

PALISADES CHARTER HIGH SCHOOL

**Audited Financial Statements
for the Year Ended
June 30, 2007**

PALISADES CHARTER HIGH SCHOOL

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Palisades Charter High School
15777 Bowdoin St
Pacific Palisades, CA 90272-3523

We have audited the accompanying statement of financial position of Palisades Charter High School (a California public charter school) (the School) as of June 30, 2007, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the School's June 30, 2006 financial statements and, in our report dated November 8, 2006, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 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 described above present fairly, in all material respects, the financial position of the School as of June 30, 2007, and the changes in its net assets and cash flows for the fiscal 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 a report dated November 19, 2007 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 this 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.

Board of Directors
Palisades Charter High School

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary schedules on page 18-20 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


VICENTI, LLOYD & STUTZMAN LLP

November 19, 2007

PALISADES CHARTER HIGH SCHOOL

STATEMENT OF FINANCIAL POSITION

June 30, 2007

(with Comparative Totals for 2006)

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,990,695	\$ 5,282,316
Certificates of deposit	430,822	363,246
Accounts receivable	1,613,346	1,207,416
Pledge receivable (Note 4)	535,938	333,334
Prepaid expenses	39,662	51,328
Other current assets	<u>15,000</u>	<u>-</u>
Total current assets	<u>8,625,463</u>	<u>7,237,640</u>
LONG-TERM ASSETS:		
Long-term portion of pledge receivable (net of allowance)	-	302,604
Property, plant and equipment (net of accumulated depreciation)	<u>1,198,258</u>	<u>343,491</u>
Total long-term assets	<u>1,198,258</u>	<u>646,095</u>
Total assets	<u>\$ 9,823,721</u>	<u>\$ 7,883,735</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable	\$ 292,048	\$ 188,086
Accrued liabilities	2,432,174	2,504,067
Deferred revenue	10,400	1,000
Amounts held for others	22,464	30,163
Due to sponsoring district	<u>337,480</u>	<u>712,722</u>
Total current liabilities	<u>3,094,566</u>	<u>3,436,038</u>
NET ASSETS:		
Unrestricted net assets:		
Board designated (Note 11)	1,500,000	-
General reserves	<u>3,816,247</u>	<u>3,433,471</u>
Total unrestricted net assets	5,316,247	3,433,471
Temporarily restricted net assets	1,312,908	1,014,226
Permanently restricted net assets	<u>100,000</u>	<u>-</u>
Total net assets	<u>6,729,155</u>	<u>4,447,697</u>
Total liabilities and net assets	<u>\$ 9,823,721</u>	<u>\$ 7,883,735</u>

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

PALISADES CHARTER HIGH SCHOOL

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007
(with Comparative Totals for 2006)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2007</u>	<u>Total 2006</u>
REVENUES:					
Block grant - general purpose	\$ 13,734,510	\$ -	\$ -	\$ 13,734,510	\$ 12,303,328
Block grant - categorical	1,185,564			1,185,564	798,004
Property tax revenue	2,813,901			2,813,901	3,077,677
Federal revenue	460,742			460,742	480,667
State revenue	3,073,994			3,073,994	2,458,552
Contributions		367,192	100,000	467,192	1,018,598
Other revenue	645,708			645,708	498,568
Interest revenue	283,995	15,179		299,174	182,670
Net assets released from restrictions	83,689	(83,689)		-	-
Total revenues	<u>22,282,103</u>	<u>298,682</u>	<u>100,000</u>	<u>22,680,785</u>	<u>20,818,064</u>
EXPENSES:					
Program services	13,934,393			13,934,393	13,258,824
Support services	6,464,934			6,464,934	5,490,295
Total expenses	<u>20,399,327</u>	<u>-</u>	<u>-</u>	<u>20,399,327</u>	<u>18,749,119</u>
Increase in net assets	1,882,776	298,682	100,000	2,281,458	2,068,945
Net assets at beginning of year	<u>3,433,471</u>	<u>1,014,226</u>	<u>-</u>	<u>4,447,697</u>	<u>2,378,752</u>
Net assets at end of year	<u>\$ 5,316,247</u>	<u>\$ 1,312,908</u>	<u>\$ 100,000</u>	<u>\$ 6,729,155</u>	<u>\$ 4,447,697</u>

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

PALISADES CHARTER HIGH SCHOOL

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2007
(with Comparative Totals for 2006)

	<u>2007</u>	<u>2006</u>
CASH FLOWS from OPERATING ACTIVITIES:		
Change in net assets	\$ 2,281,458	\$ 2,068,945
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	164,259	72,902
Decrease (increase) in operating assets:		
Accounts receivable	(405,930)	(49,802)
Pledge receivable	100,000	(635,938)
Prepaid expenses	11,666	23,147
Other current assets	(15,000)	-
Increase (decrease) in operating liabilities:		
Accounts payable	103,962	4,708
Accrued liabilities	(71,893)	(213,516)
Deferred revenue	9,400	(10,000)
Amounts held for others	(7,699)	(32,218)
Due to sponsoring district	(375,242)	427,540
Net cash provided by operating activities	<u>1,794,981</u>	<u>1,655,768</u>
CASH FLOWS from INVESTING ACTIVITIES:		
Purchase of certificates of deposit	(67,576)	(133,321)
Purchase of property, plant, and equipment	(1,019,026)	(416,393)
Net cash used by investing activities	<u>(1,086,602)</u>	<u>(549,714)</u>
Net increase in cash and cash equivalents	708,379	1,106,054
Cash and cash equivalents at the beginning of the year	<u>5,282,316</u>	<u>4,176,262</u>
Cash and cash equivalents at the end of the year	<u>\$ 5,990,695</u>	<u>\$ 5,282,316</u>

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

PALISADES CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities – Palisades Charter High School (the School) is a California public charter school, organized to educate students by developing their skills and talents to help them make a positive contribution to society. A curriculum and instructional program has been created that will develop the values, skills and knowledge that each student needs for his or her future success in a technological environment and in a multicultural society. The School is funded principally through State of California public education monies received through the California Department of Education and the Los Angeles Unified School District (LAUSD). The School pays LAUSD for its actual costs of supervisory oversight up to 3% of revenues.

Net Asset Classes - The School adopted statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements for Not-for-Profit Organizations." Under SFAS No. 117, the School 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 School consist of the following:

- **Unrestricted:** All resources over which the governing board has discretionary control to use in carrying on the general operations of the School.
- **Temporarily restricted:** These net assets are restricted by donors to be used for specific purposes. The School currently has the following temporarily restricted net assets:

Track and Field Program	\$ 195,260
Drama Program	1,032
Scholarship Program	5,396
Pool Project	<u>1,111,220</u>
Total Temporarily Restricted Net Assets	<u>\$1,312,908</u>

- **Permanently restricted:** These net assets are permanently restricted by donors and cannot be used by the School. As of June 30, 2007, the School has \$100,000 in permanently restricted net assets for a Scholarship Endowment.

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.

PALISADES CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

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 in the financial statements and accompanying notes. 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 - The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supportive services benefited.

Contributions - All contributions are considered to be available for unrestricted use unless specifically restricted by the donor as required by SFAS No. 116, "Accounting for Contributions Received and Contributions Made." Amounts received that are designated for specific use in future periods are reported as temporarily restricted. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets for expenditure.

Land, Buildings and Equipment - The School's policy is to record land, buildings and equipment at cost if purchased or at estimated fair market value if donated. Depreciation of buildings and equipment is to be calculated on a straight-line basis over the estimated useful lives of the asset. The School would capitalize all expenditures for land, buildings and equipment in excess of \$5,000.

Income Taxes - The School is a California Non-Profit Public Benefit Corporation and has applied for non-profit entity exemption from the payment of federal income taxes under Internal Revenue Code Section 501(c)(3) and is exempt from state income taxes under and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes.

Comparative Totals - The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2006, from which the information was derived.

PALISADES CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2007

NOTE 2 - CONCENTRATION OF CREDIT RISK:

The School maintains bank accounts and certificates of deposit (CDs) with four institutions. Accounts and CDs at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At June 30, 2007 deposits in excess of the FDIC limit amounted to \$1,231,539.

The School also maintains cash in the Los Angeles County Treasury. The County pools these funds with those of other educational organizations in the county and invests the cash. These pooled funds are carried at cost which approximates market value. Interest earned is deposited quarterly and any investment losses are proportionately shared by all participants 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.

NOTE 3 - ACCOUNTS RECEIVABLE:

Accounts receivable consists of funds due from the State of California, therefore no provisions for uncollectible accounts were recorded.

NOTE 4 - PLEDGE RECEIVABLE:

The School received a pledge of \$1,000,000 payable in three years from 2006 through 2008. As of June 30, 2007, the school received \$433,333 of the pledge; the remaining balance of \$535,938 (net of \$30,729 discount) will be due in the 2007-08 fiscal year.

NOTE 5 - EMPLOYEE RETIREMENT:

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the Public Employees' Retirement System (PERS).

The School contributes directly through the Los Angeles County Office of Education (LACOE) for employees' retirement programs. The School accumulated and set aside a liability for these contributions. The accrued liability related to STRS and PERS contributions was \$418,161 at June 30, 2007.

PALISADES CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2007

NOTE 5 - EMPLOYEE RETIREMENT: (continued)

State Teachers' Retirement System (STRS)

Plan Description

The School contributes to STRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

The School's certificated employees participate in STRS. The School reports all applicable information to STRS through LACOE. The School is required to contribute 8.25% of annual eligible payroll for active plan members.

Public Employees' Retirement System (PERS)

Plan Description

The School contributes to the School Employer Pool under PERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by PERS. 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. PERS issues a separate comprehensive annual financial report that includes required supplementary information. Copies of the PERS' annual financial report may be obtained from the PERS Executive Office, 400 P Street, Sacramento, CA 95814.

The School's classified employees participate in PERS. The School will report all applicable information to PERS through the LACOE. The School is required to contribute 9.124% of annual eligible payroll for active plan members.

PALISADES CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2007

NOTE 5 - EMPLOYEE RETIREMENT: (continued)

Contributions to STRS and PERS

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

<u>Year Ended</u> <u>June 30</u>	<u>STRS</u>		<u>PERS</u>	
	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2005	\$692,092	100%	\$145,954	100%
2006	\$738,271	100%	\$152,201	100%
2007	\$785,511	100%	\$148,047	100%

Post-Retirement Health Benefits

The current nature of the School's relationship with LAUSD allows for the School's employees to continue receiving post-retirement health benefits through the plan sponsored by LAUSD. LAUSD bills the School for these services at \$300 per month, per employee eligible for benefits active at the School. For the year ended June 30, 2007, the School paid LAUSD \$600,592 for these benefits. On June 30, 2008 the employees can either return to LAUSD, or remain with the School. If the employees return to LAUSD, Palisades has no future commitment relating to their post-retirement health benefits. For the employees that choose to remain, the School intends to assume the responsibility for and continue the benefits by transferring them into a plan sponsored by the School. The School has had an actuarial study to aid in estimating the potential liability associated with assuming the benefits and setting up its own benefit plan. The estimated potential liability associated with the School assuming the post-retirement obligation is approximately \$14.3 million.

NOTE 6 - CONTINGENT LIABILITY:

Currently, the School is negotiating with LAUSD and has identified a potential liability regarding facility fees. No accrual has been made for this contingency because the amount is not estimable. The School's net assets as of June 30, 2007 are considered sufficient to offset any potential fees that will be incurred.

PALISADES CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2007

NOTE 7 - PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION:

As of June 30, 2007 the cost and accumulated depreciation of property, plant and equipment was as follows:

	<u>2007</u>
Building and improvements	\$1,019,026
Equipment	416,393
Accumulated depreciation	<u>(237,161)</u>
Total net book value	<u>\$1,198,258</u>

Depreciation expense for the year ended June 30, 2007 was \$164,259.

NOTE 8 - NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets released from restrictions for the year ending June 30, 2007 were as follows:

	<u>2007</u>
Program services	\$ 47,505
Support services	<u>36,184</u>
Total net assets released from restrictions	<u>\$ 83,689</u>

NOTE 9 - COMMITMENT:

On August 22, 2006, the School entered into a contract with Aquatic Design Group, Inc. for architectural services relating to the aquatic center project. The total contract was \$260,300 for two years from start to completion. As of June 30, 2007, the School has been billed \$91,105 based on the percentage of the project completed.

NOTE 10 - SUBSEQUENT EVENT:

In July 2007, the School entered into the contract with GSE Lining Technology, Inc. for renovation of the track and field. The maximum amount of contract is \$1,449,811.

PALISADES CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2007

NOTE 11 - BOARD DESIGNATED UNRESTRICTED NET ASSETS:

In response to and in anticipation of the post-retirement health benefits described in Note 5, the School has designated \$1.5 million of the unrestricted net assets to be used to meet the obligation arising from the School setting up its own post-retirement health benefit plan.

SUPPLEMENTARY INFORMATION



**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
Palisades Charter High School
15777 Bowdoin St.
Pacific Palisades, CA 90272-3523

We have audited the financial statements of Palisades Charter High School (the School) as of and for the year ended June 30, 2007, and have issued our report thereon dated November 19, 2007. 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

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our audit 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 the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the School's financial statement that is more than inconsequential will not be prevented or detected by the School's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.


**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***

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

Compliance

As part of obtaining reasonable assurance about whether the 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 the Board, management, the Los Angeles Unified School District, the Los Angeles County Office of Education, the California Department of Education, and the State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties.


VICENTI, LLOYD & STUTZMAN LLP

November 19, 2007



REPORT ON STATE COMPLIANCE

Board of Directors
Palisades Charter High School
15777 Bowdoin St.
Pacific Palisades, CA 90272-3523

We have audited the financial statements of Palisades Charter High School (the School) as of and for the year ended June 30, 2007, and have issued our report thereon dated November 19, 2007. Our audit was made in accordance with auditing standards generally accepted in the United States of America, the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2006-2007 Standards and Procedures for Audits of California K-12 Local Educational Agencies* [published by the Education Audit Appeals Panel]. 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.

The School's management is responsible for the School's compliance with laws and regulations. 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 in Audit Guide</u>	<u>Procedures Performed</u>
Attendance accounting:		
Attendance reporting	8	Not applicable
Kindergarten continuation	3	Not applicable
Independent study	23	Not applicable
Continuation education	10	Not applicable
Adult education	9	Not applicable
Regional occupational center/programs	6	Not applicable

REPORT ON STATE COMPLIANCE

(Continued)

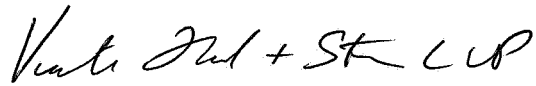
<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Instructional time:		
School Districts	6	Not applicable
County Offices of Education	3	Not applicable
Community day schools	9	Not applicable
Class size reduction program:		
General requirements	7	Not applicable
Option 1	3	Not applicable
Option 2	4	Not applicable
One school serving K-3	4	Not applicable
Morgan-Hart class size reduction program	7	Not applicable
State instructional materials fund:		
General requirements	12	Not applicable
Grades K-8 only	1	Not applicable
Grades 9-12 only	1	Not applicable
Ratios of administrative employees to teachers	1	Not applicable
Early retirement incentive program	4	Not applicable
GANN limit calculation	1	Not applicable
School Construction Funds:		
School District Bonds	3	Not applicable
State School Facilities Funds	1	Not applicable
Alternative Pension Plans	2	Not applicable
Excess sick leave	2 or 3	Not applicable
Notice of right to elect California State Teachers Retirement System (CalSTRS) membership	1	Not applicable
Proposition 20 Lottery funds (Cardenas Textbook Act of 2000)	2	Not applicable
State Lottery funds (California State Lottery Act of 1984)	2	Not applicable
California School Age Families Education (Cal-Safe) Program	3	Not applicable
School Accountability Report Card	3	Not applicable
Charter Schools:		
Contemporaneous records of attendance	1	Yes
Mode of instruction	1	Yes
Nonclassroom based instruction/independent study	15	Not applicable
Determination of funding for nonclassroom-based instruction	3	Not applicable
Annual instructional minutes – classroom based	3	Yes

REPORT ON STATE COMPLIANCE

(Continued)

Based on our audit, we found that, for the items tested, the School complied with the laws and regulations of the state programs referred to above. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the School had not complied with the laws and regulations of state programs and requirements.

This report is intended solely for the information and use of the Board, management, the Los Angeles Unified School District, the Los Angeles County Office of Education, the California Department of Education, and the State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties.


VICENTI, LLOYD & STUTZMAN LLP

November 19, 2007

PALISADES CHARTER HIGH SCHOOL

SCHEDULE OF INSTRUCTIONAL MINUTES

For the Year Ended June 30, 2007

Grade Level	2006-07 Minutes		Number of Days Traditional Calendar	Status
	Requirement	Actual		
Grades 9	64,800	65,852	175	In Compliance
Grade 10	64,800	65,852	175	In Compliance
Grade 11	64,800	65,852	175	In Compliance
Grade 12	64,800	65,852	175	In Compliance

See notes to the supplementary information.

PALISADES CHARTER HIGH SCHOOL

SCHEDULE OF AVERAGE DAILY ATTENDANCE

For the Year Ended June 30, 2007

Average Daily Attendance:	Second Period Report	Annual Report
Grades 9 through 12	<u>2,556.84</u>	<u>2,527.77</u>
ADA Totals	<u>2,556.84</u>	<u>2,527.77</u>
 Supplemental Hourly Programs:		
Grades K-12 Core Instruction		50,342
Grades 7-12 Remedial		<u>41,448</u>
Total		<u>91,790</u>

See notes to the supplementary information.

PALISADES CHARTER HIGH SCHOOL

**RECONCILIATION OF ANNUAL FINANCIAL
REPORT WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2007**

June 30, 2007 Annual Financial Report	
Fund Balances (Net Assets)	\$ 5,036,277
Adjustments and Reclassifications:	
Increasing (Decreasing) the Fund Balance (Net Assets):	
Cash Understated	88,431
Accounts Receivable Understated	338,748
Property, Plant and Equipment (net of acumulated depreciation) Understated	1,198,258
Accounts Payable and Other Current Liabilities Overstated	<u>67,441</u>
Net Adjustments and Reclassifications	<u>1,692,878</u>
June 30, 2007 Audited Financial Statement	
Fund Balances (Net Assets)	<u>\$ 6,729,155</u>

See notes to the supplementary information.

PALISADES CHARTER HIGH SCHOOL

NOTES TO SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2007

NOTE 1 - PURPOSE OF SCHEDULES:

A. Schedule of Instructional Minutes

This schedule presents information on the amount of instructional time offered by the School and whether the School complied with the provisions of Education Code Sections 46200 through 46206.

B. Schedule of Average Daily Attendance (ADA)

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 grade levels 9 through 12.

C. Reconciliation of Annual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances (net assets) of the charter school as reported on the Annual Financial Report form to the audited financial statements.

PALISADES CHARTER HIGH SCHOOL

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007**

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

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Inventory Control
40000	State Compliance
41000	CalSTRS
50000	Federal Compliance
60000	Miscellaneous
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no findings noted for the year ended June 30, 2007.

PALISADES CHARTER HIGH SCHOOL
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2007

There were no findings noted for the year ended June 30, 2006.