

FENTON CHARTER PUBLIC SCHOOLS

**Independent Auditor's Report
and Consolidated Financial Statements
For the Year Ended
June 30, 2017**

**SFV Education
SFV 11341 Dronfield, LLC
SFV 8926 Sunland, LLC**

Charter Schools:

**Fenton Avenue Charter School
Fenton Primary Center
Santa Monica Blvd. Community
Fenton STEM Academy
Fenton Charter Leadership Academy**

FENTON CHARTER PUBLIC SCHOOLS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fenton Charter Public Schools
Sun Valley, CA

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, 2017, 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.

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 of material misstatement.

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 auditor's 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.

Board of Directors
Fenton Charter Public Schools

Opinion

In our opinion, the consolidated financial statements referred to on page one present fairly, in all material respects, the financial position of the School as of June 30, 2017, 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 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 U.S. *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 position, activities, and cash flows as well as the accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic consolidated 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 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 consolidated 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 November 28, 2017 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 of 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, CA
November 29, 2017

FENTON CHARTER PUBLIC SCHOOLS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2017

| | Fenton Public Charter Schools | SFV Education | Eliminations | Total |
|--|----------------------------------|---------------|----------------|---------------|
| <u>ASSETS</u> | | | | |
| CURRENT ASSETS: | | | | |
| Cash and cash equivalents | \$ 11,669,275 | \$ 1,660,854 | \$ - | \$ 13,330,129 |
| Accounts receivable - federal and state | 1,706,303 | - | - | 1,706,303 |
| Accounts receivable - other | 725,726 | 8,165 | - | 733,891 |
| Intercompany receivables | 1,918,195 | - | (1,918,195) | - |
| Prepaid expenses and other assets | 598,924 | 43,943 | - | 642,867 |
| Total current assets | 16,618,423 | 1,712,962 | (1,918,195) | 16,413,190 |
| LONG-TERM ASSETS: | | | | |
| Property, plant and equipment, net | 8,800,039 | 19,442,724 | - | 28,242,763 |
| Intercompany notes receivable | 1,246,944 | - | (1,246,944) | - |
| Other long-term assets | 186,547 | - | - | 186,547 |
| Total long-term assets | 10,233,530 | 19,442,724 | (1,246,944) | 28,429,310 |
| Total assets | \$ 26,851,953 | \$ 21,155,686 | \$ (3,165,139) | \$ 44,842,500 |
| <u>LIABILITIES AND NET ASSETS</u> | | | | |
| CURRENT LIABILITIES: | | | | |
| Accounts payable and accrued liabilities | \$ 2,338,185 | \$ 66,990 | \$ - | \$ 2,405,175 |
| Intercompany payables | - | 1,918,195 | (1,918,195) | - |
| Deferred revenue | - | 78,000 | - | 78,000 |
| Capital lease, current portion | 177,308 | - | - | 177,308 |
| Notes payable, current portion | 100,008 | 131,084 | - | 231,092 |
| Total current liabilities | 2,615,501 | 2,194,269 | (1,918,195) | 2,891,575 |
| LONG-TERM LIABILITIES: | | | | |
| Capital lease | 204,410 | - | - | 204,410 |
| Notes payable | 200,000 | 19,443,108 | (1,246,944) | 18,396,164 |
| Total long-term liabilities | 404,410 | 19,443,108 | (1,246,944) | 18,600,574 |
| NET ASSETS: | | | | |
| Unrestricted | 23,587,558 | (481,691) | - | 23,105,867 |
| Temporarily restricted | 244,484 | - | - | 244,484 |
| Total net assets | 23,832,042 | (481,691) | - | 23,350,351 |
| Total liabilities and net assets | \$ 26,851,953 | \$ 21,155,686 | \$ (3,165,139) | \$ 44,842,500 |

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

FENTON CHARTER PUBLIC SCHOOLS
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

| | Fenton Public Charter Schools | SFV Education | Eliminations | Total |
|---|----------------------------------|---------------------|--------------------|----------------------|
| UNRESTRICTED NET ASSETS | | | | |
| REVENUES: | | | | |
| State revenue: | | | | |
| State aid | \$ 22,340,131 | \$ - | \$ - | \$ 22,340,131 |
| Other state revenue | 4,861,878 | - | - | 4,861,878 |
| Federal revenue: | | | | |
| Grants and entitlements | 4,789,389 | - | - | 4,789,389 |
| Local revenue: | | | | |
| In-lieu property tax revenue | 6,250,997 | - | - | 6,250,997 |
| Interest income | 81,093 | - | - | 81,093 |
| Other revenue | 266,110 | 1,737,000 | (1,737,000) | 266,110 |
| Net assets released from restriction | <u>117,988</u> | <u>-</u> | <u>-</u> | <u>117,988</u> |
| Total revenues and net assets released from restriction | <u>38,707,586</u> | <u>1,737,000</u> | <u>(1,737,000)</u> | <u>38,707,586</u> |
| EXPENSES: | | | | |
| Program services | 36,465,711 | 935,654 | (1,737,000) | 35,664,365 |
| Management and general | 916,858 | 925,329 | - | 1,842,187 |
| Total expenses | <u>37,382,569</u> | <u>1,860,983</u> | <u>(1,737,000)</u> | <u>37,506,552</u> |
| Change in unrestricted net assets | 1,325,017 | (123,983) | - | 1,201,034 |
| TEMPORARILY RESTRICTED NET ASSETS | | | | |
| Other state revenue | 41,322 | - | - | 41,322 |
| Net assets released from restriction | <u>(117,988)</u> | <u>-</u> | <u>-</u> | <u>(117,988)</u> |
| Change in temporarily restricted net assets | (76,666) | - | - | (76,666) |
| Change in total net assets | 1,248,351 | (123,983) | - | 1,124,368 |
| Beginning net assets | <u>22,583,691</u> | <u>(357,708)</u> | <u>-</u> | <u>22,225,983</u> |
| Ending net assets | <u>\$ 23,832,042</u> | <u>\$ (481,691)</u> | <u>\$ -</u> | <u>\$ 23,350,351</u> |

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

FENTON CHARTER PUBLIC SCHOOLS
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017

| | Fenton Public Charter Schools | SFV Education | Eliminations | Total |
|--|----------------------------------|---------------------|--------------|----------------------|
| CASH FLOWS from OPERATING ACTIVITIES: | | | | |
| Change in net assets | \$ 1,248,351 | \$ (123,983) | \$ - | \$ 1,124,368 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | | | | |
| Depreciation | 993,354 | 506,654 | - | 1,500,008 |
| Change in operating assets: | | | | |
| Accounts receivable - federal and state | (4,913) | - | - | (4,913) |
| Accounts receivable - other | (128,747) | - | - | (128,747) |
| Prepaid expenses and other assets | 349,654 | (43,943) | - | 305,711 |
| Other long-term assets | (186,547) | - | - | (186,547) |
| Change in operating liabilities: | | | | |
| Accounts payable and accrued liabilities | (222,614) | (76) | - | (222,690) |
| Deferred revenue | (19,166) | 39,000 | - | 19,834 |
| Net cash flows from operating activities | <u>2,029,372</u> | <u>377,652</u> | <u>-</u> | <u>2,407,024</u> |
| CASH FLOWS from INVESTING ACTIVITIES: | | | | |
| Purchases of property, plant and equipment | (623,334) | - | - | (623,334) |
| Net cash flows from investing activities | <u>(623,334)</u> | <u>-</u> | <u>-</u> | <u>(623,334)</u> |
| CASH FLOWS from FINANCING ACTIVITIES: | | | | |
| Repayments on capital lease | (155,584) | - | - | (155,584) |
| Repayments of debt | (99,996) | (113,032) | - | (213,028) |
| Net cash flows from financing activities | <u>(255,580)</u> | <u>(113,032)</u> | <u>-</u> | <u>(368,612)</u> |
| Net change in cash and cash equivalents | 1,150,458 | 264,620 | - | 1,415,078 |
| Cash and cash equivalents at the beginning of the year | <u>10,518,817</u> | <u>1,396,234</u> | <u>-</u> | <u>11,915,051</u> |
| Cash and cash equivalents at the end of the year | <u>\$ 11,669,275</u> | <u>\$ 1,660,854</u> | <u>\$ -</u> | <u>\$ 13,330,129</u> |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | | | |
| Cash paid for interest during the fiscal year | <u>\$ 27,086</u> | <u>\$ 910,842</u> | <u>\$ -</u> | <u>\$ 937,928</u> |

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

FENTON CHARTER PUBLIC SCHOOLS

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017

| | Program Services | Management and General | Eliminations | Total Expenses |
|------------------------------------|----------------------|---------------------------|-----------------------|----------------------|
| Salaries and wages | \$ 19,336,867 | \$ - | \$ - | \$ 19,336,867 |
| Pension expense | 2,891,818 | - | - | 2,891,818 |
| Other employee benefits | 2,742,404 | - | - | 2,742,404 |
| Payroll taxes | 518,722 | - | - | 518,722 |
| Management fees | - | 278,912 | - | 278,912 |
| Legal expenses | - | 60,496 | - | 60,496 |
| Accounting expenses | - | 63,775 | - | 63,775 |
| Instructional materials | 1,119,944 | - | - | 1,119,944 |
| Other fees for services | 1,567,153 | 285,911 | - | 1,853,064 |
| Advertising and promotion expenses | 4,817 | - | - | 4,817 |
| Office expenses | 856,423 | 34,785 | - | 891,208 |
| Information technology expenses | 222,745 | - | - | 222,745 |
| Occupancy expenses | 2,592,490 | - | (1,737,000) | 855,490 |
| Travel expenses | 27,122 | - | - | 27,122 |
| Interest expense | - | 937,928 | - | 937,928 |
| Depreciation expense | 1,500,008 | - | - | 1,500,008 |
| Insurance expense | - | 173,783 | - | 173,783 |
| Other expenses | 4,020,852 | 6,597 | - | 4,027,449 |
| | <u>\$ 37,401,365</u> | <u>\$ 1,842,187</u> | <u>\$ (1,737,000)</u> | <u>\$ 37,506,552</u> |

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

FENTON CHARTER PUBLIC SCHOOLS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Fenton Charter Public Schools (“FCPS” or “the School”) is a not for profit 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).

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.

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 Fenton Charter Public Schools, 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 - 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 as of June 30, 2017.

FENTON CHARTER PUBLIC SCHOOLS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

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.

Unearned Revenue - Unearned 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 unearned revenue is removed from the statement of financial position and revenue is recognized.

FENTON CHARTER PUBLIC SCHOOLS

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Compensated Absences – Accumulated unpaid employee vacation benefits are recognized as a liability of the School. The current portion of the liability, if material, is recognized at year-end. The entire compensated absences liability is reported on the statement of financial position. Employees of the School are paid for days or hours worked based upon Board approved schedules which include vacation. Sick leave is accumulated without limit for each employee at the equivalent rate of one day for each full month of service. Sick leave with pay is provided when employees are absent for health reasons.

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 the School's 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 – 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.

FENTON CHARTER PUBLIC SCHOOLS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Receivables – Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2017. Management believes that all receivables are fully collectible, therefore no provisions for uncollectible accounts were recorded.

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, 2017.

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.

Change in Accounting Principles – In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2015-03 *Simplifying the Presentation of Debt Issue Costs*. This update changes the presentation of debt issue costs from being reported as a separate asset on the statement of financial position to being reported as a reduction of the applicable debt. The School implemented this standard for its annual financial statements for the year ended June 30, 2017. This change in accounting principal did not impact net assets or the statement of activities.

During the fiscal year ended June 30, 2017, the School adopted the provisions of FASB Accounting Standards Codification (ASC) 715-20 and ASC 715-60 relating to its Postretirement Health Benefit Plan (the Plan). See note 6 for a description of the Plan and the provisions of ASC 715-20 and ASC 715-60.

FENTON CHARTER PUBLIC SCHOOLS

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsequent Events - In preparing these financial statements, Fenton Charter Public Schools has evaluated events and transactions for potential recognition or disclosure through November 28, 2017, the date the financial statements were available to be issued.

NOTE 2: 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 (\$6,775,900 as of June 30, 2017). 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.

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.

NOTE 3: PROPERTY, PLANT AND EQUIPMENT

The components of property, plant and equipment as of June 30, 2017 are as follows:

| | |
|------------------------------------|----------------------|
| Land | \$ 2,001,722 |
| Building | 29,672,755 |
| Furniture, fixtures, equipment | 4,772,601 |
| Leasehold improvements | 128,428 |
| | <u>36,575,506</u> |
| Less accumulated depreciation | <u>(8,332,743)</u> |
| Property, plant and equipment, net | <u>\$ 28,242,763</u> |

FENTON CHARTER PUBLIC SCHOOLS

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 4: 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 requires annual principal payments of \$100,000. The loans have terms of 5 years and carry interest rates of 1%. Annual payments of principal and interest are deducted from School's apportionment. As of June 30, 2017 the combined outstanding balance was \$300,008.

Future maturities are as follows:

| Year Ended <u>June 30,</u> | |
|-------------------------------|-------------------|
| 2018 | \$ 100,008 |
| 2019 | 100,000 |
| 2020 | <u>100,000</u> |
| | <u>\$ 300,008</u> |

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 statement of activities includes \$173,338 for the equipment under the capital leases. The outstanding balance under these leases at June 30, 2017 was \$381,718.

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

| Year Ended <u>June 30,</u> | |
|-------------------------------|-------------------|
| 2018 | \$ 196,747 |
| 2019 | 196,747 |
| 2020 | <u>16,712</u> |
| Subtotal | 410,206 |
| Less interest portion | <u>(28,488)</u> |
| | <u>\$ 381,718</u> |

FENTON CHARTER PUBLIC SCHOOLS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended June 30, 2017

NOTE 4: LONG-TERM DEBT

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, 2017 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, 2017 was \$5,342,391.

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, 2017 was \$119,667.

Notes payable are reported on the 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, 2017 was \$4,853.

Future maturities of notes payable are as follows:

| Year Ended | |
|-------------------|----------------------|
| <u>June 30,</u> | |
| 2018 | \$ 131,084 |
| 2019 | 140,788 |
| 2020 | 9,375,416 |
| 2021 | 191,850 |
| 2022 | 202,220 |
| Thereafter | <u>8,346,956</u> |
| | 18,388,314 |
| Less: issue costs | <u>(61,066)</u> |
| | <u>\$ 18,327,248</u> |

FENTON CHARTER PUBLIC SCHOOLS

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 5: TEMPORARILY RESTRICTED NET ASSETS

The School’s temporarily restricted net asset as of June 30, 2017 consisted of the following:

| | |
|--------------------------------|-------------------|
| Educator effectiveness funding | \$ 50,570 |
| Nutrition programs | 141,994 |
| Supper program | 15,058 |
| Prop 39 Clean Energy | 36,862 |
| | <u>\$ 244,484</u> |

NOTE 6: MULTI-EMPLOYER DEFINED BENEFIT PENSION PLANS

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

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

State Teachers’ Retirement System (STRS)

Plan Description

The School contributes to the State Teachers’ Retirement System (STRS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by STRS. Plan information for STRS is not publicly available. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers’ Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2016, total STRS plan net assets are \$189 billion, the total actuarial present value of accumulated plan benefits is \$333 billion, contributions from all employers totaled \$3.4 billion, and the plan is 63.7% 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.

FENTON CHARTER PUBLIC SCHOOLS

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 6: MULTI-EMPLOYER DEFINED BENEFIT PENSION PLANS

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, 2017 was 12.58% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

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

| <u>Year Ended</u> <u>June 30,</u> | <u>Required</u> <u>Contribution</u> | <u>Percent</u> <u>Contributed</u> |
|--------------------------------------|--|--------------------------------------|
| 2015 | \$ 887,596 | 100% |
| 2016 | \$ 1,318,708 | 100% |
| 2017 | \$ 1,643,659 | 100% |

Public Employees' Retirement System (PERS)

Plan Description

The School contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by CalPERS. Plan information for PERS is not publicly available. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. According to the most recently available Actuarial Valuation Report for the year ended June 30, 2016, the School Employer Pool total plan assets are \$62.6 billion, the total actuarial present value of accumulated plan benefits is \$75.7 billion, contributions from all employers totaled \$1.4 billion, and the plan is 73.9% 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.

FENTON CHARTER PUBLIC SCHOOLS

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 6: MULTI-EMPLOYER DEFINED BENEFIT PENSION PLANS

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 6.0% of their salary. The School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for year ended June 30, 2017 was 13.888%. The contribution requirements of the plan members are established and may be amended by State statute.

Contributions to PERS

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

| Year Ended June 30, | Required Contribution | Percent Contributed |
|------------------------|--------------------------|------------------------|
| 2015 | \$ 154,932 | 100% |
| 2016 | \$ 378,614 | 100% |
| 2017 | \$ 487,089 | 100% |

NOTE 7: 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. The following tables set forth further information about the School's postretirement health benefit plan obligation and funded status as of June 30, 2017.

| | |
|---|-----------------------|
| Projected benefit obligation at June 30 | \$ (8,264,518) |
| Plan assets at fair value at June 30 | <u>3,131,779</u> |
| Funded status at end of year | <u>\$ (5,132,739)</u> |
| Employer contributions | \$ 629,413 |
| Plan participants' contributions | - |
| Benefits paid | 98,164 |

FENTON CHARTER PUBLIC SCHOOLS

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 7: POST RETIREMENT HEALTH BENEFIT PLAN

Amounts recognized in the statement of financial position at June 30, 2017 consist of:

Reconciliation of Funded Status

| | |
|--|-------------------------|
| Accumulated Postretirement Benefit Obligation (APBO) | \$ 8,264,518 |
| Fair value of plan assets | <u>3,131,779</u> |
| Funded status | 5,132,739 |
| Unrecognized amounts: | |
| Actuarial gain/(loss) | (1,363,587) |
| Prior service cost | - |
| Transition asset/(obligation) | <u>(3,696,562)</u> |
| Postretirement benefit payable | <u><u>\$ 72,590</u></u> |

Amounts recognized in the statement of activities at June 30, 2017 consist of:

| | |
|--|--------------------------|
| Service cost (end of year) | \$ 385,316 |
| Interest cost | 283,018 |
| Expected return on plan assets | (89,162) |
| Amortization of actuarial gain | 26,439 |
| Amortization of prior service cost | - |
| Amortization of transition obligation | <u>194,556</u> |
| Net periodic postretirement benefit cost | <u><u>\$ 800,167</u></u> |

The postretirement benefit payable is reported in the accounts payable and accrued liabilities line item in the statement of 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.

Weighted-average assumptions used to determine benefit obligations as of June 30, 2017:

| | |
|---|---------|
| Discount rate | 3.76% |
| Expected long-term return on plan assets | 3.76% |
| Rate of compensation | N/A |
| Health care cost trend rate assumed for next year | 6.00% |
| Rate to which the cost trend rate is assumed to decline (ultimate trend rate) | 5.00% |
| Year that the rate reaches the ultimate trend rate | 3 years |

FENTON CHARTER PUBLIC SCHOOLS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 7: POST RETIREMENT HEALTH BENEFIT PLAN

The School expects to contribute approximately \$800,000 to the plan during the next fiscal year.

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

| Year Ending June 30, | Expected Future Benefit Payments |
|-------------------------|-------------------------------------|
| 2018 | \$ 91,912 |
| 2019 | 106,422 |
| 2020 | 130,861 |
| 2021 | 178,728 |
| 2022 | 231,191 |
| 2023-2028 | 1,891,879 |

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 as of June 30, 2017:

| | Fair value | Level 1 |
|---------------------------|---------------------|--------------|
| Corporate bonds | \$ 2,496,600 | \$ 2,496,600 |
| Cash and cash equivalents | 635,179 | |
| Fair value of plan assets | <u>\$ 3,131,779</u> | |

NOTE 8: 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.

The School is subject to asserted and unasserted claims encountered in the normal course of business. The School's management and legal counsel assess such contingencies and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the School or unasserted claims that may result in such proceedings, the School's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. These claims are covered by insurance, and no range of loss is estimated. In the opinion of management, disposition of these matters will not have a material effect on the School's financial condition or results of operations.

FENTON CHARTER PUBLIC SCHOOLS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 9: 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, 2017 was \$516,924.

Future minimum lease payments are as follows:

| Year Ended <u>June 30,</u> | |
|-------------------------------|---------------------|
| 2018 | \$ 555,924 |
| 2019 | 555,924 |
| 2020 | 555,924 |
| 2021 | 555,924 |
| 2022 | 555,924 |
| Thereafter | <u>6,084,000</u> |
| | <u>\$ 8,863,620</u> |

SUPPLEMENTARY INFORMATION

FENTON CHARTER PUBLIC SCHOOLS

**SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2017**

| | <u>Instructional Minutes</u> | | <u>Traditional Calendar Days</u> | <u>Status</u> |
|--|------------------------------|---------------|--------------------------------------|---------------|
| | <u>Requirement</u> | <u>Actual</u> | | |
| Fenton Avenue Charter School | | | | |
| Grade 3 | 50,400 | 57,670 | 184 | In compliance |
| Grade 4 | 54,000 | 57,670 | 184 | In compliance |
| Grade 5 | 54,000 | 57,670 | 184 | In compliance |
| Fenton Primary Center | | | | |
| Kindergarten | 36,000 | 55,510 | 184 | In compliance |
| Grade 1 | 50,400 | 56,175 | 184 | In compliance |
| Grade 2 | 50,400 | 58,015 | 184 | In compliance |
| Santa Monica Blvd. Community Charter School | | | | |
| Kindergarten | 36,000 | 59,370 | 184 | In compliance |
| Grade 1 | 50,400 | 55,690 | 184 | In compliance |
| Grade 2 | 50,400 | 57,530 | 184 | In compliance |
| Grade 3 | 50,400 | 57,530 | 184 | In compliance |
| Grade 4 | 54,000 | 59,370 | 184 | In compliance |
| Grade 5 | 54,000 | 59,370 | 184 | In compliance |
| Grade 6 | 54,000 | 59,370 | 184 | In compliance |
| Fenton Charter Leadership Academy | | | | |
| Kindergarten | 36,000 | 60,720 | 184 | In compliance |
| Grade 1 | 50,400 | 57,040 | 184 | In compliance |
| Grade 2 | 50,400 | 60,720 | 184 | In compliance |
| Fenton STEM Academy | | | | |
| Kindergarten | 36,000 | 60,720 | 184 | In compliance |
| Grade 1 | 50,400 | 57,040 | 184 | In compliance |
| Grade 3 | 50,400 | 60,720 | 184 | In compliance |
| Grade 4 | 54,000 | 60,720 | 184 | In compliance |
| Grade 5 | 54,000 | 60,720 | 184 | In compliance |

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

FENTON CHARTER PUBLIC SCHOOLS

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2017**

| | <u>Second Period Report</u> | | <u>Annual Report</u> | |
|--|-----------------------------|---------------|----------------------|---------------|
| | <u>Classroom</u> | | <u>Classroom</u> | |
| | <u>Based</u> | <u>Total</u> | <u>Based</u> | <u>Total</u> |
| Fenton Avenue Charter School | | | | |
| Grades TK / K-3 | 252.99 | 255.35 | 252.66 | 254.85 |
| Grades 4-6 | 496.04 | 500.21 | 495.83 | 499.73 |
| ADA Totals | <u>749.03</u> | <u>755.56</u> | <u>748.49</u> | <u>754.58</u> |
| Fenton Primary Center | | | | |
| Grades TK / K-3 | 771.13 | 781.02 | 769.21 | 779.45 |
| ADA Totals | <u>771.13</u> | <u>781.02</u> | <u>769.21</u> | <u>779.45</u> |
| Santa Monica Blvd. Community Charter School | | | | |
| Grades TK / K-3 | 558.76 | 567.76 | 559.24 | 567.98 |
| Grades 4-6 | 356.71 | 360.27 | 357.87 | 361.29 |
| ADA Totals | <u>915.47</u> | <u>928.03</u> | <u>917.11</u> | <u>929.27</u> |
| Fenton Charter Leadership Academy | | | | |
| Grades TK / K-3 | 220.77 | 224.73 | 220.67 | 224.80 |
| ADA Totals | <u>220.77</u> | <u>224.73</u> | <u>220.67</u> | <u>224.80</u> |
| Fenton STEM Academy | | | | |
| Grades TK / K-3 | 125.99 | 127.78 | 125.39 | 127.14 |
| Grades 4-6 | 126.75 | 128.06 | 125.71 | 127.04 |
| ADA Totals | <u>252.74</u> | <u>255.84</u> | <u>251.10</u> | <u>254.18</u> |

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

FENTON CHARTER PUBLIC SCHOOLS

**RECONCILIATION OF ANNUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

| | FACS | FPC | SMBC | FCLA | STEM |
|---|--------------|--------------|-------------|------------|------------|
| June 30, 2017 Annual Financial Report Fund Balances (Net Assets) | \$ 7,930,766 | \$ 4,458,063 | \$6,541,134 | \$ 354,722 | \$ 137,978 |
| Adjustments and Reclassifications: | | | | | |
| Increasing (Decreasing) the Fund Balance (Net Assets): | | | | | |
| Cash and cash equivalents | 4,140 | (1,576) | (1,585) | (748) | (226) |
| Accounts receivable - other | | 1,246,944 | | | |
| Property, plant and equipment, net | | (2,000) | | | |
| Accounts payable and accrued liabilities | (29,373) | (1,259,137) | (21,500) | (4,753) | (4,769) |
| Net Adjustments and Reclassifications | (25,233) | (15,769) | (23,085) | (5,501) | (4,995) |
| June 30, 2017 Audited Financial Statement Fund Balances (Net Assets) | \$ 7,905,533 | \$ 4,442,294 | \$6,518,049 | \$ 349,221 | \$ 132,983 |

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

FENTON CHARTER PUBLIC SCHOOLS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017**

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | FACS | FPC | SMBC | Subtotal |
|--|----------------------------|---|---------------------|---------------------|---------------------|---------------------|
| <i>U.S. Department of Education</i> | | | | | | |
| Pass Through Program From California Department of Education: | | | | | | |
| No Child Left Behind Act | | | | | | |
| Title I, Part A, Basic Grants | | | | | | |
| Low-Income and Neglected | 84.010 | 14329 | \$ 447,724 | \$ 313,313 | \$ 405,167 | \$ 1,166,204 |
| Title II, Part A, Teacher Quality | 84.367 | 14341 | 77,199 | 3,616 | 4,496 | 85,311 |
| Title III, Limited English Proficiency | 84.365 | 14346 | 21,602 | 42,099 | 61,720 | 125,421 |
| Title V: Public Charter Schools Grant Program | 84.282A | 14941 | - | - | - | - |
| Special Education: IDEA Basic Local Assistance | 84.027 | 13379 | <u>145,944</u> | <u>150,861</u> | <u>179,258</u> | <u>476,063</u> |
| <i>Total U.S Department of Education</i> | | | <u>692,469</u> | <u>509,889</u> | <u>650,641</u> | <u>1,852,999</u> |
| <i>U.S. Department of Agriculture:</i> | | | | | | |
| Pass Through Program From California Department of Education: | | | | | | |
| Child and Adult Care Food Program | 10.558 | 13666 | 190,732 | 107,836 | 133,956 | 432,524 |
| Child Nutrition Cluster: | | | | | | |
| School Breakfast Program Especially Needy | 10.553 | 13526 | 139,394 | 184,840 | 215,744 | 539,978 |
| National School Lunch Program | 10.555 | 13396 | 301,894 | 400,319 | 467,249 | 1,169,462 |
| Meal Supplements | 10.555 | 13396 | 19,323 | 25,623 | 29,907 | 74,853 |
| Summer Food Service Program Operations | 10.559 | | - | 2,994 | 7,056 | 10,050 |
| Child Nutrition Cluster Total | | | <u>460,611</u> | <u>613,776</u> | <u>719,956</u> | <u>1,794,343</u> |
| <i>Total U.S Department of Agriculture</i> | | | <u>651,343</u> | <u>721,612</u> | <u>853,912</u> | <u>2,226,867</u> |
| <i>U.S. Department Health and Human Services:</i> | | | | | | |
| Pass Through Program From California Department of Education: | | | | | | |
| Medical Assistance Program | 93.778 | 10060 | <u>11,943</u> | <u>27,427</u> | <u>15,952</u> | <u>55,322</u> |
| <i>Total U.S Department of Health and Human Services</i> | | | <u>11,943</u> | <u>27,427</u> | <u>15,952</u> | <u>55,322</u> |
| Total Federal Expenditures | | | <u>\$ 1,355,755</u> | <u>\$ 1,258,928</u> | <u>\$ 1,520,505</u> | <u>\$ 4,135,188</u> |

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

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

FENTON CHARTER PUBLIC SCHOOLS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017**

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Subtotal | FCLA | STEM | Total |
|--|----------------------------|---|---------------------|-------------------|-------------------|---------------------|
| <i>U.S. Department of Education</i> | | | | | | |
| Pass Through Program From California Department of Education: | | | | | | |
| No Child Left Behind Act | | | | | | |
| Title I, Part A, Basic Grants | | | | | | |
| Low-Income and Neglected | 84.010 | 14329 | \$ 1,166,204 | \$ 66,367 | \$ 91,635 | \$ 1,324,206 |
| Title II, Part A, Teacher Quality | 84.367 | 14341 | 85,311 | 872 | 1,125 | 87,308 |
| Title III, Limited English Proficiency | 84.365 | 14346 | 125,421 | - | - | 125,421 |
| Title V: Public Charter Schools Grant Program | 84.282A | 14941 | - | 44,091 | - | 44,091 |
| Special Education: IDEA Basic Local Assistance | 84.027 | 13379 | 476,063 | 43,411 | 49,421 | 568,895 |
| <i>Total U.S Department of Education</i> | | | <u>1,852,999</u> | <u>154,741</u> | <u>142,181</u> | <u>2,149,921</u> |
| <i>U.S. Department of Agriculture:</i> | | | | | | |
| Pass Through Program From California Department of Education: | | | | | | |
| Child and Adult Care Food Program | 10.558 | 13666 | 432,524 | - | - | 432,524 |
| Child Nutrition Cluster: | | | | | | |
| School Breakfast Program Especially Needy | 10.553 | 13526 | 539,978 | 50,422 | 57,701 | 648,101 |
| National School Lunch Program | 10.555 | 13396 | 1,169,462 | 109,201 | 124,966 | 1,403,629 |
| Meal Supplements | 10.555 | 13396 | 74,853 | 6,990 | 7,999 | 89,842 |
| Summer Food Service Program Operations | 10.559 | | 10,050 | - | - | 10,050 |
| Child Nutrition Cluster Total | | | <u>1,794,343</u> | <u>166,613</u> | <u>190,666</u> | <u>2,151,622</u> |
| <i>Total U.S Department of Agriculture</i> | | | <u>2,226,867</u> | <u>166,613</u> | <u>190,666</u> | <u>2,584,146</u> |
| <i>U.S. Department Health and Human Services:</i> | | | | | | |
| Pass Through Program From California Department of Education: | | | | | | |
| Medical Assistance Program | 93.778 | 10060 | 55,322 | - | - | 55,322 |
| <i>Total U.S Department of Health and Human Services</i> | | | <u>55,322</u> | <u>-</u> | <u>-</u> | <u>55,322</u> |
| Total Federal Expenditures | | | <u>\$ 4,135,188</u> | <u>\$ 321,354</u> | <u>\$ 332,847</u> | <u>\$ 4,789,389</u> |

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

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

FENTON CHARTER PUBLIC SCHOOLS

SUPPLEMENTARY STATEMENT OF FINANCIAL POSITION - FCPS

June 30, 2017

| | <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> |
|--|---------------------|---------------------|---------------------|-------------------|---------------------|---------------------|-----------------------|----------------------|
| <u>ASSETS</u> | | | | | | | | |
| CURRENT ASSETS: | | | | | | | | |
| Cash and cash equivalents | \$ 3,419,951 | \$ 2,721,341 | \$ 2,650,959 | \$ 408,919 | \$ 683,750 | \$ 1,784,355 | \$ - | \$ 11,669,275 |
| Accounts receivable - federal and state | 360,436 | 483,280 | 500,822 | 148,785 | 212,980 | - | - | 1,706,303 |
| Accounts receivable - other | 3,420 | 601,140 | 119,485 | 157 | 1,524 | - | - | 725,726 |
| Intercompany receivables | 12,697 | 405,269 | - | - | - | 2,513,019 | (1,012,790) | 1,918,195 |
| Prepaid expenses and other assets | <u>150,475</u> | <u>111,513</u> | <u>102,455</u> | <u>77,141</u> | <u>84,530</u> | <u>72,810</u> | <u>-</u> | <u>598,924</u> |
| Total current assets | <u>3,946,979</u> | <u>4,322,543</u> | <u>3,373,721</u> | <u>635,002</u> | <u>982,784</u> | <u>4,370,184</u> | <u>(1,012,790)</u> | <u>16,618,423</u> |
| LONG-TERM ASSETS: | | | | | | | | |
| Property, plant and equipment, net | 4,129,939 | 437,045 | 3,639,087 | 288,488 | 289,140 | 16,340 | - | 8,800,039 |
| Intercompany notes receivable | - | 1,246,944 | - | - | - | - | - | 1,246,944 |
| Other long-term assets | <u>-</u> | <u>12,500</u> | <u>7,720</u> | <u>30,000</u> | <u>30,000</u> | <u>106,327</u> | <u>-</u> | <u>186,547</u> |
| Total long-term assets | <u>4,129,939</u> | <u>1,696,489</u> | <u>3,646,807</u> | <u>318,488</u> | <u>319,140</u> | <u>122,667</u> | <u>-</u> | <u>10,233,530</u> |
| Total assets | <u>\$ 8,076,918</u> | <u>\$ 6,019,032</u> | <u>\$ 7,020,528</u> | <u>\$ 953,490</u> | <u>\$ 1,301,924</u> | <u>\$ 4,492,851</u> | <u>\$ (1,012,790)</u> | <u>\$ 26,851,953</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | | | | | | | |
| CURRENT LIABILITIES: | | | | | | | | |
| Accounts payable and accrued liabilities | \$ 171,385 | \$ 1,576,738 | \$ 502,479 | \$ 43,232 | \$ 35,462 | \$ 8,889 | \$ - | \$ 2,338,185 |
| Intercompany payables | - | - | - | 220,174 | 792,616 | - | (1,012,790) | - |
| Capital lease, current portion | - | - | - | 88,654 | 88,654 | - | - | 177,308 |
| Notes payable, current portion | <u>-</u> | <u>-</u> | <u>-</u> | <u>50,004</u> | <u>50,004</u> | <u>-</u> | <u>-</u> | <u>100,008</u> |
| Total current liabilities | <u>171,385</u> | <u>1,576,738</u> | <u>502,479</u> | <u>402,064</u> | <u>966,736</u> | <u>8,889</u> | <u>(1,012,790)</u> | <u>2,615,501</u> |
| LONG-TERM LIABILITIES: | | | | | | | | |
| Capital lease | - | - | - | 102,205 | 102,205 | - | - | 204,410 |
| Notes payable | <u>-</u> | <u>-</u> | <u>-</u> | <u>100,000</u> | <u>100,000</u> | <u>-</u> | <u>-</u> | <u>200,000</u> |
| Total long-term liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>202,205</u> | <u>202,205</u> | <u>-</u> | <u>-</u> | <u>404,410</u> |
| NET ASSETS: | | | | | | | | |
| Unrestricted | 7,869,902 | 4,391,362 | 6,364,588 | 346,939 | 130,805 | 4,483,962 | - | 23,587,558 |
| Temporarily restricted | <u>35,631</u> | <u>50,932</u> | <u>153,461</u> | <u>2,282</u> | <u>2,178</u> | <u>-</u> | <u>-</u> | <u>244,484</u> |
| Total net assets | <u>7,905,533</u> | <u>4,442,294</u> | <u>6,518,049</u> | <u>349,221</u> | <u>132,983</u> | <u>4,483,962</u> | <u>-</u> | <u>23,832,042</u> |
| Total liabilities and net assets | <u>\$ 8,076,918</u> | <u>\$ 6,019,032</u> | <u>\$ 7,020,528</u> | <u>\$ 953,490</u> | <u>\$ 1,301,924</u> | <u>\$ 4,492,851</u> | <u>\$ (1,012,790)</u> | <u>\$ 26,851,953</u> |

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

FENTON CHARTER PUBLIC SCHOOLS

**SUPPLEMENTARY STATEMENT OF ACTIVITIES - FCPS
For the Year Ended June 30, 2017**

| | <u>FACS</u> | <u>FPC</u> | <u>SMBC</u> | <u>FCLA</u> | <u>STEM</u> | <u>FCPS CMO</u> | <u>Elimination</u> | <u>Total</u> |
|---|---------------------|---------------------|---------------------|-------------------|-------------------|---------------------|--------------------|----------------------|
| UNRESTRICTED NET ASSETS | | | | | | | | |
| REVENUES: | | | | | | | | |
| State revenue: | | | | | | | | |
| State aid | \$ 5,484,344 | \$ 6,088,705 | \$ 7,058,836 | \$ 1,747,038 | \$ 1,961,208 | \$ - | \$ - | \$ 22,340,131 |
| Other state revenue | 1,004,242 | 1,460,291 | 1,506,328 | 428,471 | 462,546 | - | - | 4,861,878 |
| Federal revenue: | | | | | | | | |
| Grants and entitlements | 1,355,755 | 1,258,928 | 1,520,505 | 321,354 | 332,847 | - | - | 4,789,389 |
| Local revenue: | | | | | | | | |
| In-lieu property tax revenue | 1,603,638 | 1,657,676 | 1,969,697 | 476,978 | 543,008 | - | - | 6,250,997 |
| Interest income | 26,029 | 18,118 | 21,283 | 1,602 | 1,412 | 12,649 | - | 81,093 |
| Other revenue | 110,058 | 70,455 | 10,128 | 31,969 | 41,634 | 2,920,631 | (2,918,765) | 266,110 |
| Net assets released from restriction | <u>28,643</u> | <u>42,140</u> | <u>47,205</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>117,988</u> |
| Total revenues and net assets released from restriction | <u>9,612,709</u> | <u>10,596,313</u> | <u>12,133,982</u> | <u>3,007,412</u> | <u>3,342,655</u> | <u>2,933,280</u> | <u>(2,918,765)</u> | <u>38,707,586</u> |
| EXPENSES: | | | | | | | | |
| Program services | 9,347,253 | 9,705,389 | 11,553,341 | 2,811,173 | 3,232,397 | 2,734,923 | (2,918,765) | 36,465,711 |
| Management and general | <u>106,653</u> | <u>95,449</u> | <u>127,413</u> | <u>43,156</u> | <u>45,830</u> | <u>498,357</u> | <u>-</u> | <u>916,858</u> |
| Total expenses | <u>9,453,906</u> | <u>9,800,838</u> | <u>11,680,754</u> | <u>2,854,329</u> | <u>3,278,227</u> | <u>3,233,280</u> | <u>(2,918,765)</u> | <u>37,382,569</u> |
| Change in unrestricted net assets | 158,803 | 795,475 | 453,228 | 153,083 | 64,428 | (300,000) | - | 1,325,017 |
| TEMPORARILY RESTRICTED NET ASSETS | | | | | | | | |
| Other state revenue | - | 36,862 | - | 2,282 | 2,178 | - | - | 41,322 |
| Net assets released from restriction | <u>(28,643)</u> | <u>(42,140)</u> | <u>(47,205)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(117,988)</u> |
| Change in temporarily restricted net assets | <u>(28,643)</u> | <u>(5,278)</u> | <u>(47,205)</u> | <u>2,282</u> | <u>2,178</u> | <u>-</u> | <u>-</u> | <u>(76,666)</u> |
| Change in total net assets | 130,160 | 790,197 | 406,023 | 155,365 | 66,606 | (300,000) | - | 1,248,351 |
| Beginning 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> |
| Ending net assets | <u>\$ 7,905,533</u> | <u>\$ 4,442,294</u> | <u>\$ 6,518,049</u> | <u>\$ 349,221</u> | <u>\$ 132,983</u> | <u>\$ 4,483,962</u> | <u>\$ -</u> | <u>\$ 23,832,042</u> |

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

FENTON CHARTER PUBLIC SCHOOLS

**SUPPLEMENTARY STATEMENT OF CASH FLOWS - FCPS
For the Year Ended June 30, 2017**

| | <u>FACS</u> | <u>FPC</u> | <u>SMBC</u> | <u>FCLA</u> | <u>STEM</u> | <u>FCPS CMO</u> | <u>Elimination</u> | <u>Total</u> |
|--|---------------------|---------------------|---------------------|-------------------|-------------------|---------------------|--------------------|----------------------|
| CASH FLOWS from OPERATING ACTIVITIES: | | | | | | | | |
| Change in net assets | \$ 130,160 | \$ 790,197 | \$ 406,023 | \$ 155,365 | \$ 66,606 | \$ (300,000) | \$ - | \$ 1,248,351 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | | | | | | | | |
| Depreciation | 285,114 | 102,699 | 399,688 | 101,839 | 101,954 | 2,060 | - | 993,354 |
| Transfer of property, plant, and equipment | - | - | - | - | - | 541,254 | (541,254) | - |
| Change in operating assets: | | | | | | | | |
| Accounts receivable - federal and state | (160,708) | (78,405) | (61,203) | 153,938 | 141,465 | - | - | (4,913) |
| Accounts receivable - other | (101) | (12,411) | (117,579) | 1,397 | (53) | - | - | (128,747) |
| Intercompany receivable | 463,246 | (186,374) | 423,067 | - | - | 1,718,372 | (2,418,311) | - |
| Prepaid expenses and other assets | (6,731) | (12,364) | 307,392 | 1,294 | (4,661) | 64,724 | - | 349,654 |
| Other long-term assets | - | (12,500) | (7,720) | (30,000) | (30,000) | (106,327) | - | (186,547) |
| Change in operating liabilities: | | | | | | | | |
| Accounts payable and accrued liabilities | (209,377) | 1,044,908 | (726,944) | (86,463) | (81,343) | (163,395) | - | (222,614) |
| Intercompany payable | (704,605) | (1,638,880) | (909,975) | (48,690) | 342,585 | - | 2,959,565 | - |
| Deferred revenue | - | - | - | (9,583) | (9,583) | - | - | (19,166) |
| Net cash flows from operating activities | <u>(203,002)</u> | <u>(3,130)</u> | <u>(287,251)</u> | <u>239,097</u> | <u>526,970</u> | <u>1,756,688</u> | <u>-</u> | <u>2,029,372</u> |
| CASH FLOWS from INVESTING ACTIVITIES: | | | | | | | | |
| Purchases of property, plant and equipment | <u>(69,775)</u> | <u>(15,131)</u> | <u>(502,764)</u> | <u>(10,132)</u> | <u>(10,132)</u> | <u>(15,400)</u> | <u>-</u> | <u>(623,334)</u> |
| Net cash flows from investing activities | <u>(69,775)</u> | <u>(15,131)</u> | <u>(502,764)</u> | <u>(10,132)</u> | <u>(10,132)</u> | <u>(15,400)</u> | <u>-</u> | <u>(623,334)</u> |
| CASH FLOWS from FINANCING ACTIVITIES: | | | | | | | | |
| Repayments on capital lease | - | - | - | (77,792) | (77,792) | - | - | (155,584) |
| Repayments of debt | - | - | - | (49,998) | (49,998) | - | - | (99,996) |
| Net cash flows from financing activities | <u>-</u> | <u>-</u> | <u>-</u> | <u>(127,790)</u> | <u>(127,790)</u> | <u>-</u> | <u>-</u> | <u>(255,580)</u> |
| Net change in cash and cash equivalents | (272,777) | (18,261) | (790,015) | 101,175 | 389,048 | 1,741,288 | - | 1,150,458 |
| Cash and cash equivalents at the beginning of the year | <u>3,692,728</u> | <u>2,739,602</u> | <u>3,440,974</u> | <u>307,744</u> | <u>294,702</u> | <u>43,067</u> | <u>-</u> | <u>10,518,817</u> |
| Cash and cash equivalents at the end of the year | <u>\$ 3,419,951</u> | <u>\$ 2,721,341</u> | <u>\$ 2,650,959</u> | <u>\$ 408,919</u> | <u>\$ 683,750</u> | <u>\$ 1,784,355</u> | <u>\$ -</u> | <u>\$ 11,669,275</u> |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | | | | | | | |
| Cash paid for interest during the fiscal year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 13,543</u> | <u>\$ 13,543</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 27,086</u> |

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

FENTON CHARTER PUBLIC SCHOOLS

NOTES TO THE SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2017

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the School and whether the School complied with the provisions of Education Code0.

Schedule of Average Daily Attendance

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

Reconciliation of Annual Financial Report with Audited Financial Statements

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

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 government for the year ended June 30, 2017. 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.

Indirect Cost Rate

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

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.



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

Board of Directors
Fenton Charter Public Schools
Sun Valley, CA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Fenton Charter Public Schools (the School), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2017, and the related 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 November 28, 2017.

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.

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

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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, CA
November 29, 2017



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

Board of Directors
Fenton Charter Public Schools
Sun Valley, CA

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, 2017. The School's 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 terms and conditions of federal awards applicable to its federal programs.

Auditor's 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, 2017.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

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.

Purpose of this Report

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

CliftonLarsonAllen LLP
Glendora, CA
November 29, 2017

INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

Board of Directors
 Fenton Charter Public Schools
 Sun Valley, CA

We have audited Fenton Charter Public Schools’s (the School) compliance with the types of compliance requirements described in the *2016-2017 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, 2017. The School’s State compliance requirements are identified in the table below.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on the School’s compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the School’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. Our audit does not provide a legal determination of the School’s compliance.

Compliance Requirements Tested

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

| <u>Description</u> | <u>Procedures Performed</u> |
|---|-----------------------------|
| School Districts, County Offices of Education, and Charter Schools: | |
| Educator Effectiveness | Yes |
| California Clean Energy Jobs Act | No ¹ |
| After School Education and Safety Program | Not applicable |
| Proper Expenditure of Education Protection Account Funds | Yes |

INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

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

¹The School did not have any expenditures of California Clean Energy Jobs Act funds for the year ended June 30, 2017.

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, 2017.

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 *2016-2017 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, CA
November 29, 2017

FENTON CHARTER PUBLIC SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None Reported

Noncompliance material to consolidated financial statements noted? _____ Yes X No

Federal Awards

Internal control over major federal awards:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None Reported

Type of auditor’s report issued on compliance for major federal programs:

Unmodified

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:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------------|---|
| 10.553, 10.555, 10.559 | Child Nutrition Cluster |

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

X Yes _____ No

FENTON CHARTER PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

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

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

There were no findings and questioned costs related to the basic consolidated financial statements, federal awards or state awards for June 30, 2017.

FENTON CHARTER PUBLIC SCHOOLS

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017**

There were no findings and questioned costs related to the basic consolidated financial statements, federal awards or state awards for the prior year.