

**ARARAT CHARTER SCHOOL**

**LOS ANGELES COUNTY**

**LOS ANGELES, CALIFORNIA**

**AUDIT REPORT**

**JUNE 30, 2012**

**ARARAT CHARTER SCHOOL  
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## INDEPENDENT AUDITOR'S REPORT

**Board of Directors  
Ararat Charter School  
Los Angeles, California**

We have audited the accompanying statement of financial position of Ararat Charter School as of June 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Ararat Charter School's management. 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 of America. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ararat Charter School as of June 30, 2012, and the results of its changes in net assets and its cash flows, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2012, on our consideration of Ararat Charter 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 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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole of Ararat Charter School. The accompanying supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2011-12*, published by the Education Audit Appeal Panel, and is not a required part of these 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 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 accompanying supplementary information is fairly stated in all material respects in relation to the financial statements taken as a whole.

El Cajon, California  
October 10, 2012

**ARARAT CHARTER SCHOOL  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2012**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 199,664
Accounts receivable	630,588
Prepaid expense	<u>23,978</u>
<b>Total Current Assets</b>	<u>854,230</u>

**Total Assets** \$ 854,230

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable	\$ 43,769
Accrued expenses	77,742
Current portion of long-term debt	<u>100,000</u>

**Total Current Liabilities** 221,511

**Long-Term Debt, Less Current Portion** 60,000

**Total Liabilities** 281,511

**Commitments and Contingencies**

**Net Assets**

Unrestricted 572,719

**Total Net Assets** 572,719

**Total Liabilities and Net Assets** \$ 854,230

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

**ARARAT CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues</b>			
Charter school general purpose fund	\$ 913,083	\$ -	\$ 913,083
Federal revenue	-	230,076	230,076
Charter school categorical grant	163,742	-	163,742
Other state revenues	200,246	-	200,246
Property taxes	330,600	-	330,600
Other local revenues	21,528	-	21,528
Investment income	122	-	122
Net assets released from restriction	334,118	(334,118)	-
<b>Total Revenues</b>	<u>1,963,439</u>	<u>(104,042)</u>	<u>1,859,397</u>
<b>Expenses</b>			
Salaries and wages	879,339	-	879,339
Employee benefits	242,570	-	242,570
Books and supplies	226,617	-	226,617
Services and operating supplies	431,254	-	431,254
<b>Total Expenses</b>	<u>1,779,780</u>	<u>-</u>	<u>1,779,780</u>
<b>Increase in Net Assets</b>	183,659	(104,042)	79,617
<b>Net Assets, Beginning of Year</b>	<u>389,060</u>	<u>104,042</u>	<u>493,102</u>
<b>Net Assets, End of Year</b>	<u>\$ 572,719</u>	<u>\$ -</u>	<u>\$ 572,719</u>

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

**ARARAT CHARTER SCHOOL  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Cash Flows From Operating Activities**

Change in Net Assets:	\$ 79,617
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Increase in accounts receivable	(458,924)
Decrease in prepaid expenses	1,346
Increase in accounts payable	17,392
Increase in accrued expenses	<u>13,511</u>

**Net Cash Used by Operating Activities** (347,058)

**Cash Flows From Financing Activities**

Proceeds from loan	80,000
Loan repayment	<u>(20,000)</u>

**Net Cash Used in Financing Activities** 60,000

**Net Increase in Cash and Cash Equivalents** (287,058)

**Cash and Cash Equivalents, Beginning of Year** 486,722

**Cash and Cash Equivalents, End of Year** \$ 199,664

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

**ARARAT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**A. Organization and Summary of Significant Accounting Policies**

*Organization*

Ararat Charter School (the "School"), a nonprofit organization, was organized in 2010 in the State of California. The School's mission is to provide quality education to students in kindergarten through fifth grade. Ararat Charter School was formed as a charter school pursuant to California Education Code Section 47600 under a charter agreement with the Los Angeles Unified School District.

*Basis of Presentation*

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

*Use of Estimates*

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

*Cash and Cash Equivalents*

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

*Investments*

The School's method of accounting for investments, in accordance with generally accepted accounting principles, is the fair value method. Fair value is determined by published quotes. Changes in fair value of investments results in increases or decreases in the unrealized fair values of equity investments. Adjustments to fair values are reflected as "Unrealized gain/loss on investments" in the accompanying Statement of Activities.

*Advertising*

Advertising costs are expensed when incurred.

*Donated Property and Equipment*

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation.



**ARARAT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)**

**A. Organization and Summary of Significant Accounting Policies (Continued)**

Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The School reclassifies temporarily restricted net assets to unrestricted net assets at that time.

*Property and Equipment*

Property and equipment are recorded at cost, or estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. The cost of assets sold or retired and related amounts of accumulated depreciation are eliminated from the accounts in the year of disposal, and any resulting gain or loss is included in the earnings. Management has elected to capitalize and depreciate all assets costing \$5,000 or more; all other assets are charged to expense in the year incurred. The School's policy is to evaluate the remaining lives and recoverability in light of the current conditions. It is reasonably possible that the School's estimate to recover the carrying amount of the property and equipment will change. The estimated useful lives are as follows:

<u>Item</u>	<u>Estimated Useful Life</u>
Computer Equipment	3-5 years
Equipment	4-5 years
Furniture	5-10 years
Leasehold Improvements	3-5 years

*Revenue Recognition*

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets.

*Income Taxes*

The School is a 509(a)(1) publicly supported nonprofit organization that is exempt from income taxes under Sections Internal Revenue Codes 501(a) and 501 (c)(3). This exemption is for all income taxes except for those assessed on unrelated business income, if any. The School is also exempt from state franchise or income tax under Section 23701d of the California Revenue and Taxation Code.

**ARARAT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)**

**A. Organization and Summary of Significant Accounting Policies (Continued)**

*Deferred Revenue*

Deferred revenue arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period or when resources are received by the charter school prior to the incurrence of qualifying expenditures.

In subsequent periods, when both revenue recognition criteria are met or when the charter school has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

*Date of Management's Review*

Subsequent events have been evaluated through October 10, 2012, which is the date the financial statements were available to be issued.

**B. Cash and Investments**

*1. Cash on Hand, in Banks, and Revolving Fund*

Cash in banks (\$199,664 as of June 30, 2012) are insured up to \$250,000 by the Federal Depository Insurance Corporation. The fair value of the School's portion of this pool as of that date, as provided by the pool sponsor, was \$199,664. All cash held by the financial institution is fully insured or collateralized.

**C. Accounts Receivable**

Receivables at June 30, 2012 are deemed to be fully collectible by management. As a result, no allowance for uncollectible accounts has been established. Accounts receivable at June 30, 2011 consisted of:

Federal programs	\$ 57,674
State programs	574,858
Local and miscellaneous	<u>(1,944)</u>
 Total	 <u>\$ 630,588</u>

**D. Accounts Payable**

Payables at June 30, 2012 consisted of:

Vendors payable	\$ 43,769
Other liabilities	<u>77,741</u>
 Total	 <u>\$ 121,510</u>

**ARARAT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)**

**E. Loans Payable**

In June 2010 the School obtained a loan under the Charter School Revolving Loan Program. The principal balance was \$100,000 and interest will be charged at a rate of 0.52%. The term of the loan is five years. Remaining payments on the loan are as follows:

Year Ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 20,000	\$ 395	\$ 20,395
2014	20,000	290	20,290
2015	20,000	186	20,186
2016	20,000	82	20,082
Total	<u>\$ 80,000</u>	<u>\$ 953</u>	<u>\$ 80,953</u>

In June 2012 the School obtained a loan from the Ararat Charter Schools Association in the amount of \$80,000. The loan bears no interest and must be repaid no later than September 2012. The loan will be repaid as follows:

Year Ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 80,000	-	\$ 80,000
Total	<u>\$ 80,000</u>	<u>\$ -</u>	<u>\$ 80,000</u>

As of September 1, 2012 the loan obtained from Ararat Charter School Association was paid in full.

**F. Operating Leases**

The School has entered into operating leases with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the School will cancel any of the agreements prior to the expiration date.

Future minimum lease payments under these agreements are as follows:

<u>Year Ended June 30,</u>	<u>Lease Payments</u>
2013	\$ 4,275
2014	<u>356</u>
Total	<u>\$ 4,631</u>

**ARARAT CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**  
**(Continued)**

**G. Employee Retirement System**

Qualified employees are covered under multiple-employer defined benefit pension plans by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System.

**STRS:**

The School contributes to the State Teachers Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined 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. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual report may be obtained from the STRS 7667 Folsom Boulevard, Sacramento, California 95826.

Active plan members are required to contribute 8% of their salary and the School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-12 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The School's contributions to STRS for the fiscal year ended June 30, 2012, and 2011, were \$67,246 and \$34,541 respectively and equal 100% of the required contributions each year the amount contributed by the state on behalf of the School was \$3,265.

**PERS:**

The School contributes to the School Employer Pool under the California Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, with the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office 400 P Street, Sacramento, California 95814.

Active plan members are required to contribute 7% of their salary and the School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rates for fiscal 2011-12 were 10.923% of payroll. The contribution requirements of the plan members are established by state statute. The School's contributions to CalPERS for the fiscal year ending June 30, 2012 and 2011 were \$8,157 and \$4,921 respectively, and equal 100% of the required contributions for each year.

**ARARAT CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**  
**(Continued)**

**G. Employee Retirement System (Continued)**

Public Agency Retirement System (PARS):

The Omnibus Budget Reconciliation Act of 1990 [Internal Revenue Code Section 3121 (b)(7)(F)] requires state and local public agencies to provide a retirement plan for all employees not covered under existing employer pension plans and/or Social Security. These employees are primarily part-time, seasonal and temporary employees (PSTs). This Act also requires that contributions for PSTs be vested immediately and permits any split of the minimum contributions between employee and employer.

The plan covers the School's part-time, seasonal, temporary and other employees not covered under CalPERS or STRS, but whose salaries would otherwise be subject to Social Security tax, PARS is a defined contribution qualified retirement plan under Section 401(a) of the Internal Revenue Code.

The minimum total contribution is 7.5% of employees salaries, of which the School and the employees contribute 3.75% each. Employees are vested 100% in both employer and employee contributions from the date of membership. Upon resignation, retirement, or death prior to retirement, the employee or the beneficiary will receive 100% of the amount credited to the employee account, including any share of net fund gains or losses after payment of administrative expenses. If at any time of distribution the amount of the employee's account is less than \$3,500, it will be paid in one lump sum. If the amount is \$3,500 or greater, the employee may elect to receive it in one lump sum, or leave it with PARS until the normal Retirement age (60) is reached, and then receive it as a lump sum.

**H. Commitments and Contingencies**

State and Federal Allowances, Awards, and Grants

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

**I. Subsequent Events**

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through October 10, 2012, the date the financial statements were issued.

**SUPPLEMENTAL INFORMATION**

**ARARAT CHARTER SCHOOL  
ORGANIZATION STRUCTURE  
JUNE 30, 2012**

Ararat Charter School (Charter #1156) was formed as a charter school on May 13, 2008 through the Los Angeles Unified School District. Ararat Charter School was approved for a five year charter term.

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Dr. Berjouhi Koukeyan	Chairperson	September 2008 to November 2012
Ms. Hermine Mahseredjian	Co-Chairperson	September 2008 to November 2013
Dr. Silva Karayan	Secretary	September 2008 to November 2013
Ms. Shakeh Avakian	Treasurer	September 2008 to November 2014
Mr. John Henderson	Co-Treasurer	August 2010 to November 2013
Mr. Gabriel Injejikian	Member	September 2008 to November 2012
Dr. Ani Shabazian	Member	December 2011 to November 2014
Mrs. Amaly Avakian	Member	December 2011 to November 2014

**ADMINISTRATION**

Ms. Aida Tatirossian  
Principal

**ARARAT CHARTER SCHOOL  
SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Classroom Based</u>	<u>Second Period Report</u>		<u>Annual Report</u>	
	<u>Original</u>	<u>Revised</u>	<u>Original</u>	<u>Revised</u>
Elementary:				
Kindergarten	63.55	N/A	63.54	N/A
Grades 1 through 3	155.78	N/A	155.44	N/A
Grade 4	25.3	N/A	25.33	N/A
Totals	<u>244.63</u>	<u>N/A</u>	<u>244.31</u>	<u>N/A</u>

N/A - There were no revisions to the P2 or Annual reports.

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



**ARARAT CHARTER SCHOOL  
SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>2011-12 Actual Minutes</u>	<u>Number of Traditional Days</u>	<u>Status</u>
Kindergarten	33,531	69,975	176	Complied
Grade 1	46,944	66,375	176	Complied
Grade 2	46,944	66,375	176	Complied
Grade 3	50,297	66,375	176	Complied
Grade 4	50,297	66,375	176	Complied

Ararat Charter School must maintain their instructional minutes as required by Educational Code Section 46201.

**ARARAT CHARTER SCHOOL  
RECONCILIATION OF NET ASSETS REPORTED ON THE FINANCIAL AND BUDGET  
ALTERNATE FORM WITH AUDITED FINANCIAL STATEMENTS  
YEAR ENDED, JUNE 30, 2012**

June 30, 2012, annual financial and budget report fund balance	<u>\$ 571,972</u>
Adjustments and reclassifications:	
Accounts payable overstated	<u>747</u>
Total adjustments and reclassifications	<u>747</u>
June 30, 2012, audited financial statement net assets	<u>\$ 572,719</u>

This schedule provides the information necessary to reconcile the net assets of all funds as reported on the Alternative Form to the audited financial statements.

**OTHER INDEPENDENT AUDITOR'S REPORTS**

**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  
Ararat Charter School  
Los Angeles, California

We have audited the financial statements of Ararat Charter School as of and for the year ended June 30, 2012, and have issued our report thereon dated October 10, 2012. 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.

Internal Control over Financial Reporting

Management of Ararat Charter School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Ararat Charter School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ararat Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ararat Charter School's internal control over financial reporting.

*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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses as defined previously.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ararat Charter School's financial statements are free of 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*.

This report is intended solely for the information and use of management, the governing board, others within the entity and regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

El Cajon, California  
October 10, 2012

**INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE**

**Board of Directors  
Ararat Charter School  
Los Angeles, California**

We have audited the financial statements of Ararat Charter School (School) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 10, 2012. We have also audited the School's compliance with the requirements specified in the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2011-12*, published by the Education Audit Appeals Panel, applicable to the School's statutory requirements identified below for the year ended June 30, 2012. Compliance with the requirements referred to above is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the comptroller General of the United States; and the State's audit guide *Standards and Procedures for Audits of California K-12 Local Education Agencies 2011-12* published by the Education Audit Appeals Panel. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the state laws and regulations applicable to the items in the schedule below 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. Our audit does not provide a legal determination of the School's compliance with those requirements.

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

<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
<b>Attendance Accounting:</b>		
Attendance Reporting	6	N/A
Teacher Certification and Misassignments	3	N/A
Kindergarten Continuance	3	N/A
Independent Study	23	N/A
Continuation Education	10	N/A
<b>Instructional Time:</b>		
School Districts	6	N/A
County Offices of Education	3	N/A

Description	Procedures in Audit Guide	Procedures Performed
Instructional Materials, General Requirements	8	N/A
Ratios of Administrative Employees to Teachers	1	N/A
Classroom Teacher Salaries	1	N/A
Early Retirement Incentive	4	N/A
Gann Limit Calculation	1	N/A
School Accountability Report Card	3	N/A
Public Hearing Requirement - Receipt of Funds	1	N/A
Juvenile Court Schools	8	N/A
Exclusion of Pupils - Pertussis Immunization	2	N/A
Class Size Reduction (Including Charter Schools)		
General Requirements	7	N/A
Option One	3	N/A
Option Two	4	N/A
Only One School Serving Grades K-3	4	N/A
After School Education and Safety Program		
General Requirements	4	N/A
After School	5	N/A
Before School	6	N/A
Charter Schools		
Contemporaneous Records of Attendance	3	Yes
Mode of Instruction	1	Yes
Nonclassroom-Based Instruction/Independent Study	15	N/A
Determination of Funding for Nonclassroom-Based Instruction	3	N/A
Annual Instructional Minutes - Classroom Based	4	Yes

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

In our opinion, Ararat Charter School complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2012.

This report is intended solely for the information and use of the Board of Directors, Management, and regulatory and pass through agencies and is not intended to be and should not be used by anyone other than these specified parties.

El Cajon, California  
October 10, 2012

**ARARAT CHARTER SCHOOL  
SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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**A. FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

**STATE AWARDS**

Any audit findings disclosed that are Required to be reported in Accordance with <i>Standard and Procedures for Audits of California K-12 Local Educational Agencies?</i>	<u>No</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

**B. FINANCIAL STATEMENT FINDINGS**

None.

**C. STATE AWARDS FINDINGS**

None.



**ARARAT CHARTER SCHOOL  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2011**

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This was Ararat Charter School's first year of operation.