

**BLUE OAK CHARTER SCHOOL**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2019**

DRAFT

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Blue Oak Charter School  
Chico, California

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

We have audited the accompanying financial statements of Blue Oak Charter 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, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

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

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

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

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

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

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

**Opinion**

In our opinion, the financial statements referred to on page 1 present fairly, in all material respects, the financial position of the School as of June 30, 2019, and the changes in 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 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 REPORT DATE on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness on the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

**CliftonLarsonAllen LLP**

Glendora, California  
REPORT DATE

**BLUE OAK CHARTER SCHOOL  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2019**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$	105,647
Accounts Receivable - Federal and State		651,168
Accounts Receivable - Other		652
Prepaid Expenses and Other Assets		78,272
Total Current Assets		835,739

**LONG-TERM ASSETS**

Deposits		28,000
Property, Plant, and Equipment, Net		2,132
Total Long-Term Assets		30,132

Total Assets		\$ 865,871
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable and Accrued Liabilities	\$	183,641
Factored Receivable Liability		154,176
Total Current Liabilities		337,817

**NET ASSETS**

Without Donor Restriction		467,141
With Donor Restrictions		60,913
Total Net Assets		528,054

Total Liabilities and Net Assets		\$ 865,871
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**BLUE OAK CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
<b>REVENUES</b>			
State Revenue:			
State Aid	\$ 2,207,069	\$ -	\$ 2,207,069
Other State Revenue	738,352	77,179	815,531
Federal Revenue:			
Grants and Entitlements	100,843	-	100,843
Local Revenue:			
In-Lieu Property Tax Revenue	780,600	-	780,600
Contributions	116,273	-	116,273
Other Revenue	8,846	-	8,846
Net Assets Released from Restrictions	<u>16,266</u>	<u>(16,266)</u>	<u>-</u>
Total Revenues	<u>3,968,249</u>	<u>60,913</u>	<u>4,029,162</u>
<b>EXPENSES</b>			
Program Services	3,555,117	-	3,555,117
Management and General	409,786	-	409,786
Fundraising	<u>48,999</u>	<u>-</u>	<u>48,999</u>
Total Expenses	<u>4,013,902</u>	<u>-</u>	<u>4,013,902</u>
<b>CHANGE IN NET ASSETS</b>	(45,653)	60,913	15,260
Net Assets - Beginning of Year	<u>512,794</u>	<u>-</u>	<u>512,794</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 467,141</u>	<u>\$ 60,913</u>	<u>\$ 528,054</u>

See accompanying Notes to Financial Statements.

**BLUE OAK CHARTER SCHOOL  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2019**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ 15,260
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	259,293
Change in Operating Assets:	
Accounts Receivable - Federal and State	(93,144)
Accounts Receivable - Other	(652)
Prepaid Expenses and Other Assets	(19,275)
Change in Operating Liabilities:	
Accounts Payable and Accrued Liabilities	37,291
Net Cash Provided by Operating Activities	198,773

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from Factoring	860,482
Repayments of Factoring	(1,029,095)
Net Cash Used by Financing Activities	(168,613)

**NET CHANGE IN CASH AND CASH EQUIVALENTS**

Cash and Cash Equivalents - Beginning of Year	75,486
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**CASH AND CASH EQUIVALENTS - END OF YEAR**

	\$ 105,647
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**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash Paid for Interest	\$ 54
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See accompanying Notes to Financial Statements.

**BLUE OAK CHARTER SCHOOL  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2019**

	Program Services	Management and General	Fundraising	Total Expenses
Salaries and Wages	\$ 1,691,469	\$ 161,330	\$ -	\$ 1,852,799
Pension Expense	276,564	18,202	-	294,766
Other Employee Benefits	196,548	18,082	-	214,630
Payroll Taxes	60,301	5,121	-	65,422
Management Fees	-	29,930	-	29,930
Legal Expenses	-	42,279	-	42,279
Accounting Expenses	-	9,370	-	9,370
Instructional Materials	105,748	7,545	47,899	161,192
Other Fees for Services	168,746	10,942	-	179,688
Advertising and Promotion Expenses	2,362	229	-	2,591
Office Expenses	39,579	4,398	-	43,977
Occupancy Expenses	721,621	35,188	-	756,809
Travel Expenses	9,499	1,055	-	10,554
Interest Expense	-	54	-	54
Depreciation Expense	233,364	25,929	-	259,293
Insurance Expense	26,129	2,903	-	29,032
Other Expenses	23,187	37,229	1,100	61,516
	<u>\$ 3,555,117</u>	<u>\$ 409,786</u>	<u>\$ 48,999</u>	<u>\$ 4,013,902</u>
Total				

See accompanying Notes to Financial Statements.



**BLUE OAK CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Blue Oak Charter School (the School) is a California nonprofit public benefit corporation and is organized to manage and operate a public charter school. The School is funded principally through state of California public education monies received through the California Department of Education.

The charter may be revoked by the Chico Unified School 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.

**Basis of Accounting**

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

**Basis of Presentation**

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

**Use of Estimates**

The preparation of 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.

**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. The expenses that are allocated include salaries and wages, pension expense, other employee benefits, payroll taxes, other fees for services, office expenses, travel expense, and other expenses, which are allocated on the basis of estimates of time and effort.

**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.

**BLUE OAK CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

**Net Asset Classes**

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

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

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

**Accounts Receivable**

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

**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.

**Property, Plant, and Equipment**

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

**Compensated Absences**

The School does not allow employees to carryover unused vacation. Accordingly, there were no accumulated compensated absence benefits at June 30, 2019.

**BLUE OAK CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

**Revenue Recognition**

Amounts received from the California Department of Education are recognized as revenue by the School based on the average daily attendance (ADA) of students. Revenue that is restricted is recorded as an increase in net assets without donor restriction, 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 restriction.

**Contributions**

All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as contributions with donor restrictions. Restricted contributions that are received and released in the same period are reported as promises to give without donor restrictions. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded at fair value at the date of the promise. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

**Income Taxes**

The School is a nonprofit 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 required. The School is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. The School files and exempt School return and applicable unrelated business income tax return in the U.S. federal jurisdiction and with the California Franchise Tax Board.

**Change in Accounting Principle**

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

**Evaluation of Subsequent Events**

The School has evaluated subsequent events through REPORT DATE, the date these financial statements were available to be issued.

**BLUE OAK CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 2 LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure are those without donor or other restrictions limiting their use within one year of the statement of financial position date. Financial assets available for general expenditures comprise cash and cash equivalents and accounts receivable for the total amount of \$696,554.

As part of our liquidity management plan, we invest cash in excess of daily requirements in money market funds.

**NOTE 3 CONCENTRATION OF CREDIT RISK**

The School maintains an interest bearing cash account with a financial institution. The account at this institution is insured by the Federal Deposit Insurance Corporation (FDIC). At times, cash in this account exceeds the maximum insured amount. The School has not experienced any losses regarding this account and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

**NOTE 4 PROPERTY, PLANT, AND EQUIPMENT**

Property, plant, and equipment in the accompanying financial statements is presented net of accumulated depreciation. The School capitalizes all expenditures for land, buildings, and equipment in excess of \$5,000. Depreciation expense for the year ended June 30, 2019 was \$259,293.

The components of property, plant, and equipment as of June 30, 2019 are as follows:

Building	\$ 1,141,931
Equipment, Furniture, and Fixtures	41,592
Total	<u>1,183,523</u>
Less: Accumulated Amortization	(1,181,391)
Total Property, Plant, and Equipment	<u><u>\$ 2,132</u></u>

**BLUE OAK CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 5 EMPLOYEE RETIREMENT**

**Multi-Employer Defined Benefit Pension Plans**

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

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

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

**Plan Description**

The School contributes to the State Teachers' Retirement System (STRS), a cost-sharing multi-employer public employee retirement system defined benefit pension plan administered by STRS. Plan information for STRS is not publicly available. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. According to the most recently available Comprehensive Annual Financial Report and Actuarial Valuation Report for the year ended June 30, 2018 total STRS plan net assets are \$225 billion, the total actuarial present value of accumulated plan benefits is \$374 billion, contributions from all employers totaled \$4.9 billion, and the plan is 64% funded. The School did not contribute more than 5% of the total contributions to the plan.

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

**Funding Policy**

Active plan members hired before January 1, 2013 are required to contribute 10.25% of their salary and those hired after are required to contribute 9.205% of their salary. The School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. Under the 2014 funding plan, employer contributions on compensation creditable to the program will increase every year for the next seven years, up to 19.10% in 2020–21. The required employer contribution rate for the 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.

**BLUE OAK CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 5 EMPLOYEE RETIREMENT (CONTINUED)**

The School's contributions to STRS are as follows:

<u>Year Ended June 30,</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2017	\$ 141,567	100%
2018	\$ 164,666	100%
2019	\$ 207,098	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, 2017, the School Employer Pool total plan assets are \$60.9 billion, the present value of accumulated plan benefits is \$99.6 billion, contributions from all employers totaled \$1.8 billion, and the plan is 72.1% funded. The school did not contribute more than 5% of the total contributions to the plan.

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

**Funding Policy**

Active plan members are required to contribute 7.0% of their salary while new members after January 1, 2013 are required to contribute 6.0% of their salary. The School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for year ended June 30, 2019 was 18.062%. 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:

<u>Year Ended June 30,</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2017	\$ 72,476	100%
2018	\$ 58,609	100%
2019	\$ 87,668	100%

**BLUE OAK CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 6 OPERATING LEASES**

The School leases its facilities under several lease agreements where the last lease expires in September 2019, with the option of extending for 2 years. Lease expense under these agreements for the year ended June 30, 2019 was \$565,882.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2020	\$ 574,549
2021	568,549
2022	568,549
Total	<u>\$ 1,711,647</u>

**NOTE 7 FACTORED RECEIVABLES LIABILITY**

The School has entered into a factoring agreement with Charter Asset Management. The amount factored governmental accounts receivable was \$150,000 and the School pays a discount fee of 3 percent. The amount outstanding at June 30, 2019 was \$154,176.

**NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes:

Subject to Expenditure for Specified Purpose:	
Prop 39 Clean Energy	\$ 52,823
SUMS Grant	8,090
Total	<u>\$ 60,913</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose for the year ended June 30, 2019:

Satisfaction of Purpose Restrictions:	
Operation of the Training Center	<u>\$ 16,266</u>

**NOTE 9 CONTINGENCIES**

The School has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate disallowances under terms of the grants, it is believed that any required reimbursement would not be material.

**BLUE OAK CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 10 SUBSEQUENT EVENTS**

The school entered into a factoring agreement with Charter Asset Management in September 2019. The amount factored governmental accounts receivable was \$200,000 and the School pays a discount fee of 2 percent.

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**SUPPLEMENTARY INFORMATION**

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**BLUE OAK CHARTER SCHOOL  
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
YEAR ENDED JUNE 30, 2019**

Blue Oak Charter School (the School) is a California nonprofit public benefit corporation and is organized to manage and operate a public charter school. The School is funded principally through state of California public education monies received through the California Department of Education. The School is sponsored by the Chico Unified School District (the Sponsor).

Charter School number authorized by the State: 0415

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

**BOARD OF DIRECTORS**

<u>Member</u>	<u>Office</u>	<u>Term Expires (2 year term)</u>
Nena Anguiano	Board Chair	August 2019
Monica McDaniel	Co-Chair	August 2020
Chelsea Parker	Treasurer/CFO	August 2020
Trisha Atehortua	Member	August 2020
Adrienne Hall	Member	August 2020
Vicki Wonacott	Member	August 2019
Laurel Hill-Ward	Member	August 2019

**ADMINISTRATOR**

Susan Domenighini	Executive Director
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**BLUE OAK CHARTER SCHOOL  
SCHEDULE OF INSTRUCTIONAL TIME  
YEAR ENDED JUNE 30, 2019**

	Instructional Minutes		Traditional Calendar	Status
	Requirement	Actual	Days	
Kindergarten	36,000	39,825	177	In compliance
Grade 1	50,400	52,075	177	In compliance
Grade 2	50,400	52,075	177	In compliance
Grade 3	50,400	52,075	177	In compliance
Grade 4	54,000	55,425	177	In compliance
Grade 5	54,000	55,425	177	In compliance
Grade 6	54,000	54,085	177	In compliance
Grade 7	54,000	54,085	177	In compliance
Grade 8	54,000	54,085	177	In compliance

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**BLUE OAK CHARTER SCHOOL  
SCHEDULE OF AVERAGE DAILY ATTENDANCE  
YEAR ENDED JUNE 30, 2019**

	Second Period Report		Annual Report	
	Classroom Based	Total	Classroom Based	Total
Grades TK/K-3	158.60	159.50	159.23	160.80
Grades 4-6	122.07	122.34	121.68	122.12
Grades 7-8	56.08	56.08	56.64	56.64
ADA Totals	336.75	337.92	337.55	339.56

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**BLUE OAK CHARTER SCHOOL  
RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

There were no differences between the Annual Financial Report and the Audited Financial Statements.

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**BLUE OAK CHARTER SCHOOL  
NOTES TO SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2019**

**PURPOSE OF SCHEDULES**

**NOTE 1 SCHEDULE OF INSTRUCTIONAL TIME**

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

**NOTE 2 SCHEDULE OF AVERAGE DAILY ATTENDANCE**

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

**NOTE 3 RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS**

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

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

Board of Directors  
Blue Oak Charter School  
Chico, 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 Blue Oak Charter School (the 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, cash flows, and functional expenses for the year then ended, the related notes to the financial statements, and have issued our report thereon dated REPORT DATE.

**Internal Control Over Financial Reporting**

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

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

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

**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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

**CliftonLarsonAllen LLP**

Glendora, California  
REPORT DATE

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## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Directors  
Blue Oak Charter School  
Chico, California

We have audited Blue Oak Charter 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on the School's compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. Our audit does not provide a legal determination of the School's compliance.

### Compliance Requirements Tested

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

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

**BLUE OAK CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

<u>Description</u>	<u>Procedures Performed</u>
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-based instructional/independent study	No <sup>1</sup>
Determination of funding for nonclassroom-based instruction	Not applicable
Annual instructional minutes – classroom based	Yes
Charter School Facility Grant Program	Yes

<sup>1</sup> Nonclassroom ADA was under the threshold that required testing.

**Opinion on State Compliance**

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

**Purpose of this Report**

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

**CliftonLarsonAllen LLP**

Glendora, California

REPORT DATE

**BLUE OAK CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

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

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Program
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

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

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**BLUE OAK CHARTER SCHOOL  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2019**

There were no findings in the prior year.

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