

PALISADES CHARTER HIGH SCHOOL

**Audited Financial Statements
for the Year Ended
June 30, 2009**

PALISADES CHARTER HIGH SCHOOL

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VICENTI ♦ LLOYD ♦ STUTZMAN^{LLP}
BUSINESS CONSULTANTS AND CPAs

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, (the School), a California public charter school, as of June 30, 2009, 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, 2008 financial statements and, in our report dated November 20, 2008, 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 the standard 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 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, 2009, and the respective 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 December 8, 2009 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

The supplementary schedules on pages 14-16 are presented for the purposes of additional analysis. The accompanying schedule of expenditures of federal awards on page 17 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These schedules 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

December 8, 2009

PALISADES CHARTER HIGH SCHOOL

STATEMENT OF FINANCIAL POSITION

June 30, 2009

(with Comparative Totals for 2008)

	<u>ASSETS</u>	
	<u>2009</u>	<u>2008</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 6,822,946	\$ 5,979,949
Certificates of deposit	455,235	581,942
Accounts receivable	2,845,439	1,180,634
Due from other funds	48,376	2,845
Prepaid expenses	<u>67,598</u>	<u>19,642</u>
Total current assets	<u>10,239,594</u>	<u>7,765,012</u>
LONG-TERM ASSETS:		
Property, plant and equipment (net of accumulated depreciation)	<u>2,531,212</u>	<u>1,947,500</u>
Total long-term assets	<u>2,531,212</u>	<u>1,947,500</u>
Total assets	<u>\$ 12,770,806</u>	<u>\$ 9,712,512</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 191,036	\$ 395,071
Accrued liabilities	1,964,671	1,460,254
Deferred revenue	1,641	1,641
Due to sponsoring district	899,163	242,829
Loan payable - current portion	<u>429,429</u>	<u>166,348</u>
Total current liabilities	<u>3,485,940</u>	<u>2,266,143</u>
LONG-TERM LIABILITIES:		
Loan payable, net of current portion	<u>-</u>	<u>429,429</u>
Total long-term liabilities	<u>-</u>	<u>429,429</u>
NET ASSETS:		
Unrestricted net assets:		
Board designated (Note 9)	1,618,603	1,568,603
General reserves	<u>5,490,190</u>	<u>3,808,197</u>
Total unrestricted net assets	7,108,793	5,376,800
Temporarily restricted net assets	2,006,073	1,470,140
Permanently restricted net assets	<u>170,000</u>	<u>170,000</u>
Total net assets	<u>9,284,866</u>	<u>7,016,940</u>
Total liabilities and net assets	<u>\$ 12,770,806</u>	<u>\$ 9,712,512</u>

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

PALISADES CHARTER HIGH SCHOOL

STATEMENT OF ACTIVITIES
June 30, 2009
(with Comparative Totals for 2008)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2009</u>	<u>Total 2008</u>
REVENUES:					
Federal revenue	\$ 2,100,959	\$ -	\$ -	\$ 2,100,959	\$ 558,804
Block grant - general purpose	13,863,667			13,863,667	13,955,172
Block grant - categorical	1,340,282			1,340,282	1,324,611
Property tax revenue	3,395,146			3,395,146	3,257,751
State revenue	2,560,849			2,560,849	2,717,038
Contributions				-	120,000
Other revenue	441,746	1,318,746		1,760,492	1,361,157
Interest revenue	127,121	53,545		180,666	316,445
Net assets released from restrictions	836,358	(836,358)		-	-
Total revenues	24,666,128	535,933	-	25,202,061	23,610,978
EXPENSES:					
Program services	16,353,405			16,353,405	16,473,687
Support services	6,804,818			6,804,818	6,849,506
Total expenses	23,158,223	-	-	23,158,223	23,323,193
Increase in net assets	1,507,905	535,933	-	2,043,838	287,785
Net assets at beginning of year	5,376,800	1,470,140	170,000	7,016,940	6,729,155
Adjustment for restatement (Note 10)	224,088	-	-	224,088	-
Net assets at beginning of year, restated	5,600,888	1,470,140	170,000	7,241,028	6,729,155
Net assets at end of year	\$ 7,108,793	\$ 2,006,073	\$ 170,000	\$ 9,284,866	\$ 7,016,940

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

PALISADES CHARTER HIGH SCHOOL

STATEMENT OF CASH FLOWS

June 30, 2009

(with Comparative Totals for 2008)

	<u>2009</u>	<u>2008</u>
CASH FLOWS from OPERATING ACTIVITIES:		
Change in net assets	\$ 2,043,838	\$ 287,785
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	720,426	790,747
Decrease (increase) in operating assets:		
Accounts receivable	(1,664,805)	432,712
Due from other funds	(45,531)	(1,309)
Pledge receivable	-	535,938
Prepaid expenses	(47,956)	20,020
Other current assets	-	15,000
Increase (decrease) in operating liabilities:		
Accounts payable	(204,035)	79,023
Accrued liabilities	504,417	(971,920)
Deferred revenue	-	(8,759)
Due to sponsoring district	656,334	(94,651)
Net cash provided by operating activities	<u>1,962,688</u>	<u>1,084,586</u>
CASH FLOWS from INVESTING ACTIVITIES:		
Proceeds from sale and maturities of investments	126,707	-
Purchase of certificates of deposit	-	(151,120)
Purchase of property, plant, and equipment	<u>(1,080,050)</u>	<u>(1,539,989)</u>
Net cash used by investing activities	<u>(953,343)</u>	<u>(1,691,109)</u>
CASH FLOWS from FINANCING ACTIVITIES:		
Proceeds from issuance of debt	-	750,000
Repayment of debt	<u>(166,348)</u>	<u>(154,223)</u>
Net cash provided (used) by financing activities	<u>(166,348)</u>	<u>595,777</u>
Net increase (decrease) in cash and cash equivalents	842,997	(10,746)
Cash and cash equivalents at the beginning of the year	<u>5,979,949</u>	<u>5,990,695</u>
Cash and cash equivalents at the end of the year	<u>\$ 6,822,946</u>	<u>\$ 5,979,949</u>
Interest paid during the fiscal year	<u>\$ 42,812</u>	<u>\$ 54,938</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, 2009

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.

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

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	\$	187
Drama Program		1,039
Library Fund		265
Pool Project		<u>2,004,582</u>
Total temporarily restricted net assets	\$	<u>2,006,073</u>

- **Permanently restricted:** These net assets are permanently restricted by donors and cannot be used by the School. As of June 30, 2009, the School has \$170,000 in permanently restricted net assets of which the earnings are to be used for Scholarships.

PALISADES CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

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

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

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

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 calculated on a straight-line basis over the estimated useful lives of the asset. The School capitalizes all expenditures for land, buildings and equipment in excess of \$5,000.

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 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, 2008, from which the information was derived.

PALISADES CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2009

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

Subsequent Events – All events subsequent to the statement of financial position date of June 30, 2009 through December 8, 2009, which is the date these financial statements were available to be issued, have been evaluated in accordance with FASB Statement on Accounting Standards Number 165, *Subsequent Events*.

Reclassification – Certain reclassifications have been made to the June 30, 2008 financial statements to conform to the June 30, 2009 presentation.

NOTE 2 - CONCENTRATION OF CREDIT RISK:

The School maintains bank accounts and certificates of deposit (CDs) with four institutions. Interest bearing accounts and CDs at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. Non interest bearing accounts at institutions participating in the FDIC's Transaction Account Guarantee Program are fully insured through December 31, 2009. At June 30, 2009 deposits in excess of the FDIC limit amounted to \$1,615,740.

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 - 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).

PALISADES CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

NOTE 4 - EMPLOYEE RETIREMENT: (continued)

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 \$422,032 at June 30, 2009.

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.

PALISADES CHARTER HIGH SCHOOL

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2009**

NOTE 4 - EMPLOYEE RETIREMENT: (continued)

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 9.428% of annual eligible payroll for active plan members.

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 June 30</u>	<u>STRS</u>		<u>PERS</u>	
	<u>Required Contribution</u>	<u>Percent Contributed</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2007	\$785,511	100%	\$148,047	100%
2008	\$748,062	100%	\$191,940	100%
2009	\$875,232	100%	\$219,986	100%

Post-Retirement Health Benefits

For the year ended June 30, 2009, the nature of the School's relationship with LAUSD allowed for the School's employees to continue receiving post-retirement health benefits through the plan sponsored by LAUSD. LAUSD billed the School for these services at \$249 per month, per employee eligible for benefits active at the School. For the year ended June 30, 2009, the School paid LAUSD \$553,549 for these benefits. After June 30, 2009 the employees have to either choose to return to LAUSD, or remain with the School. For those employees who choose to return to LAUSD, Palisades has no future commitment relating to their post-retirement health benefits. For the employees who choose to remain, the School will assume the responsibility for and continue the benefits by transferring them into a plan sponsored by the School. The School has previously performed an actuarial study to aid in estimating the potential liability associated with assuming the benefits and setting up its own benefit plan. The latest estimated potential liability associated with the School assuming the post-retirement obligation is approximately \$14.3 million. An updated actuarial evaluation is being performed as part of the transfer of this plan.

PALISADES CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

NOTE 5 - CONSTRUCTION PROJECT COMMITMENT:

In April 2009, the School entered into a contract with Sarlan Builders to complete the School's pool project for the maximum sum of \$3,830,000. As of June 30, 2009, an initial 10% deposit of \$383,000 had been paid.

NOTE 6 - PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION:

As of June 30, 2009 the cost and accumulated depreciation of property, plant and equipment was as follows:

	<u>2009</u>
Building and improvements	\$ 2,813,651
Equipment	608,009
Construction in progress	857,886
Accumulated depreciation	<u>(1,748,334)</u>
Total net book value	<u>\$ 2,531,212</u>

Depreciation expense for the year ended June 30, 2009 was \$720,426.

NOTE 7 - LOAN PAYABLE:

The School has an agreement with De Lage Landen Public Finance LLC, to lease school equipment. The lease has a one dollar purchase option and requires semi-annual payments of principal and interest in the amount of \$104,580 for the first five payments and \$354,580 for the last payment. The future principal payments under this agreement are \$429,429 for the year ended June 30, 2010.

NOTE 8 - NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets released from restrictions for the year ending June 30, 2009 were as follows:

Track and Field Program	\$ 145,560
Scholarships	7,000
Library Fund	50,000
Pool Project	<u>633,798</u>
Total net assets released from restrictions	<u>\$ 836,358</u>

PALISADES CHARTER HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

NOTE 9 - BOARD DESIGNATED UNRESTRICTED NET ASSETS:

In response to and in anticipation of the post-retirement health benefits described in Note 4, the School has designated \$1,618,603 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.

NOTE 10 - ADJUSTMENT FOR RESTATEMENT:

When the School entered into the contract to start construction on the pool project (see Note 5 above), it determined that expenses that had been expensed in prior years should be capitalized. Beginning net assets has been adjusted by \$224,088 accordingly.

SUPPLEMENTARY INFORMATION

PALISADES CHARTER HIGH SCHOOL

HISTORY AND ORGANIZATION

For the Year Ended June 30, 2009

The Charter was granted by the Los Angeles Unified School District (LAUSD) and California Department of Education on July 1st, 2003.

The Charter School number authorized by the State: 037

The Board of Directors and the Ex-officio members for the fiscal year ended June 30, 2009 were as follows:

BOARD OF DIRECTORS

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Amy Dresser Held	Executive Director	Indefinite
Darcy Stamler	Parent Rep	October 2009
Dave Suarez	Teacher Rep	October 2009
Karen Perkins	Teacher Rep	October 2009
John Callas	Parent Rep	October 2010
James Paleno	Teacher Rep	October 2010
John Riley	Community Rep	October 2010
Patrice Fisher	Parent Rep	October 2010
Rene Rodman	Community Rep	October 2009
Alex Schuhgalter	Teacher Rep	June 2009
Torino Johnson	Classified Rep	October 2009
Victoria Francis	Community Rep	October 2009

EX-OFFICIO MEMBERS

Greg Wood	Chief Business Officer	Indefinite
Marcia Haskin	Academic Principal	Indefinite
Ramin Badiyan	Student Rep	June 2009

PALISADES CHARTER HIGH SCHOOL

SCHEDULE OF INSTRUCTIONAL MINUTES

For the Year Ended June 30, 2009

Grade Level	2008-09 Minutes		Number of Days	Status
	Requirement	Actual	Traditional Calendar	
Grades 9	64,800	65,447	175	In Compliance
Grade 10	64,800	65,447	175	In Compliance
Grade 11	64,800	65,447	175	In Compliance
Grade 12	64,800	65,447	175	In Compliance

See notes to the supplementary information.

PALISADES CHARTER HIGH SCHOOL

SCHEDULE OF AVERAGE DAILY ATTENDANCE

For the Year Ended June 30, 2009

	<u>Second Period Report</u>		<u>Annual Report</u>	
	<u>Classroom Based</u>	<u>Total</u>	<u>Classroom Based</u>	<u>Total</u>
Grades 9 through 12	<u>2,586.68</u>	<u>2,586.68</u>	<u>2,560.75</u>	<u>2,560.75</u>
ADA Totals	<u>2,586.68</u>	<u>2,586.68</u>	<u>2,560.75</u>	<u>2,560.75</u>

Supplemental Hourly Programs:

Grades K-12 Core Instruction	35,184
Grades 7-12 Remedial	28,214
Grades 2-9 Pupils Retained/Recommended for Retention	<u>863</u>
Totals	<u>64,261</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, 2009

June 30, 2009 Annual Financial Report Fund Balances (Net Assets)	\$ 7,016,736
Adjustments and Reclassifications:	
Increasing (Decreasing) the Fund Balance (Net Assets):	
Property, Plant and Equipment (net of accumulated depreciation) Understated	2,531,212
Accounts Payable and Other Current Liabilities Understated	<u>(263,082)</u>
Net Adjustments and Reclassifications	<u>2,268,130</u>
June 30, 2009 Audited Financial Statement Fund Balances (Net Assets)	<u>\$ 9,284,866</u>

See notes to the supplementary information.

PALISADES CHARTER HIGH SCHOOL

**SCHEDULE OF EXPENDITURES FOR FEDERAL AWARDS
For the Year Ended June 30, 2009**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<i>U.S. Department of Education</i>			
Pass-Through the California Department of Education:			
No Child Left Behind Act			
Title I Cluster:			
Title I, A	84.010	14416	\$ 258,054
Title I, A - ARRA	84.389	15005	<u>54,563</u>
Subtotal Title I Cluster			312,617
Title II, A	84.367A	14341	29,654
Title III, A	84.365	10084	19,019
Title V, A	84.298A	14354	4,796
Special Ed: IDEA Basic Local Assistance	84.027	13379	355,151
ARRA: State Fiscal Stabilization Fund	84.394	25008	<u>346,894</u>
<i>Total U.S Department of Education</i>			<u>1,068,131</u>
<i>U.S. Department of Agriculture:</i>			
Pass-Through the California Department of Education:			
Child Nutrition Programs	10.555	13396	<u>553,163</u>
<i>Total U.S Department of Agriculture</i>			<u>553,163</u>
Total Expenditures for Federal Awards			<u>\$ 1,621,294</u>
Reconciliation to Federal Revenue			
Total Federal Program Expenditures			\$ 1,621,294
Revenues in excess of expenditures related to Federal Programs:			
ARRA: State Fiscal Stabilization Fund	84.394	25008	714,893
Title IV Part A, Drug Free Schools	84.186	14347	7,873
Expenditures in excess of revenues related to Federal Programs:			
Child Nutrition Programs	10.555	13396	<u>243,101</u>
			<u>\$ 2,100,959</u>

The school is the recipient of a federal award program that does not result in cash receipts or disbursements.
The school was granted \$19,908 of commodities under the National School Lunch Program (CFDA 10.555).

See notes to the supplementary information.

PALISADES CHARTER HIGH SCHOOL

NOTES TO SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2009

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.

D. Schedule of Expenditures of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. To comply with A-133, this schedule was prepared for the School and is presented on the modified accrual basis of accounting.



VICENTI ♦ LLOYD ♦ STUTZMAN LLP
BUSINESS CONSULTANTS AND CPAs

**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, 2009, and have issued our report thereon dated December 8, 2009. 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 statements 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 School's internal control.

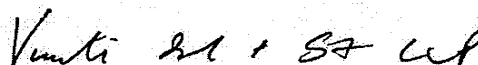
**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

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 and Other Matters

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 an instance of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding 2009-1.

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


VICENTI, LLOYD & STUTZMAN LLP

December 8, 2009



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of Palisades Charter High School (the School) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program 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 our opinion, the School complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding 2009-1.

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Internal Control over Compliance

The management of the School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affect the School's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the School's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The School's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the response and, accordingly, we express no opinion on it.

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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


VICENTI, LLOYD & STUTZMAN LLP

December 8, 2009



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, 2009, and have issued our report thereon dated December 8, 2009. 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 *2008-09 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
Independent study	23	Not applicable
Continuation education	10	Not applicable
Adult education	9	Not applicable
Regional occupational center/programs	6	Not applicable

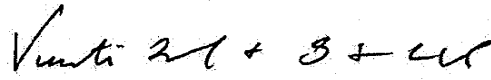
REPORT ON STATE COMPLIANCE

<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 (including charter schools):		
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
Instructional materials:		
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
Classroom teacher salaries	1	Not applicable
Early retirement incentive program	4	Not applicable
GANN limit calculation	1	Not applicable
School Accountability Report Card	3	Not applicable
Mathematics and reading professional development	4	Not applicable
After School Education and Safety Program:		
General requirements	4	Not applicable
After school	4	Not applicable
Before school	5	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

Based on our audit, we found that, for the items tested, Palisades Charter High School complied with the laws and regulations of the state programs referred to above except as noted in the accompanying schedule of findings and questioned costs. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Palisades Charter High School had not complied with the laws and regulations of state programs and requirements.

REPORT ON STATE COMPLIANCE

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


VICENTI, LLOYD & STUTZMAN LLP

December 8, 2009

PALISADES CHARTER HIGH SCHOOL

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2009**

Financial Statements

Type of auditor's report issued December 8, 2009: *Unqualified*

Internal control over financial reporting:
Material weakness(es) identified? *No*
Significant deficiencies identified that are
not considered to be material weakness(es)? *No*

Noncompliance material to financial statements noted? *No*

Federal Awards

Internal control over major programs:
Material weakness(es) identified? *No*
Significant deficiencies identified that are
not considered to be material weakness(es)? *No*

Type of auditor's report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported
in accordance with section 510(a) of (Circular A-133) Section. 510(a) *Yes*

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.394	ARRA: State Fiscal Stabilization Fund
84.027	Special Ed: IDEA Basic Local Assistance
10.555	Child Nutrition Programs

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? *No*

PALISADES CHARTER HIGH SCHOOL

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2009**

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

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
41000	CalSTRS
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

Finding 2009-1 – Cash Management – Federal Interest 50000

CFDA Title and Number: 84.394 – ARRA: State Fiscal Stabilization Fund

Federal Award Number and Year: N/A, 2008-2009

Name of Federal Agency: U.S. Department of Education

Name of the Pass through Agency: California Department of Education

Finding: Interest earned on Federal advances is required to be calculated quarterly and interest over \$100 is to be remitted to the Federal agency in a timely manner. The School did not maintain a record of interest earnings and submit excess earnings to the Federal agency.

Questioned Costs: \$548

Recommendation: Track all Federal interest earned on a quarterly basis and remit any amount exceeding \$100 to the Federal agency timely. Additionally, the above reported questioned costs should be remitted to the California Department of Education immediately.

Organization Response: Management agrees with the recommendation. The funding from the ARRA State Fiscal Stabilization Fund was unique in that it was received in the last few months of 2009 for the entire 2008-2009 school year and it was determined that eligible expenditures could only be claimed for a portion of the last quarter of the school year which created a carryover balance in this program. Management has implemented procedures to track the interest due on this federal program and remit them quarterly.

PALISADES CHARTER HIGH SCHOOL
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2009

There were no prior year findings.