

**ARCHITECTURE, CONSTRUCTION AND
ENGINEERING CHARTER HIGH SCHOOL
Charter No. 1126**

**Independent Auditor's Report
and Financial Statements
For the Year Ended
June 30, 2019**



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**ARCHITECTURE, CONSTRUCTION AND ENGINEERING
CHARTER HIGH SCHOOL**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Architecture, Construction and Engineering Charter High School
Camarillo, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Board of Directors
Architecture, Construction and Engineering Charter High School

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to on page one present fairly, in all material respects, the financial position of the School as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis-of-matter

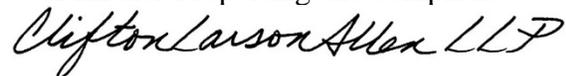
As discussed in Note 1 to the financial statements, management has elected to adopt Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for Profit Entities*. Our opinion is not modified with respect to that matter.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the School's financial statements as a whole. The accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic 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 a report dated December 10, 2019 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness 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, California
December 10, 2019

FINANCIAL SECTION

**ARCHITECTURE, CONSTRUCTION AND ENGINEERING
CHARTER HIGH SCHOOL**

**STATEMENT OF FINANCIAL POSITION
June 30, 2019**

Current Assets:

Cash and cash equivalents	\$ 490,764
Accounts receivable - federal and state	62,602
Accounts receivable - other	74,723
Prepaid expenditures	12,660
Total current assets	<u>640,749</u>

Long-term Assets:

Buildings	191,116
Equipment	35,432
Less accumulated depreciation	<u>(21,474)</u>
Total property, plant & equipment	<u>205,074</u>

Total assets \$ 845,823

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 159,501
Unearned revenue	<u>3,205</u>
Total current liabilities	<u>162,706</u>

Net Assets:

Net assets without donor restrictions	621,112
Net assets with donor restrictions	<u>62,005</u>
Total net assets	<u>683,117</u>

Total liabilities and net assets \$ 845,823

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

**ARCHITECTURE, CONSTRUCTION AND ENGINEERING
CHARTER HIGH SCHOOL**

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
State revenue:			
State aid	\$ 1,629,672	\$ -	\$ 1,629,672
Other state revenue	94,223	39,796	134,019
Federal revenue:			
Grants and entitlements	69,276	-	69,276
Local revenue:			
In-lieu property tax revenue	784,006	-	784,006
Interest income	11,041	-	11,041
Other revenue	42,145	-	42,145
Net assets released from restrictions	-	-	-
Total revenues	2,630,363	39,796	2,670,159
Expenses:			
Program services	1,935,159	-	1,935,159
Management and general	557,931	-	557,931
Total expenses	2,493,090	-	2,493,090
Change in net assets	137,273	39,796	177,069
Beginning net assets	483,839	22,209	506,048
Ending net assets	\$ 621,112	\$ 62,005	\$ 683,117

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

**ARCHITECTURE, CONSTRUCTION AND ENGINEERING
CHARTER HIGH SCHOOL**

**STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Employee salaries	\$ 977,193	\$ 231,353	\$ 1,208,546
Employee benefits	347,253	85,111	432,364
Occupancy costs	10,080	91,550	101,630
Books and supplies	153,114	5,232	158,346
Services and other operating services	447,519	132,445	579,964
Depreciation	-	12,240	12,240
Total functional expenses	<u>\$ 1,935,159</u>	<u>\$ 557,931</u>	<u>\$ 2,493,090</u>

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

**ARCHITECTURE, CONSTRUCTION AND ENGINEERING
CHARTER HIGH SCHOOL**

**STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019**

Cash Flows from Operating Activities:

Change in net assets	\$ 177,069
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	12,240
Change in operating assets:	
Accounts receivable - federal and state	(79,806)
Accounts receivable - other	82,028
Prepaid expenses and other assets	80
Change in operating liabilities:	
Accounts payable	46,677
Unearned revenue	(15,612)
Net cash flows from operating activities	<u>222,676</u>

Cash Flows from Investing Activities:

Purchase of equipment	<u>(43,809)</u>
Net cash flows from investing activities	<u>(43,809)</u>

Net change in cash and cash equivalents 178,867

Cash and cash equivalents at the beginning of the year 311,897

Cash and cash equivalents at the end of the year \$ 490,764

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

**ARCHITECTURE, CONSTRUCTION AND ENGINEERING
CHARTER HIGH SCHOOL**

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – Architecture, Construction and Engineering Charter High School (the “School”) is a not-for-profit public charter school approved by the Oxnard Union High School District, which started operations in September 2010. The Board of Directors is elected independent of any Ventura County Office of Education appointments. The School Board is responsible for approving their own budgets and accounting related activities.

The School is funded principally through State of California public education monies received through the California Department of Education (CDE).

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

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

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

Functional Allocation of Expenses – Costs of providing the School’s programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and support services benefited. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

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

Revenue Recognition – Amounts received from the CDE are recognized as revenue by the School based on the average daily attendance (ADA) of students. Revenue that is restricted is recorded as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in net assets with donor restrictions.

Net Asset Classes – The School is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets of the School consist of the following:

**ARCHITECTURE, CONSTRUCTION AND ENGINEERING
CHARTER HIGH SCHOOL**

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- Net assets without donor restrictions: All resources over which the governing board has discretionary control to use in carrying on the general operations of the School.
- Net assets with donor restrictions: These net assets subject to donor or certain grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The School does not currently have any net assets with donor restrictions that are perpetual in nature.

Receivables – Accounts receivable consists of funds due from federal and state governments as of June 30, 2019. Management believes that all receivables are fully collectible; therefore no provisions for uncollectible accounts were recorded.

Property, Plant and Equipment – Property, plant and equipment are stated at cost if purchased or at estimated fair market value if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the asset. The School capitalizes all expenditures for land, buildings and equipment in excess of \$5,000. Depreciation expense for the year ended June 30, 2019 was \$12,240.

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

Contributions – All contributions are considered to be available for general operating use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as increases in net assets with donor restrictions. When the restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions for expenditure.

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

**ARCHITECTURE, CONSTRUCTION AND ENGINEERING
CHARTER HIGH SCHOOL**

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

required. The School files informational returns in the U.S. federal jurisdiction, and the state of California.

Change in Accounting Principle - On August, 2016, FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The School implemented ASU No. 2016-14 and has adjusted the presentation in these financial statements accordingly.

Evaluation of Subsequent Events – The School has evaluated subsequent events through December 10, 2019, the date these financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure.

NOTE 2: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following:

Financial assets at year-end:	
Cash and cash equivalents	\$ 490,764
Accounts receivable - federal and state	95,659
Accounts receivable - other	<u>41,666</u>
Total financial assets at year-end	628,089
Cash and cash equivalents - donor restricted	<u>(62,005)</u>
Total financial assets at year-end available to meet operating needs	<u><u>\$ 566,084</u></u>

The School regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the School considers all expenditures related to its ongoing activities of teaching, as well as the conduct of services undertaken to support those activities to be general expenditures. As a public charter school, the School is dependent on funding from the State of California and various other federal, state and local grants. In addition to financial assets available to meet general expenditures over the next 12 months, the School operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources where applicable.

**ARCHITECTURE, CONSTRUCTION AND ENGINEERING
CHARTER HIGH SCHOOL**

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019**

NOTE 2: LIQUIDITY AND AVAILABILITY

As part of the School's liquidity management plan, the School maintains substantially all of its cash in the Ventura County Treasury (the County). Deposits with the County are invested as noted below; however are available for expenditure as needed and without limitation. In addition, the School utilizes a revolving fund to permit more expedient payment than the County warrant system on a limited basis.

NOTE 3: CONCENTRATION OF CREDIT RISK

The School maintains substantially all of its cash in the Ventura County Treasury (the County). The County pools these funds with those of other educational organizations in the county and invests the cash. These pooled funds are carried at cost which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The funds maintained by the County are either secured by federal depository insurance or collateralized.

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. As of June 30, 2019, the School was not exposed to any such credit risk.

NOTE 4: ACCOUNTING SERVICES

The Ventura County Schools Business Services Authority charges the School an administration fee for accounting services. The administrative fee as of June 30, 2019 was \$176,646.

NOTE 5: NET ASSETS WITH DONOR RESTRICTIONS

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

California clean energy jobs act	\$ 22,209
Lottery-instructional materials	31,450
State block grants	<u>8,346</u>
Totl net assets with donor restrictions	<u><u>\$ 62,005</u></u>

**ARCHITECTURE, CONSTRUCTION AND ENGINEERING
CHARTER HIGH SCHOOL**

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019**

NOTE 6: EMPLOYEE RETIREMENT

Multi-employer Defined Benefit Pension Plans

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

The risks of participating in this multi-employer defined benefit pension plan 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. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2018, total STRS plan net assets are \$254 billion, the total actuarial present value of accumulated plan benefits is \$374 billion, contributions from all employers totaled \$4.9 billion, and the plan is 64.0% 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.

Funding Policy

Active plan members hired before December 31, 2012 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 up to 19.10% in 2020–21. The required employer contribution rate for year ended June 30, 2019 was 16.28% of annual payroll. The contribution requirements of the plan members are established and may be amended by state statute.

**ARCHITECTURE, CONSTRUCTION AND ENGINEERING
CHARTER HIGH SCHOOL**

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019**

NOTE 6: EMPLOYEE RETIREMENT

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

<u>Year Ended June 30,</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2017	\$ 110,161	100%
2018	\$ 144,501	100%
2019	\$ 167,528	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 multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. According to the most recently available Measurement Report for the year ended June 30, 2018, the School Employer Pool total plan net assets are \$64.8 billion, the total pension liability is \$91.4 billion, contributions from all employers totaled \$2.0 billion, and the plan is 68.6% 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.

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 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 the year ended June 30, 2019 was 18.062%. The contribution requirements of the plan members are established and may be amended by state statute.

**ARCHITECTURE, CONSTRUCTION AND ENGINEERING
CHARTER HIGH SCHOOL**

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019**

NOTE 6: EMPLOYEE RETIREMENT

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

<u>Year Ended June 30,</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2017	\$ 13,740	100%
2018	\$ 13,758	100%
2019	\$ 26,011	100%

SUPPLEMENTARY INFORMATION

**ARCHITECTURE, CONSTRUCTION AND ENGINEERING
CHARTER HIGH SCHOOL**

**LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
For the Year Ended June 30, 2019**

Architecture, Construction and Engineering Charter High School, (the School) is a not-for-profit public charter school serving students from ninth through twelfth grade. It commenced operations in the beginning of the 2010-11 fiscal year. The mission of Architecture, Construction, and Engineering Charter High School is to provide high school students an alternative educational opportunity to explore construction related careers through rigorous contextual, hands-on curriculum that prepares them for direct entry into college, professional apprenticeship programs, or a career.

The Architecture, Construction, and Engineering Charter High School charter was granted September 17, 2009 by the Oxnard Union High School District and the California Department of Education.

The charter school number is 1126.

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

BOARD OF DIRECTORS

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Tony Skinner	President	December 2020
Gary Cushing	Vice President	December 2020
Marlo Harsuyker	CFO	December 2020
David Carlson	Secretary	December 2020
Richard Niday	Member	December 2020
Mike Vollmert	Member	December 2020
Marianne Ramos	Member	December 2020

ADMINISTRATORS

Joseph Clausi	Principal
Tami Peterson	Chief Business Official

**ARCHITECTURE, CONSTRUCTION AND ENGINEERING
CHARTER HIGH SCHOOL**

**SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2019**

	Instructional Minutes		Traditional Calendar Days	Status
	Requirement	Actual		
Grade 9	64,800	64,868	180	In compliance
Grade 10	64,800	64,868	180	In compliance
Grade 11	64,800	64,868	180	In compliance
Grade 12	64,800	64,868	180	In compliance

See auditor's report and notes to supplementary information.

**ARCHITECTURE, CONSTRUCTION AND ENGINEERING
CHARTER HIGH SCHOOL**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2019**

	<u>Second Period Report</u>		<u>Annual Report</u>	
	<u>Classroom Based</u>	<u>Total</u>	<u>Classroom Based</u>	<u>Total</u>
Grades 9-12	<u>237.38</u>	<u>237.38</u>	<u>233.76</u>	<u>233.76</u>

See auditor's report and notes to supplementary information.

**ARCHITECTURE, CONSTRUCTION AND ENGINEERING
CHARTER HIGH SCHOOL**

**RECONCILIATION OF ANNUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019**

There were no differences between the net assets reported on the June 30, 2019 Annual Financial Report and the audited financial statements.

See auditor's report and notes to supplementary information.

**ARCHITECTURE, CONSTRUCTION AND ENGINEERING
CHARTER HIGH SCHOOL**

**NOTES TO SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019**

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 the California Education Code.

Schedule of Average Daily Attendance

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

Reconciliation of Annual Financial Report with Audited Financial Statements

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

OTHER INDEPENDENT AUDITOR'S REPORTS



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

Board of Directors
Architecture, Construction and Engineering Charter High School
Camarillo, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Architecture, Construction and Engineering Charter High School, a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, the related notes to the financial statements, and have issued our report thereon dated December 10, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School’s internal control.

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

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

**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***

However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School’s 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
Glendora, California
December 10, 2019



INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

Board of Directors
Architecture, Construction and Engineering Charter High School
Camarillo, California

We have audited Architecture, Construction and Engineering Charter High School’s (the School) compliance with the types of compliance requirements described in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2019. The School’s State compliance requirements are identified in the table below.

Management’s Responsibility

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

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 *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the School’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. Our audit does not provide a legal determination of the School’s compliance.

Compliance Requirements Tested

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

<u>Description</u>	<u>Procedures Performed</u>
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

Opinion on State Compliance

In our opinion, the School complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, which is described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on the state program is not modified with respect to this matter.

The School's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and responses. The School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP
Glendora, California
December 10, 2019

FINDINGS AND RESPONSES

**ARCHITECTURE, CONSTRUCTION AND ENGINEERING
CHARTER HIGH SCHOOL**

**SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2019**

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
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

FINANCIAL STATEMENT FINDINGS

There were no findings related to the basic financial statements for the fiscal year ended June 30, 2019.

STATE AWARDS FINDINGS

Finding 2019-001 – Unduplicated Local Control Funding Formula Pupil Counts 40000

Criteria: Education Code Section 42238.02(b)(2) requires a school district to submit its enrolled free and reduced-price meal eligibility, foster youth and English Learner (EL) pupil-level records for enrolled pupils using the California Longitudinal Pupil Achievement Data System (CalPADS). The CalPADS reports should accurately report the number of students as identified above.

Condition: Two (2) students in our initial sample tested were classified in the CalPADS report as “EL Only” after the student had been evaluated and/or met the criteria to be reclassified from EL status. As a result of the error noted, all students with the designation of “EL Only” were tested.

Effect: The District is not in compliance with Education Code section 42238.02 (b) (2). The 1.17 report contained errors as follows:

**ARCHITECTURE, CONSTRUCTION AND ENGINEERING
CHARTER HIGH SCHOOL**

**SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2019**

<u>School Name</u>	Enrollment Count as Reported in the CalPADS System	Unduplicated Eligible Free/Reduced Meal (FRM) Counts	English Learner (EL) Funding Eligible	Total Unduplicated FRPM/EL Eligible
Architecture, Construction & Engineering Charter High (ACE)				
As reported	260	115	18	119
Audit adjustments	-	-	(2)	(2)
Adjusted	<u>260</u>	<u>115</u>	<u>16</u>	<u>117</u>
Total				
As reported	260	115	18	119
Audit adjustments	-	-	(2)	(2)
Adjusted	<u>260</u>	<u>115</u>	<u>16</u>	<u>117</u>

Cause: The District did not properly update the CalPADS system after it had evaluated and reclassified students out of EL status in their internal tracking software. This resulted in errors in the reporting of EL students.

Questioned Costs: Two (2) students of the population of four (4) students with a designation of “EL Only” were found to be inaccurately reported. Correction of these errors in the CalPADS system will result in a decrease to principal apportionment in the estimated amount of \$1,276.

Recommendation: We recommend the District adopt procedures to ensure verification of student EL status changes are properly updated in the CalPADS system.

District Response: The Charter school staff has been inputting EL designation and reclassification information into the Q Equitas software system. This software automatically uploads data into CALPADS. In the future, the charter school staff will verify the accuracy of student data by conducting a comprehensive review of the applicable CALPADS reports and comparing them to supporting documentation.

**ARCHITECTURE, CONSTRUCTION AND ENGINEERING
CHARTER HIGH SCHOOL**

**STATUS OF PRIOR YEAR FINDINGS AND RESPONSES
For the Year Ended June 30, 2019**

There were no findings related to the basic financial statements or state awards for the prior year.

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC,
an SEC-registered investment advisor. | CliftonLarsonAllen LLP

