

WESTLAKE CHARTER SCHOOL

**(A California Non-Profit
Public Benefit Corporation)**

**Independent Auditor's Report
and Financial Statements
For the Year Ended
June 30, 2015**

Operating:

**Westlake Charter School
Westlake Charter Middle School**

WESTLAKE CHARTER SCHOOL

TABLE OF CONTENTS
June 30, 2015

Independent Auditor’s Report..... 1

Statement of Financial Position 3

Statement of Activities..... 4

Statement of Cash Flows 5

Statement of Functional Expenses 6

Notes to the Financial Statements..... 7

Local Education Agency Organization Structure 14

Schedule of Instructional Time..... 15

Schedule of Average Daily Attendance 16

Reconciliation of Annual Financial Report with Audited Financial Statements 17

Reconciliation of the Statement of Financial Position Net Assets to Fund Balance That Would be Reported Under Governmental Accounting Standards..... 18

Reconciliation of the Statement of Activities Total Change in Net Assets to Change in Fund Balance That Would be Reported Under Governmental Accounting Standards..... 19

Notes to Supplementary Information..... 20

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*..... 21

Independent Auditor’s Report on State Compliance 23

Schedule of Findings and Questioned Costs..... 25

Status of Prior Year Findings and Questioned Costs..... 26



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Westlake Charter School
Sacramento, CA

Report on the Financial Statements

We have audited the accompanying financial statements of Westlake Charter School (the Organization), a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2015, 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.

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 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 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.

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

Board of Directors
Westlake Charter School

Opinion

In our opinion, the financial statements referred to on page one present fairly, in all material respects, the financial position of the Organization as of June 30, 2015, 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.

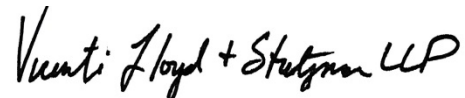
Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Organization'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 November 27, 2015 on our consideration of the Organization'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 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 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 Organization's internal control over financial reporting and compliance.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
November 27, 2015

WESTLAKE CHARTER SCHOOL

**STATEMENT OF FINANCIAL POSITION
June 30, 2015**

	Elementary	Middle School	Total
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 2,639,064	\$ 964,722	\$ 3,603,786
Accounts receivable - federal and state	151,549	67,442	218,991
Accounts receivable - other	27,716	44,913	72,629
Total current assets	2,818,329	1,077,077	3,895,406
LONG-TERM ASSETS:			
Property, plant and equipment, net	25,557	-	25,557
Total long-term assets	25,557	-	25,557
Total assets	\$ 2,843,886	\$ 1,077,077	\$ 3,920,963
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES:			
Accounts payable and accrued liabilities	119,392	28,796	148,188
Revolving loan payable, current portion	-	50,000	50,000
Total current liabilities	119,392	78,796	198,188
NET ASSETS:			
Unrestricted	2,672,561	947,679	3,620,240
Temporarily restricted	51,933	50,602	102,535
Total net assets	2,724,494	998,281	3,722,775
Total liabilities and net assets	\$ 2,843,886	\$ 1,077,077	\$ 3,920,963

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

WESTLAKE CHARTER SCHOOL

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015**

	<u>Elementary</u>	<u>Middle School</u>	<u>Total</u>
UNRESTRICTED			
REVENUES:			
State revenue:			
State aid	\$ 3,482,192	\$ 1,153,362	\$ 4,635,554
Other state revenue	475,888	171,072	646,960
Federal revenue:			
Grants and entitlements	74,446	25,510	99,956
Local revenue:			
In-lieu property tax revenue	872,728	327,432	1,200,160
Interest income	4,867	1,806	6,673
Other revenue	722,241	89,319	811,560
Total unrestricted revenues	<u>5,632,362</u>	<u>1,768,501</u>	<u>7,400,863</u>
EXPENSES:			
Program services	3,957,558	1,062,302	5,019,860
Management and general	942,792	339,632	1,282,424
Total expenses	<u>4,900,350</u>	<u>1,401,934</u>	<u>6,302,284</u>
Change in unrestricted net assets	<u>732,012</u>	<u>366,567</u>	<u>1,098,579</u>
Total change in net assets	732,012	366,567	1,098,579
Beginning net assets	<u>1,992,482</u>	<u>631,714</u>	<u>2,624,196</u>
Ending net assets	<u>\$ 2,724,494</u>	<u>\$ 998,281</u>	<u>\$ 3,722,775</u>

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

WESTLAKE CHARTER SCHOOL

**STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015**

	Elementary	Middle School	Total
CASH FLOWS from OPERATING ACTIVITIES:			
Change in net assets	\$ 732,012	\$ 366,567	\$ 1,098,579
Adjustments to reconcile change in net assets to net cash flows from operating activities:			
Depreciation	21,907	-	21,907
Change in operating assets:			
Accounts receivable - federal and state	460,825	163,786	624,611
Accounts receivable - other	(27,716)	(44,913)	(72,629)
Change in operating liabilities:			
Accounts payable and accrued liabilities	4,848	3,199	8,047
Net cash flows from operating activities	1,191,876	488,639	1,680,515
CASH FLOWS from FINANCING ACTIVITIES:			
Repayments on capital lease	(27,960)	-	(27,960)
Repayments of debt	-	(50,000)	(50,000)
Net cash flows from financing activities	(27,960)	(50,000)	(77,960)
Net change in cash and cash equivalents	1,163,916	438,639	1,602,555
Cash and cash equivalents at the beginning of the year	1,475,148	526,083	2,001,231
Cash and cash equivalents at the end of the year	\$ 2,639,064	\$ 964,722	\$ 3,603,786
Cash paid for interest	\$ 5,306	\$ 11,052	\$ 16,358

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

WESTLAKE CHARTER SCHOOL

**STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2015**

	Program	Management	Total
	Services	and General	Expenses
Salaries and wages	\$ 2,982,483	\$ 907,218	\$ 3,889,701
Pension expense	261,191	79,449	340,640
Other employee benefits	458,887	139,585	598,472
Payroll taxes	99,120	30,150	129,270
Legal expenses	-	35,762	35,762
Accounting expenses	-	12,800	12,800
Other fees for services	296,844	-	296,844
Advertising and promotion expenses	1,090	-	1,090
Office expenses	-	34,864	34,864
Printing and postage expenses	1,177	-	1,177
Occupancy expenses	74,642	-	74,642
Travel expenses	20,911	-	20,911
Interest expense	16,358	-	16,358
Depreciation expense	21,907	-	21,907
Insurance expense	-	42,596	42,596
Instructional materials	482,785	-	482,785
Other expenses	302,465	-	302,465
	<u>\$ 5,019,860</u>	<u>\$ 1,282,424</u>	<u>\$ 6,302,284</u>

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

WESTLAKE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – Westlake Charter School (the Organization) is a California non-profit public benefit corporation created by parents and educators in the Natomas area. The Organization serves children from kindergarten through eighth grade. The Organization is comprised of two charter schools: Westlake Charter School (the Elementary) and Westlake Charter Middle School (the Middle School). The Elementary school was approved in 2005 by the Natomas Unified School District (the District) and the Middle School was approved in 2011. The District has granted the Elementary charter through June 30, 2020, and the Middle charter through June 30, 2016, subject to amendment and renewal. The charters may be revoked by the District only for material violations of the charter, failure to meet student outcomes identified in the charter, failure to meet generally accepted standards of fiscal management or violation of any provisions of the law.

The Organization has a Memorandum of Understanding (MOU) with the District whereby they pay the District 3% of the School's per pupil revenues to provide administrative oversight and facilities.

The Organization is funded principally through State of California public education monies received through the California Department of Education and the District.

Cash and Cash Equivalents – The Organization 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 Organization'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.

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.

Net Asset Classes – The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Net assets of the Organization are defined as:

WESTLAKE CHARTER SCHOOL

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- Unrestricted: All resources over which the governing board has discretionary control to use in carrying on the general operations of the Organization.
- Temporarily restricted: These net assets are restricted by donors to be used for specific purposes. The Organization's temporarily restricted net assets as of June 30, 2015 consist of California Clean Energy Jobs Act funding.
- Permanently restricted: These net assets are permanently restricted by donors and cannot be used by the Organization. The Organization does not currently have permanently restricted net assets.

Receivables – Accounts receivable primarily represent amounts due from federal and state governments as of June 30, 2015. 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.

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 Organization 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.

Compensated Absences – The Organization does not allow employees to carryover unused vacation. Accordingly, there were no accumulated compensated absence benefits at June 30, 2015.

Revenue Recognition – Amounts received from the California Department of Education are recognized as revenue by the Organization based on the average daily attendance (ADA) of students. Revenue that is restricted is recorded as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other restricted revenues are reported as increases in temporarily restricted net assets.

Contributions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as temporarily restricted. Restricted contributions that are received and released in the same period are reported as unrestricted revenue. 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 market 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.

WESTLAKE CHARTER SCHOOL

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income Taxes – The Organization 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 required. The Organization files informational returns in the U.S. federal jurisdiction, and the state of California. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

Allocations Between Charter Schools – For the year ended June 30, 2015, the Organization has chosen to identify each charter school separately within the basic financial statements. In cases where specific identification of each charter’s activities was not possible, items were allocated according to Average Daily Attendance (ADA).

Evaluation of Subsequent Events – The Organization has evaluated subsequent events through November 27, 2015, the date these financial statements were available to be issued.

NOTE 2: CONCENTRATION OF CREDIT RISK

The Organization maintains substantially all of its cash in the County of Sacramento 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 costs 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. The fair value of the Organization’s deposits in this pool as of June 30, 2015, as provided by the pool sponsor was approximately \$3,598,000.

NOTE 3: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment in the accompanying financial statements is presented net of accumulated depreciation. The Organization capitalizes all expenditures for land, buildings and equipment in excess of \$5,000. Depreciation expense was \$21,907 for the year ended June 30, 2015.

The components of property, plant and equipment as of June 30, 2015 are as follows:

Equipment	\$ 109,534
Less accumulated depreciation	<u>(83,977)</u>
Property, plant and equipment, net	<u>\$ 25,557</u>

WESTLAKE CHARTER SCHOOL

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 4: LONG-TERM DEBT

California Department of Education

In June 2012, The Middle School received a revolving loan from the California Department of Education (CDE) in the amount of \$200,000. The loan requires four annual principal payments of \$50,000. The loan has a term of 4 years and carries an interest rate of 0.35 %. Annual payments of principal and interest are deducted from Organization's apportionment. The outstanding balance at June 30, 2015 was \$50,000. The entire remaining loan balance is due in the next fiscal year.

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 Organization chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. The Organization has no plans to withdraw from this multi-employer plan.

State Teachers' Retirement System (STRS)

Plan Description

The Organization 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, 2014, total plan net assets are \$191 billion, the total actuarial present value of accumulated plan benefits is \$287 billion, contributions from all employers totaled \$2.3 billion, and the plan is 68.5% funded. The Organization 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.

WESTLAKE CHARTER SCHOOL

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 5: EMPLOYEE RETIREMENT

Funding Policy

Active plan members are required to contribute 8.15% of their salary and the Organization 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. The required employer contribution rate for year ended June 30, 2015 was 8.88% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

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

Year Ended June 30,	<u>Elementary</u>		<u>Middle School</u>	
	<u>Required Contribution</u>	<u>Percent Contributed</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2013	\$ 125,953	100%	\$ 21,411	100%
2014	153,158	100%	50,195	100%
2015	198,786	100%	56,927	100%

Public Employees' Retirement System (PERS)

Plan Description

The Organization 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, 2014, the Schools Pool total plan assets are \$56.8 billion, the total actuarial present value of accumulated plan benefits is \$76.9 billion, contributions from all employers totaled \$1.2 billion, and the plan is 86.6% funded. The Organization 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 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 Organization 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

WESTLAKE CHARTER SCHOOL

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 5: EMPLOYEE RETIREMENT

year ended June 30, 2015 was 11.771%. The contribution requirements of the plan members are established and may be amended by State statute

Contributions to PERS

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

Year Ended June 30,	<u>Elementary</u>		<u>Middle School</u>	
	<u>Required Contribution</u>	<u>Percent Contributed</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2013	\$ 52,292	100%	\$ 9,479	100%
2014	56,941	100%	11,296	100%
2015	67,008	100%	17,919	100%

NOTE 6: OPERATING LEASES

In March 2013, the Organization entered into a facility use agreement with Natomas Unified School District for both the Elementary School and Middle School sites. Facility fees will be charged at a rate of 2% of total general purpose entitlement for that given year. The agreement commences on July 1, 2013 and expires June 30, 2018. Facilities expense for the year ended June 30, 2015 under the agreement was \$135,386.

Estimated future minimum lease payments at June 30, 2015 under the agreement are as follows:

<u>Year Ended June 30,</u>	
2016	135,386
2017	135,386
2018	135,386
Total	<u>\$ 406,158</u>

NOTE 7: RELATED PARTY TRANSACTIONS

Westlake Association of Volunteer Explorers (W.A.V.E) is a non-profit public benefit corporation organized for the specific purpose to support the mission, goals, and objectives of the Organization and its related activities. For the year ended June 30, 2015, W.A.V.E. made contributions to the Organization totaling \$87,613. As of June 30, 2015, the Organization had no amounts due to or due from W.A.V.E.

WESTLAKE CHARTER SCHOOL

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 8: CONTINGENCIES

The Organization 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.

SUPPLEMENTARY INFORMATION

WESTLAKE CHARTER SCHOOL

**LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
For the Year Ended June 30, 2015**

The Westlake Charter School is a California Nonprofit Public Benefit Corporation that was created by parents and educators in the Natomas area. The Organization operates two schools: Westlake Charter School (Elementary) and Westlake Charter Middle School (Middle School). The Organization is sponsored by the Natomas Unified School District in Sacramento County and serves children from kindergarten to eighth grade.

Westlake Charter School (charter number 0711) – established in 2005
Westlake Charter Middle School (charter number 1305) – established in 2011

The Board of Directors and the Administrators as of the year ended June 30, 2015 were as follows:

BOARD OF DIRECTORS

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Hope Gawlick	President	April 2017
Sian Burman	Treasurer	April 2018
Debbie Porter	Secretary	June 2015
Jed Wallace	Community Member	April 2017
Joe Clark	Community Member	April 2018
Caroline Gaea	WCS Faculty Representative	June 2016
Maria Solis	WCS Parent Member	April 2017
Brenda Lee	WCMS Parent Member	April 2017

ADMINISTRATORS

John Eick	Executive Director
Steve Korvink	Chief Business Official

WESTLAKE CHARTER SCHOOL

**SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2015**

	Instructional Minutes			Instructional Days	Status
	Requirement	Reduced	Actual		
Elementary:					
Kindergarten	36,000	34,971	51,330	180	In compliance
Grade 1	50,400	48,960	57,210	180	In compliance
Grade 2	50,400	48,960	57,900	180	In compliance
Grade 3	50,400	48,960	59,010	180	In compliance
Grade 4	54,000	52,457	59,970	180	In compliance
Grade 5	54,000	52,457	60,528	180	In compliance
Middle School:					
Grade 6	54,000	52,457	60,528	180	In compliance
Grade 7	54,000	52,457	60,528	180	In compliance
Grade 8	54,000	52,457	60,528	180	In compliance

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

WESTLAKE CHARTER SCHOOL

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2015**

	Second Period Report		Annual Report	
	Classroom		Classroom	
	Based	Total	Based	Total
Elementary:				
Grades TK/K-3	427.64	427.64	427.57	427.57
Grades 4-5	217.14	217.14	217.19	217.19
 Middle School:				
Grade 6	72.98	72.98	74.10	74.10
Grades 7-8	142.61	142.61	141.17	141.17
ADA Totals	860.37	860.37	860.03	860.03

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

WESTLAKE CHARTER SCHOOL

**RECONCILIATION OF ANNUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

	<u>Elementary</u>	<u>Middle School</u>	<u>Total</u>
June 30, 2015 Annual Financial Report Fund Balances (Net Assets)	\$ 2,695,833	\$ 1,040,434	\$ 3,736,267
Adjustments and Reclassifications:			
Increasing (Decreasing) the Fund Balance (Net Assets):			
Cash and cash equivalents	3,104	-	3,104
Accounts receivable - federal and state	-	7,847	7,847
Property, plant and equipment, net	25,557	-	25,557
Revolving loan payable, current portion	-	(50,000)	(50,000)
Net Adjustments and Reclassifications	<u>28,661</u>	<u>(42,153)</u>	<u>(13,492)</u>
June 30, 2015 Audited Financial Statement Fund Balances (Net Assets)	<u>\$ 2,724,494</u>	<u>\$ 998,281</u>	<u>\$ 3,722,775</u>

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

WESTLAKE CHARTER SCHOOL

**RECONCILIATION OF THE STATEMENT OF FINANCIAL POSITION NET ASSETS TO
FUND BALANCE THAT WOULD BE REPORTED UNDER
GOVERNMENTAL ACCOUNTING STANDARDS**

June 30, 2015

	Elementary	Middle School	Total
Total net assets	\$ 2,724,494	\$ 998,281	\$ 3,722,775
<p>Amounts reported in the statement of financial position are excluded from fund balance under governmental accounting standards because:</p>			
<p>Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. These assets consist of:</p>			
Equipment, net	(25,557)	-	(25,557)
<p>Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:</p>			
Revolving loan	-	50,000	50,000
Total fund balance	\$ 2,698,937	\$ 1,048,281	\$ 3,747,218

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

WESTLAKE CHARTER SCHOOL

RECONCILIATION OF THE STATEMENT OF ACTIVITIES TOTAL CHANGE IN NET ASSETS TO CHANGE IN FUND BALANCE THAT WOULD BE REPORTED UNDER GOVERNMENTAL ACCOUNTING STANDARDS

For the Year Ended June 30, 2015

	<u>Elementary</u>	<u>Middle School</u>	<u>Total</u>
Total change in net assets	\$ 732,012	\$ 366,567	\$ 1,098,579
<p>Amounts reported as changes in net assets in the statement of activities are different because:</p> <p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense.</p>			
Depreciation expense	21,907	-	21,907
Excess of depreciation expense over capital outlay	21,907	-	21,907
<p>Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of financial position.</p>			
Revolving loan payments	-	(50,000)	(50,000)
Capital lease obligation principal payments	(27,960)	-	(27,960)
Change in long-term debt liability	(27,960)	(50,000)	(77,960)
Change in fund balance	\$ 725,959	\$ 316,567	\$ 1,042,526

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

WESTLAKE CHARTER SCHOOL

**NOTES TO SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015**

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Instructional Time

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

Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes of the Organization. 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.

Reconciliation of the Statement of Financial Position Net Assets to Fund Balance that Would be Reported Under Governmental Accounting Standards

This schedule reconciles net assets as reported in the Statement of Financial Position to fund balance that would be reported under Governmental Accounting Standards.

Reconciliation of the Statement of Activities Total Change in Net Assets to Change in Fund Balance that Would be Reported Under Governmental Accounting Standards

This schedule reconciles the total change in net assets as reported in the Statement of Activities to change in fund balance that would be reported under Governmental Accounting Standards.

**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
Westlake Charter School
Sacramento, 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 financial statements of Westlake Charter School (the Organization), a nonprofit California public benefit corporation, which comprise the statement of financial position as of June 30, 2015, 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 November 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

**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***

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
November 27, 2015

INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

Board of Directors
 Westlake Charter School
 Sacramento, CA

We have audited Westlake Charter School’s (the Organization) compliance with the types of compliance requirements described in the *2014-2015 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, 2015. The Organization’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 Organization’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 *2014-2015 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 Organization’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 Organization’s compliance.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the Organization’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	No ¹
After School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Not applicable

INDEPENDENT AUDITORS' 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
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

¹The Organization had no expenditures of California Clean Energy Jobs Act funding during the year ended June 30, 2015.

Opinion on State Compliance

In our opinion, the Organization complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2015.

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 *2014-2015 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.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
November 27, 2015

WESTLAKE CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015

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

There were no findings and questioned costs related to the basic financial statements or state awards for the year ended June 30, 2015.

WESTLAKE CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015

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

November 27, 2015

Board of Directors
Westlake Charter School

We have audited the financial statements of Westlake Charter School (the Organization) for the year ended June 30, 2015, and have issued our reports thereon dated November 27, 2015, respectively. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 14, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies has not changed during the year ended June 30, 2015. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop estimates in determining that they are reasonable in relation to the financial statements taken as a whole. A schedule of the major accounting estimates is attached to this letter in exhibit A.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. See exhibit B attached for adjustments made for the year ended June 30, 2015.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 27, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We are not aware of other documents that contain the audited financial statements; if such documents are to be published, we have a responsibility to determine that such financial information is materially consistent with the audited statements of the Organization.

Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the Organization.

This information is intended solely for the use of the Board of Directors, management and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA

Westlake Charter School

EXHIBIT A

Summary of Significant Accounting Estimates

Accounting estimates are an integral part of the preparation of the financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the Organization's June 30, 2015 financial statements:

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
Valuation of receivables	The Organization does not record an allowance for doubtful accounts.	Management believes receivables are collectible since most are from governmental units. However, management reviews individual receivable balances at year end to evaluate the appropriate allowance, if any.	We reviewed management's estimate noting the method and assumptions were reasonable and in accordance with generally accepted accounting principles (GAAP) requirements.
Fixed assets and depreciation	The Organization depreciates fixed assets on a straight-line basis over the estimated useful lives of the assets.	Management reviews fixed asset listing and estimates useful life based on industry norms. Any impairment of fixed assets is identified on an annual basis.	We reviewed management's estimate noting the method and assumptions were reasonable and in accordance with generally accepted accounting principles (GAAP) requirements.
Allocation of functional expenses	The costs of providing various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services based on management's estimates.	Throughout the year management codes certain expenses based on a functional classification. For other expenses, management prepares an analysis of the expense recognized to data and calculates the allocation.	We reviewed management's estimate noting the method and assumptions were reasonable, consistent with prior years, and in accordance with applicable GAAP requirements.

Westlake Charter School

EXHIBIT B

Journal Entry Summary

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpapers
AJE.02	Adjusting	06/30/15					
		100-9295-0000	Due From Other Gov Agencies	2,700.00			
		100-6400-1000	EQUIPMENT	109,534.00			
		100-6500-0000	Accumulated Depreciation		62,070.00		
		100-9698-0000	Charter School Loan - LT		27,960.00		
		100-9791-0000	FUND BAL-BEGINNING BALAN		22,204.00		
			To reestablish beginning balances to agree to PY audited financials.			0.00	
AJE.03	Adjusting	06/30/15					
		200-9290-0000	DUE FROM OTHER GOVERNMENT	17,779.00			
		200-9698-0000	Charter School Loan - LT		100,000.00		
		200-9791-0000	FUND BAL-BEGINNING BALAN	82,221.00			
			To reestablish beginning balances to agree to PY audited financials.			0.00	
AJE.04	Adjusting	06/30/15					
		100-9698-0000	Charter School Loan - LT	27,960.00			
		100-7439-9100	OTHER DEBT SERVICE PRINCIPAL		27,960.00		
			GASB 34 entry to move capital lease principal payments out of expenses.			27,960.00	
AJE.05	Adjusting	06/30/15					
		200-9698-0000	Charter School Loan - LT	50,000.00			
		200-7439-9100	OTHER DEBT SERVICE PRINCIPAL		50,000.00		
			GASB 34 entry to move loan principal payments out of expenses.			50,000.00	
AJE.06	Adjusting	06/30/15					
		100-7999-0000	Depreciation Expense	21,907.00			
		100-6500-0000	Accumulated Depreciation		21,907.00		
			GASB 34 entry to record depreciation expense.			(21,907.00)	

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
AJE.07	Adjusting	06/30/15					
		100-8590-0000	ALL OTHER STATE REVENUES	2,700.00			
		200-8590-0000	ALL OTHER STATE REVENUES	17,779.00			
		100-9295-0000	Due From Other Gov Agencies		2,700.00		
		200-9290-0000	DUE FROM OTHER GOVERNMENT		17,779.00		
			To write off revenue accrual journal entries from prior years through current year net income activity.			(20,479.00)	D
PBCAJE.01	Adjusting	06/30/15					
		100-3101-1000	STRS CERTIFICATED		100,568.00		
		100-8590-0000	ALL OTHER STATE REVENUES	100,568.00			
		200-3101-1000	STRS CERTIFICATED		28,801.00		
		200-8590-0000	ALL OTHER STATE REVENUES	28,801.00			
			To reverse GASB 68 on-behalf entry not applicable to FASB presentation.			0.00	
		TOTAL		<u>461,949.00</u>	<u>461,949.00</u>	<u>35,574.00</u>	