

FENTON CHARTER PUBLIC SCHOOLS

LOS ANGELES COUNTY

LOS ANGELES, CALIFORNIA

CONSOLIDATED AUDIT REPORT

YEAR ENDED JUNE 30, 2016

FENTON CHARTER PUBLIC SCHOOLS
Consolidated Financial Statements and Supplemental Information
Year Ended June 30, 2016

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Independent Auditor's Report

To the Board of Directors
Fenton Charter Public Schools
Claremont, California

Report on Financial Statements

We have audited the accompanying consolidated financial statements of Fenton Charter Public Schools (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School'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 School'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 above present fairly, in all material respects, the financial position of Fenton Charter Public Schools 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 Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying additional supplementary information, as required by the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2016 on our consideration of Fenton Charter Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fenton Charter Public Schools' internal control over financial reporting and compliance.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 13, 2016

FINANCIAL STATEMENTS

FENTON CHARTER PUBLIC SCHOOLS
Consolidated Statement of Financial Position
June 30, 2016

ASSETS

Current Assets

Cash and cash equivalents	\$ 10,518,817
Accounts receivable	2,296,369
Intercompany receivable	2,655,882
Prepaid and other current assets	948,578
Total Current Assets	<u>16,419,646</u>

Noncurrent Assets

Capital assets, net	9,711,313
Total Noncurrent Assets	<u>9,711,313</u>

TOTAL ASSETS	<u><u>\$ 26,130,959</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 770,511
Accrued payroll and benefits	1,813,806
Unearned revenue	19,166
Accrued vacation liability	6,479
Capital leases, current portion	174,158
Loan payable, current portion	100,000
Total Current Liabilities	<u>2,884,120</u>

Long Term Liabilities

Capital leases, less current portion	363,144
Loan payable, less current portion	300,004
Total Long Term Liabilities	<u>663,148</u>

Total Liabilities	<u>3,547,268</u>
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Net Assets

Unrestricted	22,262,541
Temporarily restricted	321,150
Total Net Assets	<u>22,583,691</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 26,130,959</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

FENTON CHARTER PUBLIC SCHOOLS

Consolidated Statement of Activities

Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Revenue			
LCFF state aid, current year	\$ 16,968,432	\$ -	\$ 16,968,432
LCFF state aid, prior year	2,358	-	2,358
Education protection account funds	3,340,610	-	3,340,610
Payments in lieu of property taxes	5,409,988	-	5,409,988
Federal revenue	-	5,144,825	5,144,825
Other state revenue	1,938,709	3,259,381	5,198,090
Interest	102,558	-	102,558
Other local revenue	855,695	-	855,695
Total Revenues	<u>28,618,350</u>	<u>8,404,206</u>	<u>37,022,556</u>
Net assets released from restrictions:			
Grant restrictions satisfied	8,215,312	(8,215,312)	-
TOTAL REVENUE AND SUPPORT	<u>36,833,662</u>	<u>188,894</u>	<u>37,022,556</u>
EXPENSES			
Certificated salaries	12,731,071	-	12,731,071
Classified salaries	5,304,519	-	5,304,519
Taxes and employee benefits	5,294,097	-	5,294,097
Books and supplies	4,131,296	-	4,131,296
Rentals, leases and repairs	2,368,291	-	2,368,291
Other operating expenditures	5,153,707	-	5,153,707
Depreciation expense	732,975	-	732,975
TOTAL EXPENSES	<u>35,753,755</u>	<u>-</u>	<u>35,753,755</u>
CHANGE IN NET ASSETS	1,079,907	188,894	1,268,801
NET ASSETS, BEGINNING OF YEAR	<u>21,182,634</u>	<u>132,256</u>	<u>21,314,890</u>
NET ASSETS, END OF YEAR	<u>\$ 22,262,541</u>	<u>\$ 321,150</u>	<u>\$ 22,583,691</u>

The accompanying notes to the financial statements are an integral part of this statement.

FENTON CHARTER PUBLIC SCHOOLS

Consolidated Statement of Cash Flows

Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 1,268,801
Depreciation	732,975
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) Decrease resulting from changes in assets:	
Accounts receivable	(373,174)
Intercompany receivables	(38,237)
Prepaid expenses and other current assets	(447,888)
Increase (Decrease) resulting from changes in liabilities:	
Accounts payable	214,848
Accrued payroll and benefits	250,081
Unearned revenue	(215,198)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>1,392,208</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of capital assets	(2,835,694)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(2,835,694)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from capital leases	537,302
Proceeds from loan payable	400,004
Transfer of OPEB obligations	(1,874,365)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(937,059)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,380,545)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>12,899,362</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$10,518,817</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

FENTON CHARTER PUBLIC SCHOOLS
Notes to the Consolidated Financial Statements
Year Ended June 30, 2016

A. Organization and Summary of Significant Accounting Policies

Organization

Fenton Charter Public Schools (FCPS) is a not for profit organization organized in the State of California. The organization, and the schools that are a part of the organization, are exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. The Schools within the Organization 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.

Fenton Charter Public Schools provide education to students in grades kindergarten through sixth grade. The mission of the Fenton Charter Public Schools 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.

On November 15, 2006, the governing board of Fenton Avenue Charter School (FACS) submitted the Fenton Primary Center (FPC) charter petition to the Los Angeles Unified School District with the goal of establishing a start-up charter school that would accommodate one half of the students of FACS and thereby allow the School to move off the year round, multi-track calendar. Fenton Primary Center opened on July 1, 2008 and moved to a newly constructed site on September 7, 2013. The schools now follow a single-track calendar with 184 instructional days.

In July 2011, the governing board of Fenton Avenue Charter School, the Council of Councils, and the Board of Directors of the Fenton Primary Center agreed to form a Charter Management Organization (CMO) to legally bind the two schools, create greater fiscal stability, and establish the possibility for growth. The organization that was formed, the Fenton Charter Public Schools, is a non-profit public benefit corporation [501(c)(3)] recognized as tax exempt by the Internal Revenue Service as well as the State of California Franchise Tax Board.

Santa Monica Boulevard Community Charter School (SMB) was divested to the Fenton Charter Public Schools on May 1, 2012 and on August 21, 2012, the office of Secretary of State of the State of California recognized the merger of the three schools (Fenton Avenue Charter School, Fenton Primary Center and Santa Monica Boulevard Community Charter School) under the Fenton Charter Public Schools (“Surviving Corporation”).

The effects of the August 21, 2012 “Agreement of Merger” include the following: each school continues to operate as a charter school under the CMO, the Fenton Charter Public Schools, as per Education Code Section 47604(a), and succeeded all rights and property to the organization. The organization also accepted all debts, liabilities, and obligations of the schools.

On December 6, 2012, the governing board of Fenton Charter Public Schools submitted the Fenton STEM Academy (STEM) and Fenton Academy for Social and Emotional Learning [internally referred to as Fenton Charter Leadership Academy (FCLA)] charter petitions to the Los Angeles Unified School District with the goal of establishing two start-up charter schools. Fenton STEM Academy and Fenton Charter Leadership Academy began serving students August 17, 2015.

FENTON CHARTER PUBLIC SCHOOLS
Notes to the Consolidated Financial Statements
Year Ended June 30, 2016

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Fenton Charter Public Schools (FCPS) and its related entities Fenton Avenue Charter School, Fenton Primary Center, Santa Monica Blvd. Community Charter School, Fenton Charter Leadership Academy, and Fenton STEM Academy. All significant intercompany accounts and transactions have been eliminated in consolidation. Management makes estimates and assumptions that affect the amounts reported in the financial statements and footnotes. Actual results could differ from those estimates.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958, Financial Statements of Not-for-Profit Organizations. Under ASC No. 958, the School is required to report information regarding its financial position and activities according to three classes of net assets:

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor or grant restrictions.
- Temporarily restricted net assets consist of contributed funds or grants subject to donor or grant imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the School may spend the funds.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

Fenton Charter Public Schools had no permanently restricted net assets during the year.

Use of Estimates

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

Cash and Cash Equivalents

For the purposes of the statement of cash flows, Fenton Charter Public Schools considers all highly liquid debt equity instruments purchased with an original maturity of three months or less to be cash equivalents.

FENTON CHARTER PUBLIC SCHOOLS

Notes to the Consolidated Financial Statements, Continued
Year Ended June 30, 2016

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 statement of activities.

Accounts Receivable

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.

Capital Assets

Property 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.

Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition or when resources are received by Fenton Charter Public School's prior to Fenton Charter Public School's meeting the requirements for legal claim to the resources.

In subsequent periods, when both revenue recognition criteria are met or when Fenton Charter Public School's has legal claim to the resources, the liability for unearned revenue is removed from the statement of financial position and revenue is recognized.

FENTON CHARTER PUBLIC SCHOOLS

Notes to the Consolidated Financial Statements, Continued
Year Ended June 30, 2016

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any restrictions.

All donor or grant restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 reported in the statement of activities as net assets released from restrictions.

Contributed Materials and Services

Contributed materials are recorded at their fair market value where an objective basis is available to measure their value. Such items are capitalized or charged to operations as appropriate. Fenton Charter Public Schools receive services donated by volunteers in carrying out Fenton Charter Public Schools' operations. The services do not meet the criteria as contributions and are, therefore, not recognized in the 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 unrestricted net assets 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. Fenton Charter Public Schools reclassifies temporarily restricted net assets to unrestricted net assets at that time.

LCFF Revenues and Payments in Lieu of Property Taxes

Fenton Charter Public Schools' 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.

FENTON CHARTER PUBLIC SCHOOLS

Notes to the Consolidated Financial Statements, Continued

Year Ended June 30, 2016

Advertising

Advertising costs are expensed when incurred.

Income Taxes

The Fenton Charter Public Schools is a 509(a)(1) publicly supported non-profit organization that is exempt from income taxes under Sections 501(a) and 501(c)(3) of the Internal Revenue Code. Fenton Charter Public Schools is also exempt from California franchise or income tax under Section 23701d of the California Revenue and Taxation Code. Fenton Charter Public Schools may be subject to tax on income which is not related to its exempt purpose. For the year ended June 30, 2016, no such unrelated business income was reported and, therefore, no provision for income taxes has been made.

Fenton Charter Public Schools follows provisions of uncertain tax positions as addressed in ASC 958. Fenton Charter Public Schools recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There are no amounts accrued in the financial statements related to uncertain tax positions for the year ended June 30, 2016.

Fenton Charter Public Schools files informational and income tax returns in the United States and in the state of California. The federal income tax and informational returns are subject to examination by the Internal Revenue Service for three years after the returns are filed. State and local jurisdictions have statutes of limitation that generally range from three to five years.

Subsequent Events

In preparing these financial statements, Fenton Charter Public Schools has evaluated events and transactions for potential recognition or disclosure through December 31, 2016, the date the financial statements were available to be issued.

B. Cash and Cash Equivalents

Cash in County Treasury

Fenton Charter Public Schools maintains a portion of its cash in the Los Angeles County Treasury as part of the common investment pool (\$9,747,560 as of June 30, 2016). 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 Fenton Charter Public School's investments in the pool is reported based upon Fenton Charter Public Schools 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 financial statements.

FENTON CHARTER PUBLIC SCHOOLS

Notes to the Consolidated Financial Statements, Continued
Year Ended June 30, 2016

Cash in Bank

Fenton Charter Public Schools' cash (\$771,257 as of June 30, 2016) 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 June 30, 2016 Fenton Charter Public Schools four bank accounts in financial institutions whose bank balance exceeded the FDIC insurance coverage by \$521,257. The Schools reduces their exposure to risk by maintaining such deposits with high quality financial institutions. Fenton Charter Public Schools has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk on cash and cash equivalents.

C. Analysis of Specific Deposit and Investment Risk

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. Cash invested as part of the County Treasury Investment Pool is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of the credit risk.

Custodial Credit Risk – Deposits

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in Fenton Charter Public Schools' name. As of June 30, 2016 not all deposits made with financial institutions were fully insured by the FDIC and as such Fenton Charter Public Schools was exposed to this risk.

Concentrations of Credit Risk

This risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The investment policy of Fenton Charter Public Schools contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such Fenton Charter Public Schools was not exposed to concentration of credit risk.

FENTON CHARTER PUBLIC SCHOOLS

Notes to the Consolidated Financial Statements, Continued
 Year Ended June 30, 2016

Interest Rate Risk

This is the risk that changes in interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Fenton Charter Public Schools manages its exposure to interest rate risk by investing in the county pool.

Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. As of June 30, 2016 the school has not invested in any foreign investments and as such is not exposed to foreign currency risk.

General Authorizations

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

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

FENTON CHARTER PUBLIC SCHOOLS
Notes to the Consolidated Financial Statements, Continued
Year Ended June 30, 2016

D. Accounts Receivable

As of June 30, 2016 accounts receivable consisted of:

	<u>FACS</u>	<u>FPC</u>	<u>SMB</u>	<u>FCLA</u>	<u>STEM</u>	<u>FCPS CMO</u>	<u>Total</u>
Federal Government:							
Federal Grants	\$ 54,798	\$ 67,966	\$ 115,680	\$ 200,401	\$ 255,193	\$ -	\$ 694,038
State Government:							
Lottery Revenue	79,089	86,138	99,688	-	-	-	264,915
General purpose grant	35,508	38,176	45,004	-	-	-	118,688
Child Nutrition Programs	3,156	4,763	5,169	519	564	-	14,171
Other Categorical Programs	27,177	207,832	174,078	101,803	98,688	-	609,578
Local Sources:							
Other Local Sources	3,319	588,729	1,906	554	471	-	594,979
Total Accounts Receivable	<u>\$ 203,047</u>	<u>\$ 993,604</u>	<u>\$ 441,525</u>	<u>\$ 303,277</u>	<u>\$ 354,916</u>	<u>\$ -</u>	<u>\$ 2,296,369</u>

E. Capital Assets

As of June 30, 2016 capital assets consisted of:

	<u>Audited Balance</u>			<u>Ending Balance</u>
	<u>July, 1 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>
Fenton Avenue Charter School				
Land	\$ -	\$ -	\$ -	\$ -
Building	-	-	-	-
Leasehold improvements	6,209,395	31,682	-	6,241,077
Equipment and Furniture	1,632,298	501,317	-	2,133,615
Construction in Progress	-	-	-	-
Total Capital Assets	7,841,693	532,999	-	8,374,692
Less accumulated depreciation	<u>(3,829,742)</u>	<u>(199,672)</u>	<u>-</u>	<u>(4,029,414)</u>
Capital assets, net	<u>\$ 4,011,951</u>	<u>\$ 333,327</u>	<u>\$ -</u>	<u>\$ 4,345,278</u>

FENTON CHARTER PUBLIC SCHOOLSNotes to the Consolidated Financial Statements, Continued
Year Ended June 30, 2016

	Audited Balance July, 1 2015	Increases	Decreases	Ending Balance June 30, 2016
Fenton Primary Center				
Land	\$ -	\$ -	\$ -	\$ -
Building	-	-	-	-
Leasehold improvements	340,434	-	32,923	307,511
Equipment and Furniture	450,687	-	-	450,687
Construction in Progress	-	-	-	-
Total Capital Assets	791,121	-	32,923	758,198
Less accumulated depreciation	(131,684)	(101,901)	-	(233,585)
Capital assets, net	<u>\$ 659,437</u>	<u>\$ (101,901)</u>	<u>\$ 32,923</u>	<u>\$ 524,613</u>
Santa Monica Blvd. Community Charter				
Land	\$ 829,612	\$ -	\$ -	\$ 829,612
Building	215,508	-	-	215,508
Leasehold improvements	1,998,342	834,283	-	2,832,625
Equipment and Furniture	502,476	279,450	-	781,926
Construction in Progress	-	309,421	-	309,421
Total Capital Assets	3,545,938	1,423,154	-	4,969,092
Less accumulated depreciation	(1,156,090)	(276,991)	-	(1,433,081)
Capital assets, net	<u>\$ 2,389,848</u>	<u>\$1,146,163</u>	<u>\$ -</u>	<u>\$ 3,536,011</u>
Fenton Charter Leadership Academy				
Land	\$ -	\$ -	\$ -	\$ -
Building	-	-	-	-
Leasehold improvements	-	44,965	-	44,965
Equipment and Furniture	-	408,454	-	408,454
Construction in Progress	-	3,962	-	3,962
Total Capital Assets	-	457,381	-	457,381
Less accumulated depreciation	-	(77,186)	-	(77,186)
Capital assets, net	<u>\$ -</u>	<u>\$ 380,195</u>	<u>\$ -</u>	<u>\$ 380,195</u>

FENTON CHARTER PUBLIC SCHOOLSNotes to the Consolidated Financial Statements, Continued
Year Ended June 30, 2016

	Audited Balance July, 1 2015	Increases	Decreases	Ending Balance June 30, 2016
Fenton STEM Academy				
Land	\$ -	\$ -	\$ -	\$ -
Building	-	-	-	-
Leasehold improvements	-	44,965	-	44,965
Equipment and Furniture	-	409,259	-	409,259
Construction in Progress	-	3,963	-	3,963
Total Capital Assets	-	458,187	-	458,187
Less accumulated depreciation	-	(77,225)	-	(77,225)
Capital assets, net	<u>\$ -</u>	<u>\$ 380,962</u>	<u>\$ -</u>	<u>\$ 380,962</u>
Fenton Charter Public Schools				
Land	\$ -	\$ -	\$ -	\$ -
Building	-	-	-	-
Leasehold improvements	-	3,000	-	3,000
Equipment and Furniture	-	-	-	-
Construction in Progress	547,358	-	6,104	541,254
Total Capital Assets	547,358	3,000	6,104	544,254
Less accumulated depreciation	-	-	-	-
Capital assets, net	<u>\$ 547,358</u>	<u>\$ 3,000</u>	<u>\$ 6,104</u>	<u>\$ 544,254</u>
Total Fenton Charter Public Schools				
Land	\$ 829,612	\$ -	\$ -	\$ 829,612
Building	215,508	-	-	215,508
Leasehold improvements	8,548,171	958,895	32,923	9,474,143
Equipment and Furniture	2,585,461	1,598,480	-	4,183,941
Construction in Progress	547,358	317,246	6,104	858,500
Total Capital Assets	12,726,110	2,874,621	39,027	15,561,704
Less accumulated depreciation	(5,117,516)	(732,975)	-	(5,850,491)
Capital assets, net	<u>\$ 7,608,594</u>	<u>\$2,141,646</u>	<u>\$ 39,027</u>	<u>\$ 9,711,213</u>

FENTON CHARTER PUBLIC SCHOOLSNotes to the Consolidated Financial Statements, Continued
Year Ended June 30, 2016**F. Related Party Accounts**

The Fenton Charter Public Schools (FCPS) have the same Board of Directors. During the year, Fenton Charter Public Schools have related transactions that are recorded in their respective related party accounts. At year end, the related party accounts are reconciled to ensure all transactions between the schools are properly recorded, and all the intercompany related party accounts have been eliminated.

G. Accounts Payable

As of June 30, 2016 accounts payable consisted of:

	<u>FACS</u>	<u>FPC</u>	<u>SMB</u>	<u>FCLA</u>	<u>STEM</u>	<u>FCPS CMO</u>	<u>Total</u>
Vendor Payables	\$ 48,604	\$ 116,654	\$ 494,419	\$ 45,072	\$ 37,435	\$ 25,128	\$ 767,312
LAUSD	231	1,013	1,009	229	717	-	3,199
Total Accounts Payable	<u>\$ 48,835</u>	<u>\$ 117,667</u>	<u>\$ 495,428</u>	<u>\$ 45,301</u>	<u>\$ 38,152</u>	<u>\$ 25,128</u>	<u>\$ 770,511</u>

H. Accrued Expenses

As of June 30, 2016 accrued expenses consisted of:

	<u>FACS</u>	<u>FPC</u>	<u>SMB</u>	<u>FCLA</u>	<u>STEM</u>	<u>FCPS CMO</u>	<u>Total</u>
Salaries and benefits	\$ 342,618	\$ 412,617	\$ 751,921	\$ 84,394	\$ 78,653	\$ 143,603	\$ 1,813,806
Compensated absences	600	1,546	782	-	-	3,551	6,479
Total Accounts Payable	<u>\$ 343,218</u>	<u>\$ 414,163</u>	<u>\$ 752,703</u>	<u>\$ 84,394</u>	<u>\$ 78,653</u>	<u>\$ 147,154</u>	<u>\$ 1,820,285</u>

I. Unearned Revenue

As of June 30, 2016 unearned revenue consisted of:

	<u>FCLA</u>	<u>STEM</u>	<u>Total</u>
Local Sources:			
Alliance	<u>\$ 9,583</u>	<u>\$ 9,583</u>	<u>\$ 19,166</u>
Total Unearned Revenue	<u>\$ 9,583</u>	<u>\$ 9,583</u>	<u>\$ 19,166</u>

FENTON CHARTER PUBLIC SCHOOLS

Notes to the Consolidated Financial Statements, Continued
 Year Ended June 30, 2016

J. Temporarily Restrict Net Assets

Temporarily restricted ending net assets consisted of restricted grants which have not yet been fully expended. Once the funds have been expended for an allowable purpose, they will be reclassified to unrestricted net assets. As of June 30, 2016 temporarily restricted ending net assets consisted of:

	<u>FACS</u>	<u>FPC</u>	<u>SMB</u>	<u>Total</u>
Educator Effectiveness	\$ 48,877	\$ 41,859	\$ 47,001	\$ 137,737
Child Nutrition Program	-	-	137,534	137,534
Supper Program	15,397	14,351	16,131	45,879
Total Temporarily Restricted Net Assets	<u>\$ 64,274</u>	<u>\$ 56,210</u>	<u>\$ 200,666</u>	<u>\$ 321,150</u>

K. Functional Expenses

As of June 30, 2016 functional expenses consisted of:

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 16,011,735	\$ 2,023,855	\$ 18,035,590
Pension plan accruals and contributions	1,459,715	58,818	1,518,533
Other employee benefits	3,295,313	132,781	3,428,094
Payroll taxes	334,011	13,459	347,470
Fees for services (non-employees):			
Education contractors	1,021,946	255,486	1,277,432
Other contracted services	45,095	11,274	56,369
Advertising	139,610	-	139,610
Conferences, conventions and meetings	61,649	-	61,649
Utilities	152,998	352,614	505,612
Books and supplies	4,028,315	102,981	4,131,296
Dues and memberships	19,650	-	19,650
Operations and housekeeping	461,220	1,978,883	2,440,103
Oversight fees	205,753	51,438	257,191
Rent, leases, and repairs	819,760	1,548,531	2,368,291
Communications	89,686	17,257	106,943
Professional development	107,563	26,891	134,454
Depreciation	-	732,975	732,975
Insurance	-	154,694	154,694
Debt service	-	37,799	37,799
Total expenses	<u>\$ 28,254,019</u>	<u>\$ 7,499,736</u>	<u>\$ 35,753,755</u>

FENTON CHARTER PUBLIC SCHOOLSNotes to the Consolidated Financial Statements, Continued
Year Ended June 30, 2016

L. Capital Leases

During the year ended June 30, 2016, Fenton Charter Public Schools entered into lease agreements for equipment. The agreements provided for monthly payments of \$16,714 for a period of 48 months. Payments included interest at a rate of 11.3%. As of June 30, 2016, Fenton Charter Public School was obligated for the following remaining payments:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 174,158	\$ 22,590	\$ 196,748
2018	174,157	22,590	196,747
2019	174,157	22,590	196,747
2020	<u>14,830</u>	<u>1,882</u>	<u>16,712</u>
Total	<u>\$ 537,302</u>	<u>\$ 69,652</u>	<u>\$ 606,954</u>

M. Loan Payable

During the year ended June 30, 2016, Fenton Charter Public Schools received the Charter School Revolving Loan from the California Department of Education in the amount of \$500,000. The loan bears interest at a rate of 1% and is payable over five years beginning with the 2015-16 fiscal year. As of June 30, 2016, Fenton Charter Public School was obligated for the following remaining payments:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 100,000	\$ 1,098	\$ 101,098
2018	100,000	804	100,804
2019	100,000	508	100,508
2020	<u>100,004</u>	<u>214</u>	<u>100,218</u>
Total	<u>\$ 400,004</u>	<u>\$ 2,624</u>	<u>\$ 402,628</u>

FENTON CHARTER PUBLIC SCHOOLS

Notes to the Consolidated Financial Statements, Continued
Year Ended June 30, 2016

N. Operating Lease

Fenton Charter Public Schools entered into various lease agreements for equipment. The agreements do not contain a purchase option and does not meet the requirements for capitalization. As such, the leases have not been recorded on the statement of financial position.

The agreement contains a termination clause providing for cancellation after a specified number of days written notice to the lessor, but it is unlikely that Fenton Charter Public Schools will cancel the agreement prior to the expiration date.

Future minimum lease payments under the agreement are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Lease</u> <u>Payments</u>
2017	\$ 521,137
2018	435,416
2019	52,412
2020	17,043
2021	<u>2,841</u>
Total	<u>\$ 1,028,849</u>

O. Commitments and Contingencies*State and Federal Allowances, Awards, and Grants*

Fenton Charter Public Schools has received federal and state 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 will not be material. As a result, no liability has been accrued.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of Fenton Charter Public Schools. The current portion of the liabilities is recognized in the general fund at year end.

Accumulated sick leave benefits are not recognized as liabilities of Fenton Charter Public Schools. The Fenton Charter Public Schools policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the credible service period for calculation of retirement benefits when the employee retires.

FENTON CHARTER PUBLIC SCHOOLS

Notes to the Consolidated Financial Statements, Continued
 Year Ended June 30, 2016

P. Employee Retirement System

Qualified employees are covered under multiple-employer defined benefit pension plans by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects:

1. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of the other participating employers.
2. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
3. If the School chooses to stop participating in some of its multi-employer plans, the School may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Fenton Charter Public School's participation in these plans for the fiscal year ended June 30, 2016, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2016 and 2015 is for the plan's year-end at June 30, 2016 and June 30, 2015, respectively.

The zone status is based on information that the School received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. There have been no significant changes that affect the comparability of the 2016, 2015 and 2014 contributions.

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status Year Ended June 30			FIP/RP Status Pending/ Implemented
		2016	2015	2014	
CalSTRS	NPA	Yellow	Yellow	Yellow	No
CalPERS	NPA	Yellow	Yellow	Yellow	No

Pension Fund	Contributions of School			Number of Employees	Surcharge Imposed
	2016	2015	2014		
CalSTRS	\$ 1,318,709	\$ 887,596	\$ 783,589	128	No
CalPERS	\$ 378,614	\$ 154,932	\$ 253,887	38	No

FENTON CHARTER PUBLIC SCHOOLS

Notes to the Consolidated Financial Statements, Continued
Year Ended June 30, 2016

CalSTRS:

Fenton Charter Public Schools contributes to the State Teachers' Retirement System (CalSTRS), a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. Required contribution rates are set by the California Legislature and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level of percentage of payroll using the entry age normal actuarial cost method. CalSTRS also uses the level percentage of payroll method to calculate the amortization of any unfunded liability. Copies of the STRS annual report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

For the fiscal year ended June 30, 2016, active plan members were required to contribute between 8.56% and 9.20% of their salary, depending on their hire date. The employer contribution rate was 10.73% of annual payroll. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. The School made contributions as noted above. For the year ended June 30, 2016 the State contributed \$907,202 (7.12589% of creditable salaries from 2013-14) on behalf of the School.

CalPERS:

The School contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

Benefit provisions are established by state statutes, as legislatively amended, with the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Active plan members are required to contribute 7% of their salary, and 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 rates for fiscal year 2015-16 were 11.771% of salaries. The School made contributions as noted above.

FENTON CHARTER PUBLIC SCHOOLS

Notes to the Consolidated Financial Statements, Continued
Year Ended June 30, 2016

Q. Postemployment Benefits Other than Pension Benefits

On September 15, 2015, Fenton Charter Public Schools established an irrevocable trust, Fenton Charter Public Schools Public School Employee Retirement Healthcare Benefits Trust (the Trust). During the year ended June 30, 2016, the Schools transferred all other post-employment benefit obligations to the Trust and as a result of this, the liability was transferred away from the Schools. Due to the nature of the irrevocable trust, this allows all funds transferred to the trust to be used for the sole purpose of funding the OPEB liabilities. In the current uncertain pension climate, the Schools feel this best protects the interests of the employees and, ultimately the students. During the year, the School paid the Trust \$2,353,465 in order to fund these obligations.

SUPPLEMENTAL INFORMATION

FENTON CHARTER PUBLIC SCHOOLS

Organization Structure

Year Ended June 30, 2016

Fenton Charter Public Schools is a not for profit organization organized in the State of California and operates five charter schools. Fenton Avenue Charter School (Charter #30), Fenton Primary Center (Charter #911), Santa Monica Blvd. Community (Charter #446), Fenton STEM Academy (Charter #1605). And Fenton Charter Leadership Academy (Charter #1613) were formed as charter schools pursuant to Education Code Section 47600 under an agreement with the Los Angeles Unified School District granted in June 1993.

GOVERNING BOARD

Name	Office	Term and Term Expiration
Joe Lucente	Chairman	Two Year Term Expires June 30, 2017
Yvette King-Berg	Vice Chairman	Two Year Term Expires June 30, 2017
Gary Borden	Community Representative	Two Year Term Expires June 30, 2016
Cile Borman	Community Representative	Two Year Term Expires June 30, 2017
Jaqueline Elliot	Community Representative	Two Year Term Expires June 30, 2016
Gabriela Hernandez	Parent Representative	Two Year Term Expires June 30, 2016
Daniel Laughlin	Parent Representative	Two Year Term Expires June 30, 2016
Donald Parker	Community Representative	Two Year Term Expires June 30, 2016
Walter Wallace	Community Representative	Two Year Term Expires June 30, 2016
Lilly T. Hernandez	Parent Representative	Two Year Term Expires June 30, 2017

ADMINISTRATION

Irene Sumida
Executive Director

FENTON CHARTER PUBLIC SCHOOLS
 Schedule of Average Daily Attendance
 Year Ended June 30, 2016

Fenton Avenue Charter School	<u>Second Period Report</u>		<u>Annual Report</u>	
	<u>Original</u>	<u>Revised</u>	<u>Original</u>	<u>Revised</u>
Grades TK/K-3:				
Regular ADA - Classroom Based	229.78	N/A	228.74	N/A
Grades 4-6:				
Regular ADA - Classroom Based	491.09	N/A	490.14	N/A
Total Classroom Based	720.87	N/A	718.88	N/A
Grades TK/K-3:				
Regular ADA - Non-Classroom Based	6.46	N/A	6.19	N/A
Grades 4-6:				
Regular ADA - Non-Classroom Based	14.08	N/A	13.22	N/A
Total Non-Classroom Based	20.54	N/A	19.41	N/A
Total Attendance	741.41	N/A	738.29	N/A
Fenton Primary Center				
Grades TK/K-3:				
Regular ADA - Classroom Based	770.75	N/A	772.15	N/A
Total Classroom Based	770.75	N/A	772.15	N/A
Grades TK/K-3:				
Regular ADA - Non-Classroom Based	32.09	N/A	29.15	N/A
Total Non-Classroom Based	32.09	N/A	29.15	N/A
Total Attendance	802.84	N/A	801.30	N/A

FENTON CHARTER PUBLIC SCHOOLS
 Schedule of Average Daily Attendance (Continued)
 Year Ended June 30, 2016

Santa Monica Blvd. Community Charter School	<u>Second Period Report</u>		<u>Annual Report</u>	
	<u>Original</u>	<u>Revised</u>	<u>Original</u>	<u>Revised</u>
Grades TK/K-3:				
Regular ADA - Classroom Based	559.27	N/A	561.40	N/A
Grades 4-6:				
Regular ADA - Classroom Based	343.69	N/A	343.70	N/A
Total Classroom Based	902.96	N/A	905.10	N/A
Grades TK/K-3:				
Regular ADA - Non-Classroom Based	23.68	N/A	21.55	N/A
Grades 4-6:				
Regular ADA - Non-Classroom Based	9.71	N/A	9.11	N/A
Total Non-Classroom Based	33.39	N/A	30.66	N/A
Total Attendance	936.35	N/A	935.76	N/A
Fenton Charter Leadership Academy				
Grades TK/K-3:				
Regular ADA - Classroom Based	161.11	N/A	161.85	N/A
Total Classroom Based	161.11	N/A	161.85	N/A
Grades TK/K-3:				
Regular ADA - Non-Classroom Based	8.66	N/A	8.38	N/A
Total Non-Classroom Based	8.66	N/A	8.38	N/A
Total Attendance	169.77	N/A	170.23	N/A

FENTON CHARTER PUBLIC SCHOOLS
 Schedule of Average Daily Attendance (Continued)
 Year Ended June 30, 2016

Fenton STEM Academy	<u>Second Period Report</u>		<u>Annual Report</u>	
	<u>Original</u>	<u>Revised</u>	<u>Original</u>	<u>Revised</u>
Grades TK/K-3:				
Regular ADA - Classroom Based	69.97	N/A	70.96	N/A
Grades 4-6:				
Regular ADA - Classroom Based	<u>75.03</u>	<u>N/A</u>	<u>76.51</u>	<u>N/A</u>
Total Classroom Based	<u>145.00</u>	<u>N/A</u>	<u>147.47</u>	<u>N/A</u>
Grades TK/K-3:				
Regular ADA - Non-Classroom Based	2.37	N/A	2.39	N/A
Grades 4-6:				
Regular ADA - Non-Classroom Based	<u>3.04</u>	<u>N/A</u>	<u>2.86</u>	<u>N/A</u>
Total Non-Classroom Based	<u>5.41</u>	<u>N/A</u>	<u>5.25</u>	<u>N/A</u>
Total Attendance	<u>150.41</u>	<u>N/A</u>	<u>152.72</u>	<u>N/A</u>

N/A – There were no audit findings which resulted in revisions to the second period or annual reports of attendance.

Average daily attendance (ADA) is a measure 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 and in different programs.

FENTON CHARTER PUBLIC SCHOOLS

Schedule of Instructional Time

Year Ended June 30, 2016

Fenton Avenue Charter School

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>2015-16 Actual Minutes</u>	<u>Number of Traditional Days</u>	<u>Status</u>
Grade 3	50,400	60,720	184	Complied
Grade 4	54,000	60,720	184	Complied
Grade 5	54,000	60,720	184	Complied

Fenton Primary Center

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>2015-16 Actual Minutes</u>	<u>Number of Traditional Days</u>	<u>Status</u>
Kindergarten	36,000	54,760	184	Complied
Grade 1	50,400	56,760	184	Complied
Grade 2	50,400	58,760	184	Complied

Santa Monica Blvd. Community Charter School

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>2015-16 Actual Minutes</u>	<u>Number of Traditional Days</u>	<u>Status</u>
Kindergarten	36,000	57,040	184	Complied
Grade 1	50,400	57,040	184	Complied
Grade 2	50,400	58,880	184	Complied
Grade 3	50,400	58,880	184	Complied
Grade 4	54,000	60,720	184	Complied
Grade 5	54,000	60,720	184	Complied
Grade 6	54,000	60,720	184	Complied

Fenton Charter Leadership Academy

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>2015-16 Actual Minutes</u>	<u>Number of Traditional Days</u>	<u>Status</u>
Kindergarten	36,000	58,880	184	Complied
Grade 1	50,400	58,880	184	Complied
Grade 2	50,400	60,720	184	Complied

FENTON CHARTER PUBLIC SCHOOLS

Schedule of Instructional Time (continued)

Year Ended June 30, 2016

Fenton STEM Academy

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>2015-16 Actual Minutes</u>	<u>Number of Traditional Days</u>	<u>Status</u>
Kindergarten	36,000	58,880	184	Complied
Grade 3	50,400	60,720	184	Complied
Grade 4	54,000	60,720	184	Complied
Grade 5	54,000	60,720	184	Complied

Fenton Charter Public Schools receives incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the School and whether they complied with the provisions of Education Code Sections 46200 through 46206. Charter schools must maintain their instructional minutes at the 1986-87 requirements as adjusted by Education Code sections later adopted.

FENTON CHARTER PUBLIC SCHOOLS
Schedule of Financial Trends and Analysis
Year Ended June 30, 2016

	Budget				
	2017	2016	2015	2014	2013
Revenues	\$41,192,664	\$37,022,556	\$28,645,551	\$26,692,985	\$22,088,795
Expenses	39,863,380	35,753,755	27,586,503	25,234,329	22,275,480
Change in Net Assets	1,329,284	1,268,801	1,059,048	1,458,656	(186,685)
Ending Net Assets	<u>\$23,912,975</u>	<u>\$22,583,691</u>	<u>\$21,314,890</u>	<u>\$20,255,842</u>	<u>\$18,797,186</u>
Unrestricted Net Assets	<u>\$22,945,057</u>	<u>\$22,583,691</u>	<u>\$21,182,634</u>	<u>\$19,244,305</u>	<u>\$18,797,186</u>
Unrestricted net assets as a percentage of total expenses	<u>58%</u>	<u>63%</u>	<u>77%</u>	<u>76%</u>	<u>84%</u>
Total Long Term Debt	<u>\$ 114,834</u>	<u>\$ 388,991</u>	<u>\$ 1,874,365</u>	<u>\$ 2,764,219</u>	<u>\$ 2,272,458</u>
Average Daily Attendance at P2	<u>2,945</u>	<u>2,801</u>	<u>2,478</u>	<u>1,640</u>	<u>1,524</u>

This schedule discloses the School's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the School's ability to continue as a going concern for a reasonable period of time.

FENTON CHARTER PUBLIC SCHOOLSReconciliation of Unaudited Financial Report Alternative Form with Audited Financial Statements
Year Ended June 30, 2016

	<u>FACS</u>	<u>FPC</u>	<u>SMB</u>	<u>FCLA</u>	<u>STEM</u>
June 30, 2016 annual financial alternative form net assets	<u>\$ 7,775,375</u>	<u>\$ 3,652,093</u>	<u>\$ 6,112,026</u>	<u>\$ 193,857</u>	<u>\$ 66,378</u>
Adjustments and reclassifications:					
Rounding	<u>(2)</u>	<u>4</u>	<u>-</u>	<u>(1)</u>	<u>(1)</u>
Total adjustments and reclassifications	<u>(2)</u>	<u>4</u>	<u>-</u>	<u>(1)</u>	<u>(1)</u>
June 30, 2016 audited financial statement net assets	<u><u>\$ 7,775,373</u></u>	<u><u>\$ 3,652,097</u></u>	<u><u>\$ 6,112,026</u></u>	<u><u>\$ 193,856</u></u>	<u><u>\$ 66,377</u></u>

This schedule provides the information necessary to reconcile the fund balance as reported on the Unaudited Financial Report Alternative Form to the net assets reported in the audited financial statements.

FENTON CHARTER PUBLIC SCHOOLS
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying	FACS	FPC	SMB	FCLA	STEM	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION								
Passed through State Department of Education								
Title I	84.010	14329	463,907	260,410	357,414	50,470	53,135	1,185,336
Special Education	84.027	13379	149,591	159,942	186,858	32,249	28,572	557,212
Title III - Limited English Proficiency	84.365	14346	22,891	40,527	54,626	-	-	118,044
Title III - Immigrant Education	84.365	15146	-	7,290	-	-	-	7,290
Title II - Teacher Quality	84.367	14341	77,883	4,098	5,465	802	789	89,037
Title V Public Charter Schools Grant Program	84.282	14941	-	-	-	423,868	462,183	886,051
Total passed through State Department of Education			<u>714,272</u>	<u>472,267</u>	<u>604,363</u>	<u>507,389</u>	<u>544,679</u>	<u>2,842,970</u>
Total U.S. Department of Education			<u>714,272</u>	<u>472,267</u>	<u>604,363</u>	<u>507,389</u>	<u>544,679</u>	<u>2,842,970</u>
U.S. DEPARTMENT OF AGRICULTURE								
Passed through State Department of Education								
National School Lunch Program Section 11	10.555	13396	52,723	61,190	43,592	6,366	6,810	170,681
School Breakfast Program	10.553	13393	336,913	390,817	278,484	40,640	43,533	1,090,387
National School Lunch Program Section 4	10.555	13391	5,639	6,545	4,662	681	728	18,255
School Breakfast Needy	10.553	13526	173,348	201,183	143,325	20,932	22,391	561,179
Meal Supplement	10.555	13396	21,581	25,046	17,842	2,607	2,785	69,861
Total Child Nutrition Cluster			<u>590,204</u>	<u>684,781</u>	<u>487,905</u>	<u>71,226</u>	<u>76,247</u>	<u>1,910,363</u>
Child and Adult Care Food Program	10.558	13666	-	-	391,492	-	-	391,492
Total U.S. Department of Agriculture			<u>590,204</u>	<u>684,781</u>	<u>879,397</u>	<u>71,226</u>	<u>76,247</u>	<u>2,301,855</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,304,476</u>	<u>\$ 1,157,048</u>	<u>\$ 1,483,760</u>	<u>\$ 578,615</u>	<u>\$ 620,926</u>	<u>\$ 5,144,825</u>

The accompanying notes to the schedule of expenditures of federal awards is an integral part of this schedule.

FENTON CHARTER PUBLIC SCHOOLS

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of 2 CFR §200.502 Basis for Determining Federal Awards Expended and 2CFR §200.510(b) Schedule of Expenditures of Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Indirect Cost Rate.

Indirect costs were calculated in accordance with 2 CFR §200.412 Direct and Indirect Costs. The School used an indirect cost rate of 3.86% based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The School did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 Indirect Costs.

FENTON CHARTER PUBLIC SCHOOLS
Combining Consolidated Financial Position
Year Ended June 30, 2016

	FACS	FPC	SMB	FCLA	STEM	FCPS CMO	Elimination	Total
ASSETS								
Current Assets								
Cash and cash equivalents	\$ 3,692,728	\$ 2,739,602	\$ 3,440,974	\$ 307,744	\$ 294,702	\$ 43,067	\$ -	\$ 10,518,817
Accounts receivable	203,047	993,604	441,525	303,277	354,916	-	-	2,296,369
Intercompany receivables	487,234	1,465,839	441,775	1,000	1,000	4,231,389	(3,972,355)	2,655,882
Prepaid expenditures and other current assets	143,744	99,149	409,847	78,435	79,869	137,534	-	948,578
Total Current Assets	<u>4,526,753</u>	<u>5,298,194</u>	<u>4,734,121</u>	<u>690,456</u>	<u>730,487</u>	<u>4,411,990</u>	<u>(3,972,355)</u>	<u>16,419,646</u>
Fixed Assets								
Property and equipment, net	4,345,278	524,613	3,536,011	380,195	380,962	544,254	-	9,711,313
TOTAL ASSETS	<u>\$ 8,872,031</u>	<u>\$ 5,822,807</u>	<u>\$ 8,270,132</u>	<u>\$ 1,070,651</u>	<u>\$ 1,111,449</u>	<u>\$ 4,956,244</u>	<u>\$ (3,972,355)</u>	<u>\$ 26,130,959</u>
LIABILITIES AND NET ASSETS								
Current Liabilities								
Accounts payable	\$ 48,835	\$ 117,667	\$ 495,428	45,301	38,152	\$ 25,128	\$ -	\$ 770,511
Accrued payroll and benefits	342,618	412,617	751,921	84,394	78,653	143,603	-	1,813,806
Unearned revenue	-	-	-	9,583	9,583	-	-	19,166
Intercompany payables	704,605	1,638,880	909,975	268,864	450,031	-	(3,972,355)	-
Compensated absences	600	1,546	782	-	-	3,551	-	6,479
Current portion, capital leases payable	-	-	-	87,079	87,079	-	-	174,158
Current portion, loan payable	-	-	-	50,000	50,000	-	-	100,000
Total Current Liabilities	<u>1,096,658</u>	<u>2,170,710</u>	<u>2,158,106</u>	<u>545,221</u>	<u>713,498</u>	<u>172,282</u>	<u>(3,972,355)</u>	<u>2,884,120</u>
Long Term Liabilities								
Capital leases payable, less current portion	-	-	-	181,572	181,572	-	-	363,144
Loan payable, less current portion	-	-	-	150,002	150,002	-	-	300,004
Total Long Term Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>331,574</u>	<u>331,574</u>	<u>-</u>	<u>-</u>	<u>663,148</u>
Total Liabilities	<u>1,096,658</u>	<u>2,170,710</u>	<u>2,158,106</u>	<u>876,795</u>	<u>1,045,072</u>	<u>172,282</u>	<u>(3,972,355)</u>	<u>3,547,268</u>
Net Assets								
Unrestricted	7,711,099	3,595,887	5,911,360	193,856	66,377	4,783,962	-	22,262,541
Temporarily restricted	64,274	56,210	200,666	-	-	-	-	321,150
Total Net Assets	<u>7,775,373</u>	<u>3,652,097</u>	<u>6,112,026</u>	<u>193,856</u>	<u>66,377</u>	<u>4,783,962</u>	<u>-</u>	<u>22,583,691</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,872,031</u>	<u>\$ 5,822,807</u>	<u>\$ 8,270,132</u>	<u>\$ 1,070,651</u>	<u>\$ 1,111,449</u>	<u>\$ 4,956,244</u>	<u>\$ (3,972,355)</u>	<u>\$ 26,130,959</u>

FENTON CHARTER PUBLIC SCHOOLS
Combining Consolidated Statement of Activities
Year Ended June 30, 2016

	<u>FACS</u>	<u>FPC</u>	<u>SMB</u>	<u>FCLA</u>	<u>STEM</u>	<u>FCPS CMO</u>	<u>Elimination</u>	<u>Total</u>
REVENUE AND SUPPORT								
LCFF Sources								
State aid, current year	\$4,175,445	\$4,845,529	\$5,533,898	\$ 1,284,622	\$ 1,128,938	\$ -	\$ -	\$16,968,432
State aid, prior year	699	767	892	-	-	-	-	2,358
Education protection account funds	984,032	1,054,859	1,237,683	33,954	30,082	-	-	3,340,610
Payments in lieu of property taxes	<u>1,432,108</u>	<u>1,550,766</u>	<u>1,808,654</u>	<u>327,928</u>	<u>290,532</u>	<u>-</u>	<u>-</u>	<u>5,409,988</u>
Total LCFF Sources	<u>6,592,284</u>	<u>7,451,921</u>	<u>8,581,127</u>	<u>1,646,504</u>	<u>1,449,552</u>	<u>-</u>	<u>-</u>	<u>25,721,388</u>
Federal revenue	1,304,476	1,157,048	1,483,760	578,615	620,926	-	-	5,144,825
Other state revenue	1,185,194	1,754,718	1,837,965	221,383	198,830	-	-	5,198,090
Interest	20,406	25,786	49,733	3,443	3,190	-	-	102,558
Other local revenue	<u>285,775</u>	<u>60,391</u>	<u>174,263</u>	<u>160,171</u>	<u>161,361</u>	<u>2,413,535</u>	<u>(2,399,801)</u>	<u>855,695</u>
Total Revenues	<u>9,388,135</u>	<u>10,449,864</u>	<u>12,126,848</u>	<u>2,610,116</u>	<u>2,433,859</u>	<u>2,413,535</u>	<u>(2,399,801)</u>	<u>37,022,556</u>
TOTAL REVENUE AND SUPPORT								
EXPENSES								
Certificated salaries	3,403,224	3,368,958	4,370,988	781,909	762,312	43,680	-	12,731,071
Classified salaries	1,061,272	1,063,013	1,013,495	264,890	189,270	1,712,579	-	5,304,519
Taxes and employee benefits	1,362,588	1,241,030	1,534,970	298,242	290,762	566,505	-	5,294,097
Books and supplies	868,490	1,120,930	1,386,171	348,770	376,515	30,420	-	4,131,296
Rentals, leases and repairs	321,289	1,069,195	423,964	270,726	274,586	8,531	-	2,368,291
Other operating expenditures	1,647,952	1,703,259	2,725,253	549,213	563,553	364,278	(2,399,801)	5,153,707
Debt service interest	-	-	-	18,900	18,899	-	-	37,799
Depreciation expense	<u>199,672</u>	<u>101,901</u>	<u>276,991</u>	<u>77,186</u>	<u>77,225</u>	<u>-</u>	<u>-</u>	<u>732,975</u>
Total Expenses	<u>8,864,487</u>	<u>9,668,286</u>	<u>11,731,832</u>	<u>2,609,836</u>	<u>2,553,122</u>	<u>2,725,993</u>	<u>(2,399,801)</u>	<u>35,753,755</u>
CHANGE IN NET ASSETS	523,648	781,578	395,016	280	(119,263)	(312,458)	-	1,268,801
NET ASSETS, BEGINNING OF YEAR	<u>7,251,725</u>	<u>2,870,519</u>	<u>5,717,010</u>	<u>193,576</u>	<u>185,640</u>	<u>5,096,420</u>	<u>-</u>	<u>21,314,890</u>
NET ASSETS, END OF YEAR	<u>\$7,775,373</u>	<u>\$3,652,097</u>	<u>\$6,112,026</u>	<u>\$ 193,856</u>	<u>\$ 66,377</u>	<u>\$ 4,783,962</u>	<u>\$ -</u>	<u>\$22,583,691</u>

FENTON CHARTER PUBLIC SCHOOLS

Notes to Supplementary Information

Year Ended June 30, 2016

A. Purpose of Schedules

Organization Structure

This schedule provides information about the School's charter number, district of authorization, members of the governing board, and members of administration.

Schedule of Average Daily Attendance

Average daily attendance (ADA) is a measure 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 and in different programs.

Schedule of Instructional Time

The School receives incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the School and whether they complied with the provisions of Education Code Sections 46200 through 46206. Charter schools must maintain their instructional minutes at the 1986-87 requirements as adjusted by Education Code sections later adopted. The School neither met nor exceeded its LCFF target.

Schedule of Financial Trends and Analysis

Budget information for 2017 is presented for analysis purposes only and is based on estimates of the 2016-17 fiscal year. The information has not been subject to audit.

This schedule discloses the School's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the School's ability to continue as a going concern for a reasonable period of time.

Reconciliation of Unaudited Financial Report Alternative Form with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance as reported on the Unaudited Financial Report Alternative Form to the net assets reported in the audited financial statements.

OTHER INDEPENDENT AUDITORS' REPORTS



P. Robert Wilkinson, CPA
Brian K. Hadley, CPA

Aubrey W. King, CPA
Kevin A. Sproul, CPA

Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Trustees of
Fenton Charter Public Schools
Los Angeles, CA

Report on Compliance for Each Major Federal Program

We have audited Fenton Charter Public Schools’ compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Fenton Charter Public Schools’ major federal programs for the year ended June 30, 2016. Fenton Charter Public Schools’ major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of Fenton Charter Public Schools’ 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 Fenton Charter Public Schools’ 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 Fenton Charter Public Schools’ compliance.

Opinion on Each Major Federal Program

In our opinion, Fenton Charter Public Schools 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, 2016.

Report on Internal Control Over Compliance

Management of Fenton Charter Public Schools 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 Fenton Charter Public Schools' 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 Fenton Charter Public Schools' 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 in internal control over compliance, 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.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 13, 2016

**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***

To the Board of Directors
Fenton Charter Public Schools
Los Angeles, 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 (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 13, 2016.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fenton Charter Public Schools' 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 Fenton Charter Public Schools' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fenton Charter Public Schools' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 13, 2016

Independent Auditor's Report on State Compliance

To the Board of Directors
Fenton Charter Public Schools
Los Angeles, California

Report on State Compliance

We have audited the Schools' compliance with the types of compliance requirements described in the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of the School's state programs identified below for the fiscal year ended June 30, 2016.

Management's Responsibility for State Compliance

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit Guide *2015-165 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, section 19810. 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 State's audit guide *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about the Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Schools' compliance with those requirements.

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

Description	Procedures Performed				
	FACS	FPC	SMB	FCLA	STEM
Local Education Agencies Other Than Charter Schools					
Attendance	N/A	N/A	N/A	N/A	N/A
Teacher Certification and Misassignments	N/A	N/A	N/A	N/A	N/A
Kindergarten Continuance	N/A	N/A	N/A	N/A	N/A
Independent Study	N/A	N/A	N/A	N/A	N/A
Continuation Education	N/A	N/A	N/A	N/A	N/A
Instructional Time	N/A	N/A	N/A	N/A	N/A
Instructional Materials	N/A	N/A	N/A	N/A	N/A
Ratio of Administrative Employees to Teachers	N/A	N/A	N/A	N/A	N/A
Classroom Teacher Salaries	N/A	N/A	N/A	N/A	N/A
Early Retirement Incentive	N/A	N/A	N/A	N/A	N/A
Gann Limit Calculation	N/A	N/A	N/A	N/A	N/A
School Accountability Report Card	N/A	N/A	N/A	N/A	N/A
Juvenile Court Schools	N/A	N/A	N/A	N/A	N/A
Middle or Early College High Schools	N/A	N/A	N/A	N/A	N/A
K-3 Grade Span Adjustment	N/A	N/A	N/A	N/A	N/A
Transportation Maintenance of Effort	N/A	N/A	N/A	N/A	N/A
School Districts, County Offices of Education and Charter Schools					
California Clean Energy Jobs Act	N/A	N/A	N/A	Yes	N/A
After School Education and Safety Program	N/A	N/A	N/A	N/A	N/A
Proper Expenditure of Education Protection Account Funds	Yes	Yes	Yes	Yes	Yes
Common Core Implementation Funds	Yes	Yes	Yes	Yes	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes	Yes	Yes	Yes	Yes
Local Control and Accountability Plan	Yes	Yes	Yes	Yes	Yes
Independent Study - Course Based	Yes	Yes	Yes	Yes	Yes
Immunizations	Yes	Yes	Yes	Yes	Yes
Charter Schools					
Attendance	Yes	Yes	Yes	Yes	Yes
Mode of Instruction	Yes	Yes	Yes	Yes	Yes
Nonclassroom-Based Instruction/Independent Study	N/A	N/A	N/A	N/A	N/A
Determination of Funding for Nonclassroom Based Instruction	N/A	N/A	N/A	N/A	N/A
Annual Instructional Minutes – Classroom Based	Yes	Yes	Yes	Yes	Yes
Charter School Facility Grant Program	N/A	N/A	N/A	Yes	N/A

The term N/A is used above to mean either the Schools' did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

Opinion on State Compliance

In our opinion, Fenton Charter Public Schools complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2016.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing. This report is an integral part of an audit performed in accordance with *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Accordingly, this report is not suitable for any other purpose.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 13, 2016

FINDINGS AND RECOMMENDATIONS

FENTON CHARTER PUBLIC SCHOOLS

Schedule of Auditor's Results

Year Ended June 30, 2016

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weakness(es) identified? Yes X No

One or more significant deficiencies identified that are not considered material weakness(es)? Yes X No

Noncompliance material to financial statements noted? Yes X No

FEDERAL AWARDS

Internal control over major programs:

One or more material weakness(es) identified? Yes X No

One or more significant deficiencies identified that are not considered material weakness(es)? Yes X No

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	Special Education Cluster
84.282	Title V PCSG

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? X Yes No

STATE AWARDS

Any audit findings disclosed that are required to be reported in accordance with *2015-16 Guide for Annual Audits of California K-12 Local Education Agencies*? Yes X No

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

FENTON CHARTER PUBLIC SCHOOLS
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

A. Financial Statement Findings

None

B. Federal Award Findings

None

C. State Award Findings

None

FENTON CHARTER PUBLIC SCHOOLS
Schedule of Prior Year Audit Findings
Year Ended June 30, 2016

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation if Not Implemented</u>
There were no findings reported in the prior year audit.	N/A	N/A