

**FENTON CHARTER PUBLIC SCHOOLS  
CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2019**

**SFV EDUCATION  
SFV 11341 DRONFIELD, LLC  
SFV 8926 SUNLAND, LLC**

**CHARTER SCHOOLS:**

**FENTON AVENUE CHARTER SCHOOL #30  
FENTON PRIMARY CENTER #911  
SANTA MONICA BLVD. COMMUNITY #446  
FENTON STEM ACADEMY #1605  
FENTON CHARTER LEADERSHIP ACADEMY #1613**



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CONSULTING**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Fenton Charter Public Schools  
Sun Valley, California

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

We have audited the accompanying consolidated financial statements of Fenton Charter Public Schools (the School), a California nonprofit public benefit corporation, which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. The financial statements of SFV Education and its subsidiaries were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to on page 1 present fairly, in all material respects, the financial position of the School as of June 30, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the School's consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The Fenton Public Charter Schools, SFV Education and Eliminations columns in the consolidated statements of financial positions, activities, and cash flows and the accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statement. 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated 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 consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated December 5, 2019 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 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 on the 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 the School's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Glendora, California  
December 5, 2019

**FENTON CHARTER PUBLIC SCHOOLS**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2019**

<b>ASSETS</b>	Fenton Public Charter Schools	SFV Education	Eliminations	Total
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 14,738,183	\$ 2,144,291	\$ -	\$ 16,882,474
Investments, Current Portion	954,774	-	-	954,774
Accounts Receivable - Federal and State	1,993,160	-	-	1,993,160
Accounts Receivable - Other	820,876	8,166	-	829,042
Intercompany Receivables	1,918,195	-	(1,918,195)	-
Prepaid Expenses and Other Assets	489,221	49,944	(131,500)	407,665
Total Current Assets	<u>20,914,409</u>	<u>2,202,401</u>	<u>(2,049,695)</u>	<u>21,067,115</u>
<b>LONG-TERM ASSETS</b>				
Investments	591,383	-	-	591,383
Property, Plant, and Equipment, Net	7,296,304	18,429,415	-	25,725,719
Intercompany Notes Receivable	1,246,944	-	(1,246,944)	-
Other Long-Term Assets	111,500	-	-	111,500
Total Long-Term Assets	<u>9,246,131</u>	<u>18,429,415</u>	<u>(1,246,944)</u>	<u>26,428,602</u>
Total Assets	<u>\$ 30,160,540</u>	<u>\$ 20,631,816</u>	<u>\$ (3,296,639)</u>	<u>\$ 47,495,717</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 2,646,959	\$ 6,990	\$ -	\$ 2,653,949
Intercompany Payables	-	1,918,195	(1,918,195)	-
Deferred Revenue	-	131,500	(131,500)	-
Capital Lease, Current Portion	2,526	-	-	2,526
Notes Payable, Current Portion	100,016	9,392,116	(16,700)	9,475,432
Total Current Liabilities	<u>2,749,501</u>	<u>11,448,801</u>	<u>(2,066,395)</u>	<u>12,131,907</u>
<b>LONG-TERM LIABILITIES</b>				
Defined Benefit Liability	6,232,760	-	-	6,232,760
Capital Lease	-	-	-	-
Notes Payable	-	9,915,179	(1,230,244)	8,684,935
Total Long-Term Liabilities	<u>6,232,760</u>	<u>9,915,179</u>	<u>(1,230,244)</u>	<u>14,917,695</u>
Total Liabilities	8,982,261	21,363,980	(3,296,639)	27,049,602
<b>NET ASSETS</b>				
Without Donor Restriction	20,202,557	(732,164)	-	19,470,393
With Donor Restriction	975,722	-	-	975,722
Total Net Assets	<u>21,178,279</u>	<u>(732,164)</u>	<u>-</u>	<u>20,446,115</u>
Total Liabilities and Net Assets	<u>\$ 30,160,540</u>	<u>\$ 20,631,816</u>	<u>\$ (3,296,639)</u>	<u>\$ 47,495,717</u>

See accompanying Notes to Consolidated Financial Statements.

**FENTON CHARTER PUBLIC SCHOOLS  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

	Fenton Public Charter Schools	SFV Education	Eliminations	Total
<b>NET ASSETS WITHOUT DONOR RESTRICTION</b>				
<b>REVENUES</b>				
State Revenue:				
State Aid	\$ 23,438,865	\$ -	\$ -	\$ 23,438,865
Other State Revenue	5,686,842	-	-	5,686,842
Federal Revenue:				
Grants and Entitlements	5,074,303	-	-	5,074,303
Local Revenue:				
In-Lieu Property Tax Revenue	7,319,843	-	-	7,319,843
Interest and Investment Income	259,638	16,378	-	276,016
Other Revenue	310,682	1,821,500	(1,821,500)	310,682
Net Assets Released from Restriction	48,462	-	-	48,462
Total Revenues, Net	<u>42,138,635</u>	<u>1,837,878</u>	<u>(1,821,500)</u>	<u>42,155,013</u>
<b>EXPENSES</b>				
Program Services	36,984,033	1,942,055	(1,821,500)	37,104,588
Management and General	3,249,582	7,902	-	3,257,484
Total Expenses	<u>40,233,615</u>	<u>1,949,957</u>	<u>(1,821,500)</u>	<u>40,362,072</u>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION</b>	1,905,020	(112,079)	-	1,792,941
<b>NET ASSETS WITH DONOR RESTRICTION</b>				
<b>REVENUES</b>				
Other State Revenue	73,240	-	-	73,240
Net Assets Released from Restriction	<u>(48,462)</u>	<u>-</u>	<u>-</u>	<u>(48,462)</u>
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTION</b>	<u>24,778</u>	<u>-</u>	<u>-</u>	<u>24,778</u>
<b>CHANGE IN TOTAL NET ASSETS</b>	1,929,798	(112,079)	-	1,817,719
Net Assets - Beginning of Year	<u>19,248,481</u>	<u>(620,085)</u>	<u>-</u>	<u>18,628,396</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 21,178,279</u>	<u>\$ (732,164)</u>	<u>\$ -</u>	<u>\$ 20,446,115</u>

See accompanying Notes to Consolidated Financial Statements.

**FENTON CHARTER PUBLIC SCHOOLS  
CONSOLIDATED STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2019**

	Fenton Public Charter Schools	SFV Education	Eliminations	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Change in Net Assets	\$ 1,929,798	\$ (112,079)	\$ -	\$ 1,817,719
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:				
Depreciation	1,079,943	506,655	-	1,586,598
Amortization	-	4,853	-	4,853
Unrealized Loss on Investments	(9,838)	-	-	(9,838)
Defined Benefit Liability	(300,134)	-	-	(300,134)
(Increase) Decrease in Assets:				
Accounts Receivable - Federal and State	35,544	-	-	35,544
Accounts Receivable - Other	(102,034)	(1)	-	(102,035)
Prepaid Expenses and Other Assets	(59,107)	(49,944)	-	(109,051)
Other Long-Term Assets	67,327	-	-	67,327
Increase (Decrease) in Liabilities:				
Accounts Payable and Accrued Liabilities	174,869	(64,944)	-	109,925
Deferred Revenue	-	50,000	-	50,000
Net Cash Provided by Operating Activities	<u>2,816,368</u>	<u>334,540</u>	<u>-</u>	<u>3,150,908</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchases of Investments	(44,796)	-	-	(44,796)
Purchases of Property, Plant, and Equipment	(498,921)	-	-	(498,921)
Net Cash Used by Investing Activities	<u>(543,717)</u>	<u>-</u>	<u>-</u>	<u>(543,717)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment on Capital Lease	(186,626)	-	-	(186,626)
Repayments of Debt	(99,996)	(135,773)	-	(235,769)
Net Cash Used by Financing Activities	<u>(286,622)</u>	<u>(135,773)</u>	<u>-</u>	<u>(422,395)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	1,986,029	198,767	-	2,184,796
Cash and Cash Equivalents - Beginning of Year	<u>12,752,154</u>	<u>1,945,524</u>	<u>-</u>	<u>14,697,678</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 14,738,183</u>	<u>\$ 2,144,291</u>	<u>\$ -</u>	<u>\$ 16,882,474</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>				
Cash Paid for Interest	<u>\$ 6,624</u>	<u>\$ 897,900</u>	<u>\$ -</u>	<u>\$ 904,524</u>

See accompanying Notes to Consolidated Financial Statements.

**FENTON CHARTER PUBLIC SCHOOLS  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2019**

	Program Services	Management and General	Eliminations	Total
Salaries and Wages	\$ 19,338,194	\$ 320,720	\$ -	\$ 19,658,914
Pension Expense	3,530,874	176,899	-	3,707,773
Other Employee Benefits	2,903,366	56,287	-	2,959,653
Payroll Taxes	505,177	12,353	-	517,530
Management Fees	-	290,110	-	290,110
Legal Expenses	-	132,092	-	132,092
Accounting Expenses	-	69,295	-	69,295
Instructional Materials	854,844	-	-	854,844
Other Fees for Services	2,601,822	433,842	-	3,035,664
Advertising and Promotion Expenses	56,256	180	-	56,436
Office Expenses	1,087,458	-	-	1,087,458
Information Technology Expenses	155,716	-	-	155,716
Occupancy Expenses	2,721,189	187,632	(1,821,500)	1,087,321
Travel Expenses	56,186	-	-	56,186
Interest Expense	904,524	-	-	904,524
Depreciation Expense	506,655	1,079,943	-	1,586,598
Insurance Expense	-	202,609	-	202,609
Other Expenses	3,703,827	295,522	-	3,999,349
Subtotal	<u>38,926,088</u>	<u>3,257,484</u>	<u>(1,821,500)</u>	<u>40,362,072</u>
Eliminations	<u>(1,821,500)</u>	<u>-</u>	<u>1,821,500</u>	<u>-</u>
Total Expenses by Function	<u><u>\$ 37,104,588</u></u>	<u><u>\$ 3,257,484</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 40,362,072</u></u>

See accompanying Notes to Consolidated Financial Statements.



**FENTON CHARTER PUBLIC SCHOOLS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Fenton Charter Public Schools (FCPS or the School) is a nonprofit organization organized in the State of California. The School is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. The charter schools within FCPS were formed as charter schools pursuant to California Education Code Section 47600 and authorized, as per current law, by the Los Angeles Unified School District (the District).

FCPS provides education to students in grades kindergarten through sixth grade. The mission of the School is to offer a high quality innovative education to all students in a safe, secure, nurturing environment where students, parents, and staff become a community of learners achieving collaborative and successful outcomes.

The School is economically dependent on state and federal funding.

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

**Principles of Consolidation**

The consolidated financial statements include the accounts of the School and a related party, SFV Education, a California non-profit public benefit corporation formed to provide facilities support to FCPS, and its subsidiaries, SFV 11351 Dronfield, LLC and SFV 8926 Sunland, LLC, single member limited liability companies. All material intercompany transactions have been eliminated.

**Basis of Accounting**

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

**Basis of Presentation**

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

**Use of Estimates**

The preparation of consolidated 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 disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**FENTON CHARTER PUBLIC SCHOOLS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Allocation of Expenses**

Costs of providing the School's programs and other activities have been presented in the consolidated 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.

**Cash and Cash Equivalents**

The School considers all highly liquid debt equity instruments purchased with an original maturity of three months or less to be cash equivalents.

**Net Asset Classes**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Investments**

Fenton Charter Public School's method of accounting for investments, in accordance with generally accepted accounting principles, is the fair value method. Fair value is determined by published quotes. Changes in fair value of investments results in increases or decreases in unrealized fair values of equity investments. Adjustments to fair values are reflected as unrealized gain/loss on investments in the accompanying consolidated statement of activities.

**Accounts Receivable - Federal and State**

Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2019. Management believes that all receivables are fully collectible, therefore no provisions for uncollectible accounts were recorded.

**FENTON CHARTER PUBLIC SCHOOLS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivable – Other**

Accounts receivable arise in the normal course of operations. It is the policy of management to review the outstanding accounts receivable at year-end, as well as bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts. No allowance was considered necessary as management believes that all amounts are collectible.

**Property, Plant and Equipment**

Property, plant, and equipment are recorded at cost, or estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. The cost of assets sold or retired and related amounts of accumulated depreciation are eliminated from the accounts in the year of disposal, and any resulting gain or loss is included in the School's earnings. Management has elected to capitalize and depreciate all assets costing \$5,000 or more; all other assets are charged to expense in the year incurred. Fenton Charter Public School's policy is to evaluate the remaining lives and recoverability in light of the current conditions. It is reasonably possible that the School's estimate to recover the carrying amount of the property and equipment will change. Estimated useful lives range from three to fifty years, depending on the asset.

**Deferred Revenue**

Deferred revenue is recognized when potential revenue does not meet both the "measurable" and "available" criteria for recognition, or when resources are received by the School prior to meeting the requirements for legal claim to the resources.

In subsequent periods, when both revenue recognition criteria are met or when the School has legal claim to the resources, the liability for deferred revenue is removed from the consolidated statement of financial position and revenue is recognized.

**Compensated Absences**

Accumulated unpaid employee vacation benefits are recognized as a liability of the School. Employees of the School are paid for days or hours worked based upon Board approved schedules which include vacation.

**Revenue Recognition**

Contributions received are recorded as without donor restriction or with donor restriction, depending on the existence and/or nature of any restrictions.

All donor or grant restricted support is reported as an increase in net assets without donor restriction or net assets with donor restriction, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the consolidated statement of activities as net assets released from restrictions.

**FENTON CHARTER PUBLIC SCHOOLS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributed Materials and Services**

Contributed materials are recorded at their fair value where an objective basis is available to measure their value. Such items are capitalized or charged to operations as appropriate. FCPS receive services donated by volunteers in carrying out the School's operations. The services do not meet the criteria as contributions and are, therefore, not recognized in the consolidated financial statements.

**Donated Property and Equipment**

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restriction unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contribution of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. FCPS reclassifies net assets with donor restriction to net assets without donor restriction at that time.

**LCFF Revenues and Payments in Lieu of Property Taxes**

The School's primary funding source is a combination of local property taxes and state revenues. The California Department of Education computes the local control funding formula (LCFF) on statewide charter school rates multiplied by the School's average daily attendance (ADA) as reported at the Second Principal apportionment period (P2). The result is then reduced by property tax revenues transferred from the District to the School, which is funding in lieu of property taxes and education protection account funds paid by the state under proposition 30. The remaining balance is paid from the state General Fund, in the form of LCFF State Aid. LCFF funding sources, inclusive of state and local sources, made up 70% of the schools revenue. The School is not at risk of losing these funding sources, as long as the school maintains a steady level of ADA, as these funding sources are mandated by the California State Constitution to fund schools.

**Advertising**

Advertising costs are expensed when incurred.

**Income Taxes**

FCPS is a 509(a)(1) publicly supported nonprofit organization that is exempt from income taxes under Sections 501(a) and 501(c)(3) of the Internal Revenue Code. FCPS is also exempt from California franchise or income tax under Section 23701d of the California Revenue and Taxation Code. 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, no disclosures of uncertain income tax positions are required. The School is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. The School files an exempt School return and applicable unrelated business income tax return in the U.S. federal jurisdiction and with the California Franchise Tax Board.

**FENTON CHARTER PUBLIC SCHOOLS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Evaluation of Subsequent Events**

In preparing these consolidated financial statements, FCPS has evaluated events and transactions for potential recognition or disclosure through December 5, 2019, the date the consolidated financial statements were available to be issued.

**Change in Accounting Principle**

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The School has implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

**NOTE 2 LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure are those without donor or other restrictions limiting their use within one year of the statement of financial position date. Financial assets available for general expenditures comprise cash and cash equivalents and accounts receivable for the total amount of \$19,704,676. As part of the School's liquidity management plan, the School invests cash in excess of daily requirements in short term investments, CDs, and money market funds.

**NOTE 3 CONCENTRATION OF CREDIT RISK**

**Cash in County Treasury**

The School maintains a portion of its cash in the Los Angeles County Treasury as part of the common investment pool (\$8,228,567 as of June 30, 2019). The county is restricted by Government Code §53635 pursuant to §53601 to invest in time deposits, U.S. Government Securities, state registered warrants, notes or bonds, State Treasurer's investment pool, banker's acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse agreements.

The fair value of the School's investments in the pool is reported based upon FCPS pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of the 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. The balance available for withdrawal is equal to the balance recorded in these consolidated financial statements.

**Cash in Bank**

The Schools cash is held in financial institutions which are either insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor or certain non-interest bearing accounts that are fully insured by the FDIC. At times, the School's balance in its cash accounts exceeds the FDIC insurance coverage. The School reduces its exposure to risk by maintaining such deposits with high quality financial institutions. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**FENTON CHARTER PUBLIC SCHOOLS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 4 INVESTMENTS**

In accordance with FASB (ASC) No. 820, *Fair Value Measurements and Disclosures*, level 1 through level 3 have been assigned to the fair value measurement of investments. The fair value level of measurement is determined as follows:

*Level 1* – quoted prices in an active market for identical assets.

*Level 2* – quoted prices for similar assets and market-corroborated inputs.

*Level 3* – The School's own assumptions about market participation, including assumptions about risk, developed based on the best information available in the circumstances.

If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. The fair value of the School's investments as of June 30, 2019 was as follows:

	Fair Value Measurement 2019		
	Total	Level 1	Level 2
Equities	\$ 144,968	\$ 144,968	\$ -
Corporate Bonds	591,383	27,563	563,820
Mutual Funds	804,143	804,143	-
Cash and Cash Equivalents	5,663	-	-
Total Investments at Fair Value (FV)	\$ 1,546,157	\$ 976,674	\$ 563,820

Investment return is composed of the following:

Interest and Dividends	\$ 59,612
Unrealized Gain	9,838
Management Fees	(14,815)
Total Investment Return	\$ 54,635

**NOTE 5 PROPERTY, PLANT AND EQUIPMENT**

Property, plant, and equipment as of June 30, 2019 are as follows:

Construction in Progress	\$ 38,641
Land	2,001,722
Building and Improvements	30,079,498
Furniture, Fixtures, and Equipment	4,978,880
Leasehold Improvements	109,030
Total	37,207,771
Less: Accumulated Depreciation	(11,482,052)
Total Property, Plant, and Equipment	\$ 25,725,719

**FENTON CHARTER PUBLIC SCHOOLS**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 6 LONG-TERM DEBT**

**CDE Revolving Loans**

The School received two revolving loans from the California Department of Education (CDE) in the amount of \$250,000 each. The loans require annual principal payments of \$100,000. The loans have terms of five years and carry interest rates of 1%. Annual payments of principal and interest are deducted from School's apportionment. As of June 30, 2019 the combined outstanding balance was \$100,016. The entire balance is due within the next fiscal year.

**Capital Lease**

The School leases certain equipment under three capital lease agreements with a combined capitalized cost of \$693,350. The leases mature in July 2019 and bear interest rates of 11.3%. Depreciation expense reported in the consolidated statement of activities includes \$173,338 for the equipment under the capital leases. At June 30, 2019 the accumulated depreciation on this equipment totaled \$664,462. The outstanding balance under these leases at June 30, 2019 was \$2,526 and is due within the next fiscal year.

**Notes Payable**

SFV 11351 Dronfield, LLC has four notes payable with EXED Facilities, LLC totaling \$14,173,200. One of these notes was loaned to EXED Facilities, LLC from Fenton Public Charter Schools. The notes carry interest rates ranging from 3.93% to 5.42% and are secured by the facilities owned by the LLC. The notes require interest only payments until December 2019 at which time \$9,250,000 becomes due and the remaining balance is amortized with principal and interest payments required until maturity in December 2042. The combined balance outstanding as of June 30, 2019 under these four notes payable after eliminating the intercompany portion was \$12,926,256.

SFV 8926 Sunland, LLC has a note payable with Clearinghouse CDFI in the amount of \$5,500,000. The note carries an interest rate of 6.25%, requires monthly payments of principal and interest, and matures in February, 2030. The outstanding balance as of June 30, 2019 was \$5,180,524.

SFV 8926 Sunland, LLC has a note payable with the Alliance For College-Ready Public Schools in the amount of \$170,000. The note carries an interest rate of 3%, requires monthly principal and interest payments, and matures in July 2019. The outstanding balance as of June 30, 2019 was \$4,931.

Notes payable are reported on the consolidated statement of financial position net of issue costs of \$61,066. The costs are being amortized to interest expense over the life of the debt. Amortization for the year ended June 30, 2019 was \$4,853.

**FENTON CHARTER PUBLIC SCHOOLS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 6 LONG-TERM DEBT (CONTINUED)**

Future maturities of notes payable are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 9,475,432
2021	191,850
2022	202,220
2023	212,776
2024	221,110
Thereafter	<u>7,908,339</u>
Subtotal	18,211,727
Less: Issue Costs	<u>(51,360)</u>
Total	<u><u>\$ 18,160,367</u></u>

**NOTE 7 NET ASSETS WITH DONOR RESTRICTION**

The School's net asset with donor restrictions as of June 30, 2019 consisted of the following:

Nutrition Programs	\$ 409,018
Prop 39 Clean Energy	<u>566,704</u>
Total	<u><u>\$ 975,722</u></u>

**NOTE 8 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.



**FENTON CHARTER PUBLIC SCHOOLS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 8 MULTI-EMPLOYER DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**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, 2018, total STRS plan net assets are \$225 billion, the total actuarial present value of accumulated plan benefits is \$374 billion, contributions from all employers totaled \$4.9 billion, and the plan is 64% 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 January 1, 2013 are required to contribute 10.25% of their salary and those hired after are required to contribute 9.205% 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 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, 2019 was 16.28% 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 June 30,</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2017	\$ 1,643,659	100 %
2018	\$ 1,876,278	100 %
2019	\$ 2,165,157	100 %

**FENTON CHARTER PUBLIC SCHOOLS  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 JUNE 30, 2019**

**NOTE 8 MULTI-EMPLOYER DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**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, 2017, the School Employer Pool total plan assets are \$60.9 billion, the present value of accumulated plan benefits is \$99.6 billion, contributions from all employers totaled \$1.8 billion, and the plan is 72.1% 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).

Funding Policy

Active plan members brought into PERS membership prior to January 1, 2013 are required to contribute 7.0% of their salary while new members after January 1, 2013 are required to contribute 6.5% 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, 2019 was 18.062%. The contribution requirements of the plan members are established and may be amended by State statute.

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

Funding Policy (Continued)

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

<u>Year Ended June 30,</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2017	\$ 487,089	100 %
2018	\$ 536,470	100 %
2019	\$ 622,823	100 %

**NOTE 9 POST RETIREMENT HEALTH BENEFIT PLAN**

The School sponsors a defined benefit postretirement medical plan. Employees are eligible for certain medical benefits under the plan if they meet certain age and service requirements at the time of retirement. The School accrues actuarially determined costs ratably to the date an employee becomes eligible for such benefits.

The School has adopted the provisions of FASB ASC 715-20 and ASC 715-60 for the reporting of the postretirement benefit payable and net periodic postretirement benefit cost.

**FENTON CHARTER PUBLIC SCHOOLS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 9 POST RETIREMENT HEALTH BENEFIT PLAN (CONTINUED)**

The following tables set forth further information about the School's postretirement health benefit plan obligation and funded status as of June 30, 2019.

Projected Benefit Obligation at June 30	\$ (11,535,609)
Plan Assets at Fair Value	5,302,849
Funded Status at End of Year	<u>\$ (6,232,760)</u>
Employer Contributions	\$ 1,128,301
Plan participants' Contributions	-
Benefits Paid	118,795

Amounts recognized in the consolidated statement of financial position at June 30, 2019 consist of:

Reconciliation of Funded Status	
Accumulated postretirement Benefit Obligation (APBO)	\$ 11,535,609
Fair Value of Plan Assets	5,302,849
Funded Status	<u>6,232,760</u>
Unrecognized Amounts:	
Actuarial Gain/(Loss)	(2,981,120)
Prior Service Cost	-
Transition Asset/(Obligation)	<u>(3,307,450)</u>
Postretirement Benefit Payable	<u>\$ (55,810)</u>

Amounts recognized in the consolidated statement of activities at June 30, 2019 consist of:

Service Cost (End of Year	\$ 524,934
Interest Cost	397,657
Expected return on Plan Assets	(139,242)
Amortization of Actuarial Gain	215,118
Amortization of Prior Service Cost	-
Amortization of Transition Obligation	194,556
Net Periodic Postretirement Benefit Cost	<u>\$ 1,193,023</u>

The postretirement benefit payable is reported in the accounts payable and accrued liabilities line item in the consolidated statement of financial position and the net periodic postretirement benefit cost is reported in the other employee benefits line in the consolidated statement of functional expenses.

**FENTON CHARTER PUBLIC SCHOOLS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 9 POST RETIREMENT HEALTH BENEFIT PLAN (CONTINUED)**

Weighted-average assumptions used to determine benefit obligations as of June 30, 2019 are as follows:

Discount Rate	3.56 %
Expected Long-Term Return on Plan Assets	3.00 %
Rate of Compensation	N/A
Health Care Cost Trend Rate Assumed for Next Year	6.75 %
Rate to which the Cost Trend Rate is Assumed to Decline (Ultimate Trend Rate)	4.50 %
Year that the Rate Reaches the Ultimate Trend Rate	10 Years

The School expects to contribute approximately \$998,452 to the plan the next fiscal year.

The following is a projection of expected future benefit payments under the plan:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 175,203
2021	200,751
2022	227,260
2023	253,338
2024	261,559
2024-2028	1,363,119

The expected rate of return on Pension Plan assets is determined by those assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class.

Fair value of plan assets are as follows as of June 30, 2019:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Corporate Bonds	\$ 3,663,142	\$ -	\$ 3,663,142
Equities	177,733	177,733	177,733
Mutual Funds	723,461	723,461	723,461
Cash and Cash Equivalents	738,513		
Fair Value of Plan Assets	<u>\$ 5,302,849</u>	<u>\$ 901,194</u>	<u>\$ 4,564,336</u>

During the year ended June 30, 2019, the School changed the method used to allocate the defined benefit liability to each charter school from the time method to the compensation method to more accurately report the liability by location. The change is captured in the reclassification of OPEB liability in the consolidating statement of activities – FCPS.

**NOTE 10 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.

**FENTON CHARTER PUBLIC SCHOOLS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 11 OPERATING LEASES**

The School leases its facilities under lease agreements, where the last lease expires in June 2035. Lease expense under these agreements for the year ended June 30, 2019 was \$625,424.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 597,924
2021	597,924
2022	597,924
2023	517,327
2024	510,000
Thereafter	<u>6,120,000</u>
Total	<u><u>\$ 8,941,099</u></u>

**NOTE 12 FUNCTIONALIZED EXPENSES**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function(s). Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, and payroll taxes, which are allocated on the basis of estimates of time and effort.

**SUPPLEMENTARY INFORMATION**

**FENTON CHARTER PUBLIC SCHOOLS  
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
YEAR ENDED JUNE 30, 2019**

The School was established in 1993, when it was granted its first charter through the Los Angeles Unified School District (the District) and its charter school status from the California Department of Education. All of the School's five charters are granted through the District. 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 numbers are as follows:

- Fenton Avenue Charter School: #30, established September 10, 1993
- Fenton Primary Center: #911, established July 12, 2007
- Santa Monica Blvd. Community: #446, established January 10, 2002
- Fenton STEM Academy: #1605, established November 7, 2013
- Fenton Charter Leadership Academy: #1613, established January 16, 2014

The Board of Directors and the Administrators as of the year ended June 30, 2019 were as follows:

**BOARD OF DIRECTORS**

<b><u>Member</u></b>	<b><u>Office</u></b>	<b><u>Term Expires (2 year term)</u></b>
Joe Lucente	Chairman	2019
Diane Abeyta	Vice Chairman	2019
Gary Borden	Community Representative	2020
Daniel Laughlin	Parent Representative	2020
Gabriela Montoya	Parent Representative	2020
Walter Wallace	Community Representative	2020
Yvette King-Berg	Community Representative	2019
Jed Wallace	Community Representative	2020

**ADMINISTRATORS**

Irene Sumida	Executive Director
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**FENTON CHARTER PUBLIC SCHOOLS  
SCHEDULE OF INSTRUCTIONAL TIME  
YEAR ENDED JUNE 30, 2019**

	Instructional Minutes		Traditional Instructional Days	Status
	Requirement	Actual		
<b>Fenton Avenue Charter School</b>				
Transitional Kindergarten	36,000	53,370	184	In compliance
Grade 3	50,400	58,530	184	In compliance
Grade 4	54,000	58,530	184	In compliance
Grade 5	54,000	58,530	184	In compliance
<b>Fenton Primary Center</b>				
Transitional Kindergarten	36,000	55,140	184	In compliance
Kindergarten	50,400	57,805	184	In compliance
Grade 1	50,400	56,345	184	In compliance
Grade 2	50,400	58,185	184	In compliance
<b>Santa Monica Blvd. Community Charter School</b>				
Kindergarten	36,000	59,265	184	In compliance
Grade 1	50,400	55,585	184	In compliance
Grade 2	50,400	57,425	184	In compliance
Grade 3	50,400	57,425	184	In compliance
Grade 4	54,000	59,265	184	In compliance
Grade 5	54,000	59,265	184	In compliance
Grade 6	54,000	59,265	184	In compliance
<b>Fenton Charter Leadership Academy</b>				
Kindergarten	36,000	58,765	184	In compliance
Grade 1	50,400	55,485	184	In compliance
Grade 2	50,400	55,485	184	In compliance
Grade 3	50,400	55,485	184	In compliance
Grade 4	54,000	59,165	184	In compliance
<b>Fenton STEM Academy</b>				
Kindergarten	36,000	58,765	184	In compliance
Grade 1	50,400	55,085	184	In compliance
Grade 2	50,400	55,085	184	In compliance
Grade 3	54,000	58,765	184	In compliance
Grade 4	54,000	58,765	184	In compliance
Grade 5	54,000	58,765	184	In compliance
Grade 5	54,000	58,765	184	In compliance

See the Auditors' Report and the Notes to Supplementary Information.



**FENTON CHARTER PUBLIC SCHOOLS  
SCHEDULE OF AVERAGE DAILY ATTENDANCE  
YEAR ENDED JUNE 30, 2019**

	Second Period Report		Annual Report	
	Classroom Based	Total	Classroom Based	Total
Fenton Avenue Charter School:				
Grades TK/K-3	233.45	235.51	231.90	233.96
Grades 4-6	461.07	465.72	458.32	462.75
Totals	<u>694.52</u>	<u>701.23</u>	<u>690.22</u>	<u>696.71</u>
Fenton Primary Center:				
Grades TK/K-3	669.29	683.24	688.02	681.86
Totals	<u>669.29</u>	<u>683.24</u>	<u>688.02</u>	<u>681.86</u>
Santa Monica Blvd. Community Charter School:				
Grades TK/K-3	502.87	513.76	504.80	514.89
Grades 4-6	349.33	355.01	350.01	355.17
Totals	<u>852.20</u>	<u>868.77</u>	<u>854.81</u>	<u>870.06</u>
Fenton Charter Leadership Academy:				
Grades TK/K-3	269.95	276.16	268.58	274.51
Grades 4-6	40.37	41.29	39.96	40.93
Totals	<u>310.32</u>	<u>317.45</u>	<u>308.54</u>	<u>315.44</u>
Fenton STEM Academy:				
Grades TK/K-3	180.48	184.86	180.34	184.49
Grades 4-6	119.92	121.86	120.12	121.86
Totals	<u>300.40</u>	<u>306.72</u>	<u>300.46</u>	<u>306.35</u>
ADA Totals	<u><u>2,826.73</u></u>	<u><u>2,877.41</u></u>	<u><u>2,842.05</u></u>	<u><u>2,870.42</u></u>

See the Auditors' Report and the Notes to Supplementary Information.

**FENTON CHARTER PUBLIC SCHOOLS  
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

	<u>FACS</u>	<u>FPC</u>	<u>SMBC</u>	<u>FCLA</u>	<u>STEM</u>
June 30, 2019 Annual Financial Report Fund Balances (Net Assets)	\$ 5,863,175	\$ 4,331,582	\$ 6,093,693	\$ 284,608	\$ 2,650
Adjustments and Reclassifications:					
Increase (Decrease) of Fund Balance (Net Assets):					
Cash and Cash Equivalents	-	-	5,421	(1,140)	1,141
Accounts Receivable - Federal and State	8,100	-	-	130	95
Accounts Receivable - Other	13,137	20,271	3,809	980	1,374
Prepaid Expenses and Other Assets	-	-	-	42,000	42,000
Accounts Payable and Accrued Liabilities	(3,802)	(1,073)	(1,117)	(2,218)	(4,069)
Defined Benefit Liability	754,462	(189,335)	244,739	(262,684)	87,325
Net Adjustments and Reclassifications	<u>771,897</u>	<u>(170,137)</u>	<u>252,852</u>	<u>(222,932)</u>	<u>127,866</u>
June 30, 2019 Audited Financial Statement Fund Balances (Net Assets)	<u>\$ 6,635,072</u>	<u>\$ 4,161,445</u>	<u>\$ 6,346,545</u>	<u>\$ 61,676</u>	<u>\$ 130,516</u>

See the Auditors' Report and the Notes to Supplementary Information.

**FENTON CHARTER PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	FACS	FPC	SMBC	FCLA	STEM	Total
<b>U.S. Department of Education</b>								
Pass-Through Program From								
California Department of Education:								
Every Student Succeeds Act								
Title I, Part A, Basic Grants:								
Low-Income and Neglected	84.010	14329	\$ 385,781	\$ 319,016	\$ 424,992	\$ 91,601	\$ 113,085	\$ 1,334,475
Title II, Part A, Teacher Quality	84.367	14341	36,323	36,080	48,287	12,073	14,204	146,967
Title III, Limited English Proficiency	84.365	14346	24,141	39,417	65,279	-	-	128,837
Title IV, Student Support & Academic Enrichment Program	84.424	14941	27,886	23,165	30,860	10,000	10,000	101,911
Special Education Cluster:								
Special Education - IDEA Basic								
Local Assistance	84.027	13379	145,574	141,836	180,355	65,905	63,676	597,346
Special Education Cluster Total			<u>145,574</u>	<u>141,836</u>	<u>180,355</u>	<u>65,905</u>	<u>63,676</u>	<u>597,346</u>
<i>Total U.S Department of Education</i>			619,705	559,514	749,773	179,579	200,965	2,309,536
<b>U.S. Department of Agriculture</b>								
Pass-Through Program From								
California Department of Education:								
Child and Adult Care Food Program	10.558	13666	220,481	107,598	135,415	58,088	51,757	573,339
Child Nutrition Cluster:								
School Breakfast Program Especially								
Needy	10.553	13526	139,851	175,212	217,063	75,305	71,658	679,089
National School Lunch Program	10.555	13396	286,575	359,034	444,794	154,311	146,838	1,391,552
Meal Supplements	10.555	13396	24,874	31,164	32,720	13,395	18,634	120,787
Child Nutrition Cluster Total			<u>451,300</u>	<u>565,410</u>	<u>694,577</u>	<u>243,011</u>	<u>237,130</u>	<u>2,191,428</u>
<i>Total U.S Department of Agriculture</i>			671,781	673,008	829,992	301,099	288,887	2,764,767
Total Federal Expenditures			<u>\$ 1,291,486</u>	<u>\$ 1,232,522</u>	<u>\$ 1,579,765</u>	<u>\$ 480,678</u>	<u>\$ 489,852</u>	<u>\$ 5,074,303</u>

N/A - Pass-through entity number not readily available or not applicable.

See the Auditors' Report and the Notes to Supplementary Information.

**FENTON CHARTER PUBLIC SCHOOLS**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION - FCPS**  
**JUNE 30, 2019**

<b>ASSETS</b>	<u>FACS</u>	<u>FPC</u>	<u>SMBC</u>	<u>FCLA</u>	<u>STEM</u>	<u>FCPS CMO</u>	<u>Eliminations</u>	<u>Total</u>
<b>CURRENT ASSETS</b>								
Cash and Cash Equivalents	\$ 4,308,846	\$ 4,119,498	\$ 4,860,306	\$ 271,147	\$ 357,235	\$ 821,151	\$ -	\$ 14,738,183
Investments, Current Portion	-	-	-	-	-	954,774	-	954,774
Accounts Receivable - Federal and State	351,062	692,511	468,962	253,192	227,433	-	-	1,993,160
Accounts Receivable - Other	13,137	632,523	168,211	980	1,374	4,651	-	820,876
Intercompany Receivables	-	-	-	-	-	1,918,195	-	1,918,195
Prepaid Expenses and Other Assets	91,691	89,811	87,075	101,981	80,462	38,201	-	489,221
Total Current Assets	<u>4,764,736</u>	<u>5,534,343</u>	<u>5,584,554</u>	<u>627,300</u>	<u>666,504</u>	<u>3,736,972</u>	<u>-</u>	<u>20,914,409</u>
<b>LONG-TERM ASSETS</b>								
Investments	-	-	-	-	-	591,383	-	591,383
Property, Plant, and Equipment, Net	3,810,891	300,054	2,925,393	102,676	109,295	47,995	-	7,296,304
Intercompany Notes Receivable	-	1,246,944	-	-	-	-	-	1,246,944
Other Long-Term Assets	-	12,500	-	-	-	99,000	-	111,500
Total Long-Term Assets	<u>3,810,891</u>	<u>1,559,498</u>	<u>2,925,393</u>	<u>102,676</u>	<u>109,295</u>	<u>738,378</u>	<u>-</u>	<u>9,246,131</u>
Total Assets	<u>\$ 8,575,627</u>	<u>\$ 7,093,841</u>	<u>\$ 8,509,947</u>	<u>\$ 729,976</u>	<u>\$ 775,799</u>	<u>\$ 4,475,350</u>	<u>\$ -</u>	<u>\$ 30,160,540</u>
<b>LIABILITIES AND NET ASSETS</b>								
<b>CURRENT LIABILITIES</b>								
Accounts Payable and Accrued Liabilities	\$ 137,697	\$ 1,796,723	\$ 518,613	\$ 65,804	\$ 101,154	\$ 26,968	\$ -	\$ 2,646,959
Capital Lease, Current Portion	-	-	-	1,263	1,263	-	-	2,526
Notes Payable, Current Portion	-	-	-	50,008	50,008	-	-	100,016
Total Current Liabilities	<u>137,697</u>	<u>1,796,723</u>	<u>518,613</u>	<u>117,075</u>	<u>152,425</u>	<u>26,968</u>	<u>-</u>	<u>2,749,501</u>
<b>LONG-TERM LIABILITIES</b>								
Defined Benefit Liability	1,802,858	1,135,673	1,644,789	551,225	492,858	605,357	-	6,232,760
Total Long-Term Liabilities	<u>1,802,858</u>	<u>1,135,673</u>	<u>1,644,789</u>	<u>551,225</u>	<u>492,858</u>	<u>605,357</u>	<u>-</u>	<u>6,232,760</u>
Total Liabilities	<u>1,940,555</u>	<u>2,932,396</u>	<u>2,163,402</u>	<u>668,300</u>	<u>645,283</u>	<u>632,325</u>	<u>-</u>	<u>8,982,261</u>
<b>NET ASSETS</b>								
Without Donor Restriction	6,353,816	4,062,890	5,791,734	41,768	109,324	3,843,025	-	20,202,557
With Donor Restriction	281,256	98,555	554,811	19,908	21,192	-	-	975,722
Total Net Assets	<u>6,635,072</u>	<u>4,161,445</u>	<u>6,346,545</u>	<u>61,676</u>	<u>130,516</u>	<u>3,843,025</u>	<u>-</u>	<u>21,178,279</u>
Total Liabilities and Net Assets	<u>\$ 8,575,627</u>	<u>\$ 7,093,841</u>	<u>\$ 8,509,947</u>	<u>\$ 729,976</u>	<u>\$ 775,799</u>	<u>\$ 4,475,350</u>	<u>\$ -</u>	<u>\$ 30,160,540</u>

See the Auditors' Report and the Notes to Supplementary Information.

**FENTON CHARTER PUBLIC SCHOOLS  
CONSOLIDATING STATEMENT OF ACTIVITIES - FCPS  
YEAR ENDED JUNE 30, 2019**

	FACS	FPC	SMBC	FCLA	STEM	FCPS CMO	Eliminations	Total
<b>NET ASSETS WITHOUT DONOR RESTRICTION</b>								
<b>REVENUES</b>								
State Revenue:								
State Aid	\$ 5,515,243	\$ 5,781,822	\$ 7,128,603	\$ 2,560,681	\$ 2,452,516	\$ -	\$ -	\$ 23,438,865
Other State Revenue	1,052,423	1,639,081	1,444,424	719,079	831,835	-	-	5,686,842
Federal Revenue:								
Grants and Entitlements	1,291,486	1,232,522	1,579,765	480,678	489,852	-	-	5,074,303
Local Revenue:								
In-Lieu Property Tax Revenue	1,783,859	1,738,094	2,210,064	807,561	780,265	-	-	7,319,843
Interest and Investment Income	61,966	80,802	24,475	4,582	4,640	83,173	-	259,638
Other Revenue	120,527	47,478	84,939	32,050	19,740	3,409,499	(3,403,551)	310,682
Net Assets Released from Restriction	18,244	23,552	5,469	670	527	-	-	48,462
Total Revenues, Net	<u>9,843,748</u>	<u>10,543,351</u>	<u>12,477,739</u>	<u>4,605,301</u>	<u>4,579,375</u>	<u>3,492,672</u>	<u>(3,403,551)</u>	<u>42,138,635</u>
<b>EXPENSES</b>								
Program Services	8,194,685	8,917,007	9,649,426	3,864,065	3,671,511	2,687,339	-	36,984,033
Management and General	1,420,197	1,298,479	1,863,479	630,149	629,067	811,762	(3,403,551)	3,249,582
Total Expenses	<u>9,614,882</u>	<u>10,215,486</u>	<u>11,512,905</u>	<u>4,494,214</u>	<u>4,300,578</u>	<u>3,499,101</u>	<u>(3,403,551)</u>	<u>40,233,615</u>
<b>OTHER INCOME (EXPENSE)</b>								
Reclassification of OPEB Liability	754,462	(189,335)	244,739	(263,824)	88,466	(634,508)	-	-
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	983,328	138,530	1,209,573	(152,737)	367,263	(640,937)	-	1,905,020
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>								
<b>REVENUES</b>								
Other State Revenue	-	-	73,240	-	-	-	-	73,240
Net Assets Released from Restriction	(18,244)	(23,552)	(5,469)	(670)	(527)	-	-	(48,462)
<b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>	<u>(18,244)</u>	<u>(23,552)</u>	<u>67,771</u>	<u>(670)</u>	<u>(527)</u>	<u>-</u>	<u>-</u>	<u>24,778</u>
<b>CHANGE IN TOTAL NET ASSETS</b>	965,084	114,978	1,277,344	(153,407)	366,736	(640,937)	-	1,929,798
Total Net Assets - Beginning of Year	5,669,988	4,046,467	5,069,201	215,083	(236,220)	4,483,962	-	19,248,481
<b>TOTAL NET ASSETS - END OF YEAR</b>	<u>\$ 6,635,072</u>	<u>\$ 4,161,445</u>	<u>\$ 6,346,545</u>	<u>\$ 61,676</u>	<u>\$ 130,516</u>	<u>\$ 3,843,025</u>	<u>\$ -</u>	<u>\$ 21,178,279</u>

See the Auditors' Report and the Notes to Supplementary Information.

**FENTON CHARTER PUBLIC SCHOOLS  
CONSOLIDATING STATEMENT OF CASH FLOWS - FCPS  
YEAR ENDED JUNE 30, 2019**

	FACS	FPC	SMBC	FCLA	STEM	FCPS CMO	Eliminations	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Change in Net Assets	\$ 965,084	\$ 114,978	\$ 1,277,344	\$ (153,407)	\$ 366,736	\$ (640,937)		\$ 1,929,798
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:								
Depreciation	299,327	107,200	460,936	104,079	104,493	3,908	-	1,079,943
Unrealized Gain on Investments	-	-	-	-	-	(9,838)	-	(9,838)
Defined Benefit Liability	(841,278)	134,647	(323,942)	237,281	(112,199)	605,357	-	(300,134)
(Increase) Decrease in Assets:								
Accounts Receivable - Federal and State	(28,238)	31,728	(44,483)	19,969	56,568	-	-	35,544
Accounts Receivable - Other	(12,579)	(38,102)	(44,348)	(980)	(1,374)	(4,651)	-	(102,034)
Intercompany Receivables	4,026	630,543	-	-	-	(613,958)	(20,611)	-
Prepaid Expenses and Other Assets	11,139	(15,936)	(34,967)	(11,169)	14,305	(22,479)	-	(59,107)
Other Long-Term Assets	-	-	-	30,000	30,000	7,327	-	67,327
Increase (Decrease) in Liabilities:								
Accounts Payable and Accrued Liabilities	31,575	70,930	30,943	(9,810)	22,254	28,977	-	174,869
Intercompany Payables	-	-	-	-	(20,611)	-	20,611	-
Net Cash Provided (Used) by Operating Activities	<u>429,056</u>	<u>1,035,988</u>	<u>1,321,483</u>	<u>215,963</u>	<u>460,172</u>	<u>(646,294)</u>	<u>-</u>	<u>2,816,368</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Purchases of Investments	-	-	-	-	-	(44,796)	-	(44,796)
Purchases of Property, Plant, and Equipment	(224,141)	(66,362)	(133,002)	(15,362)	(21,862)	(38,192)	-	(498,921)
Net Cash Used by Investing Activities	<u>(224,141)</u>	<u>(66,362)</u>	<u>(133,002)</u>	<u>(15,362)</u>	<u>(21,862)</u>	<u>(82,988)</u>	<u>-</u>	<u>(543,717)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
Repayment on Capital Lease	-	-	-	(93,313)	(93,313)	-	-	(186,626)
Repayments of Debt	-	-	-	(49,998)	(49,998)	-	-	(99,996)
Net Cash Used by Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(143,311)</u>	<u>(143,311)</u>	<u>-</u>	<u>-</u>	<u>(286,622)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	204,915	969,626	1,188,481	57,290	294,999	(729,282)	-	1,986,029
Cash and Cash Equivalents - Beginning of Year	4,103,931	3,149,872	3,671,825	213,857	62,236	1,550,433	-	12,752,154
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 4,308,846</u>	<u>\$ 4,119,498</u>	<u>\$ 4,860,306</u>	<u>\$ 271,147</u>	<u>\$ 357,235</u>	<u>\$ 821,151</u>	<u>\$ -</u>	<u>\$ 14,738,183</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>								
Cash Paid for Interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,312</u>	<u>\$ 3,312</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,624</u>

See the Auditors' Report and the Notes to Supplementary Information.

**FENTON CHARTER PUBLIC SCHOOLS  
NOTES TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2019**

**PURPOSE OF SCHEDULES**

**NOTE 1 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.

**NOTE 2 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.

**NOTE 3 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 consolidated financial statements.

**NOTE 4 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the School under programs of the federal governmental for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 5 INDIRECT COST RATE**

The School has elected to use a rate other than the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

**FENTON CHARTER PUBLIC SCHOOLS  
NOTES TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2019**

**NOTE 6 SUPPLEMENTARY STATEMENTS OF FINANCIAL POSITION, ACTIVITIES, AND CASH FLOWS - FCPS**

These statements report the financial position, activities and cash flows for each charter school and the FCPS CMO.





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

Board of Directors  
Fenton Charter Public Schools  
Sun Valley, 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 consolidated financial statements of Fenton Charter Public Schools (the School), a nonprofit California public benefit corporation, which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, the related notes to the consolidated financial statements, and have issued our report thereon dated December 5, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated 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 consolidated 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 consolidated 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School’s consolidated 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*.

**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.



**CliftonLarsonAllen LLP**

Glendora, California  
December 5, 2019



## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDE**

Board of Directors  
Fenton Charter Public Schools  
Sun Valley, California

### **Report on Compliance for Each Major Federal Program**

We have audited the compliance of Fenton Charter Public Schools (the School) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of federal awards applicable to its federal program.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the School's major federal 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 a major federal program 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 compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

### **Report on Internal Control Over Compliance**

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance such that there is a reasonable possibility, that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Glendora, California  
December 5, 2019



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors  
Fenton Charter Public Schools  
Sun Valley, California

We have audited Fenton Charter Public Schools's (the School) compliance with the types of compliance requirements described in the *2018-2019 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, 2019. 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.

### Auditors' 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 *2018-2019 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:	
California Clean Energy Jobs Act	Yes
Before/ After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes

<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
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-based instructional/independent study	Yes
Determination of funding for nonclassroom-based instruction	Not applicable
Annual instructional minutes – classroom based	Yes
Charter School Facility Grant Program	Yes

**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, 2019.

**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 *2018-2019 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.



**CliftonLarsonAllen LLP**

Glendora, California  
December 5, 2019

**FENTON CHARTER PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019**

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***Section I – Summary of Auditors’ Results***

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***Consolidated Financial Statements***

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ yes         x    no
  - Significant deficiency(ies) identified? \_\_\_\_\_ yes         x    none reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes         x    no

***Federal Awards***

1. Internal control over major federal programs:
- Material weakness(es) identified? \_\_\_\_\_ yes         x    no
  - Significant deficiency(ies) identified? \_\_\_\_\_ yes         x    none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes         x    no

***Identification of Major Federal Programs***

<b>CFDA Number(s)</b>	<b>Name of Federal Program or Cluster</b>
10.553, 10.555	Child Nutrition Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	<u>   \$750,000   </u>
Auditee qualified as low-risk auditee?	<u>   x   </u> yes      _____ no

**FENTON CHARTER PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

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

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Program
43000	Apprenticeship: Related Supplemental Instruction
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

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***Section II – Financial Statement Findings***

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Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

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***Section IV – Findings and Questioned Costs – State Compliance***

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Our audit did not disclose any matters required to be reported in accordance with the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.



**FENTON CHARTER PUBLIC SCHOOLS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2019**

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

**FINDINGS – FINANCIAL STATEMENT AUDIT**

**2018-001 – Restatement of Net Assets**

**Criteria:** Generally Accepted Accounting Principals (US GAAP) require the unfunded portion of a defined benefit postretirement medical plan be recorded as a liability on the entity's books.

**Condition:** The School, together with its actuary, discussed the position of the School to exclude the OPEB liability in the previous year and the position was believed to be in accordance with standards.

**Effect:** Expenses and liability were understated in the previous year resulting in a restatement of net assets in the current year.

**Cause:** Misunderstanding of the transition guidance for accounting for postretirement medical plan liability.

**Questioned Costs and Units:** Net assets were restated in the amount of \$5,132,739.

**Recommendation:** The School should record an adjustment annually for the change in the unfunded portion of the defined benefit postretirement medical plan.

**Status:** Implemented.

