_ Second: \_\_\_\_\_ Vote: \_\_\_\_\_

**5.0 INVITATION TO ADDRESS THE BOARD, OPEN SESSION ITEMS:**

Comments should be limited to 3 minutes. Unless an item has been placed on the published agenda in accordance with the Brown Act, there shall be no action taken, nor should there be comments on, responses to, or discussion of a topic not on the agenda. The Board members may: (1) acknowledge receipt of information/report; (2) refer to staff with no direction as to action or priority; or (3) refer the matter to the next agenda.

**6.0 ACTION ITEMS:**

**6.1 Audit (Attachment 6.1)**

The board will review and consider the revised Audit.

Staff recommendation: Staff recommends approval of the revised Audit.  
*Presented by: Barbara Hale, Executive Director/Principal*

Motion: \_\_\_\_\_ Second: \_\_\_\_\_ Vote: \_\_\_\_\_

<b>ROLL CALL</b>	Aye	Nay
Mr. Roland Skumawitz	_____	_____
Dr. Ingrid Flores	_____	_____
Mrs. Elizabeth Halikis	_____	_____
Mr. Daniel Leavitt	_____	_____
Mr. Matthew Roberson	_____	_____

**7.0 BOARD COMMENTS:**

**8.0 ADJOURNMENT**

Motion: \_\_\_\_\_ Second: \_\_\_\_\_ Vote: \_\_\_\_\_

<b>ROLL CALL</b>	<b>Present</b>	<b>Absent</b>
Mr. Roland Skumawitz	_____	_____
Dr. Ingrid Flores	_____	_____
Mrs. Elizabeth Halikis	_____	_____
Mr. Daniel Leavitt	_____	_____
Mr. Matthew Roberson	_____	_____

The meeting was adjourned at \_\_\_\_\_.

THE ORDER OF BUSINESS MAY BE CHANGED WITHOUT NOTICE  
Notice is hereby given that the order of consideration of matters on this agenda may be changed without prior notice.  
REASONABLE LIMITATIONS MAY BE PLACED ON PUBLIC TESTIMONY  
The Governing Board's presiding officer reserves the right to impose reasonable time limits on public testimony to ensure that the agenda is completed.  
SPECIAL PRESENTATIONS MAY BE MADE  
Notice is hereby given that, consistent with the requirements of the Bagley-Keene Open Meeting Act, special presentations not mentioned in the agenda may be made at this meeting. However, any such presentation will be for information only.  
REASONABLE ACCOMMODATION WILL BE PROVIDED FOR ANY INDIVIDUAL WITH A DISABILITY  
Pursuant to the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990, any individual with a disability who requires reasonable accommodation to attend or participate in this meeting of the Governing Board may request assistance by contacting Sycamore Academy of Science and Cultural Arts  
Telephone, (951) 678-5217;  
FOR MORE INFORMATION  
For more information concerning this agenda, please contact Sycamore Academy of Science and Cultural Arts  
Telephone (951) 678-5217.

**RONALD REAGAN CHARTER SCHOOL ALLIANCE  
dba SYCAMORE ACADEMY OF SCIENCE  
AND CULTURAL ARTS**

**Independent Auditor's Report  
And Consolidating Financial Statements  
For the Year Ended  
June 30, 2016**

DRAFT

**RONALD REAGAN CHARTER SCHOOL ALLIANCE  
dba SYCAMORE ACADEMY OF SCIENCE  
AND CULTURAL ARTS**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Ronald Reagan Charter School Alliance  
dba Sycamore Academy of Science and Cultural Arts  
Wildomar, CA

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Ronald Reagan Charter School Alliance dba Sycamore Academy of Science and Cultural Arts (the School), a California nonprofit public benefit corporation, which comprise the consolidating statement of financial position as of June 30, 2016, and the related consolidating statements of activities, cash flows and functional expenses 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 of 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.

Board of Directors  
Ronald Reagan Charter School Alliance  
dba Sycamore Academy of Science and Cultural Arts

## **Opinion**

In our opinion, the financial statements referred to on page one present fairly, in all material respects, the financial position of the School as of June 30, 2016, 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated December 5, 2016, on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

VICENTI, LLOYD & STUTZMAN LLP  
Glendora, CA  
December 5, 2016

**RONALD REAGAN CHARTER SCHOOL ALLIANCE  
dba SYCAMORE ACADEMY OF SCIENCE  
AND CULTURAL ARTS**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
June 30, 2016**

	Sycamore Academy	23151 Palomar St. LLC	Eliminations	Total
<b><u>ASSETS</u></b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 664,215	\$ -	\$ -	\$ 664,215
Accounts receivable - federal and state	620,837	-	-	620,837
Accounts receivable - other	694,891	377,867	(1,057,934)	14,824
Prepaid expenses and deposits	20,880	-	-	20,880
Total current assets	<u>2,000,823</u>	<u>377,867</u>	<u>(1,057,934)</u>	<u>1,320,756</u>
<b>LONG-TERM ASSETS:</b>				
Restricted cash and cash equivalents	-	1,279,875	-	1,279,875
Property, plant and equipment, net	537,909	8,025,831	-	8,563,740
Other long-term assets	-	506,240	-	506,240
Total long-term assets	<u>537,909</u>	<u>9,811,946</u>	<u>-</u>	<u>10,349,855</u>
Total assets	<u>\$ 2,538,732</u>	<u>\$ 10,189,813</u>	<u>\$ (1,057,934)</u>	<u>\$ 11,670,611</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable and accrued liabilities	\$ 731,860	\$ 934,370	\$ (1,057,934)	\$ 608,296
Line of credit	-	150,000	-	150,000
Bonds payable, current portion	-	145,000	-	145,000
Total current liabilities	<u>731,860</u>	<u>1,229,370</u>	<u>(1,057,934)</u>	<u>903,296</u>
<b>LONG-TERM LIABILITIES:</b>				
Bonds payable, net of current portion	-	9,144,632	-	9,144,632
Total long-term liabilities	<u>-</u>	<u>9,144,632</u>	<u>-</u>	<u>9,144,632</u>
<b>NET ASSETS:</b>				
Unrestricted	1,806,872	-	-	1,806,872
Unrestricted - property plant and equipment	-	(184,189)	-	(184,189)
Total net assets	<u>1,806,872</u>	<u>(184,189)</u>	<u>-</u>	<u>1,622,683</u>
Total liabilities and net assets	<u>\$ 2,538,732</u>	<u>\$ 10,189,813</u>	<u>\$ (1,057,934)</u>	<u>\$ 11,670,611</u>

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

**RONALD REAGAN CHARTER SCHOOL ALLIANCE  
dba SYCAMORE ACADEMY OF SCIENCE  
AND CULTURAL ARTS**

**CONSOLIDATING STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2016**

	23151			
	Sycamore	Palomar St.		
	Academy	LLC	Eliminations	Total
<b>REVENUES:</b>				
State revenue:				
State aid	\$ 2,744,018	\$ -	\$ -	\$ 2,744,018
In-lieu of property taxes	712,922	-	-	712,922
Other state revenue	581,185	-	-	581,185
Federal revenue:				
Grants and entitlements	99,389	-	-	99,389
Local revenue:				
Interest income	-	1,326	-	1,326
Other revenue	76,813	382,867	(382,867)	76,813
Total revenues	<u>4,214,327</u>	<u>384,193</u>	<u>(382,867)</u>	<u>4,215,653</u>
<b>EXPENSES:</b>				
Program services	2,725,056	450,233	(301,967)	2,873,322
Management and general	730,071	120,622	(80,900)	769,793
Total expenses	<u>3,455,127</u>	<u>570,855</u>	<u>(382,867)</u>	<u>3,643,115</u>
Change in unrestricted net assets	<u>759,200</u>	<u>(186,662)</u>	<u>-</u>	<u>572,538</u>
Beginning unrestricted net assets	1,320,615	2,473	-	1,323,088
Adjustment for restatement	<u>(272,943)</u>	<u>-</u>	<u>-</u>	<u>(272,943)</u>
Restated beginning net assets	<u>1,047,672</u>	<u>2,473</u>	<u>-</u>	<u>1,050,145</u>
Ending unrestricted net assets	<u>\$ 1,806,872</u>	<u>\$ (184,189)</u>	<u>\$ -</u>	<u>\$ 1,622,683</u>

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



**RONALD REAGAN CHARTER SCHOOL ALLIANCE  
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**CONSOLIDATING STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2016**

	23151			
	Sycamore Academy	Palomar St. LLC	Eliminations	Total
<b>CASH FLOWS from OPERATING ACTIVITIES:</b>				
Change in net assets	\$ 759,200	\$ (186,662)	\$ -	\$ 572,538
Adjustments to reconcile change in net assets to net cash flows from operating activities:				
Depreciation	16,739	123,674	-	140,413
Bond issue costs and discount amortization	-	21,435	-	21,435
Change in operating assets:				
Accounts receivable - federal and state	(495,572)	-	-	(495,572)
Accounts receivable - other	(689,207)	(377,867)	1,057,934	(9,140)
Prepaid expense and other assets	130,347	17,457	-	147,804
Restricted cash and cash equivalents	-	4,664,084	-	4,664,084
Change in operating liabilities:				
Accounts payable and accrued liabilities	507,672	680,067	(1,057,934)	129,805
Net cash flows from operating activities	229,179	4,942,188	-	5,171,367
<b>CASH FLOWS from INVESTING ACTIVITIES:</b>				
Purchases of property, plant and equipment	(554,648)	(5,096,166)	-	(5,650,814)
Net cash flows from investing activities	(554,648)	(5,096,166)	-	(5,650,814)
<b>CASH FLOWS from FINANCING ACTIVITIES:</b>				
Net change in line of credit	-	150,000	-	150,000
Proceeds from debt	-	3,978	-	3,978
Net cash flows from financing activities	-	153,978	-	153,978
Net change in cash and cash equivalents	(325,469)	-	-	(325,469)
Cash and cash equivalents at the beginning of the year	989,684	-	-	989,684
Cash and cash equivalents at the end of the year	\$ 664,215	\$ -	\$ -	\$ 664,215
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>				
Cash paid for interest (net of capitalized interest)	\$ -	\$ 425,580	\$ -	\$ 425,580

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

**RONALD REAGAN CHARTER SCHOOL ALLIANCE  
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**CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2016**

	Program Services	Management and General	Total Expenses
Sycamore Academy:			
Salaries and wages	\$ 1,408,096	\$ 377,242	\$ 1,785,338
Pension expense	117,236	31,409	148,645
Other employee benefits	139,866	37,472	177,338
Payroll taxes	44,798	12,002	56,800
Management fees	26,578	7,121	33,699
Legal expenses	32,558	8,722	41,280
Accounting expenses	8,874	2,378	11,252
Instructional Materials	23,808	6,379	30,187
Other fees for services	229,807	61,567	291,374
Advertising and promotion expenses	3,314	888	4,202
Office expenses	150,883	40,423	191,306
Printing and postage expenses	5,902	1,581	7,483
Information technology expenses	10,468	2,805	13,273
Occupancy expenses	342,924	91,872	434,796
Travel expenses	17,744	4,754	22,498
Conference and meeting expenses	8,640	2,315	10,955
Depreciation expense	13,202	3,537	16,739
Insurance expense	22,268	5,966	28,234
Other expenses	118,090	31,638	149,728
Total Sycamore Academy	<u>2,725,056</u>	<u>730,071</u>	<u>3,455,127</u>
23151 Palomar St. LLC:			
Interest expense	335,655	89,925	425,580
Depreciation and amortization	114,447	30,662	145,109
Other expenses	131	35	166
Total 23151 Palomar St. LLC	<u>450,233</u>	<u>120,622</u>	<u>570,855</u>
Eliminations	<u>(301,967)</u>	<u>(80,900)</u>	<u>(382,867)</u>
Total Functional Expenses	<u>\$ 2,873,322</u>	<u>\$ 769,793</u>	<u>\$ 3,643,115</u>

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

**RONALD REAGAN CHARTER SCHOOL ALLIANCE  
dba SYCAMORE ACADEMY OF SCIENCE  
AND CULTURAL ARTS**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

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

*Nature of Activities* – Ronald Reagan Charter School Alliance dba Sycamore Academy of Science and Cultural Arts (The School) is a non-profit benefit corporation. The School petitioned and was approved through Lake Elsinore Unified School District for a charter for a five-year period ending 2014. The School was approved by the State of California Department of Education on June 25, 2009. During the year ended June 30, 2014, the charter was granted a renewal through June 30, 2019.

The School opened in 2009 and currently serves approximately 499 students in Kindergarten through Grade 8. The School offers a student-centered, problem-based, experiential, and collaborative teaching and learning environment.

The mission of the School is to prepare a diverse student population for secondary education, college, careers and global citizenship by providing each child with the knowledge, critical skills, and fundamental dispositions to become self-motivated, competent, lifelong learners. To be fully educated and prepared for the 21<sup>st</sup> century every child must construct and communicate knowledge, display personal and social responsibility.

*Cash and Cash Equivalents* – The School defines its cash and cash equivalents to include only cash on hand, demand deposits, and liquid investments with original maturities of three months or less.

*Use of Estimates* – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures. Accordingly, actual results could differ from those estimates.

*Basis of Accounting* – The financial statements have been prepared on the accrual method of accounting and accordingly reflect all significant receivables and liabilities.

*Functional Allocation of Expenses* – Costs of providing the School's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

*Basis of Presentation* – The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States as prescribed by the Financial Accounting Standards Board.

**RONALD REAGAN CHARTER SCHOOL ALLIANCE  
dba SYCAMORE ACADEMY OF SCIENCE  
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**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

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

*Net Asset Classes* – The School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Net assets of the School are defined as:

- Unrestricted: All resources over which the governing board has discretionary control to use in carrying on the general operations of the School.
- Temporarily restricted: These net assets are restricted by donors to be used for specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. The School does not currently have any temporarily restricted net assets.
- Permanently restricted: These net assets are permanently restricted by donors and cannot be used by the School. The School does not currently have any permanently restricted net assets.

*Receivables* – Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2016. Management believes that all receivables are fully collectible, therefore no provisions for uncollectible accounts were recorded.

*Property, Plant and Equipment* – Property, plant and equipment are stated at cost if purchased or at estimated fair market value if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset.

*Property Taxes* – Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and are payable in two installments on or before November 1 and February 1. Unsecured property taxes are not a lien against real property and are payable in one installment on or before August 31. The County bills and collects property taxes for all taxing agencies within the County and distributes these collections to the various agencies. The sponsor agency of the School is required by law to provide in-lieu property tax payments on a monthly basis, from August through July. The amount paid per month is based upon an allocation per student, with a specific percentage to be paid each month.

*Revenue Recognition* – Amounts received from the California Department of Education are recognized as revenue by the School based on the average daily attendance (ADA) of students. Revenue that is restricted is recorded as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in temporarily restricted net assets.

*Income Taxes* – The School is a non-profit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore,

**RONALD REAGAN CHARTER SCHOOL ALLIANCE  
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**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

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

no disclosures of uncertain income tax positions are required. The School files informational returns in the U.S. federal jurisdiction, and the state of California. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

23151 Palomar St. LLC (the LLC) is a single member disregarded LLC for federal purposes. The LLC is exempt from California state LLC fees under California Revenue and Taxation Code Section 23701h.

*Principles of Consolidation* – The accompanying financial statements include the accounts of the School and its single member LLC, 23151 Palomar St. LLC (the LLC). All significant intracompany and intercompany accounts and transactions have been eliminated.

*Evaluation of Subsequent Events* – The School has evaluated subsequent events through December 5, 2016, the date these financial statements were available to be issued.

**NOTE 2: CONCENTRATION OF CREDIT RISK**

The School maintains cash balances held in banks and revolving funds which are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). At times, cash in these accounts exceeds the insured amounts. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

**NOTE 3: PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment in the accompanying financial statements is presented net of accumulated depreciation. The School capitalizes all expenditures for land, buildings and equipment in excess of \$5,000. Depreciation expense was \$140,413 as of June 30, 2016.

The components of property, plant and equipment as of June 30, 2016 are as follows:

	23151		
	Sycamore Academy	Palomar St. LLC	Total
Land	\$ -	\$ 914,740	\$ 914,740
Buildings	-	7,234,765	7,234,765
Leasehold improvements	736,315	-	736,315
Equipment	10,378	-	10,378
Less accumulated depreciation and amortization	(208,784)	(123,674)	(332,458)
Property, plant and equipment, net	<u>\$ 537,909</u>	<u>\$ 8,025,831</u>	<u>\$ 8,563,740</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

**NOTE 4: BONDS PAYABLE**

In September 2014, the School, through its single member LLC (see note 1), obtained financing through the California School Finance Authority (CSFA). The \$9,405,000 loan is to be applied to financing the costs of acquisition, construction, improvement and renovation of property in Wildomar, California.

The loan agreement requires the School to comply with various covenants, conditions and restrictions, including maintaining certain financial ratios. The bonds bear interest rates ranging from 5.0% to 5.625%. The School is required to maintain in a bond reserve cash account an amount equal to the bond reserve requirement which is currently \$658,063.

Bonds payable are reported on the statement of financial position net of an unamortized discount of \$115,368. The discount is being amortized over the life of the bonds. Amortization expense was \$3,978 as of June 30, 2016.

Future maturities of bond payable are as follows:

Year Ended <u>June 30,</u>	
2017	\$ 145,000
2018	155,000
2019	160,000
2020	170,000
2021	180,000
Thereafter	<u>8,595,000</u>
Total future maturities	9,405,000
Bond discount	<u>(115,368)</u>
Total bonds payable	<u>\$ 9,289,632</u>

**NOTE 5: DEBT ISSUE COSTS**

In connection with the issuance of bonds payable, the LLC incurred certain costs of issuance which have been capitalized as a long-term asset. These costs are amortized over the term of the related debt. Unamortized debt issue costs as of June 30, 2016 were \$506,240. Amortization costs for the year ended June 30, 2016 were \$17,457.

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**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

**NOTE 6: LINE OF CREDIT**

The School has a line of credit agreement for \$200,000 with Community Bank, at the bank's index rate plus three percentage points. The line of credit is due in full upon demand or upon annual renewal. As of June 30, 2016 there was an outstanding balance of \$150,000.

**NOTE 7: EMPLOYEE RETIREMENT**

**Multi-employer Defined Benefit Pension Plans**

Qualified employees are covered under multi-employer defined benefit pension plans maintained by agencies of the State of California.

The risks of participating in these multi-employer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and state contribution rates are set by the California Legislature, and (c) if the School chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. The School has no plans to withdraw from this multi-employer plan.

**State Teachers' Retirement System (STRS)**

**Plan Description**

The School contributes to the State Teachers' Retirement System (STRS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by STRS. Plan information for STRS is not publicly available. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2015, total plan net assets are \$181 billion, the total actuarial present value of accumulated plan benefits is \$242 billion, contributions from all employers totaled \$2.55 billion, and the plan is 68.5% funded. The School did not contribute more than 5% of the total contributions to the plan.

Copies of the STRS annual financial reports may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826 and [www.calstrs.com](http://www.calstrs.com).

**Funding Policy**

Active plan members hired before December 31, 2012 are required to contribute 9.20% of their salary and those hired after are required to contribute 8.56% of their salary. The School is required to

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**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

**NOTE 7: EMPLOYEE RETIREMENT**

contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. Under the 2014 funding plan, employer contributions on compensation creditable to the program will increase every year for the next seven years, up to 19.10% in 2020–21. The required employer contribution rate for year ended June 30, 2016 was 10.73% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

The School's contributions to STRS for the past three years are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2014	\$ 55,407	100%
2015	\$ 74,381	100%
2016	\$ 134,444	100%

**Public Employees' Retirement System (PERS)**

**Plan Description**

The School contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by CalPERS. Plan information for PERS is not publicly available. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. According to the most recently available Actuarial Valuation Report for the year ended June 30, 2015, the School Employer total plan assets are \$56.8 billion, the total actuarial present value of accumulated plan benefits is \$86 billion, contributions from all employers totaled \$1.3 billion, and the plan is 77.5% funded. The School did not contribute more than 5% of the total contributions to the plan.

Copies of the CalPERS' annual financial reports may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814 and [www.calpers.ca.gov](http://www.calpers.ca.gov).



**RONALD REAGAN CHARTER SCHOOL ALLIANCE  
dba SYCAMORE ACADEMY OF SCIENCE  
AND CULTURAL ARTS**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

**NOTE 7: EMPLOYEE RETIREMENT**

**Funding Policy**

Active plan members are required to contribute 7.0% of their salary while new members after January 1, 2013 are required to contribute 6.0% of their salary. The 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 year ended June 30, 2016 was 11.847%. The contribution requirements of the plan members are established and may be amended by State statute.

**Contributions to PERS**

The School's contributions to PERS for each of the last three years are as follows:

Year Ended <u>June 30,</u>	Required <u>Contribution</u>	Percent <u>Contributed</u>
2014	\$ 6,598	100%
2015	\$ 2,854	100%
2016	\$ 14,201	100%

**NOTE 8: OPERATING LEASES**

The School leases its facilities from 23151 Palomar St. LLC under a lease agreement which expires in July of 2044.

Future minimum lease payments under these lease agreements are as follows:

Year Ended <u>June 30,</u>	
2017	\$ 653,606
2018	656,356
2019	653,606
2020	655,606
2021	657,106
Thereafter	<u>5,745,853</u>
Total future lease payments	<u>\$ 9,022,133</u>

**RONALD REAGAN CHARTER SCHOOL ALLIANCE  
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**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

**NOTE 9: CONTINGENCIES**

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

**NOTE 10: RESTATEMENT OF BEGINNING NET ASSETS**

Beginning net assets for Sycamore Academy were restated to account for Special Education Encroachment fees that were incurred but not accrued in prior years.

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**SUPPLEMENTARY INFORMATION**

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**RONALD REAGAN CHARTER SCHOOL ALLIANCE  
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**LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
For the Year Ended June 30, 2016**

The School was established in 2009, when it was granted its charter through the Lake Elsinore Unified School District (the District) and its charter school status from the California Department of Education. The charter was renewed in 2014 through June 30, 2019. The charter may be revoked by the District for material violations of the charter, failure to meet or make progress toward student outcomes, failure to meet generally accepted standards of fiscal management, or violation of any provision of the law.

The charter school number is: 1118

The Board of Directors and the Administrator as of the year ended June 30, 2016 were as follows:

**BOARD OF DIRECTORS**

<b><u>Member</u></b>	<b><u>Office</u></b>	<b><u>Term</u></b>	<b><u>Term Expires</u></b>
Roland Skumawitz	President	3 years	August 31, 2017
Daniel Leavitt	Secretary/Treasurer	1 year	June 30, 2016
Ingrid Flores	Trustee	5 years	January 31, 2018
Elizabeth Halikis	Trustee	2 years	January 31, 2018
Matthew Roberson	Trustee	1 year	February 28, 2018

**ADMINISTRATOR**

Barbara Hale                      Executive Director

**RONALD REAGAN CHARTER SCHOOL ALLIANCE  
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**SCHEDULE OF INSTRUCTIONAL TIME  
For the Year Ended June 30, 2016**

	<u>Instructional Minutes</u>		<u>Instructional Days</u>	<u>Status</u>
	<u>Requirement</u>	<u>Actual</u>		
Kindergarten	36,000	47,295	175	In compliance
Grade 1	50,400	55,580	175	In compliance
Grade 2	50,400	55,580	175	In compliance
Grade 3	50,400	55,580	175	In compliance
Grade 4	54,000	62,165	175	In compliance
Grade 5	54,000	62,165	175	In compliance
Grade 6	54,000	62,165	175	In compliance
Grade 7	54,000	62,165	175	In compliance
Grade 8	54,000	62,165	175	In compliance

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*See independent auditor's report and the notes to the supplementary information.*

**RONALD REAGAN CHARTER SCHOOL ALLIANCE  
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**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
 For the Year Ended June 30, 2016**

	<b>Second Period Report</b>		<b>Annual Report</b>	
	<b>Classroom</b>		<b>Classroom</b>	
	<b>Based</b>	<b>Total</b>	<b>Based</b>	<b>Total</b>
Grades K-3	237.74	237.74	239.68	239.68
Grades 4-6	174.73	174.73	174.02	174.02
Grades 7-8	62.25	62.25	61.04	61.04
ADA Totals	474.72	474.72	474.74	474.74

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*See independent auditor's report and the notes to the supplementary information.*

**RONALD REAGAN CHARTER SCHOOL ALLIANCE  
dba SYCAMORE ACADEMY OF SCIENCE  
AND CULTURAL ARTS**

**RECONCILIATION OF ANNUAL FINANCIAL REPORT  
WITH AUDITED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016**

June 30, 2016 Annual Financial Report Fund Balances (Net Assets)	\$ 1,690,064
Adjustments and Reclassifications:	
Increasing (Decreasing) the Fund Balance (Net Assets):	
Cash and cash equivalents	13,462
Accounts receivable - federal and state	(836,079)
Accounts receivable - other	694,891
Property, plant and equipment, net	121,853
Accounts payable and accrued liabilities	<u>122,681</u>
Net Adjustments and Reclassifications	<u>116,808</u>
June 30, 2016 Audited Financial Statement Fund Balances (Net Assets)	<u><u>\$ 1,806,872</u></u>

*See independent auditor's report and the notes to the supplementary information.*

**RONALD REAGAN CHARTER SCHOOL ALLIANCE  
dba SYCAMORE ACADEMY OF SCIENCE  
AND CULTURAL ARTS**

**NOTES TO THE SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2016**

**NOTE 1: PURPOSE OF SCHEDULES**

**Schedule of Instructional Time**

This schedule presents information on the amount of instructional time offered by the School and whether the School complied with the provisions of California Education Code.

**Schedule of Average Daily Attendance**

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

**Reconciliation of Annual Financial Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the net assets of the charter schools as reported on the Annual Financial Report form to the audited financial statements.



**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  
Ronald Reagan Charter School Alliance  
dba Sycamore Academy of Science and Cultural Arts  
Wildomar, CA

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 Ronald Reagan Charter School Alliance (the School), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, cash flows and functional expenses for the year then ended, the related notes to the financial statements, and have issued our report thereon dated December 5, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**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***

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

VICENTI, LLOYD & STUTZMAN LLP  
Glendora, CA  
December 5, 2016



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Directors  
Ronald Reagan Charter School Alliance  
dba Sycamore Academy of Science and Cultural Arts  
Wildomar, CA

We have audited Ronald Reagan Charter School Alliance's (the School) compliance with the types of compliance requirements described in the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2016. The School's State compliance requirements are identified in the table below.

### Management's Responsibility

Management is responsible for the compliance with the State laws and regulations as identified below.

### Auditor's Responsibility

Our responsibility is to express an opinion on the School's compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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 specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the 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 state compliance. Our audit does not provide a legal determination of the School's compliance.

### Compliance Requirements Tested

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

<u>Description</u>	<u>Procedures Performed</u>
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Not applicable
After School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes

## INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

<u>Description</u>	<u>Procedures Performed</u>
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Immunizations	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-based instructional/independent study	Not applicable
Determination of funding for nonclassroom-based instruction	Not applicable
Annual instructional minutes – classroom based	Yes
Charter School Facility Grant Program	Not applicable

### **Opinion on State Compliance**

In our opinion, the School complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2016.

### **Purpose of this Report**

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.

VICENTI, LLOYD & STUTZMAN LLP  
 Glendora, CA  
 December 5, 2016

**RONALD REAGAN CHARTER SCHOOL ALLIANCE  
dba SYCAMORE ACADEMY OF SCIENCE  
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2016**

All audit findings must be identified as one or more of the following twelve categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter Schools Facilities Program
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no findings and questioned costs related to the basic financial statements or state awards for the year ended June 30, 2016.

**RONALD REAGAN CHARTER SCHOOL ALLIANCE  
dba SYCAMORE ACADEMY OF SCIENCE  
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**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2016**

**STATE COMPLIANCE FINDINGS**

**Finding 2015-001 – Attendance: Written Contemporaneous Records**

**10000**

**Criteria:** Pursuant to Education Code Section 47612 and Title 5 of the California Code of Regulations, Section 11960, ADA should be calculated on actual attendance and contemporaneous documentation should support the attendance amounts used to calculate ADA.

**Condition:** The Average Daily Attendance reported on the P-2 attendance report did not agree to the supporting documentation.

**Effect:** The School is not in compliance with Education Code Section 47612 and Title 5 of the California Code of Regulations, Section 11960 and attendance and ADA reports could be misstated.

**Cause:** The cause of the inaccurate attendance records is due to cut off dates not being implemented; resulting in changes being made after the P-2 report was submitted.

**Questioned Costs:** The estimated variance between the second period detail attendance reports and summary reports is an increase of 2.60 ADA with questioned costs of \$15,596.

**Recommendation:** We recommend that a cut off time be added to attendance procedures in an effort to make sure changes are not made after the reporting deadline.

**Corrective Action Plan:** The School will implement a deadline of recording the Independent Study attendance 10 days after receiving the assignments to ensure that all reports maintain the most current data

**Status:** Implemented