

**PALISADES CHARTER HIGH SCHOOL
BOARD OF TRUSTEE'S MEETING
JANUARY 17, 2012**

item IV. C.

School Goal Update: Goal 2 *Provide meaningful professional development opportunities.*

PCHS will provide relevant and consistent professional development to support effective implementation of differentiated instruction and facilitate the use of technology.

Measurement:

- 1) Annual professional development schedule**
- 2) Annual staff needs assessment surveys**
- 3) Post-professional development staff surveys**

The 2011-12 professional development plan focuses on meeting the immediate instructional needs of the school. During this year a long-range plan designed to guide the school through the next 3-6 years is being developed. The areas of focus for the current year identified in the 2011-12 school goals include building effective PLC's and addressing the academic needs of all students with a targeted focus on English Learners and students with special needs. Before the start of the school year, faculty members were given the opportunity to provide feedback about professional learning opportunities needs and preferences, and the results of this study have been used to guide school offerings.

PCHS is currently involved in the six-year self-study for WASC accreditation. During the first semester much of the PCHS professional development time has been dedicated to stakeholder analysis of school strengths and areas for growth in the categories of Organization, Governance, Leadership and Staff, Resources, Curriculum, Instruction, Assessment and Accountability, and School Culture. The findings from these discussions will inform the school administration in developing a long-term school-wide action plan to guide the school for the next six years. The action plan will include the necessary training for the school to address the identified areas for growth. An area of immediate need identified through the self-study process and through work with outside consultants is for the development of a strategic plan that addresses the core topics of school vision, mission, values, and strategy. Although PCHS has engaged in this process in the past, a plan is needed that reflects the current needs of the school. The strategic plan should be the basis for the school action plan; however, PCHS is currently lacking a comprehensive plan developed by school stakeholders to guide the school.

In addition to focused discussions for WASC, PCHS board members with the Executive Director and Principal held period by period informational meetings to discuss standing committees and the recommendations of the ad hoc charter committee for the purpose of building an informed staff, gathering stakeholder feedback, and addressing questions and concerns. Faculty meetings have been dedicated to staff recognition, informational sessions about the annual school goals and table discussions about most effective instructional practices observed in PCHS classrooms. PLC needs are currently being addressed through department chair meetings. PCHS will continue to build on staff training to address the school goals in upcoming pupil-free days dedicated to professional development on February 6 and 7. Sessions on instructional objectives, building student engagement, differentiating instruction, walk-through protocols, and innovative technology use are planned for these days. Staff surveys will be administered after these sessions to collect feedback and assess progress at a mid-point in the school year. This feedback will help refine the professional development for second semester as well as the long-term plan that is being created.

**PALISADES CHARTER HIGH SCHOOL
BOARD OF TRUSTEE'S MEETING
EXECUTIVE DIRECTOR AND PRINCIPAL'S REPORT
JANUARY 17, 2011**

item V. A.

Educational Consultant's Report (to follow)

Educational Consultant Carol Ferraud recently submitted her Curriculum and Instruction Analysis (CIA) report to Palisades Charter High School after examining student achievement data, observing in classrooms, reviewing assignments and student work, and meeting with school staff. The report reviews eight areas: Data and Assessment, Grading and Benchmark Assessments, Curriculum Implementation, Professional Development and Collaboration, Instructional Delivery, Alignment of Student Work, Coaching and Administrative Walk-Through, School Culture and Student Expectations. The report identifies instructional strengths while providing recommendations for areas of growth. The findings from this report will be incorporated into the school's WASC action plan. A logical next step to address the recommendations in this report is the development of a school-wide strategic plan to guide the school through the next three to six years.

End of semester preparation

PCHS is preparing for end of semester culminating projects and final examinations that will be administered on minimum days February 1, 2, and 3. Pali High will observe Quiet Week (January 23-27) leading up to finals week. Teachers will prepare for second semester and participate in professional development on non-pupil days February 6 and 7.

School budget/preparation for negotiations

PCHS and UTLA will begin informal discussions about approaches to the 2012-13 contract negotiations to facilitate a timely resolution. The PCHS Budget Committee has encouraged the teams to begin discussions as earlier than in recent years. The uncertainty of the state budget and educational funding present challenges; however, all school departments are currently working to develop projections of their needs for the coming year.

Students involved in auto accident

Devin Maghen and Ariel Kasheri, PCHS 11th graders were involved in an automobile accident during winter break. Both students are in the intensive care unit in critical condition. PCHS wishes Devin and Ariel a speedy recovery. The PCHS school psychologist and counselors have been working closely with students in need of support.

Children of Uganda "Tour of Light" performance

PCHS student Juno Fullerton coordinated and secured funding through the Booster Club for a special performance of the Children of Uganda for Pali dance students on January 19. Children of Uganda (COU) was established in 1995 to care for orphans and other disadvantaged children. As a registered 501 (c)(3) non-profit organization headquartered in the U.S., COU works with local NGO's in Uganda to provide support, medical care, and education to hundreds of children in need. The group's mission is to support and empower hundreds of orphans and vulnerable children in Uganda to lead successful and productive lives. Their vision is that all children in Uganda receive an education to become leaders in their community and positively impact Ugandan society. COU provides teachers with lesson plans and leads workshops on dancing, singing, and drumming. This is a unique opportunity for Pali students who have an opportunity to interact and perform with the students from the COU. Both groups of students gain insights and experiences from different cultures that they would not otherwise have the opportunity to enjoy.

English Learner Advisory Committee (ELAC)

PCHS is in the process of establishing an English Learner Advisory Committee. This parent group will assist

the school in an advisory capacity as develop instructional programs and support opportunities specifically targeting English Learners. The first meeting was held on January 14.

The Policy Committee passed the Inventory Accountability Policy as written. It will be sent to Dr. Magee for distribution implementation.

The Committee approved the revised Field Trip documents. These include a newly revised Parent Permission Slip that was written by School Nurse Colleen Egan, as well as a newly created Non-PCHS-Sanctioned-Trip Waiver. Both the Parent Permission Slip and the Non-PCHS-Sanctioned-Trip Waiver need to be translated into Spanish.

The Committee would like Dr. Magee to have the new Parent Permission Slip and the Non-PCHS-Sanctioned-Trip Waiver looked over by the PCHS attorneys for accuracy before having them translated into Spanish and before they are to be distributed for use.

The Committee also received an update from the Sports Policy subcommittee.

Submitted by Michael Friedman, Co-chair Communications Committee

The report/update from Carla was read and comments were offered. Many felt as though we had let go of overseeing the work from here on. We all agreed that it was very important to stay on top of the design and it’s progress to make sure we approve of the look/direction being developed. We also discussed the contract deadline with EDLIO. Monica Iannessa needs the website to be hosted by Edlio until March 1 when the application window for the 2012-2013 school year closes. Ending the contract prior to that will create chaos on for the Admissions Office. We would like to ask EDLIO for a report that shows usage of each page and their links so we can properly assess the value of the service. Based on our report we would then submit that to administration and the Board and need to wait for a response. In discussions with Edlio, Pali needs to stress that it needs at least a 1-month extension of the contract and hopefully more. I don’t know who would do this, but they need to be a strong negotiator. Carla’s suggestion for 6 months seems like it will be too long and a waste of funds to a certain extent. We definitely want to cancel any services that are not being utilized.

A question was asked regarding Carla’s service in terms of involvement, cost, and returning to the Communications Committee. We need to speak to Dr. Magee about this.

Once the brand has been branded and we are ready to proceed with the changeover of the website, we all agreed that a Webmaster is critical. My suggestion is to interview/approach the tech teacher about being the Webmaster and for that teacher to have one less course to teach. I also think that whoever it is should also help develop and anticipate the steps to creating a web design course at PALI within the next few years. This should mean that the Webmaster then has added value to PALI and that the school then becomes proactive/innovative in the 21st century needs/demands. Once branding is complete we can also begin development of the PALI video initially for usage by Monica and I believe it could be on the website as well.

There is also research being done for a comprehensive communication and data system to replace ISIS.

Elections

Debbie Barnett was elected Secretary.

Andrea King and Carolin Herrmann were elected co-chairs.

We welcome board member, Judi Firth to our committee.

Public Art Guidelines

The committee is working on strengthening the protocol for public art displays on campus. Currently, we do not have any document explaining what steps need to be completed prior to approval and instillation.

Technology

The next three months the focus of the committee will be on technology. We will be analyzing the Tech Plan and completing a needs assessment.

PARENT EMAILS – QUESTIONS AND CONCERNS

The majority of the emails received within the past month concerned the start date of the 2012-2013 school year and when student registration would take place prior to the beginning of school. I received a handful of angry complaint emails after the Board's decision to start school on August 14th. I received fewer than normal email during the past month because of the winter break.

BOOSTER CLUB

Currently the Booster Club has raised \$121,605, which brings the amount of unrestricted funds up to \$ 160,681. The senior class has raised \$17,000 thus far to fund its activities.

The next Booster Club meeting will be on January 24th, at 6:30 pm, in the Cafeteria.

PARENT ADVISORY COUNCIL (PAC)

The next Parent Advisory Council meeting will take place on Thursday, January 18th, at 6:30 pm, in the Library. The topic for the evening will be Pali Athletics and will feature Russel Howard, AP Athletics, Discipline, & Student Activities, Athletic Director John Achen, Boys Basketball Coach James Paleno, Girls Basketball Coach Torino Johnson, and Boys Baseball Coach Mike Voekel.

PTSA

In December, PTSA hosted a Holiday Luncheon for all Faculty and Staff in the Faculty/Staff Lounge. Teachers picked up their classroom emergency supplies as needed, and everyone was able to take a box of tissues back to their classroom!

The PTSA Board will meet Thursday, January 19th to finalize the PTSA Senior Scholarship Application. Revisions to last year's application will broaden the availability of the scholarship to students planning vocational training. Also, we will be discussing with Ms. Iannessa plans to inspect the contents of the emergency sheds on the Stadium By The Sea shed to make sure they are current and being maintained properly by the Red Cross.

Pali PTSA's first General Meeting of 2012 will be on Thursday, February 2nd, at 8:00 a.m., in the Library. Our guest speaker will be Ms. Iannessa, who will update parents on attendance trends and the WASC review process.

I. Purpose

The purpose of this policy is to set forth the terms and conditions for the operation of fundraising by school-related organizations.

II. General Statement Of Policy

Palisades Charter High School (“School”) recognizes the financial contribution and support that it receives from school-related organizations. This policy is adopted to define the relationship between the School and the school-related organizations.

III. Relationship

School-related organizations such as booster clubs and parent-teacher organizations are not school-sponsored organizations. The school-related organizations must meet the terms and conditions of this policy to use the School name, mascot, logo, School facilities or to represent any affiliation with the School. School-related organizations shall not represent or imply that activities, contracts, purchases or financial commitments are made on behalf of or are legally binding upon the School.

IV. Terms and Conditions

A) Request for Authorization

A Request for Authorization must be submitted to and approved by the Executive Director and Principal no later than August 15 of each year. Requests for authorization as a school-related organization shall contain:

- i) The name of the organization.
- ii) The date of application
- iii) Membership quotas or qualifications.
- iv) The names, addresses and phone numbers of all officers, updated annually.
- v) A brief description of the organization’s purpose.
- vi) Any bylaws of the organization along with any amendments.
- vii) A list of specific annual goals and objectives with meeting minutes.
- viii) The names of those authorized to request funds from the organization’s School account.
- ix) The signature of the Executive Director and Principal.
- x) Desired use for any money remaining at the end of the year if the organization is not continued or authorized to continue in the future.
- xi) Evidence of liability insurance as required by law.
- xii) If applicable, any documentation from the State of California or the Federal Government identifying the legal status of the school-related organization, including Tax Identification Number.

Any program, fundraiser, or other activity sponsored by a school-related organization shall be authorized and conducted according to Board policy, procedures, and School rules. Announcements of events and related parent/guardian permission slips shall clearly indicate that the activity or event is sponsored by the school-related organization, not by the School.

B) Fundraising

- i) All fundraising events shall be organized with prior written approval of the Executive Director and Principal. The School should be advised of fundraising activities prior to events to prevent overlapping efforts.
- ii) All requests for fundraising shall include a specific purpose for the fundraising activity.
- iii) Within seven (7) days of the completion of the fundraising event a fundraising report shall be provided to the Executive Director and Principal. The fundraising report shall contain:
 - a) The name of the organization.
 - b) The date of the fundraising event.
 - c) A description of the fundraising event.
 - d) The expenses incurred by the organization and a copy of the receipts for the fundraising event.
 - e) The amount of funds raised by the event.
- iv) All fundraising money shall be remitted to the School no later than seven (7) days after completion of the fundraising event and will be deposited by the School into an account designated for the school-related organization.
- v) Fundraising money will be disbursed to the authorized representative of a school-related organization after submission to and approval by the Executive Director and Principal of a disbursement request. The disbursement request shall contain:
 - a) The name of the organization.
 - b) The date of the disbursement request.
 - c) The amount of the disbursement request.
 - d) A description of the purpose of the disbursement request.
 - e) Supporting documentation, including invoices and estimates.
- vi) No later than the end of the school year, a fundraising plan for the next school year must be submitted to the Executive Director and Principal for Board review and approval.

C) Accounting

i) Audits

A school-related organization must conduct an annual accounting or audit of its receipts and disbursements and submit a financial or audit report, performed in accordance with generally accepted auditing principles, to the Executive Director and Principal by October 1 of each calendar year. A school-related organization shall permit the School's Chief Business Officer or designee to at least annually audit all bank accounts maintained by the school-related organization at the School's discretion.

- ii) The school-related organization's bylaws must specify a reasonable procedure for internal financial control that shall be reviewed and approved by the School's Chief Business Officer.

D) Website

- i) No school-related organization will be permitted to operate an independent website.
- ii) A school-related organization may operate a website that is accessed through the School website if the following conditions are met:
 - a) Written permission from the Executive Director and Principal is granted for the school-related organization to create a link to the organization's website.
 - b) The content of the website is approved by the Board of Directors
 - c) Sites, pages and/or other material that have not been actively maintained for six (6) months may be removed without notice.
 - d) Information published will not contain advertising, sponsored links, or the endorsement of any products or services without the written approval of the Executive Director and Principal.
 - e) No names, images, work or other information about specific students shall be published on the Internet without the written consent of the parent or legal guardian.
 - f) If any photograph, video, or other published image contains individually identifiable students, permission to use the image must be on file from all students in the image.
 - g) Each school-related organization shall maintain a file of permission forms. It is the responsibility of the person publishing the content to verify written parent or legal guardian consent before using any student name, image, work or other information on the Internet
 - h) Web pages may not be used to promote political positions, personal agendas, non-school-related activities, or other uses that jeopardize the School's tax-exempt status or be deemed inappropriate by the Board of Trustees.
 - i) Sites may not contain links to any questionable material or anything that can be deemed to be in violation of any School policy or any applicable law.
 - j) The School name, mascot and/or logo may not be used without the written permission of the Executive Director and Principal.

E) Prohibited Activities:

- i) School-related organizations are not allowed to make any direct purchases or payments, including, but not limited to, purchasing uniforms and payment of fees associated with any student activity.
- ii) School-related organizations cannot hire employees or independent contractors without prior written approval from the Executive Director and Principal.
- iii) School-related organizations are not allowed to make any honorarium payments, donations and/or give gifts.

Adopted: [DATE]

Revised: [DATE]

PCHS Financials

Profit & Loss Statement
January 06,2012

AGENDA ITEM IV. D.

2011-2012

	BOARD APPROVED 06/21/11	Updated Projection	
ADA	2,747.0	2,747.3	ADA levels est. updated for Revised Month 3 Actual projections
Revenue:			
Revenue Limit Sources	13,012,759	12,978,465	Lowered ADA funding for December "Trigger" Cuts (\$13/ADA)
Federal Revenues	1,345,406	1,351,078	Slight increase in Fed Sp Ed Funding from Budget-Lower Title II Funding
Other State Revenues	3,798,222	3,754,975	Lower State Sp Ed Funding (\$117k)/Higher EIA Funding (\$75k) than budgeted
Other Local Revenues	5,116,011	5,056,069	Revised Permit Revenue for Staffing changes
Total Revenues	23,272,398	23,140,587	
Expenses:			
Certificated salaries	10,198,731	10,092,765	Part Time Counselor Position filled,ROP Savings offset by add'l Step
- School Administrative	595,737	587,500	
Classified Salaries	2,471,783	2,324,527	Lowered for Reclass of Cafeteria Salaries to Consulting
- Administrative	295,239	265,715	Open Postions still pending-Estimated Act. Work Comp Rates higher (\$30k), Lower Care benefits (\$75k)
Total employee benefits	4,480,858	4,429,703	
Total Salary & Benefits	18,042,349	17,700,210	
Books and supplies	1,557,252	1,313,189	Favorable Transportation/IMA Updates from Budget
Services & other operating expenses	2,652,600	3,007,691	Additional Cafeteria Consulting Exp. Offsets Salary/Benefits, Add'l LAUSD Chgs
Capital Outlays	150,100	150,100	
Facility use fee to LAUSD	449,618	449,618	LAUSD Facility Use Fees Est. at 2.5% of Funding in 2011-2012 (2010-11 includes prior year amts. Not yet billed)
Subtotal-Operating Expenses	22,851,920	22,620,807	
Debt service	96,267	96,267	2011-2012 Loan Updates
Principal repayment	324,194	324,194	2011-2012 Loan Updates
Total debt service	420,462	420,462	
Total Expenses	23,272,381	23,041,269	
Net General Fund Addition/(Reduction)	\$ 17	\$ 99,318	Fund Addition Available to fund other needs or add to reserve/ Reductions to be funded with reserve or other cuts

**PALISADES CHARTER HIGH SCHOOL
TRANSPORTATION RECAP**

AGENDA ITEM IV. D.

2010-2011 SCHOOL YEAR WITH 2011-2012 UPDATES-12/2011

	2010-2011 Approved Budget	2010-2011 Updated 04/2011	2010-2011 Unaudited Actuals	2011-2012 Approved Budget	2011-2012 Updates
LAUSD-MOU Payment	\$ 600,000	\$ 509,000	\$ 509,000	\$ 872,960	\$ 808,480
Global Transportation		311,520	318,600		
Tumbleweed Transportation					
Late Buses	105,000	62,500	184,750	75,000	44,100
Athletic Buses		105,000	100,473	100,000	100,000
Special Ed Buses	55,000	55,000	55,000	55,000	60,000
Field Trips	47,000	35,000	34,415	-	
LAUSD-Misc. Bus Services		4,775	4,775		
Transportation Pmts Received/Budgeted		(108,000)	(54,783)	(202,500)	(307,500)
Total Transportation Expenses	\$ 807,000	\$ 970,020	\$ 1,152,230	\$ 900,460	705,080

14 Buses AM /15 PM
3 Late Buses (Cost Est. \$84 per bus)

No Change
No Change

Total Students using Busing-Paid & Unpaid					<u>872</u>
# of 9th-12th Grade Students riding bus needing to pay		No Actuals	135	270	39
Pre-payment rate					\$ 900
Cost per student		Given	800	1,000	315
10 Payment plan rate					\$ 1,000
Total Potential Student Reimbursable Amount			\$ 108,000	\$ 270,000	\$ 350,500
Potential Uncollected Busing Budget Amount(including service fees)			(54,783)	(202,500)	(43,000)
Total Budgeted Collected Transportation -Net			\$ 53,217	\$ 67,500	\$ 307,500
					<u>\$ 174,560</u>

Collected to Date 12/31/2011

PALISADES CHARLEK HIGH SCHOOL
CAFETERIA PROFIT AND LOSS
2011-2012 ACTUALS vs. BUDGET

	July-August Month (a)	September Month	October Month	November Month	December Month	Year To Date	2011-2012 Budget	2010-2011 Unaudited Actuals
Revenue								
Adult	\$ 492	\$ 345	\$ 676	\$ 893	\$ 893	\$ 2,406		
A La carte	\$ 11,369	\$ 12,461	\$ 11,078	\$ 8,711	\$ 43,619			
Reduced & Paid	\$ 7,758	\$ 10,688	\$ 10,741	\$ 7,400	\$ 36,587			
Total Cash Sales	\$ 19,619	\$ 23,494	\$ 22,495	\$ 17,004	\$ 82,612	\$ 189,106	\$ 180,144	
Catering Revenue	\$ 1,169	\$ 525	\$ 750	\$ 1,249	\$ 3,693	\$ 5,360	\$ 4,245	
State Reimbursements	\$ 3,543	\$ 4,827	\$ 4,509	\$ 2,993	\$ 15,872	\$ 46,978	\$ 42,544	
Federal Reimbursements	\$ 37,414	\$ 50,257	\$ 47,107	\$ 31,200	\$ 165,978	\$ 487,948	\$ 431,594	
Total Revenue	\$ 61,745	\$ 79,104	\$ 74,860	\$ 52,446	\$ 268,155	\$ 729,392	\$ 658,527	
Medical								
Coverage for								
Employees							\$ 28,000	\$ 205,892
Displaced							\$ 12,500	\$ 132,159
Total Salaries	\$ 14,400							
Total Benefits	\$ 14,400	\$ 5,094	\$ 5,170	\$ 5,070	\$ 5,340	\$ 35,073	\$ 40,500	\$ 338,051
Total Salaries & Benefits	\$ 28,800	\$ 10,184	\$ 10,340	\$ 10,410	\$ 10,680	\$ 70,146	\$ 81,000	\$ 776,102
Sodexo Management	\$ 23,105	\$ 30,150	\$ 28,621	\$ 19,249	\$ 81,875.74	\$ 367,876	\$ 141,565	
Food Expense	\$ 30,698	\$ 40,059	\$ 38,027	\$ 25,576	\$ 108,783.87	\$ 288,378	\$ 273,852	
Total Expenses	\$ 58,896	\$ 75,379	\$ 71,718	\$ 50,165	\$ 225,733.05	\$ 696,754	\$ 753,468	
Net Income/(Loss)	\$ (14,400)	\$ 2,849	\$ 3,724	\$ 3,143	\$ 2,281	\$ (2,403)	\$ 32,638	\$ (94,941)
Free Students	NA	696	726	729		754		
Reduced Students	NA	165	176	176		186		
Total F & R-	NA	861	902	905		950	#VALUE!	
Enrollment	2,897	2,898	2,892	2,892		2,822	2,850	2,822
F & R %	29.7%	29.7%	31.2%	31.3%		33.3%	33.3%	#VALUE!
Meals Served:								
Free	17	21	18	12	68	175		
Reduced	14,153	19,056	17,564	11,631	50,773		163,205	
Paid & A La Carte	1,989	2,937	2,976	2,003	7,902		30,397	
Total Meals	2,486	7,629	7,359	4,949	17,474		20,839	
Total Meals	18,628	29,622	27,899	18,583	76,149	218,116	214,441	
Participation:								
Free	NA	64.5%	67.0%	66.0%				
Reduced	NA	65.9%	67.4%	66.9%				
Paid	NA	42.0%	46.3%	46.2%				
Breakfast	NA	42.7%	47.6%	48.6%				
Lunch	NA	4.5%	6.1%	6.2%				
Per Day								
Full Year Projection							\$ 176	
Full Yr.-175 Days							\$ 16,475	



PALISADES CHARTER HIGH SCHOOL

CURRICULUM, INSTRUCTION & ASSESSMENT –

This Curriculum, Instruction & Assessment Report contains eight sections, Data and Assessment, Grading and Benchmark Assessments, Curriculum Implementation, Professional Development and Collaboration, Instructional Delivery, Alignment of Student Work, Coaching and Administrative Walk-Through, School Culture and Student Expectations. The report is not specific to any classroom or content area but to curriculum, instruction and assessment from a school-wide perspective.

Data and Assessment

- Large gaps and holes exist related to data literacy for the administration and data support staff as well as the teaching staff at PCHS. Recommendation – Provide extensive and comprehensive training in data literacy for all staff.
- PCHS is currently using two data management systems, one provided through LAUSD and Mastery Manager. Recommendation – Review both systems based on specific criteria and consider researching and using one user-friendly system.
- Currently no school wide protocol exists for reviewing assessment data and systematically identifying instructional response. Recommendation – Collaboratively develop a high quality protocol that contains all essential components and then provide training and support for implementation

Grading and Benchmark Assessments

- PCHS currently has benchmark assessments in some content areas but not all; administration of the benchmarks is not consistent. The benchmarks are teacher created and there is no documentation to ensure that the benchmarks are aligned to the standards and address the range of rigor and format. Recommendation – Seek expert support to evaluate the efficacy of the current benchmarks and provide assistance to ensure the quality of the assessments mirrors the range of rigor and format of CST questions. Provide expert help in using the benchmark assessments to help prepare students for CAHSEE, ensure support for English learners and students with disabilities.
- PCHS has not implemented a standards-based grading policy and discrepancies exist between student grades and CST scores. Additionally, some content areas report high student failure rates. Recommendation – Work collaboratively with site staff to establish consistent grading criteria between teachers with the same course content (this should be supported through a well-articulated PLC process)



Curriculum Implementation

- Curriculum/pacing guides exist in some content areas but not others. Recommendation – establish a site criterion for the format and content of the curriculum/pacing guides and collaboratively work with teachers to create the guides, provide training for all teachers and review/revise yearly.

Professional Development and Collaboration (PLC)

- Professional development at PCHS has not typically been based on data to ensure a focus on the areas in most need. Recommendation – Develop a professional development plan based on data. Establish a system to provide support for implementation of new strategies and initiatives learned in professional development as well as a system for monitoring.
- PCHS lacks a solid structure to effectively address an instructional response. Recommendation – Provide training for professional learning communities and collaboratively work with the school leadership team to develop a site protocol for data teams to help guide teachers to appropriate instructional response based on student achievement data.

Instructional Delivery

- PCHS does not currently require any lesson plans. Recommendation – Consider working collaboratively with site staff to develop a format and template for lesson plans with identified criteria.
- There was very little evidence of direct instruction strategies during classroom instruction. Recommendation – Ensure that all teachers are trained in the pedagogy of direct instruction, provide support and ensure monitoring by site administrators.
- Learning objectives are an integral part of the direct instruction model, there was very little evidence of learning objectives in classrooms and those that were written lacked appropriate specificity. Recommendation – Provide training on the value of learning objectives and language objectives and train how to write high quality objectives. Establish a site format or sentence frames for learning/language objectives.
- There was little evidence of direct instruction strategies being used in instructional delivery. Recommendation – Provide training for teachers on how to differentiate instruction in the secondary classroom.



Alignment of Student Work

- Student work demonstrated some engaging assignments with application, while others were rote note taking or worksheets. Recommendation – Provide training and support for teachers in creating engaging assignments that can also address differentiated needs of students.
- Review of student work did not indicate that teachers were addressing the full range of rigor and format that students will be expected to do when taking the CST and CAHSEE assessments. Recommendation – Provide training for teachers in the use of the Released Test Questions and how to integrate them into instructional response.
- Interviews with administration and site staff indicated a lack of effective intervention for students. Recommendation – Provide training for all staff on Response to Intervention and work collaboratively to establish a schedule that supports intervention in the school day.

Coaching and Administrative Walk-Through

- The principal does frequent classroom walk-through but did not indicate if specific feedback is provided to teachers. Recommendation – Work collaboratively with the administrative team and teacher leaders to develop a walk-through tool. Establish a system and schedule so that all site administrators do walk-throughs and feedback is targeted and focused.
- An instructional coach does not exist at PCHS. Recommendation – If funding allows, consider providing an Instructional Coach at the site.

School Culture and Student Expectations

- PCHS appears to have a strong and positive culture! Recommendation – Continue what you are doing with school culture and broadcast it to your community.
- Teacher leaders indicated a concern with low expectations for students. Recommendation – work collaboratively with site staff to review current graduation requirements and consider increasing the rigor of some requirements while considering the needs of struggling students at the same time.



PALISADES CHARTER HIGH SCHOOL

CURRICULUM, INSTRUCTION & ASSESSMENT –

Closing Comments

Based on interviews and observation, there is no reason why Palisades Charter High School cannot exit Program Improvement. Your school site has strong leadership and you are passionate about your work and true to the goal of providing the best instruction for Palisades Charter High School students. Continue your work with site leadership teams to collaboratively establish a clear vision and mission develop strong and focused goals along with a well-crafted action plan and then ensure that the action plan is carried out with fidelity.

PALISADES CHARTER HIGH SCHOOL
CBO REPORT
BOARD OF TRUSTEES MEETING
JANUARY 17, 2012

AGENDA Item V. B.

2010-2011 Updates

The Audited Financial Statements are in were completed by our External Auditors and filed with the CDE by December 15, 2011. PCHS received a “Clean” or unqualified Audit Opinion with no Audit Findings for the 2010-2011 Fiscal Year and the one prior year finding was implemented in 2010-2011. These statements are attached to this report and have been posted on-line ([www.palihigh.org/Governance /Budget & Finance/Annual Audited Financials](http://www.palihigh.org/Governance/Budget%20&%20Finance/Annual%20Audited%20Financials)). These statements will be presented to the Board of Trustees at the February 2012 meeting by the Audit Partner, Bob Wilkinson, who had a prior commitment and is unavailable this evening.

2011-2012 Budget

No new enrollment information is available, as Month 4 reporting will not be until January 20, 2012. Preliminary ADA projections were revised for month 3 that revised the “Funded ADA” (YTD ADA after month 7) projections to 2,747.3. Budgeted ADA is 2,747. These ADA projections have been used in the latest 2011-2012 Budget forecast. The financial impact of the 0.3 ADA to the 2011-2012 Budget is approximately \$4,000.

- Mid-year Budget cuts were released and a \$13 per ADA funding reduction is anticipated (approx. \$36,000) the latest funding levels have been reflected on the monthly PCHS Financial Statement estimates through December 2011 (see Agenda Item IV. D. materials) .
- The First Interim Financial Report was filed with the CDE and is enclosed (see Agenda Item VIII. A. materials). This statement shows actual income and expenditures (through October 31,2011) and full year projected budget and balance sheet
- The latest Transportation Update is included showing the level of expenditures, parent collections and ridership information (see Agenda Item IV. D. materials).
- The Permit Account was discussed at the August 2011 meeting, a review of the Account will be done in the February meeting.

**PALISADES CHARTER HIGH SCHOOL
CBO REPORT
BOARD OF TRUSTEES MEETING
JANUARY 17, 2012**

2011-2012 Budget (continued)

- The consolidated application normally submitted to the CDE by the end of January has been delayed due to CDE form revisions. As a result, no action item is requested of the Board for the January meeting.

Cafeteria

The Cafeteria Operations continues to show improved (profitable) results for the 2011-2012 School Year. As requested, actual results through December 2011 with participation %'s are included. A Mid Year Expectations review was conducted with Sodexo management with progress on these areas discussed.

2012-2013 Budget

Governor Brown gave a State of the State address in January that indicated that the State of California Budget, while improved, was facing a projected \$9 million deficit for the 2012-2013 Fiscal Year. Education may be impacted with cuts equivalent to 15 days of instruction. Subject to updated financial information to be released in the May Revision, Governor Brown is proposing a Balanced budget that again will contain triggers that would be invoked, if needed. He has promised to put Tax increase initiatives (Sales & income) on the November ballot as a means to balance the budget and avoid cuts in funding.

As a result of this news, the Budget and Finance Committee met last week and created the attached 2012-2013 Budget Calendar for discussion. This calendar will be approved at the February 2012 Committee meeting.

PALISADES CHARTER HIGH SCHOOL

LOS ANGELES COUNTY

PACIFIC PALISADES, CALIFORNIA

AUDIT REPORT

JUNE 30, 2011

**PALISADES CHARTER HIGH SCHOOL
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JUNE 30, 2011**

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INDEPENDENT AUDITOR'S REPORT

**Board of Trustees
Palisades Charter High School
15777 Bowdoin St.
Pacific Palisades, California 90272-3523**

We have audited the accompanying statement of financial position of Palisades Charter High School as of June 30, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Palisades Charter High School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Palisades Charter High School as of June 30, 2011, and the results of its changes in net assets and its cash flows, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2011, on our consideration of Palisades Charter High School's internal control over financial agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Palisades Charter High School's financial statements as a whole. The accompanying schedule of expenditures of federal awards 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*, and is not a required part of financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2010-11*, published by the Education Audit Appeals Panel, and is also not a required part of the financial statements. The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

William Bradley King & Co. LLP

El Cajon, California
November 16, 2011

**PALISADES CHARTER HIGH SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011 and 2010**

ASSETS

	<u>2011</u>	<u>2010</u>
Current Assets		
Cash and cash equivalents	\$ 3,793,563	\$ 4,995,597
Accounts receivable	5,088,780	3,574,299
Prepaid expense	45,645	61,783
Related party receivable	28,429	39,282
Total Current Assets	<u>8,956,417</u>	<u>8,670,961</u>
Noncurrent Assets		
Property and equipment, net	<u>6,113,628</u>	<u>4,998,733</u>
Total Assets	<u><u>\$ 15,070,045</u></u>	<u><u>\$ 13,669,694</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 283,818	\$ 492,642
Accrued liabilities	2,826,772	2,243,079
Due to sponsoring district	838,027	1,105,057
Deferred revenue	7,381	5,221
Current portion of loans payable	<u>337,388</u>	<u>410,357</u>
Total Current Liabilities	<u>4,293,386</u>	<u>4,256,356</u>
Loans payable, less current portion	<u>1,593,117</u>	<u>714,890</u>
Total Liabilities	<u>5,886,503</u>	<u>4,971,246</u>

Commitments and Contingencies

-

-

NET ASSETS

Unrestricted net assets:

Board designated	2,712,243	2,040,621
General reserves	<u>5,969,549</u>	<u>6,412,427</u>
Total Unrestricted Net Assets	<u>8,681,792</u>	<u>8,453,048</u>
Temporarily restricted net assets	281,750	75,400
Permanently restricted net assets	<u>220,000</u>	<u>170,000</u>
Total Net Assets	<u>9,183,542</u>	<u>8,698,448</u>
Total Liabilities and Net Assets	<u><u>\$ 15,070,045</u></u>	<u><u>\$ 13,669,694</u></u>

**PALISADES CHARTER HIGH SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2011 and 2010**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	2010 Totals
Revenues:					
Federal revenue	\$ 2,136,254	-	-	\$ 2,136,254	\$ 1,407,099
General purpose grant	13,281,629	-	-	13,281,629	11,955,989
Categorical grant	1,371,314	-	-	1,371,314	1,418,366
Property tax	3,314,102	-	-	3,314,102	3,807,630
State revenue	2,738,368	-	-	2,738,368	2,432,909
Local revenue	828,021	67,041	50,000	945,062	900,513
Interest revenue	63,374	-	-	63,374	70,627
Net assets released from restrictions	(139,309)	139,309	-	-	-
Total Revenues	23,593,753	206,350	50,000	23,850,103	21,993,133
Expenses:					
Salaries and wages	13,267,361	-	-	13,267,361	13,558,999
Employee benefits	4,233,159	-	-	4,233,159	4,173,138
Books and supplies	1,930,424	-	-	1,930,424	1,068,803
Services and operating expenses	3,164,959	-	-	3,164,959	2,819,693
Other	247,250	-	-	247,250	179,268
Interest	99,684	-	-	99,684	55,735
Depreciation	422,172	-	-	422,172	723,915
Total Expenses	23,365,009	-	-	23,365,009	22,579,551
Increase (Decrease) in net assets	228,744	206,350	50,000	485,094	(586,418)
Net assets at beginning of year	8,453,048	75,400	170,000	8,698,448	9,284,866
Net assets at end of year	\$ 8,681,792	\$ 281,750	\$ 220,000	\$ 9,183,542	\$ 8,698,448

**PALISADES CHARTER HIGH SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,**

Cash Flows From Operating Activities

	<u>2011</u>	<u>2010</u>
Change in Net Assets:	\$ 485,094	\$ (586,418)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	422,172	723,915
Interest expense accrued as debt	-	33,835
Decrease (increase) in operating assets:		
Accounts receivable	(1,514,481)	(728,860)
Related party receivable	10,853	9,094
Prepaid expenses	16,138	5,815
Increase (decrease) in operating liabilities:		
Accounts payable	(208,824)	301,606
Accrued liabilities	583,693	244,573
Deferred revenue	2,160	3,580
Due to sponsoring district	(267,030)	205,894
Net Cash Used by Operating Activities	<u>(470,225)</u>	<u>213,034</u>
Cash Flows From Investing Activities		
Proceeds from sale and maturities of investment	-	455,235
Purchase of property and equipment	(1,537,067)	(3,191,436)
Net Cash Used From Investing Activities	<u>(1,537,067)</u>	<u>(2,736,201)</u>
Cash Flows From Financing Activities		
Proceeds from issuance of debt	1,354,580	750,000
Repayment of debt	(549,322)	(88,017)
Net Cash Provided by Financing Activities	<u>805,258</u>	<u>661,983</u>
Net Decrease in Cash and Cash Equivalents	(1,202,034)	(1,827,349)
Cash and Cash Equivalents at the beginning of the year	<u>4,995,597</u>	<u>6,822,946</u>
Cash and Cash Equivalents at the end of the year	<u>\$ 3,793,563</u>	<u>\$ 4,995,597</u>
Interest paid during the fiscal year	<u>\$ 99,684</u>	<u>\$ 55,735</u>

**PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

A. Organization and Summary of Significant Accounting Policies

Organization

Palisades Charter High School (School) is a California public charter school, organized with the mission to educate our diverse students by developing their skills and talents to help them make positive contributions to our 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 Los Angeles Unified School District (LAUSD). The School pays Los Angeles Unified School District for its actual costs of supervisory oversight up to 3% of revenues.

Basis of Presentation

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

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:

Pool loan restricted cash	\$ 280,258
Track and Field Program	187
Drama Program	1,040
Library Fund	<u>265</u>
Total	<u>\$ 281,750</u>

- Permanently restricted: These net assets are permanently restricted by donors and cannot be used by the School. As of June 30, 2011, the School has \$220,000 in permanently restricted net assets of which the earnings are to be used for Scholarships.

Use of Estimates

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

**PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

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

Cash and Cash Equivalents

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

Investments

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

Donated Property and Equipment

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

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

Property and Equipment

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

Revenue Recognition

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

PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

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

Income Taxes

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

Deferred Revenue

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

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

Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

The School maintains a portion of its cash in the Los Angeles County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Subsequent Events

All events subsequent to the statement of financial position date of June 30, 2011 through November 16, 2011, 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*.

B. Concentration of Credit Risk

The School maintains bank accounts with two institutions. Interest bearing accounts 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.

**PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

B. Concentration of Credit Risk (continued)

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.

C. Accounts Receivable

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

Federal programs	\$ 189,419
State programs	4,617,302
Local and miscellaneous	<u>282,059</u>
Total	<u>\$ 5,088,780</u>

D. Property and Equipment

Property and equipment consist of the following at June 30, 2011:

Equipment	\$ 662,363
Building improvements	<u>8,345,686</u>
Total	9,008,049
Less accumulated depreciation	<u>(2,894,421)</u>
Total property and equipment, net	<u>\$ 6,113,628</u>

E. Accounts Payable

Accounts payable at June 30, 2011 consisted of:

Vendors payable	<u>\$ 283,818</u>
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**PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

F. Long-Term Debt

In February 2010 the School entered into a loan agreement with an individual in the amount of \$750,000 for costs associated with the School’s pool project. The loan bears interest at a rate of 5.6 percent annual simple interest. Repayment of the loan plus accrued interest of \$33,835 began January 2011 and will be made quarterly through October 2015. At June 30, 2011 the principal amount due was \$714,890.

In July 2010, the School entered into two term loan facility agreements (the “Credit Facilities) with Bank of the West. Facility Agreement #1 is a 3-year fully amortizing term loan in the amount of \$354,580 used to refinance the balloon payment on the De Lage Landen Public Finance LLC loan that matured on June 30, 2010. Facility Agreement #2 is a 5.5-year term loan facility amortized over 10 years in the amount of \$1,000,000 that was used to complete the School’s pool project. This term loan had a six month interest only period followed by an amortization period of 60 months plus a balloon payment of \$577,282.60 due at maturity. Both Facility Agreements are presently amortizing.

On August 24, 2010, the School entered into two interest rate swap agreements (the “Swap Agreements”) with the Bank for the purpose of fixing the interest rate on the majority of the Credit Facility. The Swap Agreements effectively fixed the interest rates on 100% of Facility Agreement #1 and 90% of Facility Agreement #2 at a rate of 5.69%, the rate determined on the basis of a 3.75% LIBOR credit spread. The remaining 10% balance of Facility Agreement #2 accrues interest on the basis of the Bank’s monthly LIBOR rate plus a credit spread 3.75%.

The Credit Facilities are collateralized by a UCC filing with the California Secretary of State on substantially all of the assets of the School and perfected by a Credit and Security Agreement dated July 28, 2010. Additional collateral for the Credit facilities is in the form of pledged cash on deposit with the Bank, and are reported and discussed on page 6 in the “Temporarily Restricted Net Assets of the Organization” section of the financial statements.

Repayment of the loans are as follows:

Fiscal Year Ending <u>June 30,</u>	<u>Payments</u>
2012	\$ 337,388
2013	368,309
2014	250,513
2015	885,752
2016	<u>88,547</u>
Total	<u>1,930,509</u>
Less current portion	<u>(337,388)</u>
Net long-term debt	<u>\$ 1,593,117</u>

**PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

G. Employee Retirement System

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the Public Employees' Retirement System (PERS). The School contributes directly through the Los Angeles County Office of Education (LACOE) for employee's retirement programs.

Plan Description

The school contributes to the 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 report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

State Teachers' Retirement System (STRS)

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 PERS Executive Office, 400 P Street, Sacramento, CA 95814.

The School's classified employees participate in PERS. The School reports all applicable information to PERS through the LACOE. The School is required to contribute 10.707% of annual eligible payroll for active plan members.

**PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

G. Employee Retirement System (continued)

Contributions to STRS and PERS

The School's contribution 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
2009	\$ 875,232	100%	\$ 219,986	100%
2010	\$ 850,480	100%	\$ 223,658	100%
2011	\$ 740,181	100%	\$ 206,681	100%

H. Other Post Employment Benefits

Palisades Charter High School (PCHS) provides for the continuation of retiree health benefits to eligible employees at retirement. Retiree health benefits include medical, prescription drug, dental and vision coverage. PCHS currently pays the cost of coverage for the retiree and any covered dependents during the lifetime of the retiree. Eligibility for retiree health benefits varies based on when an employee was hired. Employees hired on or after July 1, 2009 except Palisades Educational Support Personnel United (PESPU) employees are not eligible for PCHS paid retiree health benefits.

PCHS currently provides medical, dental and vision benefits to approximately 165 eligible active employees. As of June 30, 2011 there were three retirees eligible for benefits.

PCHS provides health benefits to certain eligible employees at retirement. The retiree health benefits provided are a continuation of the medical including prescription drugs, dental and vision benefits provided to active employees. The retiree health coverage is paid for entirely by PCHS for the lifetime of the retiree. Survivors of deceased retirees may continue health coverage at their own expense. Eligibility for retiree health benefits requires the following:

*Future retiree must be enrolled in health plan prior to retirement date.

*Future retiree must be in receipt of monthly payment from STRS or PERS.

*Active employees must meet the following years of service requirements at retirement.

- Hired before 3/12/84 must have 5 consecutive years of service just prior to retirement.
- Hired after 3/11/84 but before 7/1/87 – must have 10 consecutive years of service just prior to retirement.
- Hired after 6/30/87 but before 6/1/92 – must have 15 consecutive years of service just prior to retirement or 20 years service with 10 years of consecutive years of service just prior to retirement.

**PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

H. Other Post Employment Benefits (continued)

- Hired after 5/31/92 age + consecutive years of qualifying service at retirement greater than or equal to 80.
- Hired after 2/28/07 age + consecutive years of qualifying service at retirement greater than or equal to 80 and at least 15 consecutive years of qualifying service at retirement.
- PESPU hired after 6/30/09 age + consecutive years of qualifying service at retirement greater than or equal to 85 and at least 25 consecutive years of qualifying service at retirement.

*Retiree must be enrolled in Medicare Part A if eligible; and must enroll in Part B.

All employees except PESPU employees hired on or July 1, 2009 are not eligible for PCHS-paid health benefits at retirement. Employees who defer their retirement after separation from service with PCHS are not eligible for PCHS-paid health benefits.

		Projected 6/30/2011 *
1. Change in Benefit Obligation		
Benefit Obligation at Beginning of Year	\$	10,371,867
Service Cost		876,119
Interest Cost		622,312
Change Due to Plan Amendments		-
Change Due to Gain/Loss		-
Benefits Paid		-
Benefit Obligation at End of Year	\$	11,870,298
2. Change in Plan Assets		
Fair Value of Plan Assets at Beginning of Year	\$	-
Expected/Actual Return of Plan Assets		-
Employer Contributions		-
Benefits Paid		-
Fair Value of Plan Assets at End of Year	\$	-
3. Funded Status 2. minus 1.		
Unrecognized Net Gain/Loss		-
Unrecognized Prior Service Cost		-
Unrecognized Transition Obligation		9,853,274
Net Amounts Recognized	\$	(2,017,024)
4. Amount Recognized in Unrestricted Assets		
Net Actuarial Gain/Loss	\$	-
Prior Service Cost	\$	-
Unrecognized Net Transition Obligation	\$	9,853,274
Net Amount Recognized	\$	9,853,274
5. Weight Average Assumptions for Disclosure		
Discount Rate		6.0%
Initial Healthcare Trend Rate		8.5% PPO/ 8.0% HMO

**PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

H. Other Post Employment Benefits (continued)

	Projected 6/30/2011*
6. Components of Net Periodic Benefit Cost	
Service Cost	\$ 876,119
Interest Cost	622,312
Expected Return on Assets	-
Amortization of Net (Gain)/Loss	-
Amortization of Prior Service Cost	-
Amortization of Transition Obligation	518,593
Net Periodic Postretirement Benefit Cost	\$ 2,017,024
7. Effect of a 1% Increase in Healthcare Trend	
Benefit Obligation	\$ 2,346,363
Total Service Cost and Interest Cost	\$ 381,419
8. Effect of a 1% Decrease in Healthcare Trend	
Benefit Obligation	\$ (1,331,105)
Total Service Cost and Interest Cost	\$ (211,840)
9. Estimated Future Benefit Payments	
2011/2012	\$ 71,887
2012/2013	\$ 163,264
2013/2014	\$ 234,084
2014/2015	\$ 312,367
2015/2016	\$ 390,393
2016/2017	\$ 457,650
2017/2018	\$ 522,735
2018/2019	\$ 601,183
2019/2020	\$ 707,905
2020/2021	\$ 816,611

* The above information relating to the School's Other Post Employment Benefits are contained in the Palisades Charter High School Actuarial Valuation as of July 1, 2009 for the 2009-2010 fiscal year. This information has been updated for known information from the 2010-11 fiscal year. The School will obtain a new actuarial valuation for the 2011-2012 fiscal year and anticipates having a new evaluation every two years.

I. Board Designated Unrestricted Net Assets:

In response to and in anticipation of the post-retirement health benefits described in Note H, the School has designated \$2,712,243 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.

**PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

I. Board Designated Unrestricted Net Assets: (continued)

A summary of the Board designated unrestricted net assets is as follows:

Balance June 30, 2010	\$ 2,040,621
Current year designations	691,000
Current year benefits paid	<u>(19,378)</u>
Balance June 30, 2011	<u>\$ 2,712,243</u>

J. Commitments and Contingencies

State and Federal Allowances, Awards, and Grants

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

SUPPLEMENTAL INFORMATION

**PALISADES CHARTER HIGH SCHOOL
ORGANIZATION
JUNE 30, 2011**

The Palisades Charter High School (Charter #0037) was formed pursuant to Education Code 47600 under the agreement with the Los Angeles Unified School District granted in September 1993. The charter was renewed by Los Angeles Unified School District for a five year term in May 2010.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Naomi Norwood	Community Representative	1 Year Term Expires 10/30/2011
James Paleno	Teacher Representative	1 Year Term Expires 10/30/2011
Jason Cutler	Community Representative	2 Year Term Expires 10/30/2011
Stephanie Inyama	Parent Representative	2 Year Term Expires 10/30/2012
Lisa Kaas-Boyle	Community Representative	2 Year Term Expires 10/30/2012
Eleanor Rozell	Classified Representative	1 Year Term Expires 10/30/2011
Chris Lee	Teacher Representative	2 Year Term Expires 10/30/2012
Allison Holdorff-Polhill	Parent Representative	2 Year Term Expires 10/30/2012
Susan Frank	Parent Representative	2 Year Term Expires 10/30/2011
Wendy Hagan	Teacher Representative	2 Year Term Expires 6/30/2012
Monica Iannessa	Administrative Representative	2 Year Term Expires 10/30/2012
Shahin Mohammad 1 (Ex-Officio)	Student Representative	1 Year Term Expires 6/30/2011

ADMINISTRATION

Michael A. Smith, (Ex-Officio) Executive Director

Gregory Wood, (Ex-Officio) Chief Business Officer

Marcia Haskin, (Ex-Officio) Academic Principal

**PALISADES CHARTER HIGH SCHOOL
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2011**

Classroom Based	Second Period Report		Annual Report*	
	Original	Revised	Original	Revised
High School:				
Grades 9 through 12, regular classes	<u>2,717.86</u>	<u>2,716.72</u>	<u>2,674.21</u>	<u>2,674.21</u>

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

*The school did not revise their annual report of attendance.

**PALISADES CHARTER HIGH SCHOOL
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Classroom Based</u> Grade Level:	<u>Minutes</u> <u>Requirement</u>	<u>2010-11</u> <u>Actual Minutes</u>	<u>Number of</u> <u>Traditional</u> <u>Days</u>	<u>Status</u>
Grade 9	62,949	65,940	176	Complied
Grade 10	62,949	65,940	176	Complied
Grade 11	62,949	65,940	176	Complied
Grade 12	62,949	65,940	176	Complied

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

**PALISADES CHARTER HIGH SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED, JUNE 30, 2011**

<u>Federal Grantor/Pass Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
Title I*	84.010	14416	\$ 252,363
Title III LEP	84.365	10084	9,412
ARRA-State Fiscal Stabilization Fund*	84.394	25008	262,159
Title II-Teacher Quality	84.367	14341	27,658
Special Education*	84.027	13379	531,509
Enhancing Education	84.386	15019	2,138
ARRA-Education Jobs Fund	84.410	25152	<u>619,421</u>
Total Passed Through State Department of Education			<u>1,704,660</u>
Total U.S. Department of Education			<u>1,704,660</u>
<u>U.S. Department of Agriculture</u>			
Passed Through State Department of Education:			
National School Lunch Program*	10.555	13396	<u>431,594</u>
Total U.S. Department of Agriculture			<u>431,594</u>
Total Expenditures of Federal Awards			<u>\$ 2,136,254</u>

*Indicates clustered program under OMB Circular A-133 Compliance Supplement

**PALISADES CHARTER HIGH SCHOOL
RECONCILIATION OF ANNUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED, JUNE 30, 2011**

June 30, 2011 Annual Financial Report Fund Balances (Net Assets)	<u>\$ 4,663,031</u>
Adjustments and Reclassifications:	
Increasing (Decreasing) the Fund Balance (Net Assets):	
Property and equipment (net of accumulated depreciation) understated	6,113,628
Liabilities understated	<u>(1,593,117)</u>
Net Adjustments and Reclassifications	<u>4,520,511</u>
June 30, 2011 Audited Financial Statement Fund Balances (Net Assets)	<u>\$ 9,183,542</u>

This schedule provides the information necessary to reconcile the net assets as reported in the unaudited actual report to the net assets reported on the audited financial statements.

OTHER INDEPENDENT AUDITOR'S REPORTS



P. Robert Wilkinson, CPA
Brian K. Hadley, CPA

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Aubrey W. King, CPA
Richard K. Savage, CPA

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

**Board of Trustees
Palisades Charter High School
Pacific Palisades, California**

We have audited the financial statements of Palisades Charter High School as of and for the year ended June 30, 2011, and have issued our report thereon dated November 16, 2011. 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 Palisades Charter High School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Palisades Charter High School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Palisades Charter High School's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Palisades Charter High School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the organization, the Board of Trustees, and governmental awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

William Nady King, CPA, LP

El Cajon, California
November 16, 2011



Wilkinson Hadley King & Co. LLP
CPAs and Advisors

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

**Board of Trustees
Palisades Charter High School
Pacific Palisades, California**

Compliance

We have audited Palisades Charter High School's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Palisades Charter High School's major federal programs for the year ended June 30, 2011. Palisades Charter High 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 Palisades Charter High School's management. Our responsibility is to express an opinion on Palisades Charter High 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 Palisades Charter High 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 on Palisades Charter High School's compliance with those requirements.

In our opinion, Palisades Charter High School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Palisades Charter High 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 Palisades Charter High School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on 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 Palisades Charter High School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information of the Board of Trustees, management, others within the organization, the State Controller's Office, and federal award agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



El Cajon, California
November 16, 2011



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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

**Board of Trustees
Palisades Charter High School
Pacific Palisades, California**

We have audited the financial statements of the Palisades Charter High School ("School") as of and for the year ended June 30, 2011, and have issued our report thereon dated November 16, 2011. We have also audited the School's compliance with the requirements specified in the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2010-11*, published by the Education Audit Appeals Panel, applicable to the School's statutory requirements identified below for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

The auditing standards referred to above require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the state laws and regulations applicable to the items in the schedule below occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School's compliance with those requirements.

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

<u>Description</u>	<u>Procedures In Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	8	N/A
Kindergarten Continuance	3	N/A
Independent Study	23	N/A
Continuation Education	10	N/A
Instructional Time:		
School Districts	6	N/A
County Offices of Education	3	N/A
Instructional Materials, General Requirements	8	N/A
Ratio of Administrative Employees to Teachers	1	N/A
Classroom Teacher Salaries	1	N/A
Early Retirement Incentive Program	4	N/A
GANN Limit Calculation	1	N/A

School Accountability Report Card	3	N/A
Public Hearing Requirement-Receipt of Funds	1	N/A
Class Size Reduction Program (Including In Charter Schools):		
General Requirements	7	N/A
Option One Classes	3	N/A
Option Two Classes	4	N/A
Only One School Serving Grades K-3	4	N/A
After School Education and Safety Program		
General Requirements	4	N/A
After School	4	N/A
Before School	5	N/A
Contemporaneous Records of Attendance, For Charter Schools	1	Yes
Mode of Instruction, for Charter Schools	1	Yes
Nonclassroom-Based Instruction/Independent Study, For Charter Schools	15	N/A
Determination of Funding for Nonclassroom-Based Instruction, For Charter Schools	3	N/A
Annual Instructional Minutes – Classroom Based, For Charter Schools	3	Yes

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

In our opinion, Palisades Charter High School complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2011.

This report is intended solely for the information and use of the Board of Directors, Management, State Controller’s Office, Department of Finance, Department of Education, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

William Bradley King & Co LLP

El Cajon, California
November 16, 2011

**PALISADES CHARTER HIGH SCHOOL
SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2011**

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are Not considered to be material weaknesses? Yes X No

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that Are not considered to be material weaknesses? Yes X 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 OMB Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.410	ARRA Education Job Fund
10.555	National School Lunch Program
84.394	ARRA State Fiscal Stabilization Funds

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

Auditee qualified as low-risk auditee? Yes X No

3. State Awards

Internal control over state programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies that are not considered to be material weaknesses? Yes X No

Type of auditor's report issued on compliance for state programs? Unqualified

**PALISADES CHARTER HIGH SCHOOL
FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

B. Financial Statement Findings

None.

C. Federal Award Findings

None.

D. State Award Findings

None.

**PALISADES CHARTER HIGH SCHOOL
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Finding 2010-1 (50000)
Federal Payroll

Federal Program Information:
Special Education (84.027)
ARRA State Fiscal Stabilization Fund (84.394)
Title 1(84.010)
ARRA Title 1 (84.389)

Compliance Requirement
Allowable Costs

Criteria or Specific Requirement

Determine the School has procedures and controls in place to ensure all employees who are funded by federal programs have the proper documentation on file to support the allocation of federal funding sources.

Condition

In our review of payroll for employees who were funded by federal programs, we noted the School did not have on file the required semi-annual certification forms for those charged 100% to the program, and did not have on file a PAR (Personnel Activity Report) form for those who multifunded.

OMB Circular A-87 requires that if an employee is funded by a sole single federal categorical program or cost objective, the minimum requirement for documenting salary or wages is a semi-annual certification by the employee that he or she worked only in that federal categorical or cost objective during the period covered by the certification. The certification must be signed by the employee or the supervisor having firsthand knowledge of the work performed. If an employee is funded by multiple programs, a PAR or its equivalent is required to be obtained by the district to support the employee's salary.

None of the employees selected for testing had on file the semi-annual certification or a PAR, or its equivalent, to support their funding, as required.

Questioned Costs

The salary and benefits for the following programs:
Special Education (84.027) \$322,238
ARRA State Fiscal Stabilization Fund (84.394) \$853,069
Title 1 (84.010) \$208,694
ARRA Title 1 (84.389) \$50,121

Current Status

Implemented.

**Human Resources Report
January 17, 2012**



A CALIFORNIA DISTINGUISHED SCHOOL

- **Staffing :**

Status of Vacant Positions

Vacant Positions	First Level Interview	Second Level Interview	Scheduled Interview Date
English Teacher		XX	Jan 18-20, 2012
Special Education	XX		Jan 18, 2012
Operations Manager	XX		Jan 20, 2012
Senior Office Assistant	Pending		TBA

Elections: (Contracted Positions)

1. Brooke King, Aquatics Director
2. John Achen, Temporary Athletic Director

- PCHS Employee Wellness Fair : January 18, 2012
Mercer Hall (7:45 am -3:30 pm)

Agenda Information Sheet for the Board Meeting (January 17,2012)

Date: January 13, 2012

Topic: Agenda Item VII. A.-PCHS Credit Card

Presenter: Consent Item/Greg Wood

Recommendation:

Approve Pamela Magee to Authorize PCHS to obtain a Company Credit Card to be used by the Executive director and Chief Business Officer with a monthly credit limit of \$80,000.

Costs:

To avoid Bank Fees, PCHS is going to process the monthly Food Service invoices through this new credit facility; the volume of this transaction will avoid bank fees normally charged.

Background: See prior Discussion below.

Prior discussions and/or action:

PCHS previously had a credit card with Bank of America for the Executive Director & Chief Business Officer. PCHS no longer uses Bank of America. Appropriate controls will be enforced in utilizing these credit cards.

Alternatives:

No credit card for PCHS, status quo.

Pros & Cons: N/A

Relevance to PCHS' mission:

To use of Credit Cards, will allow more access to goods and services that are only provided on-line and allow PCHS to provide these items to the stakeholders

Stakeholder input: Numerous employees are currently required to charge their own credit card and seek reimbursement for goods and services that can only take a credit card. This inconvenience and PCHS control on the expenditures enhances the cost controls.

Additional Information: None

Number of accompanying materials:

See Attached Bank of the West Credit Card Application



Corporate Rewards Application

1. COMPANY INFORMATION

Company Name Palisades Charter High School
 (21 Characters Including Spaces) P A L I S A D E S C H A R T E R H S
 THIS WILL BE EMBOSSED UNDERNEATH THE CARDHOLDERS NAME ON THE CARD

Company Address 15777 Bowdoin Street
 City/State/ZIP Pacific Palisades, CA 90272
 Company Phone (310) 230-6623 Tax Identification Number 92-0184898
 Company Gross Annual Revenue 23,000,000 Direct Debit (Attach Form)

2. CLIENT CONTACT INFORMATION

CARD ADMINISTRATOR: Name <u>GASCOY WOOD</u> Title <u>Chief Business Officer</u> Business Address <u>15777 Bowdoin St.</u> City/State/ZIP <u>PACIFIC PALISADES, CA 90272</u> Business Phone <u>(310) 230-6650</u> Email <u>jwood@palhigh.org</u>	ADDITIONAL ADMINISTRATOR: <input type="checkbox"/> Reward Points Contact Only Name <u>PAMELA MAGEE</u> Title <u>Executive Director + PRINCIPAL</u> Business Address <u>15777 BOWDOIN ST.</u> City/State/ZIP <u>PACIFIC PALISADES CA 90272</u> Business Phone <u>(310) 230-6630</u> Email <u>pmagee@palhigh.org</u>
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3. SIGNATURE

By requesting participation in the Corporate Rewards Program, in connection with your Bank of the West Commercial Card account, you agree to be bound by the Corporate Rewards Card Program Terms and Condition of this Reward Card Program.

Company Officer Name Pamela Magee Title Executive Director + PRINCIPAL
 Signature X _____ Date _____

BOW Use Only

Credit Limit:	Company ID #:	Existing Customer Yes <input type="checkbox"/> No <input type="checkbox"/>	Corporate Account Number:	CBG <input type="checkbox"/> RBG <input type="checkbox"/> NFG <input type="checkbox"/>	Branch ID:	Relationship Manager Name:	RM Employee #:	Cash Management Consultant Name:
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MasterCard is a registered trademark of MasterCard International Incorporated.

BALANCE SHEET - MODIFIED ACCRUAL (GOVERNMENTAL FUNDS)

	6/30/12 EST
ASSETS	ACTUALS
	1ST INTERIM
Cash	
a) In County Treasury	2,319,000
b) In Banks	1,132,000
c) In Revolving Fund	0
d) with Fiscal Agent	0
e) collection awaiting deposit	0
Investments	0
Accounts Receivable (Includes Pledges)	4,902,000
Stores	0
Prepaid Expenditures	45,644
Other Current Assets	0
TOTAL ASSETS	8,398,644
LIABILITIES	
Accounts Payable	289,455
Current Loans	350,000
Deferred Revenue	7,500
Other Current Liabilities	2,632,000
TOTAL LIABILITIES	3,278,955
FUND EQUITY	5,119,689
DIFF BET. FUND ENDING BAL & FUND EQTY (Should be ZERO)	(0)

PALISADES CHARTER HIGH SCHOOL
2011-2012 First Interim Report

PALISADES CHARTER HIGH SCHOOL

Board of Trustees 2011-2012 Budget	2011-2012 Updates (11/11/2011)	2011-2012 Actuals 10/31/11	Comments
ADA			
2,747.0	2,745.3	2,745.3	
29,772	29,772	11,475	
28,037	28,037	6,837	
		29	
13,012,759	13,004,706	1,536,873	Month 2 Enrollment projection (lower est. ADA) by 1.7 ADA
(57,809)	(57,809)	0	Prior Year Adjustment Coordinated w/ GP PY
13,012,759	13,004,706	(18,312)	
		1,536,902	
250,276	250,276	0	
0	0	0	
520,208	537,365	180,878	Slightly Higher Funding than Budgeted in 2011-2012
0	0	0	
0	0	0	
25,810	25,810	0	Additional Fed Funding in 2010-2011
2,300	2,300	0	
0	0	0	
11,886	10,353	0	
534,928	534,926	0	Projected to Continue Growth of Cafeteria Meals
1,345,405	1,361,930	180,878	
		0	
1,126,270	1,126,270	163,518	
0	611	611	
177,060	252,996	6	
304,917	304,728	0	Updated Increases in 2011-2012 Funding using Unaudited Actuals
0	26,428	26,428	
46,978	46,949	0	
0	0	0	
48,073	48,073	0	
0	9,931	9,931	
1,613,863	1,493,553	502,732	Decrease in 2011-2012 Funding from Projected Amounts
		0	
217,734	217,734	0	
36,286	36,286	7,074	
147,486	147,486	28,856	
0	0	0	
21,747	21,747	0	
0	0	0	
57,809	57,809	18,312	
3,796,222	3,790,601	757,468	

Revenue Limit Sources

Rate per Apportionment: At Risk of Retention, Low STAR, Grades Supp or Rent
 Summer School - Current Year
 ADA
 Summer School - PY adjustments
 General Purpose Entitlement - State Aid - Current Year
 General Purpose Entitlement - State Aid - PY adjustments
 Summer School Reclassifications

Federal Revenues

NCLB: TI, Basic School Support
 NCLB: ARKA T1, Part A, Basic Grts Low-Inc & Neglected
 194.65 Special Ed: IDEA Basic Local Assistance Entitlement
 Special Ed: IDEA PY Adj
Federal Stimulus Funding/Federal Jobs
 NCLB: TI, Teacher Quality
 NCLB: TI, Enhancing Ed Thru Tech Formula Grts
 NCLB: TV, Innovative Ed Strategies
 NCLB: TIII, Ltd English Prof (LEP)
 Child Nutrition Program

Other State Revenues

Charter School Categorical Block Grant- Current Year
 Charter School Categorical Block Grant- PY adjustments
 Economic Impact Aid (EIA)
 State Lottery/Non Prop 20 - Current Year
 State Lottery/Non Prop 20 - PY adjustments
 Child Nutrition: School Programs
 Mandated Costs Reimbursement
 State Lottery-Prop 20 Instructional Materials-Current Year
 State Lottery-Prop 20 Instructional Materials-PY adjustments
 Special Education-
 Special Education - PY adjustments
 Targeted Instructional Improvement Block Grant (TIIBG)
 Arts and Music Block Grant
 Supplemental School Counseling Program
All other State Revenues:
 CAHSEE Intensive Instruction
 Beg. Teachers Salary (BTSA)
 Student ID
 Summer School Reclassification

PALISADES CHARTER HIGH SCHOOL
2011-2012 First Interim Report

PALISADES CHARTER HIGH SCHOOL

Board of Trustees 2011-2012 Budget	2011-2012 Updates (11/11/2011)	2011-2012 Actuals 10/31/11	Comments
164,716	164,716	39,098	Reduction for Staff Cafeteria Down Size
804,744	744,388	246,647	Lowered estimates due to Mgt. Restructuring-To be reviewed Est
58,668	58,668	850	
3,787,893	3,785,549	1,274,435	
300,000	300,000	0	Prior Year Adjustment Coordinated w/ GP P/Y
150,255		150,255	
0		0	
5,116,011	5,053,312	1,710,284	
23,272,398	23,209,648	4,185,532	
23,272,398	23,209,648	4,185,532	
8,973,666	8,973,666	1,539,153	
595,737	587,800	132,536	
98,478	98,478	19,092	
582,464	536,762	113,984	Part Time Counselor utilized in 2011-2012
160,955	160,329	41,231	2011-2012 Step & Column est. now \$270,000
300,000	270,362	-	Auxiliaries, New Hires in Process-No ROP pd Teachers/1 Step Added
83,168	53,168	-	
10,794,465	10,580,265	1,845,977	
580,239	580,239	73,662	
295,239	265,715	45,416	2 Open Positions Amounts to be updated as filled
1,074,968	1,074,968	198,669	
31,000	31,000	7,611	Will be reclassified to Consulting for Cafeteria EE's hired by Sodexo
175,266	28,000	3,714	Est. to be updated
563,750	563,750	125,632	Positions in transition amount TBD
65,000	65,000	0	
(18,430)	(18,430)	0	
2,767,023	2,590,242	454,724	
13,561,491	13,270,507		
833,289	833,289	151,057	
262,777	247,777	35,788	Lowered for Cafeteria Employees
2,500	2,500	127	Lowered for Cafeteria Employees
177,554	167,554	27,957	
144,629	144,629	27,007	
40,093	40,093	6,627	
1,449,991	1,449,991	445,524	
621,425	564,425	210,964	Lowered for Cafeteria Employees
21,235	21,235	101	
11,789	11,789	78	
178,535	165,180	77,825	Total Work Comp Up \$30k from Budgeted Amount
46,041	70,241	37,840	
483,000	483,000	(11,652)	
208,000	208,000	18,895	
4,480,858	4,429,703	1,029,766	

Other Local Revenues

- Food Service Sales
- Leases & Rentals
- Interest
- C S Funding in Lieu of PropTax -
- CS in Lieu of Property Taxes- PY adjustments
- Fundraising
- Loan Proceeds

Total Revenue

Less: Loan Proceeds

ADJUSTED REVENUE Loan Proceeds

Certificated Salaries

- Teachers
- School Admin
- Librarians
- Guidance,Welfare
- Physical/Mental
- Impact of Furlough/ Step and Column
- Budget committee adjustments

Certificated Salaries

Classified Salaries

- Instl Aides
- Admin Sal
- Clerical/Office
- Maint./Oper
- Food Services
- Other Classified
- Impact of Furlough/ Step and Column
- Budget committee adjustments

Classified Salaries

Employee Benefits

- STRS - Certificated
- PERS - Classified
- OASDI Regular - Certificated
- OASDI Regular - Classified
- OASDI Medicare - Certificated
- OASDI Medicare - Classified
- Health & Welfare Benefits - Certificated
- Health & Welfare Benefits - Classified
- Unemployment Insurance - Certificated
- Unemployment Insurance - Classified
- Workers Compensation - Certificated
- Workers Compensation - Classified
- FUTA/Reimbursement
- Other Employment Benefits - Certificated
- Other Employment Benefits - Classified

Employee Benefits

PALISADES CHARTER HIGH SCHOOL
2011-2012 First Interim Report

PALISADES CHARTER HIGH SCHOOL

	Board of Trustees 2011-2012 Budget	2011-2012 Updates (11/11/2011)	2011-2012 Actuals 10/31/11	Comments
Books & Supplies	18,042,348	17,700,210	3,330,507	
Total Salary & Benefits			0	
Textbooks	43,345	43,345	6,526	
Instructional Materials	224,595	224,595	61,982	
Other Supplies	92,225	92,225	23,989	
Pupil Transportation	909,460	705,080	82,888	
Food Service Supplies	296,627	296,627	32,221	
Books & Supplies	1,537,252	1,361,872	207,595	Updated Budget Savings based upon early Transp. Report
Services, Other Operating Exp				
Personnel Services-Mileage	0	28	28	
Travel/Conference	25,810	25,810	10,701	
Dues/Memberships	17,377	31,377	29,529	CCSA Mvmentship Added
Insurance	175,265	151,656	129,625	Actual Insurance down \$23.5 k from Approved Budget
Operation and Housekeeping Services	377,913	417,013	19,248	Requesting LAUSD charges to be reviewed
Rentals/Leases/Repairs&Noncapitalized Improvements	106,589	108,589	66,169	
Consulting Services-LAUSD	1,326,009	1,326,009	175,855	
Professional Consulting Services& Operating Exp	487,037	751,736	132,703	Move \$229,700 from Cafeteria Salaries & Benefits to Consulting
Communications	135,500	135,500	26,023	
Services, Other Operating Exp	2,552,800	2,347,719	538,882	
671,769				
Capital Outlay				
Sites & Improvement	0		0	
Bldgs & Improvement	25,100	25,100	324	
Equipment-Technology	115,000	115,000	67,843	
Equipment Replacement	10,000	10,000	7,251	
Capital Outlay	150,100	150,100	75,419	
Other Outgo				
Debt Service: RESTRICTED FUNDS-/Pool				
Interest	96,267	96,267	32,983	
Principal	324,194	324,194	98,503	
Direct Support/Indirect Costs/All Other Financing Uses	449,618	449,618	61,481	
Indirect Cost (total charter school supervisory oversight fees onl	23,272,381	23,029,980	4,395,370	
Operating Addition/(Reduction)	16	179,668	(209,838)	
Add: Net Pool Construction Revenue/Expense	0			
Net General Fund Addition/Reduction	16			

PALISADES CHARTER HIGH SCHOOL

LOS ANGELES COUNTY

PACIFIC PALISADES, CALIFORNIA

AUDIT REPORT

JUNE 30, 2011

**PALISADES CHARTER HIGH SCHOOL
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JUNE 30, 2011**

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Richard K. Savage, CPA

INDEPENDENT AUDITOR'S REPORT

**Board of Trustees
Palisades Charter High School
15777 Bowdoin St.
Pacific Palisades, California 90272-3523**

We have audited the accompanying statement of financial position of Palisades Charter High School as of June 30, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Palisades Charter High School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Palisades Charter High School as of June 30, 2011, and the results of its changes in net assets and its cash flows, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2011, on our consideration of Palisades Charter High School's internal control over financial agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Palisades Charter High School's financial statements as a whole. The accompanying schedule of expenditures of federal awards 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*, and is not a required part of financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2010-11*, published by the Education Audit Appeals Panel, and is also not a required part of the financial statements. The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

William Bradley King & Co. LLP

El Cajon, California
November 16, 2011

**PALISADES CHARTER HIGH SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011 and 2010**

ASSETS

	2011	2010
Current Assets		
Cash and cash equivalents	\$ 3,793,563	\$ 4,995,597
Accounts receivable	5,088,780	3,574,299
Prepaid expense	45,645	61,783
Related party receivable	28,429	39,282
	8,956,417	8,670,961
Noncurrent Assets		
Property and equipment, net	6,113,628	4,998,733
	\$ 15,070,045	\$ 13,669,694

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 283,818	\$ 492,642
Accrued liabilities	2,826,772	2,243,079
Due to sponsoring district	838,027	1,105,057
Deferred revenue	7,381	5,221
Current portion of loans payable	337,388	410,357
	4,293,386	4,256,356
Loans payable, less current portion	1,593,117	714,890
	5,886,503	4,971,246

Commitments and Contingencies

NET ASSETS

Unrestricted net assets:		
Board designated	2,712,243	2,040,621
General reserves	5,969,549	6,412,427
Total Unrestricted Net Assets	8,681,792	8,453,048
Temporarily restricted net assets	281,750	75,400
Permanently restricted net assets	220,000	170,000
	9,183,542	8,698,448
	\$ 15,070,045	\$ 13,669,694

**PALISADES CHARTER HIGH SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2011 and 2010**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	2010 Totals
Revenues:					
Federal revenue	\$ 2,136,254	-	-	\$ 2,136,254	\$ 1,407,099
General purpose grant	13,281,629	-	-	13,281,629	11,955,989
Categorical grant	1,371,314	-	-	1,371,314	1,418,366
Property tax	3,314,102	-	-	3,314,102	3,807,630
State revenue	2,738,368	-	-	2,738,368	2,432,909
Local revenue	828,021	67,041	50,000	945,062	900,513
Interest revenue	63,374	-	-	63,374	70,627
Net assets released from restrictions	(139,309)	139,309	-	-	-
Total Revenues	23,593,753	206,350	50,000	23,850,103	21,993,133
Expenses:					
Salaries and wages	13,267,361	-	-	13,267,361	13,558,999
Employee benefits	4,233,159	-	-	4,233,159	4,173,138
Books and supplies	1,930,424	-	-	1,930,424	1,068,803
Services and operating expenses	3,164,959	-	-	3,164,959	2,819,693
Other	247,250	-	-	247,250	179,268
Interest	99,684	-	-	99,684	55,735
Depreciation	422,172	-	-	422,172	723,915
Total Expenses	23,365,009	-	-	23,365,009	22,579,551
Increase (Decrease) in net assets	228,744	206,350	50,000	485,094	(586,418)
Net assets at beginning of year	8,453,048	75,400	170,000	8,698,448	9,284,866
Net assets at end of year	\$ 8,681,792	\$ 281,750	\$ 220,000	\$ 9,183,542	\$ 8,698,448

**PALISADES CHARTER HIGH SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,**

Cash Flows From Operating Activities

	2011	2010
Change in Net Assets:	\$ 485,094	\$ (586,418)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	422,172	723,915
Interest expense accrued as debt	-	33,835
Decrease (increase) in operating assets:		
Accounts receivable	(1,514,481)	(728,860)
Related party receivable	10,853	9,094
Prepaid expenses	16,138	5,815
Increase (decrease) in operating liabilities:		
Accounts payable	(208,824)	301,606
Accrued liabilities	583,693	244,573
Deferred revenue	2,160	3,580
Due to sponsoring district	(267,030)	205,894
Net Cash Used by Operating Activities	(470,225)	213,034
Cash Flows From Investing Activities		
Proceeds from sale and maturities of investment	-	455,235
Purchase of property and equipment	(1,537,067)	(3,191,436)
Net Cash Used From Investing Activities	(1,537,067)	(2,736,201)
Cash Flows From Financing Activities		
Proceeds from issuance of debt	1,354,580	750,000
Repayment of debt	(549,322)	(88,017)
Net Cash Provided by Financing Activities	805,258	661,983
Net Decrease in Cash and Cash Equivalents	(1,202,034)	(1,827,349)
Cash and Cash Equivalents at the beginning of the year	4,995,597	6,822,946
Cash and Cash Equivalents at the end of the year	\$ 3,793,563	\$ 4,995,597
Interest paid during the fiscal year	\$ 99,684	\$ 55,735

**PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

A. Organization and Summary of Significant Accounting Policies

Organization

Palisades Charter High School (School) is a California public charter school, organized with the mission to educate our diverse students by developing their skills and talents to help them make positive contributions to our 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 Los Angeles Unified School District (LAUSD). The School pays Los Angeles Unified School District for its actual costs of supervisory oversight up to 3% of revenues.

Basis of Presentation

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

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:

Pool loan restricted cash	\$ 280,258
Track and Field Program	187
Drama Program	1,040
Library Fund	<u>265</u>
Total	<u>\$ 281,750</u>

- Permanently restricted: These net assets are permanently restricted by donors and cannot be used by the School. As of June 30, 2011, the School has \$220,000 in permanently restricted net assets of which the earnings are to be used for Scholarships.

Use of Estimates

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

**PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

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

Cash and Cash Equivalents

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

Investments

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

Donated Property and Equipment

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

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

Property and Equipment

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

Revenue Recognition

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

PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

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

Income Taxes

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

Deferred Revenue

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

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

Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

The School maintains a portion of its cash in the Los Angeles County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Subsequent Events

All events subsequent to the statement of financial position date of June 30, 2011 through November 16, 2011, 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*.

B. Concentration of Credit Risk

The School maintains bank accounts with two institutions. Interest bearing accounts 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.

**PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

B. Concentration of Credit Risk (continued)

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.

C. Accounts Receivable

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

Federal programs	\$ 189,419
State programs	4,617,302
Local and miscellaneous	<u>282,059</u>
Total	<u>\$ 5,088,780</u>

D. Property and Equipment

Property and equipment consist of the following at June 30, 2011:

Equipment	\$ 662,363
Building improvements	<u>8,345,686</u>
Total	9,008,049
Less accumulated depreciation	<u>(2,894,421)</u>
Total property and equipment, net	<u>\$ 6,113,628</u>

E. Accounts Payable

Accounts payable at June 30, 2011 consisted of:

Vendors payable	<u>\$ 283,818</u>
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**PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

F. Long-Term Debt

In February 2010 the School entered into a loan agreement with an individual in the amount of \$750,000 for costs associated with the School's pool project. The loan bears interest at a rate of 5.6 percent annual simple interest. Repayment of the loan plus accrued interest of \$33,835 began January 2011 and will be made quarterly through October 2015. At June 30, 2011 the principal amount due was \$714,890.

In July 2010, the School entered into two term loan facility agreements (the "Credit Facilities) with Bank of the West. Facility Agreement #1 is a 3-year fully amortizing term loan in the amount of \$354,580 used to refinance the balloon payment on the De Lage Landen Public Finance LLC loan that matured on June 30, 2010. Facility Agreement #2 is a 5.5-year term loan facility amortized over 10 years in the amount of \$1,000,000 that was used to complete the School's pool project. This term loan had a six month interest only period followed by an amortization period of 60 months plus a balloon payment of \$577,282.60 due at maturity. Both Facility Agreements are presently amortizing.

On August 24, 2010, the School entered into two interest rate swap agreements (the "Swap Agreements") with the Bank for the purpose of fixing the interest rate on the majority of the Credit Facility. The Swap Agreements effectively fixed the interest rates on 100% of Facility Agreement #1 and 90% of Facility Agreement #2 at a rate of 5.69%, the rate determined on the basis of a 3.75% LIBOR credit spread. The remaining 10% balance of Facility Agreement #2 accrues interest on the basis of the Bank's monthly LIBOR rate plus a credit spread 3.75%.

The Credit Facilities are collateralized by a UCC filing with the California Secretary of State on substantially all of the assets of the School and perfected by a Credit and Security Agreement dated July 28, 2010. Additional collateral for the Credit facilities is in the form of pledged cash on deposit with the Bank, and are reported and discussed on page 6 in the "Temporarily Restricted Net Assets of the Organization" section of the financial statements.

Repayment of the loans are as follows:

Fiscal Year Ending <u>June 30,</u>	<u>Payments</u>
2012	\$ 337,388
2013	368,309
2014	250,513
2015	885,752
2016	<u>88,547</u>
Total	<u>1,930,509</u>
Less current portion	<u>(337,388)</u>
Net long-term debt	<u>\$ 1,593,117</u>

**PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

G. Employee Retirement System

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the Public Employees' Retirement System (PERS). The School contributes directly through the Los Angeles County Office of Education (LACOE) for employee's retirement programs.

Plan Description

The school contributes to the 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 report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

State Teachers' Retirement System (STRS)

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 PERS Executive Office, 400 P Street, Sacramento, CA 95814.

The School's classified employees participate in PERS. The School reports all applicable information to PERS through the LACOE. The School is required to contribute 10.707% of annual eligible payroll for active plan members.

**PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

G. Employee Retirement System (continued)

Contributions to STRS and PERS

The School's contribution 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
2009	\$ 875,232	100%	\$ 219,986	100%
2010	\$ 850,480	100%	\$ 223,658	100%
2011	\$ 740,181	100%	\$ 206,681	100%

H. Other Post Employment Benefits

Palisades Charter High School (PCHS) provides for the continuation of retiree health benefits to eligible employees at retirement. Retiree health benefits include medical, prescription drug, dental and vision coverage. PCHS currently pays the cost of coverage for the retiree and any covered dependents during the lifetime of the retiree. Eligibility for retiree health benefits varies based on when an employee was hired. Employees hired on or after July 1, 2009 except Palisades Educational Support Personnel United (PESPU) employees are not eligible for PCHS paid retiree health benefits.

PCHS currently provides medical, dental and vision benefits to approximately 165 eligible active employees. As of June 30, 2011 there were three retirees eligible for benefits.

PCHS provides health benefits to certain eligible employees at retirement. The retiree health benefits provided are a continuation of the medical including prescription drugs, dental and vision benefits provided to active employees. The retiree health coverage is paid for entirely by PCHS for the lifetime of the retiree. Survivors of deceased retirees may continue health coverage at their own expense. Eligibility for retiree health benefits requires the following:

*Future retiree must be enrolled in health plan prior to retirement date.

*Future retiree must be in receipt of monthly payment from STRS or PERS.

*Active employees must meet the following years of service requirements at retirement.

- Hired before 3/12/84 must have 5 consecutive years of service just prior to retirement.
- Hired after 3/11/84 but before 7/1/87 – must have 10 consecutive years of service just prior to retirement.
- Hired after 6/30/87 but before 6/1/92 – must have 15 consecutive years of service just prior to retirement or 20 years service with 10 years of consecutive years of service just prior to retirement.

**PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

H. Other Post Employment Benefits (continued)

- Hired after 5/31/92 age + consecutive years of qualifying service at retirement greater than or equal to 80.
- Hired after 2/28/07 age + consecutive years of qualifying service at retirement greater than or equal to 80 and at least 15 consecutive years of qualifying service at retirement.
- PESPU hired after 6/30/09 age + consecutive years of qualifying service at retirement greater than or equal to 85 and at least 25 consecutive years of qualifying service at retirement.

*Retiree must be enrolled in Medicare Part A if eligible; and must enroll in Part B.

All employees except PESPU employees hired on or July 1, 2009 are not eligible for PCHS-paid health benefits at retirement. Employees who defer their retirement after separation from service with PCHS are not eligible for PCHS-paid health benefits.

	Projected 6/30/2011 *		
1. Change in Benefit Obligation			
Benefit Obligation at Beginning of Year	\$ 10,371,867		
Service Cost	876,119		
Interest Cost	622,312		
Change Due to Plan Amendments	-		
Change Due to Gain/Loss	-		
Benefits Paid	-		
Benefit Obligation at End of Year	\$ 11,870,298		
2. Change in Plan Assets			
Fair Value of Plan Assets at Beginning of Year	\$ -		
Expected/Actual Return of Plan Assets	-		
Employer Contributions	-		
Benefits Paid	-		
Fair Value of Plan Assets at End of Year	\$ -		
3. Funded Status 2. minus 1.			
Unrecognized Net Gain/Loss	\$ (11,870,298)		
Unrecognized Prior Service Cost	-		
Unrecognized Transition Obligation	9,853,274		
Net Amounts Recognized	\$ (2,017,024)		
4. Amount Recognized in Unrestricted Assets			
Net Actuarial Gain/Loss	\$ -		
Prior Service Cost	-		
Unrecognized Net Transition Obligation	9,853,274		
Net Amount Recognized	\$ 9,853,274		
5. Weight Average Assumptions for Disclosure			
Discount Rate	6.0%		
Initial Healthcare Trend Rate	8.5% PPO/	8.0% HMO	

**PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

H. Other Post Employment Benefits (continued)

	Projected 6/30/2011*
6. Components of Net Periodic Benefit Cost	
Service Cost	\$ 876,119
Interest Cost	622,312
Expected Return on Assets	-
Amortization of Net (Gain)/Loss	-
Amortization of Prior Service Cost	-
Amortization of Transition Obligation	518,593
Net Periodic Postretirement Benefit Cost	\$ 2,017,024
7. Effect of a 1% Increase in Healthcare Trend	
Benefit Obligation	\$ 2,346,363
Total Service Cost and Interest Cost	\$ 381,419
8. Effect of a 1% Decrease in Healthcare Trend	
Benefit Obligation	\$ (1,331,105)
Total Service Cost and Interest Cost	\$ (211,840)
9. Estimated Future Benefit Payments	
2011/2012	\$ 71,887
2012/2013	\$ 163,264
2013/2014	\$ 234,084
2014/2015	\$ 312,367
2015/2016	\$ 390,393
2016/2017	\$ 457,650
2017/2018	\$ 522,735
2018/2019	\$ 601,183
2019/2020	\$ 707,905
2020/2021	\$ 816,611

* The above information relating to the School's Other Post Employment Benefits are contained in the Palisades Charter High School Actuarial Valuation as of July 1, 2009 for the 2009-2010 fiscal year. This information has been updated for known information from the 2010-11 fiscal year. The School will obtain a new actuarial valuation for the 2011-2012 fiscal year and anticipates having a new evaluation every two years.

I. Board Designated Unrestricted Net Assets:

In response to and in anticipation of the post-retirement health benefits described in Note H, the School has designated \$2,712,243 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.

**PALISADES CHARTER HIGH SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

I. Board Designated Unrestricted Net Assets: (continued)

A summary of the Board designated unrestricted net assets is as follows:

Balance June 30, 2010	\$ 2,040,621
Current year designations	691,000
Current year benefits paid	<u>(19,378)</u>
Balance June 30, 2011	<u>\$ 2,712,243</u>

J. Commitments and Contingencies

State and Federal Allowances, Awards, and Grants

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

SUPPLEMENTAL INFORMATION

**PALISADES CHARTER HIGH SCHOOL
ORGANIZATION
JUNE 30, 2011**

The Palisades Charter High School (Charter #0037) was formed pursuant to Education Code 47600 under the agreement with the Los Angeles Unified School District granted in September 1993. The charter was renewed by Los Angeles Unified School District for a five year term in May 2010.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Naomi Norwood	Community Representative	1 Year Term Expires 10/30/2011
James Paleno	Teacher Representative	1 Year Term Expires 10/30/2011
Jason Cutler	Community Representative	2 Year Term Expires 10/30/2011
Stephanie Inyama	Parent Representative	2 Year Term Expires 10/30/2012
Lisa Kaas-Boyle	Community Representative	2 Year Term Expires 10/30/2012
Eleanor Rozell	Classified Representative	1 Year Term Expires 10/30/2011
Chris Lee	Teacher Representative	2 Year Term Expires 10/30/2012
Allison Holdorff-Polhill	Parent Representative	2 Year Term Expires 10/30/2012
Susan Frank	Parent Representative	2 Year Term Expires 10/30/2011
Wendy Hagan	Teacher Representative	2 Year Term Expires 6/30/2012
Monica Iannessa	Administrative Representative	2 Year Term Expires 10/30/2012
Shahin Mohammad 1 (Ex-Officio)	Student Representative	1 Year Term Expires 6/30/2011

ADMINISTRATION

Michael A. Smith, (Ex-Officio) Executive Director

Gregory Wood, (Ex-Officio) Chief Business Officer

Marcia Haskin, (Ex-Officio) Academic Principal

**PALISADES CHARTER HIGH SCHOOL
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2011**

Classroom Based	Second Period Report		Annual Report*	
	Original	Revised	Original	Revised
High School:				
Grades 9 through 12, regular classes	2,717.86	2,716.72	2,674.21	2,674.21

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

*The school did not revise their annual report of attendance.

**PALISADES CHARTER HIGH SCHOOL
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Classroom Based</u> <u>Grade Level:</u>	<u>Minutes</u> <u>Requirement</u>	<u>2010-11</u> <u>Actual Minutes</u>	<u>Number of</u> <u>Traditional</u> <u>Days</u>	<u>Status</u>
Grade 9	62,949	65,940	176	Complied
Grade 10	62,949	65,940	176	Complied
Grade 11	62,949	65,940	176	Complied
Grade 12	62,949	65,940	176	Complied

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

**PALISADES CHARTER HIGH SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED, JUNE 30, 2011**

<u>Federal Grantor/Pass Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
Title I*	84.010	14416	\$ 252,363
Title III LEP	84.365	10084	9,412
ARRA-State Fiscal Stabilization Fund*	84.394	25008	262,159
Title II-Teacher Quality	84.367	14341	27,658
Special Education*	84.027	13379	531,509
Enhancing Education	84.386	15019	2,138
ARRA-Education Jobs Fund	84.410	25152	<u>619,421</u>
Total Passed Through State Department of Education			<u>1,704,660</u>
Total U.S. Department of Education			<u>1,704,660</u>
<u>U.S. Department of Agriculture</u>			
Passed Through State Department of Education:			
National School Lunch Program*	10.555	13396	<u>431,594</u>
Total U.S. Department of Agriculture			<u>431,594</u>
Total Expenditures of Federal Awards			<u>\$ 2,136,254</u>

*Indicates clustered program under OMB Circular A-133 Compliance Supplement

**PALISADES CHARTER HIGH SCHOOL
RECONCILIATION OF ANNUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED, JUNE 30, 2011**

June 30, 2011 Annual Financial Report Fund Balances (Net Assets)	<u>\$ 4,663,031</u>
Adjustments and Reclassifications:	
Increasing (Decreasing) the Fund Balance (Net Assets):	
Property and equipment (net of accumulated depreciation) understated	6,113,628
Liabilities understated	<u>(1,593,117)</u>
Net Adjustments and Reclassifications	<u>4,520,511</u>
June 30, 2011 Audited Financial Statement Fund Balances (Net Assets)	<u>\$ 9,183,542</u>

This schedule provides the information necessary to reconcile the net assets as reported in the unaudited actual report to the net assets reported on the audited financial statements.

OTHER INDEPENDENT AUDITOR'S REPORTS



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CPAs and Advisors

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

**Board of Trustees
Palisades Charter High School
Pacific Palisades, California**

We have audited the financial statements of Palisades Charter High School as of and for the year ended June 30, 2011, and have issued our report thereon dated November 16, 2011. 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 Palisades Charter High School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Palisades Charter High School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Palisades Charter High School's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Palisades Charter High School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the organization, the Board of Trustees, and governmental awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

William Nady King, CPA, LP

El Cajon, California
November 16, 2011



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

**Board of Trustees
Palisades Charter High School
Pacific Palisades, California**

Compliance

We have audited Palisades Charter High School's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Palisades Charter High School's major federal programs for the year ended June 30, 2011. Palisades Charter High 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 Palisades Charter High School's management. Our responsibility is to express an opinion on Palisades Charter High 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 Palisades Charter High 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 on Palisades Charter High School's compliance with those requirements.

In our opinion, Palisades Charter High School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Palisades Charter High 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 Palisades Charter High School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on 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 Palisades Charter High School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information of the Board of Trustees, management, others within the organization, the State Controller's Office, and federal award agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



El Cajon, California
November 16, 2011



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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

**Board of Trustees
Palisades Charter High School
Pacific Palisades, California**

We have audited the financial statements of the Palisades Charter High School ("School") as of and for the year ended June 30, 2011, and have issued our report thereon dated November 16, 2011. We have also audited the School's compliance with the requirements specified in the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2010-11*, published by the Education Audit Appeals Panel, applicable to the School's statutory requirements identified below for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

The auditing standards referred to above require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the state laws and regulations applicable to the items in the schedule below occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School's compliance with those requirements.

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

<u>Description</u>	<u>Procedures In Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	8	N/A
Kindergarten Continuance	3	N/A
Independent Study	23	N/A
Continuation Education	10	N/A
Instructional Time:		
School Districts	6	N/A
County Offices of Education	3	N/A
Instructional Materials, General Requirements	8	N/A
Ratio of Administrative Employees to Teachers	1	N/A
Classroom Teacher Salaries	1	N/A
Early Retirement Incentive Program	4	N/A
GANN Limit Calculation	1	N/A

School Accountability Report Card	3	N/A
Public Hearing Requirement-Receipt of Funds	1	N/A
Class Size Reduction Program (Including In Charter Schools):		
General Requirements	7	N/A
Option One Classes	3	N/A
Option Two Classes	4	N/A
Only One School Serving Grades K-3	4	N/A
After School Education and Safety Program		
General Requirements	4	N/A
After School	4	N/A
Before School	5	N/A
Contemporaneous Records of Attendance, For Charter Schools	1	Yes
Mode of Instruction, for Charter Schools	1	Yes
Nonclassroom-Based Instruction/Independent Study, For Charter Schools	15	N/A
Determination of Funding for Nonclassroom-Based Instruction, For Charter Schools	3	N/A
Annual Instructional Minutes – Classroom Based, For Charter Schools	3	Yes

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

In our opinion, Palisades Charter High School complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2011.

This report is intended solely for the information and use of the Board of Directors, Management, State Controller’s Office, Department of Finance, Department of Education, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

William Bradley King & Co LLP

El Cajon, California
November 16, 2011

**PALISADES CHARTER HIGH SCHOOL
SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2011**

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are
Not considered to be material weaknesses? Yes X No

Noncompliance material to financial
statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that
Are not considered to be material weaknesses? Yes X 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 OMB Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.410	ARRA Education Job Fund
10.555	National School Lunch Program
84.394	ARRA State Fiscal Stabilization Funds

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

Auditee qualified as low-risk auditee? Yes X No

3. State Awards

Internal control over state programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies that are
not considered to be material weaknesses? Yes X No

Type of auditor's report issued on compliance
for state programs? Unqualified

**PALISADES CHARTER HIGH SCHOOL
FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

B. Financial Statement Findings

None.

C. Federal Award Findings

None.

D. State Award Findings

None.

**PALISADES CHARTER HIGH SCHOOL
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Finding 2010-1 (50000)
Federal Payroll

Federal Program Information:
Special Education (84.027)
ARRA State Fiscal Stabilization Fund (84.394)
Title 1(84.010)
ARRA Title 1 (84.389)

Compliance Requirement
Allowable Costs

Criteria or Specific Requirement

Determine the School has procedures and controls in place to ensure all employees who are funded by federal programs have the proper documentation on file to support the allocation of federal funding sources.

Condition

In our review of payroll for employees who were funded by federal programs, we noted the School did not have on file the required semi-annual certification forms for those charged 100% to the program, and did not have on file a PAR (Personnel Activity Report) form for those who multifunded.

OMB Circular A-87 requires that if an employee is funded by a sole single federal categorical program or cost objective, the minimum requirement for documenting salary or wages is a semi-annual certification by the employee that he or she worked only in that federal categorical or cost objective during the period covered by the certification. The certification must be signed by the employee or the supervisor having firsthand knowledge of the work performed. If an employee is funded by multiple programs, a PAR or its equivalent is required to be obtained by the district to support the employee's salary.

None of the employees selected for testing had on file the semi-annual certification or a PAR, or its equivalent, to support their funding, as required.

Questioned Costs

The salary and benefits for the following programs:
Special Education (84.027) \$322,238
ARRA State Fiscal Stabilization Fund (84.394) \$853,069
Title 1 (84.010) \$208,694
ARRA Title 1 (84.389) \$50,121

Current Status

Implemented.