

PRINCIPAL'S E-LETTER
January 4, 2010

Dear Faculty and Staff,

Happy New Year to each of you! I hope that everyone spent a wonderful break renewing commitments to family and friends, reading, shopping, exercising, reflecting, shopping!, eating and basically doing all of those things that make us thankful for being alive!

I truly enjoyed this holiday with the exception of the stomach "bug" that visited my entire family over Christmas.

We took our granddaughters to see "Seussical", "The Nutcracker" and "Alvin and the Chipmunks, the Squeakquel". I know I am getting old when my 5-year-old granddaughter had to explain parts of the movie to her Gram. AGGHH.

I also spent reflective time thinking about Pali and what I hope to accomplish next semester as your leader. I believe we are on the right course, but we must continue to hold firm to our Charter commitments and vision for Pali's future. Translated, this means that each member of the school community must consider the greater good of the school FIRST.

We have begun the journey of improving communication as a community, and we must not relent in this area. I will continue to offer Councils and Chats as opportunities for open dialogue and discussion.

I will continue to work with the Administrative Team to build capacity, to foster leadership and influence and to prepare the school for a permanent principal.

Of course, my main focus as always is to work with each of you to ensure that your experience at Pali remains a productive, happy and fruitful one.

ANNOUCEMENTS

SITE VISIT

A schoolwide visit from the Innovation and Charter School Division has been scheduled for Thursday, January 21 and Friday January 22, 2010. Peter Misseijer and a team will spend two days at Pali during which they will examine data, interview stakeholders and visit classes. More information will be forthcoming as we approach the visit dates.

MUSIC CENTER SPOTLIGHT AWARDS

Congratulations to senior Ryan Steinberg who was chosen from among over 500 young people as a semi-finalist in the 2009-2010 Music Center Spotlight Awards.

One of 15 semi-finalists, Ryan will be competing on Sunday, January 24, 2010, to reach the finals in the non-classical voice category and will be singing two songs from two different musicals.

We are so proud to have Ryan representing Pali in this prestigious competition and wish him all the luck in the world!

SALARY POINT CLASS-COUNCIL PROGRAM

The LAUSD Council Practitioners Center is offering a two-day training, "Introduction to Council for Educators" on February 20 and 27.

The workshop runs from 8 a.m. to 4:30 p.m., and one multicultural salary point is offered.

To reserve a space, sign up at the Learning Zone. Registration and materials fee is \$50. Please see Marcia if you are interested in participating in this extremely life-changing workshop!

CLASS OBSERVATIONS

Stall observations will continue in January and will move into the second semester. Please see your evaluator if you have questions or concerns regarding the evaluation process.

I look forward to seeing all of you on January 11!

Marcia

The FISCAL REPORT an informational update

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Governor's Proposals for the 2010-11 State Budget and K-12 Education

The Words Don't Match the Music

As California and the nation begin year three of the deepest recession since the Great Depression, the State Budget continues to be problematic. Revenues have fallen, even while caseloads, workloads, and the attendant costs of government services have continued to grow. The Governor's Budget Proposals for 2010-11 reflect those realities. However, the Governor proclaimed in his State-of-the-State Address that education funding would be protected. As we review the details behind the Governor's Budget plan for California in 2010-11, there is evidence of effort to protect education, but some of the details don't fully match the Governor's State-of-the-State yodel.

Positive evidence of the protection that the Governor provides for education includes the avoidance of midyear district-level cuts to K-14 education in spite of a \$6.6 billion Budget gap in 2009-10. There are reductions to the appropriation for K-14 education in 2009-10, but the reduction comes from sweeping up unexpended resources, such as balances in the K-3 Class-Size Reduction (CSR) program.

The Governor provides additional evidence of protecting education by fully funding the Proposition 98 guarantee in 2009-10 and 2010-11. While it is true that Proposition 98 funding remains relatively stable-at around \$50 billion for 2008-09 through 2010-11-this will necessitate cuts of nearly \$2 billion from Proposition 98 funded activities in 2010-11. So, on one hand, K-14 education is protected when the level of funding is considered, but when the level of commitments required from K-14 education is considered, real cuts must be made. To be fair, considering that there is a projected Budget gap of \$12.3 billion for 2010-11, the proposed cuts could have been far worse; one need look no further than the cuts proposed to health and human services to see examples of this.

Revenue Limits

Revenue limits provide about two-thirds of school districts' revenues and the vast majority of general purpose funding. For the current year, the Governor's Budget proposes no change in revenue limit funding, with the deficit factor remaining at 18.355%.

For 2010-11, the Governor's Budget projects the statutory COLA at a negative 0.38% and proposes to "fund" the negative COLA. In other words, the Governor's Budget assumes that revenue limits are reduced pursuant to statute. For the budget year, we estimate these negative COLAs to be \$23 per ADA for elementary districts, \$28 per ADA for high school districts, and \$24 per ADA for unified districts (see table below).

	<u>2009-10</u>	<u>2010-11</u>
Statutory COLA	4.25%	-0.38%
	(Not Funded)	
COLA Amounts		
Elementary	\$250	-\$23
High School	\$300	-\$28
Unified	\$261	-\$24

Reducing School Year Length and Collective Bargaining Contracts

The Governor's Budget continues to authorize school districts to reduce the statutorily required school year from 180 days to 175 days. It is important to note that, while the Governor has changed the law to allow for a shorter school year, the fact remains that, for LEAs to alter the length of their school year calendars, collective bargaining units must agree to a shorter calendar and a commensurate reduction in compensation.

Revenue Forecast

The Administration's forecast of an anemic economic recovery in turn translates into a weak outlook for state revenues. The Governor's Budget projects that current year General Fund revenues will be \$88.084 billion—\$1.457 billion down from the \$89.541 billion assumed in the 2009-10 Budget Revision. For the Budget year, the Governor's Budget anticipates General Fund revenues of \$89.322 billion, a 1.4% increase over the revised current-year level. The Governor is not proposing any new or higher taxes to help solve the \$19.9 billion State Budget gap.

In fact, one of the Governor's major revenue proposals is to repeal the sales tax on gasoline and substitute that tax with a fee. The result would be a loss of state tax revenues, but a corresponding increase in fee revenues. The Administration explains that this change is being sought in response to a prior court decision that disallowed the state's redirection of gas tax revenues to retire transportation bonds. The Governor's Budget asserts that fee revenues are more flexible and can be targeted to numerous transportation-related expenditures, including debt service on bonds.

Special Education

The Governor's Budget Proposal includes \$3.2 billion for special education in 2010-11, which includes funding for growth, but a downward adjustment for the -0.38% COLA.

There is also a revived proposal to fund the agreement related to the Positive Behavioral Intervention Plan (BIP) settlement. In 2008-09, following a 14-year court process, the Governor and the education community finally reached a settlement agreement for this disputed mandate claim. The negotiated agreement between the DOF and school agencies includes \$510 million in one-time funds and \$65 million in ongoing funds in lieu of filing ongoing BIP mandate claims. Attempts were made in 2008-09 and 2009-10 to add funding for BIP, but it has yet to be funded. The Governor's Budget proposes \$65 million in ongoing funds effective in 2010-11, which amounts to approximately \$10.92 per ADA, to the AB 602 base.

Under the original settlement agreement, which has yet to be passed into law, school districts would receive \$85 million annually, from 2011-12 through 2016-17, and SELPAs would receive \$65 million annually on an ongoing basis. The first year of the ongoing payments was to be 2009-10, which clearly has been delayed by one year. The Governor has presumed the settlement will be ratified and included the \$65 million as part of the proposed Budget.

The Governor's Budget includes special education among the programs for which additional federal funding will be pursued. The Budget identifies \$1 billion for special education support from the federal government to meet the 40% level of contribution required by the federal Individuals with Disabilities Act (IDEA) provisions. Presumably, if this funding were to be received, it would result in an increased base using the AB 602 funding model.

Charter Schools

The table below reflects estimated 2010-11 charter school funding rates under the Governor's Budget Proposal.

The General Purpose Rates are based on statewide average revenue limits—and thus reflect the -0.38% COLA that is then reduced by the deficit factor. The rates also reflect changes in the statewide cost of the revenue limit adjustments for unemployment insurance and the Public Employees' Retirement System (PERS) Reduction, as well as the per-ADA targeted cut of \$1.5 billion statewide. These rates will be recalculated by the California Department of Education (CDE) at each apportionment during 2010-11 and can fluctuate up or down by more than \$20 per ADA.

2010-11 ESTIMATED CHARTER SCHOOL RATES

Caution: The General Purpose Rates are rough estimates; actual rates may change considerably

	K-3	4-6	7-8	9-12
General Purpose	\$4,983	\$5,058	\$5,203	\$6,040
Block Grant (Net \$5,811 for 2010-2011)	-191*	-191*	-191*	231*
Categorical Block Grant	\$399	\$399	\$399	\$399
Total 2009-2010	\$5,191	\$5,266	\$5,411	\$6,208

Source: Department of Finance
 2009-2010:General Purpose
 2009-2010:Categorical Block

\$5,845
 \$401

**PALISADES CHARTER HIGH SCHOOL
COMARATIVE CHARTER SCHOOLS CAFETERIA BUDGETS**

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	Palidsades 2009-2010 Budget	Birmingham 2009-2010 Budget	Granada 2009-2010 Budget	Granada 2007-2008 Actuals
Cafeteria Sales	222,000	119,331	N/A	\$ 620,119
Catering Revenue	20,000	10,000	N/A	\$ 37,645
State Reimbursements	22,100	23,638	N/A	\$ 38,799
Federal Reimbursements	300,000	742,277	N/A	\$ 347,821
Total Revenue	564,100	895,246	\$ 1,100,000	#####
Total Salaries	239,302			409,229
Total Benefits	140,000			215,404
Total Salaries & Benefits	379,302	411,298	N/A	624,633
Total Meals Served	291,462	349,825	N/A	
Food & Supply Costs:				
Sodexo Food	233,081	377,431		
Sodexo Supply	42,071	76,956		
Total Food & Supply Costs:	275,152	454,386	N/A	608,431
Total Expenses	733,494	949,339	1,342,000	1,233,064
Net Income/(Loss)	(169,394)	(54,093)	(242,000)	(188,680)
Free	696	1,650	N/A	791
Reduced	202	290	N/A	425
Total	898	1,940		1,216
F & R %	32%	71%		29%
Enrollment	2,850	2,714	N/A	4,135
Total Meals for Fixed Price	173,473	288,115	N/A	N/A

Granada Information per CBO
Birmingham Information per Sodexo

**PCHS
CAFETERIA PROFIT LOSS
3 Year Comparison**

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	2009-2010	2008-2009	2007-2008
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<u>REVENUE</u>	<u>Projection</u>	<u>Budget</u>	<u>YTD Total</u>	<u>YTD Total</u>	<u>Incr./(Decr.)</u>
Cafeteria Sales	\$ 210,000	\$ 222,000	\$ 211,172	\$ 244,918	\$ (33,746) -13.8%
Catering Revenue	\$ 20,000	\$ 20,000	\$ 23,332	\$ 12,619	\$ 10,713 85%
State Reimbursements	\$ 31,000	\$ 22,100	\$ 27,707	\$ 33,939	\$ (6,232) -18%
Federal Reimbursements	\$ 325,000	\$ 300,000	\$ 309,940	\$ 257,108	\$ 52,832 21%
Total Revenue	\$ 586,000	\$ 564,100	\$ 572,150	\$ 548,584	\$ 23,566 4.3%

	<u>2008-2009</u>	<u>2007-2008</u>
	<u>Total</u>	<u>Total</u>
Total Salaries	\$ 246,194	\$ 239,302
	\$ 246,194	\$ 218,286
		\$ 27,909
		12.8%

<u>BENEFITS</u>	<u>2008-2009</u>	<u>2007-2008</u>
	<u>Total</u>	<u>Total</u>
Total Benefits	\$ 146,886	\$ 143,304
	\$ 143,304	\$ 138,297
		\$ 5,007
		25.0%

Total Salaries & Benefits	\$ 393,081	\$ 386,188
	\$ 389,498	\$ 356,583
		\$ 32,916
		68.1%

Sodexho Management	\$ 124,000	\$ 125,000
	\$ 123,395	\$ 104,413
		\$ 18,982
		18.2%

<u>Food & Supply Costs:</u>	<u>2008-2009</u>	<u>2007-2008</u>
Sodexho	\$ 238,000	\$ 220,000
PCHS Paid*	\$ 609	\$ 10,549
	\$ 172,771	\$ 275,307
	\$ 172,771	\$ (102,536)
		\$ 30,205
		30.2%

Total Expenses	\$ 755,081	\$ 731,188
	\$ 685,665	\$ 736,303
		\$ (50,638)
		119.8%

Net Income/(Loss)	\$ (169,081)	\$ (167,088)
	\$ (113,514)	\$ (187,719)
		\$ 74,205



A California Distinguished School

**OPERATIONS, FACILITIES, AND TECHNOLOGY COMMITTEE
BYLAWS
REVISED MARCH 2, 2009**

SECTION 1 – PURPOSE

The purpose of the Palisades Charter High School Operations, Facilities, and Technology Committee is to ensure stakeholder participation in decisions relating to the facility, equipment, and any non-curricular operations of the school.

SECTION 2 – FUNCTION

The primary function of the Operations, Facilities, and Technology Committee in its activities and decision making shall be to ensure a functional physical environment which fosters development of a quality educational program and improvement in student achievement at Palisades Charter High School.

SECTION 3 – CONSTRUCTION

These bylaws shall be liberally construed to the end that the Palisades Charter High School Operations, Facilities, and Technology Committee fulfills its stated function.

SECTION 4 – COMPOSITION AND SIZE

The Operations, Facilities, and Technology Committee shall be open to all stakeholders of PCHS with a proviso that teachers have the right to constitute 50% of the voting members.

The Committee will solicit representation from all faculty departments and be composed of:

- seven (7) teachers
- two (2) parents/community members
- one (1) student representative appointed by the Leadership Class
- one (1) administrator (Operations Manager)
- one (1) classified employee
- one (1) (non-voting) ex-officio Board of Directors member
- one (1) at large member from any stakeholder group

Members should be selected during June of each school year. Applications for positions will be accepted by the acting secretary in May. If more than the number of required members applies, an election should be scheduled prior to the end of the school year and members of the stakeholder group should vote to seat the Committee. Those persons receiving the most votes for each stakeholder position shall be seated as a committee member.

Members will serve two-year terms, with no term limits. Terms shall be staggered so that half of the Committee's seats will be open. Terms shall commence in September and continue through the next school year. Vacancies during the term shall be filled by announcing the vacancies, accepting new applications and holding stakeholder elections if applications exceed the number of vacant seats.

The names of the committee members and officers will be submitted to the Board of Directors for approval and the committee members' names should be published (on the school website and on the designated bulletin board) in June.

SECTION 5 – CHAIRPERSON

The Committee Chairperson/facilitator should be elected by the committee members. The responsibilities of the Chairperson are as follows:

- Call meetings;
- Prepare or direct the Secretary to prepare committee agendas;
- Provide time and opportunity for all viewpoints to be heard;
- Oversee meetings to ensure that the function of the Committee is met; and
- Present committee reports to the Board of Directors.

SECTION 6 – SECRETARY

The Secretary of the Operations, Facilities, and Technology Committee shall perform the following tasks:

- Preserve the Committee's records;
- At the direction of Chairperson, prepare and distribute notices of committee meetings;
- Prepare committee reports and publish minutes; and
- In the absence of the Chairperson, act as Chairperson.

SECTION 7 – MEETINGS

Regular meetings of the Committee shall be held the FIRST MONDAY of every month in the published location except for holidays, when an alternate date shall be chosen. agenda serving as a notice of a meeting shall be made public no less than 72 hours prior to a regular meeting. Any stakeholder may request an item be included on the agenda, provided such item is within the function of the Committee. Special and emergency meetings may be called on shorter notice, only in accordance with the Brown Act.

SECTION 8 – QUORUM

A majority of the voting membership, with representation by no less than three stakeholder groups, constitutes a quorum. The Committee may not take action without a quorum; however, it can meet for discussion.

SECTION 9 – TELEPHONE MEETINGS

A meeting may be held by means of a conference telephone or similar communication only if in accordance with the Brown Act.

SECTION 10 – RECOMMENDATIONS

All decisions and recommendations from the Committee shall be presented to the Executive Director for review and implementation.

If possible, recommendations should be made by consensus. If consensus cannot be met, a vote at the same meeting will be taken. A motion will pass if it receives a majority of the votes of the Committee members (or his or her alternate, substituting for a stakeholder group) who are in attendance at the meeting. In the case of a tie, a motion is defeated but may be discussed and presented again at a future meeting.

Recommendations/motions passed by the Committee for the Board of Directors should include the names of the members present at the meeting during which the decision was made and the count of the vote for the decision.

SECTION 11 – AMENDMENTS

Amendments to these bylaws may be made by timely written request to the Secretary of the Committee in advance of notice of a meeting. Notice of any proposed amendment or amendments, including text and statement of reasons therefore, must be included in the notice of the committee meeting. All amendments must be consistent with the charter. Any amendments to bylaws must be submitted to the Board of Directors for approval.

SECTION 12 – CONFLICTS OF INTEREST

Members of the Committee shall comply with Conflicts Code of the Charter school.

SECTION 13 – SUBCOMMITTEES

The Committee is authorized to form *ad hoc* subcommittees to bring recommendations before the full Committee.

SECTION 14 – ATTENDANCE

The members of the Committee may revoke a person's membership if that individual misses three consecutive meetings.

SECTION 15 – EFFECTIVE DATES

These bylaws and any amendments shall become effective upon adoption by the Committee and approval by the Board of Directors unless another effective date is expressly determined by the Committee.

SECTION 16 – PARTICIPATION

The Operations, Facilities, and Technology Committee encourages broad participation throughout the school community and all are welcome to attend and participate in Committee discussions. Only members may vote. Alternates from each stakeholder group may vote in the absence of that stakeholder group's voting member.

Palisades Charter High School

CONFLICT OF INTEREST CODE

I. ADOPTION

In compliance with the Political Reform Act of 1974, California Government Code Section 87100, et seq., the Palisades Charter High School hereby adopts this Conflict of Interest Code ("Code"), which shall apply to all governing board members, candidates for member of the governing board, and all other designated employees of Palisades Charter High School ("Charter School"), as specifically required by California Government Code Section 87300.

II. DESIGNATED EMPLOYEES

Employees of this Charter School, including governing board members and candidates, who hold positions that involve the making or participation in the making, of decisions that may foreseeably have a material effect on any financial interest, shall be designated employees. The designated positions are listed in "Exhibit A" attached to this policy and incorporated by reference herein.

III. STATEMENT OF ECONOMIC INTERESTS: TIME OF FILING

Each designated employee, including governing board members and candidates, shall file a Statement of Economic Interest ("Statement") at the time and manner prescribed below, disclosing reportable investments, interests in real property, business positions, and income required to be reported under the category or categories to which the employee's position is assigned in "Exhibit A."

An investment, interest in real property or income shall be reportable, if the business entity in which the investment is held, the interest in real property, the business position, or source of income may foreseeably be affected materially by a decision made or participate in by the designated employee by virtue of his or her position. The specific disclosure responsibilities assigned to each position are set forth in "Exhibit B."

- A. Initial Statements. All designated employees employed by the Charter School on the effective date of this Code, as originally adopted, promulgated and approved by the Charter School, shall file statements within 30 days after the effective date of this Code. Thereafter, each person in a position that becomes by an amendment to this Code a "designated employee" shall file an Initial Statement within 30 days after the effective date of the amendment.
- B. Governing Board Candidates. Candidates for election to the governing board shall file statements within 5 days after the final date for filing nomination petitions.
- C. Assuming Office Statements. All persons assuming designated positions after the effective date of this Code shall file statements within 30 days after assuming designated positions.

1. Annual Statements. All designated employees shall file statements no later than **April 1.**
2. Leaving Office Statements. All persons who leave designated positions shall file statements within 30 days after leaving office.
3. Statements for Persons Who Resign 30 Days After Appointment. Persons who resign within 30 days of initial appointment are not deemed to have assumed office or left office provided they did not make or participate in the making of, or use their position to influence any decision and did not receive or become entitled to receive any form of payment as a result of their appointment. Such persons shall not file either an Assuming or Leaving Office Statement.
4. Statements Filed With the Charter School. All Statements shall be supplied by the Charter School. All Statements shall be filed with the Charter School. The Charter School's filing officer shall make and retain a copy and forward the original to the County Board of Supervisors.

IV. STATEMENTS OF ECONOMIC INTERESTS: CONTENTS OF AND TIME PERIOD COVERED BY THE STATEMENTS

- A. Contents of Initial Statements. Initial Statements shall disclose any reportable investments, interests in real property and business positions held on the effective date of the Code and income received during the 12 months prior to the effective date of the Code.
- B. Contents of Assuming Office Statements. Assuming Office Statements shall disclose any reportable investments, interests in real property and business positions held on the date of assuming office and income received during the prior 12 months.
- C. Contents of Annual Statements. Annual Statements shall disclose any reportable investments, interest in real property, income and business positions held or received during the previous calendar year provided, however, that the period covered by an employee's first Annual Statement shall begin on the effective date of the Code or date of assuming office, whichever is later. The statement shall include any reportable investment or interest in real property, partially or wholly acquired or disposed of during the period covered by the statement, with the date of acquisition or disposal.
- D. Contents of Leaving Office Statements. Leaving Office Statements shall disclose reportable investments, interest in real property, income and business positions held or received during the period between the closing date of the last statement filed and the date of leaving office. The statement shall include any reportable investment or interest in real property, partially or wholly acquired or disposed of during the period covered by the statement, with the date of acquisition or disposal.

V. STATEMENTS OF ECONOMIC INTERESTS: MANNER OF REPORTING

A. Investment and Real Property Disclosure

When an investment or interest in real property is required to be disclosed, the statement shall contain the following:

1. A statement of the nature of the investment or interest;
2. The name of the business entity in which each investment is held, and a general description of the business activity in which the business entity is engaged;
3. The address or other precise location of the real property; and
4. A statement whether the fair market value of the investment or interest in real property exceeds one thousand dollars (\$1,000), exceeds ten thousand dollars (\$10,000), or exceeds one hundred thousand dollars (\$100,000). This information need not be provided with respect to an interest in real property which is used principally as the residence of the filer. Reportable investments or interest in real property do include those in excess of one thousand dollars (\$1,000) held by the filer's spouse and dependent children as well as a pro rata share of any investment or interest in real property of any business entity or trust in which the filer, spouse and dependent children together own a direct, indirect or beneficial interest of 10% or more.

B. Personal Income Disclosure

Personal income is required to be reported under this Code, the statement shall contain the following:

1. The name and address of each source of income aggregating \$250 or more in value or \$50 or more in value if the income was a gift, and a general description of the business activity, if any, of each source;
2. A statement whether the aggregate value of income from each source, or in the case of a loan, the highest amount owed to each source, was one thousand dollars (\$1,000) or less, greater than one thousand dollars (\$1,000), or greater than ten thousand dollars (\$10,000);
3. A description of the consideration, if any, for which the income was received;
4. In the case of a gift, the name, address and business activity of the donor and any intermediary through which the gift was made; a description of the gift; the amount or value of the gift and the date on which the gift was received; and
5. In the case of a loan, the annual interest rate and the security, if any, given for the loan.

C. Business Entity Income Disclosure

When income of a business entity, including income of a sole proprietorship, is required to be reported, the statement shall contain:

1. The name, address, and a general description of the business activity; and
2. The name of every person from whom the business entity received payments if the filer's pro rata share of gross receipts from such a person was equal to or greater than ten thousand dollars (\$10,000).

D. Business Positions Disclosure

When reporting business positions, a designated employee shall list the name of each business entity not specified above in which he/she is a director, officer, partner, trustee, employee, or in which he/she holds any position of management; a description of the business activity in which the entity is engaged; and designated employee's position with the business entity.

VI. DISQUALIFICATION

No designated employee shall make, participate in making, or try to use his/her official position to influence any Charter School decision which he/she knows or has reason to know will have a reasonably foreseeable material financial effect, distinguishable from its effect on the public generally, on the official or a member of his or her immediate family or on:

- A. Any business entity or real property in which the designated employee has a direct or indirect investment or interest worth one thousand dollars (\$1,000) or more.
- B. Any source of income totaling two hundred fifty dollars (\$250) or more provided or promised to the designated employee within twelve months prior to the decision. (This does not include gifts or loans made at regular rates by commercial lending institutions.)
- C. Any business entity in which the designated employee is the director, officer, partner, trustee, employee, or any kind of manager.
- D. Any donor of gifts totaling \$250 or more in value provided or promised to the designated within twelve months prior to the decision; any intermediary or agency for such a donor.

No designated employee shall be prevented from making or participating in any decision to the extent that his/her participation is legally required for the decision to be made. (The need to break a tie vote does not make the designated employee's participation legally required.)

During their term on the Board, employee Board members are prohibited from participation on or assisting with that employee's bargaining unit negotiations team. Employee Board members are prohibited from participating in any closed session Board discussions related to their or any other unit's labor negotiations.

VII. MANNER OF DISQUALIFICATION

A. Non-Governing Board Member Designated Employees

When a non-Governing Board member designated employee determines that he/she should not make a decision because of a disqualifying interest, he/she should submit a written disclosure of the disqualifying interest to his/her immediate supervisor. The supervisor shall immediately reassign the matter to another employee and shall forward the disclosure notice to the Charter School Director, who shall record the employee's disqualification. In the case of a designated employee who is head of an agency, this determination and disclosure shall be made in writing to his/her appointing authority.

B. Governing Board Member Designated Employees

Governing Board members shall disclose a disqualifying interest at the meeting during which consideration of the decision takes place. This disclosure shall be made part of the Board's official record. The Board member shall then refrain from participating in the decision in any way (i.e., the Board member with the disqualifying interest shall refrain from voting on the matter and shall leave the room during Board discussion and when the final vote is taken) **and** comply with any applicable provisions of the Charter School bylaws (see, Article IX (Contracts With Directors)).

VIII. DEFINITION OF TERMS

As applicable to a charter school, the definitions contained in the Political Reform Act of 1974, the regulations of the Fair Political Practices Commission, specifically California Code of Regulations Section 18730, and any amendments or modifications to the Act and regulations are incorporated by reference to this Code.

EXHIBIT A

Designated Positions

- I. Persons occupying the following positions, as applicable, are designated employees and must disclose financial interests in all categories defined in "Exhibit B" (i.e. categories 1, 2, and 3).
- A. Members of the Governing Board
 - B. Candidates for Member of the Governing Board
 - C. Principal of Charter School
 - D. Assistant Principals
 - E. Chief Business Officer
 - F. Director Personnel Services
 - G. Assistant Director of Personnel Services
 - H. Consultants¹
 - I. Other Employees²
- II. Persons occupying the following positions are designated employees and must disclose financial interests defined in Category 1 of "Exhibit B."
- A. Purchasing Manager
 - B. Assistant Business Officer
 - C. Other Employees³
- III. Persons occupying the following positions are designated employees and must disclose financial interests defined in Categories 2 and 3 of "Exhibit B."
- A. Information Systems Technician
 - B. Contractor
 - C. Other Employees⁴

¹ The Director may determine, in writing, that a particular consultant, although a "designated position," is hired to perform a range of duties that is limited in scope and thus not required to fully comply with the disclosure requirements in this section. Such written determination shall include a description of the consultant's duties and, based upon that description, a statement of the extent of disclosure requirements. The Director's determination is a public record and shall be retained for public inspection in the same manner and location of interest code.

² "Other Employees" include any employee occupying a position that requires the employee to make a governmental decision that foreseeably and materially affects a personal financial interest, source of income, or a business position in a business entity.

³ "Other Employees" include any employee with authority to make purchases that may foreseeably and materially affect an investment and/or business position in business entities or who are in a position to influence a governmental decision that may foreseeably and materially affect an investment and/or business position in a business entity.

⁴ "Other Employees" include employees with authority to make purchases that may foreseeably and materially effect investments and business positions in business entities which provide services, supplies, materials, or

EXHIBIT BDisclosure CategoriesCategory 1 Reporting:

- A. Interest in real property which is located in whole or in part either (1) within the boundaries of the District, or (2) within two miles of the boundaries of the District, including any leasehold, beneficial or ownership interests or option to acquire such interest in real property, if the fair market value of the interest is greater than \$1,000.

(Interests in real property of an individual include a business entity's share of interest in real property of any business entity or trust in which the designated employee or his or her spouse owns, directly, indirectly, or beneficially, a ten percent interest or greater.)

- B. Investments in or income from persons or business entities which are contractors or sub-contractors which are or have been within the previous two-year period engaged in the performance of building construction or design within the District.

- C. Investments in or income from persons or business entities engaged in the acquisition or disposal of real property within the jurisdiction.

(Investment includes any financial interest in or security issued by a business entity, including but not limited to common stock, preferred stock, rights, warrants, options, debt instruments and any partnership interest or other ownership interests.)

(Investments of any individual include a pro rata share of investments of any business entity or trust in which the designated employee or his or her spouse owns, directly, indirectly or beneficially, a ten percent interest or greater.)

(Investment does not include a time or demand deposit in a financial institution, shares in a credit union, any insurance policy, or any bond or other debt instrument issued by any government or government agency.)

(No investment or interest in real property is reportable unless its fair market value exceeds \$1,000. No source of income is reportable unless the income received by or promised to the public official aggregates \$250 or more in value or \$50 or more in value if the income was a gift during the preceding 12-month reporting period.)

Category 2 Reporting:

- A. Investments in or income from business entities which manufacture or sell supplies,

equipment in which the employee has authority to purchase.

IV.A.6.

books, machinery or equipment of the type utilized by the department for which the designated employee is Manager or Director. Investments include interests described in Category 1.

Category 3 Reporting:

- A. Investments in or income from business entities which are contractors or sub-contractors engaged in the performance of work or services of the type utilized by the department for which the designated employee is Manager or Director. Investments include the interests described in Category 1.

Agenda Information Sheet for the Board Meeting (01-19-10)

Date: 1/10/10

Topic: PROPOSAL FOR ALLOCATING PALI FUND (ANNUAL GIVING) PROCEEDS

Presenter:

Recommendation: Approve the proposal below for allocating the Pali Fund proceeds.
(Budget and Finance Committee has already approved)

Costs:

Background:

This is the first year Pali has launched an annual giving program soliciting financial donations from the parents and entire school community. This proposal lays out how the funds from this campaign will be allocated for the 09-10 school year and notes that this plan should be revisited and reauthorized annually when the school's budget is approved.

Prior discussions and/or action:

Alternatives:

Pros & Cons:

Relevance to PCHS' mission: Additional funds are needed to support the general fund and ensure Pali is able to continue to offer an excellent education.

Stakeholder input: The budget and finance committee reviewed, gave input and approved this proposal.

Additional Information:

Number of accompanying materials:

See below

**PROPOSAL FOR ALLOCATION OF ANNUAL GIVING FUNDS
DESIGNATED FOR THE GENERAL FUND**

Phase one of the campaign has netted an initial fund of approximately \$45,000 after expenses and is growing every day. To ensure maximum stakeholder support it is recommended that the fund go to directly support students, innovation and excellence rather than operating costs. It is proposed that the plan to allocate these funds be reassessed annually. Given the budget cuts this year it is proposed that annual giving replace money cut from the general fund immediately by supporting the following – academic programs, arts, athletics, student activities, and reinvesting to raise more funds through alumni engagement and grant writing. The funds will be allocated to the seven areas listed below – proportionately increasing each area's existing budget. The administrator in charge of each area will have the responsibility of overseeing the distribution of funds within that area to backfill cuts and best support the program. All fundraising operating expenses will be cost neutral and self sustaining.

- 1) Academic programs

- 2) Arts
- 3) Athletics
- 4) Student Activities
- 5) Technology
- 6) Non routine budget requests

Based on feedback at the December budget and finance committee meeting it is recommended that the funds be utilized to backfill cuts in order of priority and that the administrator over each area should oversee that process rather than the budget committee hearing requests at each meeting.

The long term goal is to have sufficient funds to front fund all the trust accounts' solicitations to parents and sufficient to meaningfully supplement the general fund by supporting bigger goals like lowering class size, launching innovative programs, etc. To best support this, the allocation plan should be reviewed and updated annually when the school's budget is adopted.

Agenda Information Sheet for the Board Meeting (January 19,2010)

Date: January 8, 2010

Topic: Action Item to Delegate Authority to Executive Director to Sign the 2009-2010 Consolidated Application Part II due January 31 2010

Presenter: Gregory Wood

Recommendation: Approve Action Item

Costs: N/A

Background:

As part of our Federal Reporting obligation as a Charter School, PCHS is required to file a Consolidated Application twice a year. Part I is due by June 30th every year and Part II is due on January 31st.

This primary purpose of the current report is to verify funds received (for 2008-2009 & 2009-2010) and spent (2008-2009) for the following Federal Programs:

Title I (Basic)

Title II Teacher Quality

Title III Limited English Proficiency

Title IV Part A- Safe and Drug Free Schools

The combined funding for these programs is approximately \$250,000. We are also given the opportunity to report updated student information on our Free & Reduced Students at PCHS which can result in additional funding for the 2009-2010 School Year.

The timing of this application is such that the last update to this application was made available this week and is in need of Board approval before it is submitted the end of the month. The Board of Trustees has previously authorized the Executive Director to Sign the Consolidated Application and it has been presented to the Board at the following meeting in February.

Alternatives: Hold a Special Board meeting upon completion of the Consolidated Application.

This should be agendized as an Action Item. If approved, the completed Consolidated Application will be presented for Discussion at the February 2010 Board Meeting.

Agenda Information Sheet for the Board Meeting (January 19, 2010)

Date: January 19, 2010

Topic: Auditor Selection Committee- expansion of committee to include one parent with expertise in accounting.

Presenter: Susan Frank

Recommendation: The members of the Auditor Selection Committee (Susan Frank, John Riley, and Alex Shuhgalter) recommend the board take action to add Maria Rheingold, a Certified Public Accountant (CPA), and parent, to the committee.

Background: The committee has researched approximately six accounting firms and will be sending out Request for Proposals (RFP) shortly. Firm interviews are expected to occur starting in late January, or early February.

Prior discussions and/or action: The board motion that created the Auditor Selection Committee in February 2009 included the recommendation that one or more parent/community members with accounting expertise be included on the committee (see below). The addition of Maria Rheingold, who has already provided assistance regarding the auditing process, will fulfill the requirement of the board motion.

**REGULAR MEETING MINUTES
BOARD OF DIRECTORS
Tuesday, February 17, 2009
LIBRARY, 5:00 PM**

ACTION ITEMS:

- A. DISCUSSION AND ACTION ON 2008-2009 AUDITOR SELECTION.
- Best practice to hire an auditor with the Board of Directors providing oversight
 - List was distributed of all the names of auditors with Charter School clients in California
 - Need auditor by April 1st, if not chosen then one will be assigned
 - Our auditor has been working for the school for 5 years and is a top auditor for California Charter Schools
 - Suggestion to make a committee to research other auditors
 - After discussion the Board agreed to form an auditor review committee consisting of: Ms. Rene Rodman, Ms. Victoria Francis, Dr. John Riley and community/parent members with expertise in accounting.
 - Ms. Darcy Stamler moved for the Board to open an auditor review committee to provide oversight of the 2008 – 2009 audit and prepare on RFP for alternative options for that year and beyond. Ms. Patrice Fisher seconded the motion.

BOARD ACTION:

9 – yes (Mrs. Amy Dresser Held, Ms. Darcy Stamler, Mr. Dave Suarez, Mr. John Callas, Dr. John Riley, Ms. Patrice Fisher, Mrs. Rene Rodman, Mr. Steve Klima, and Ms. Victoria Francis)

2 – absent (Mr. James Paleno and Mr. Torino Johnson)

Agenda Information Sheet for the January 19, 2010 Board Meeting

Date: January 15, 2010

Topic: Recommendation Regarding Creation of Development Committee

Presenter: John Callas, Carol Osborne and Jason Cutler

Recommendation: That the Board authorize the creation of a standing or permanent Board committee called the **Development Committee**.

The Committee will be composed of the following stakeholder representatives: 1 teacher, 1 community rep, 1 parent, 1 Booster Club member, 1 Board member, 1 athletic team rep and the Executive Director. We will need to conduct a mini search for some of these people. If a Board member is on the committee for another constituent seat (e.g., James P. as the athletic team rep) then we will still need a Board member for the Board member seat. In other words, more than 1 Board member might be on the committee but in different capacities. Ideally, we would not make this a Board member dominated committee however.

The Role of the Committee would be as follows:

(A) Develop an overall fundraising strategy for PCHS.

(B) Set annual fundraising goals.

- Based upon each fundraising entity within PCHS, a bottom to top budget will be developed. The "targets" will be set by the individual group/committee.

- If a consultant is hired, then criteria for determining success/failure to achieve goal or outperforming goal will need to be clearly defined. Any commissions will be tied to performance goals on a tiered basis. Subject to industry standards for fundraiser compensation, pre-existing donors would not be considered eligible for commission compensation unless the consultant is able to get the pre-existing donors to outperform their expected or originally pledged donation by means of relationship development (in which case the amount over the original pledge or expectation would be eligible for commission.)

(C) Review and make recommendations to the full Board regarding use of professional fundraisers.

(D) Coordinate fundraising efforts among various volunteer fundraising groups including Booster Club, Pali Fund, athletic teams, etc. The committee would work hand-in-hand with each group and assist in every effort to support success in their fundraising goals.

(E) Coordinate fundraising efforts by Executive Director with larger potential donors with the assistance of the CBO; however, the CBO is not accountable for success/failure – The CBO is to help develop and maintain community relationships and donors.

(F) Subject to recommendations from the Budget Committee regarding allocation of funds raised, work with each fundraising / interest group regarding opportunities for sharing support of specific events or opportunities based upon prioritized needs of the students / faculty.

(G) Oversee bookings for all facilities that are revenue based. Each facility would have a schedule of which outside group has "booked / paid" for the field or facility usage. If yearly accounts (EX: AYSO-Soccer field) are determined, then the committee would be responsible for negotiating the following year at the 8th month mark – This will assure that if they are thinking about not committing to the following year, the committee will have lead time in order to fill that gap. Conversely, as a valued client, AYSO, would be able to exercise their option to renew their agreement with out facility (fees may be discussed for adjustments upwards or discounted, but must be board approved).

Costs: No budget impact.

Background: There was Board consensus at the November 2009 meeting that we should have a task force consider the creation of a Development Committee with responsibility for coordinating fundraising activities for PCHS. John Callas, Carol Osborne and Jason Cutler were asked to serve as the task force and report back to the Board with a recommendation.

Prior discussions and/or action: Importance of better fundraising coordination discussed at November 2009 Board meeting.

Alternatives: Leaving fundraising for PCHS to a variety of groups and individuals (including Pali Fund, Booster Club, Executive Director, sports teams, etc.)

Pros & Cons: See recommendation.

Relevance to PCHS' mission: Effective, coordinated fundraising will advance the PCHS mission by increasing the amount of funds available to the school in a period when funds from the State of California and LAUSD are declining.

Stakeholder input: None to date.

Additional Information: None

Number of accompanying materials: None

DRAFT TIMELINE

January 2010

Board Establishes an ad hoc committee to investigate a third party facilitator to guide PCHS stakeholders in building consensus surrounding the responsibilities/structure of upper management by

- 1) Drafting an upper management structure for Pali and
- 2) Identifying key attributes, skills, and experiences that will be required of the individual(s) serving in upper management.

March 2010

The ad hoc committee reports back its findings to the Board. The Board will have additional questions to be investigated.

April 2010

The ad hoc committee will report back its additional findings and the Board will make a decision on which third party will assist PCHS.

May-August 2010

The ad hoc committee will assist the third party facilitator with logistical matters.

September-October 2010

The third party facilitator will work with all stakeholders to:

- 1) Draft an upper management structure for Pali and
- 2) Identify key attributes, skills, and experiences that will be required of the individual(s) serving in upper management.

December 2010

The third party facilitator will report back to the board its findings.

January 2011

The Board will:

- 1) Adopt a management structure;
- 2) Assess future personnel needs and accordingly acquire a third party to facilitate a hiring process.

ANNALYSIS

Why must PCHS go through this process?

- 1) For the last six years we have suffered from inconsistent management. Outside agencies such as WASC and LAUSD have identified this a major problem.
- 2) PCHS's independent charter quest began six years ago as a grass roots effort unlike nearly all other Charter Schools. Yet, PCHS has never gone through a process to build stakeholder consensus on upper management.
- 3) This process will build a feeling of community, purpose, and legitimacy.
- 4) Other schools, such as Westchester H.S. (not even a Charter School), have experienced this process with the purpose of providing long term stability.

Principal Recruitment Strategy Outline – 1/20/10

Hiring Committee Selection

Training of Hiring

Dos/Don'ts

How to identify what we are looking for

Survey School Community

Key Traits

Success Indicators

Update Job Description based on survey and clarification

Sourcing - Post Broadly

EdJoin

Edweek

National Charter Schools Association

CCSA

ACSA

NACSA

Sourcing - Research – identify target candidates/schools

HR Director or Board Members to make introductory calls

Phase 1 – in house

Phase 2 – consider purchasing research or partial search

Resume Review by Committee

Interviewing

Ranking

Due Diligence – reference checking, site visits, meet and greet with Faculty

Committee Recommendation to Board

Note: This is an update from the original strategy presented at the July 09 Board Meeting

IV, H.

**PALISADES CHARTER HIGH SCHOOL
POOL FUND DONATIONS ACCOUNTING**

As Of December 31, 2009

Amount
Received

Revenue

	<u>Donations</u>	
2006	Mar-Dec	<u>\$ 457,158.33</u>
2007		
	1/1-12/31	<u>\$ 292,310.30</u>
2008		
	Year To Date	<u>\$ 1,893,673.13</u>
2009		
	Year To Date	<u>\$ 129,973.33</u>
2009		
	July	\$ 1,265.00
	August	\$ 1,450.00
	September	\$ 60,023.50
	October	\$ 51,012.50
	November	\$ 13,680.50
	December	\$ 20,741.50
	Year To Date	<u>\$ 148,173.00</u>

Cumulative Donations \$ 2,921,288.09

	<u>Interest</u>	
2006	3/1-12/31	<u>\$ 8,783.88</u>
2007		
	1/1-12/31	<u>\$ 19,992.43</u>
2008		
	Year To Date	<u>44,185.34</u>
2009		
	Year To Date	<u>20,486.59</u>
2009		
	July	2,418.13
	August	2,123.49
	September	827.09
	October	611.75
	November	344.07
	December	208.46
	Year To Date	<u>6,532.99</u>

Cumulative Interest \$ 99,981.23

Total Revenue to Date \$ 3,021,269.32

IV, H.

**PALISADES CHARTER HIGH SCHOOL
POOL FUND DONATIONS ACCOUNTING**

As Of December 31, 2009

Add: Pledges Outstanding \$ 164,639.75
\$ 3,185,909.07

PLEDGES OUTSTANDING	
Westside Anon donor	\$ 50,000
Ross Family	17,500
Rose G.-Lane	50,000
Boosters	25,000
Kaplan	10,000
In Transit	\$ 12,140
	<u>\$ 164,640</u>

Expenses

2006	3/1-12/31	\$ 4,863.93
2007	1/1-12/31	\$ 123,586.81
2008	Year To Date	<u>\$ 209,463.29</u>
2009	January	\$ 30,093.25
	February	12,979.54
	March	19,045.42
	April	405,721.89
	May	6,624.94
	June-	45,777.04
2009	Year To Date	<u>\$ 520,242.08</u>
	July	226,066.11
	August	344,649.71
	September	153,301.80
	October	311,118.14
	November	346,176.37
	December	354,673.06
	Year To Date	<u>1,735,985.19</u>

Contractor Payments to Date

April	383,000.00
July	189,284.00
August	300,632.40
September	149,099.40
October	277,691.40
November	242,563.60
December	328,373.10
	<u>1,870,643.90</u>

Cumulative Expenses to Date \$ 2,594,141.30

Net Pool Balance \$ 427,128.02

Investments at December 31, 2009

Wells Fargo Operating Account	\$ 25,754.81
Wells Fargo Money Market Account	249,494.44
Cal National Money Market Account	43,096.61
Citibank Certificate of Deposit	108,782.16
	<u>\$ 427,128.02</u>

No Interest
Tiered Money Market- Variable
Tiered Money Market- Variable
CD-Daily Rate

December Activity

Add: Deposits In Transit	\$ 12,140.25
Less: Outstanding Checks	(5,525.00)
Combined Pool Fund Balance at December 3, 2009	<u>\$ 433,743.27</u>

Agenda Information Sheet for the Board Meeting (01-19-10)

Date: 01-19-10

Topic: Pool Financing

Presenter: Greg Wood and Amy Held

Recommendation:

- 1) Approve funding agreement with Rose Gilbert to finance \$750,000 to be repaid over 5 years at 5.6% interest. Payments will begin at the end of the first quarter following completion of the project and the source of repayment will ultimately be donations to the project and permit revenue.
- 2) Pending approval of the funding agreement with Rose Gilbert, we are recommending the board delegate authority to pursue and/or secure financing with another lender for the remainder of the project cost at a competitive interest rate to ultimately repaid by the permit account and subsequent donations to the project (see below under additional information for rationale).

Costs: amounts contingent upon interest rates and term of loan

Background:

Prior discussions and/or action:

Alternatives:

Pros & Cons:

Relevance to PCHS' mission:

Stakeholder input:

Additional Information:

In addition to securing private financing with Rose Gilbert, primary benefactor to the project, we have two other tentative proposals from traditional banks and have submitted a request to modify the current loan on the track and field (to extend the loan for another three years). One of the potential lenders wants board authorization to formally move forward with the loan request in order to apply for the loan. The options being considered include 1) cash collateralizing a portion of the loan and securing the remainder with capital improvements (subject to appraisal); 2) providing a line of credit for 18mths that would revert to a traditional loan for the remaining 3.5 yrs – it would be a 5 yr fully amortized cash collateralized loan (we are negotiating on the terms and conditions of the cash collateralizing). Both are at competitive interest rates. Some variables causing us to want to take more time with financing the remainder of the project beyond the \$750,000 Rose is financing include:

- Charter renewal (*once renewed lending institutions will have greater comfort lending to us*)
- Status of the state budget (*Gov's budget just released last Friday, still many unknowns, more info will be forthcoming and will help determine extent of impact on cash flow and the budget*)
- LAUSD billing for retiree health benefits, cuts to transportation funding, resolving special education fee structure for charters, etc. (*impacts planning for cash flow and budget purposes*)
- Identifying other potential lenders

Number of accompanying materials:

Draft Funding Agreement with Rose Gilbert.

**FUNDING AGREEMENT
PALISADES CHARTER HIGH SCHOOL**

THIS FUNDING AGREEMENT ("Agreement") is made as of twentieth of January, 2010, by and between PALISADES CHARTER HIGH SCHOOL ("Charter School") and ROSE GILBERT ("Gilbert") (hereinafter referred to collectively as "Funder"). The following recitals form the basis for this Agreement, and are made a material part hereof.

- A. The Charter School facilities and grounds are located at 15777 Bowdoin Street, Pacific Palisades, CA 90272 ("Property") and are owned by the Los Angeles Unified School District ("LAUSD").
- B. The Charter School is building The Maggie Gilbert Aquatic Center ("Aquatic Center"), the construction of which is being funded in part by a conditional loan by Funder.
- C. In order to complete the Aquatic Center project ("Project"), Funder will loan a total amount not to exceed \$750,000 to the Charter School in accordance with the terms of this Agreement.

NOW THEREFORE, in consideration of the foregoing recitals, the mutual promises and consideration in the Agreement outlined below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Charter School and Funder agree as follows:

1. Funding.

Funder hereby agrees to loan to Charter School the sum of \$750,000 for the construction of the Project on the terms and conditions outlined in this Agreement. The funds loaned shall bear five point six (5.6) percent interest and be paid back over five years with funds generated from the PCHS permit account.

2. Repayment.

The Funder hereby agrees to be repaid quarterly, beginning the end of the first quarter following the completion of construction. The source of repayment shall ultimately be through PCHS civic center permit fees and/or donations to the Aquatic Center project.

3. Term and Termination.

The term of this Agreement shall commence on the date noted above. The term of this Agreement ("Term"), and Charter School's obligation to

reimburse Funder as noted above, shall be for five (5) years from the completion of the pool project.

As Charter School operates on LAUSD owned property, the Charter School's repayment obligations under this Agreement are effective only during Charter School's existence and occupancy of the Property. Should the Charter School cease occupancy and operations on the Property for any reason, including nonrenewal, revocation, or surrender of its charter, this Agreement and any remaining repayment obligations to Funder, would be paid out of net assets upon dissolution of the charter. In addition, Charter School's obligations under this Agreement shall terminate to the individual Funder upon full repayment of the monies loaned to the Charter School.

4. Accounting.

Charter School will keep and maintain at all times complete and accurate books and records describing in sufficient detail to correctly reflect the source and use of all funds expended on the Project. All books and records shall be available to Funder at any time during regular Charter School business hours, upon five day (5) written prior notice.

5. Indemnity.

Charter School shall hold Funder harmless from and indemnify and defend Funder against any and all suits, actions, claims, loss, demands, damages, liabilities, costs and expenses of every kind, including costs and reasonable attorney's fees for defending same, which may arise from the Funder entering into this Agreement.

6. Publicity.

All public statements regarding the contributions and terms described herein shall be mutually agreed upon by all parties prior to release.

7. Miscellaneous Provisions.

- a. Notices. All notices, consents or other communications required or permitted to be given pursuant to this Agreement shall be delivered in writing and shall be considered as properly given or made if delivered personally or by messenger, or delivered by mail, and addressed to the intended recipients at the following addresses:

Executive Director
PALISADES CHARTER HIGH SCHOOL

15777 Bowdoin Street
Pacific Palisades, CA 90272

Rose Gilbert

XXXX
XXXX

- b. Entire Agreement. This Agreement contains the entire understanding between the parties and supersedes any prior understandings and written or oral agreements between them respecting this subject matter. There are no representations, agreements, arrangements or understandings, oral or written, between the parties relating to the subject matter of this Agreement that are not fully expressed in the Agreement. Other than as expressly stated herein, the Charter School is not making any warranties, promises or commitments to Funder.
- c. Counterparts. This Agreement may be executed in counterparts with each counterpart considered an integral part of the original and shall be governed by and construed in accordance with the laws of the State of California.
- d. Successors and Assigns. Funder may, in their sole discretion, assign all or a portion of its rights in this Agreement to any third party. This Agreement shall be binding on and inure to the benefit of their respective successors and assigns of the parties hereto.
- e. Choice of Laws/Venue. This Agreement shall be interpreted under the laws of the State of California and any and all legal actions shall be pursued in Los Angeles County.
- f. Amendment. This Agreement may not be modified or amended except by a written agreement signed by both parties indicating an intent to modify or amend this Agreement.
- g. Severability. The invalidity or unenforceability of any one or more provisions of this Agreement shall in no way affect any other provision. If any court of competent jurisdiction determines any provision of this Agreement to be invalid, illegal or unenforceable, that portion shall be deemed severed from the rest, which shall remain in full force and effect as though the invalid, illegal or unenforceable portion had never been a part of this Agreement.

8. Dispute Resolution

If a dispute arises out of or relates to this Agreement, or the breach thereof, and if the dispute cannot be settled through negotiation, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Commercial Mediation Procedures before resorting to arbitration, litigation, or some other dispute resolution procedure

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first written above.

DATE

FUNDER

ROSE GILBERT

DATE

PALISADES CHARTER HIGH SCHOOL

By: _____

Date

Title: _____

V.A.

PALISADES CHARTER HIGH SCHOOL

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

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, (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.

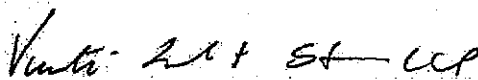
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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	67,598	19,642
Total current assets	<u>10,239,594</u>	<u>7,765,012</u>
LONG-TERM ASSETS:		
Property, plant and equipment (net of accumulated depreciation)	2,531,212	1,947,500
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	429,429	166,348
Total current liabilities	<u>3,485,940</u>	<u>2,266,143</u>
LONG-TERM LIABILITIES:		
Loan payable, net of current portion	-	429,429
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	5,490,190	3,808,197
Total unrestricted net assets	<u>7,108,793</u>	<u>5,376,800</u>
Temporarily restricted net assets	2,006,073	1,470,140
Permanently restricted net assets	170,000	170,000
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)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2009	Total 2008
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		2,004,582
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:

Year Ended June 30	STRS		PERS	
	Required Contribution	Percent Contributed	Required Contribution	Percent Contributed
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	
	Requirement	Actual	Traditional Calendar	Status
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	863
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	54,563
Subtotal Title I Cluster			<u>312,617</u>
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.



**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
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

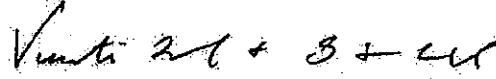
REPORT ON STATE COMPLIANCE

<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.