

**PALISADES CHARTER HIGH SCHOOL
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2018
(with Summarized Comparative Information
for June 30, 2017)**



PALISADES CHARTER HIGH SCHOOL
For the Fiscal Year Ended June 30, 2018
Table of Contents

FINANCIAL SECTION

	<u>Page</u>
Independent Auditors' Report	1
Basic Financial Statements:	
Combined Statement of Financial Position	3
Combined Statement of Activities.....	4
Combined Statement of Cash Flows.....	5
Combined Statement of Functional Expenses	6
Notes to Consolidated Financial Statements.....	7

SUPPLEMENTARY INFORMATION

Organizational Structure	23
Schedule of Average Daily Attendance	24
Schedule of Instructional Time	25
Reconciliation of Unaudited Actuals with Audited Financial Statements.....	26
Schedule of Expenditures of Federal Awards.....	27
Charter School Statement of Financial Position	28
Charter School Statement of Activities	29
Charter School Statement of Cash Flows	30
Associated Student Body Funds Statement of Financial Position	31
Associated Student Body Funds Statement of Activities	32
Associated Student Body Funds Statement of Cash Flows	33
Statement of Financial Position – Other Postemployment Benefits Adjustment	34
Statement of Activities – Other Postemployment Benefits Adjustment.....	35
Note to Supplementary Information	36

OTHER INDEPENDENT AUDITORS' REPORTS

Independent Auditors' 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.....	37
Independent Auditors' Report on State Compliance.....	39
Independent Auditors' Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	41

FINDINGS AND RECOMMENDATIONS

Schedule of Audit Findings and Recommendations:	
Summary of Auditors' Results	43
Current Year Audit Findings and Recommendations	44
Summary Schedule of Prior Audit Findings	47
Management Letter	48

Financial Section



INDEPENDENT AUDITORS' REPORT

Governing Board
Palisades Charter High School
Pacific Palisades, California

Report on the Financial Statements

We have audited the accompanying combined financial statements of Palisades Charter High School (a California nonprofit Organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, cash flows, and functional expenses for the fiscal year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Palisades Charter High School as of June 30, 2018, and the changes in its net assets and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative prior Period Financial Statements

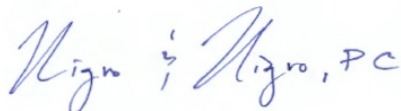
The financial statements of Palisades Charter High School for the fiscal year ended June 30, 2017, were audited by other auditors whose report dated December 15, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the comparative information presented herein as of and for the fiscal year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters*Other Information*

Our audit was conducted for the purpose of forming opinions on the combined financial statements that collectively comprise the Charter School's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic combined financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic combined financial statements. The supplementary information on pages 24 to 35, including the schedule of expenditures of federal awards on page 27, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated 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 basic combined financial statements as a whole. The information on page 23 has not been subjected to the auditing procedures applied in the audit of the basic combined financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2019, on our consideration of the Palisades Charter High School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.



Murrieta, California
January 10, 2019

PALISADES CHARTER HIGH SCHOOL
Combined Statement of Financial Position
June 30, 2018

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 7,184,508	\$ 10,445,172
Accounts receivable	1,156,573	626,070
Inventory	5,481	5,481
Prepaid expenses and other current assets	147,296	293,629
Capital assets:		
Non-depreciable assets	1,493,790	371,712
Depreciable assets	13,740,704	12,688,354
Accumulated depreciation	<u>(6,563,348)</u>	<u>(5,925,427)</u>
Total Assets	<u>\$ 17,165,004</u>	<u>\$ 18,504,991</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 1,532,894	\$ 1,817,634
Accrued payroll and benefits	1,472,696	1,530,286
Due to student groups	317,612	294,547
Unearned revenues	92,829	399,023
Long term liabilities:		
Portion due within one year	344,748	268,927
Portion due after one year	18,200,050	17,032,371
Total liabilities	<u>21,960,829</u>	<u>21,342,788</u>
Net assets		
Unrestricted:		
Board designated for OPEB	2,038,821	2,005,926
Unfunded deficit OPEB	(16,425,129)	(15,295,372)
General reserves	8,858,368	9,986,226
Total unrestricted	<u>(5,527,940)</u>	<u>(3,303,220)</u>
Temporarily restricted	443,486	150,969
Permanently restricted	288,629	314,454
Total net assets	<u>(4,795,825)</u>	<u>(2,837,797)</u>
Total Liabilities and Net Assets	<u>\$ 17,165,004</u>	<u>\$ 18,504,991</u>

PALISADES CHARTER HIGH SCHOOL
Combined Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018	2017
REVENUES, GAINS, AND OTHER SUPPORT					
LCFF revenues	\$ 26,453,983	\$ -	\$ -	\$ 26,453,983	\$ 25,626,699
Federal revenues	-	1,317,930	-	1,317,930	1,190,729
Other state revenues	544,322	4,784,679	-	5,329,001	4,864,012
Interest earned	115,788	-	-	115,788	78,560
Other local revenues	1,765,407	560,082	14,185	2,339,674	2,437,784
Net assets released from restrictions	6,410,184	(6,370,174)	(40,010)	-	-
Total Revenues, Gains, and Other Support	35,289,684	292,517	(25,825)	35,556,376	34,197,784
EXPENSES					
Program services					
Education	30,432,999	-	-	30,432,999	27,636,335
Management and general	7,081,405	-	-	7,081,405	7,280,441
Total Expenses	37,514,404	-	-	37,514,404	34,916,776
Change in net assets	(2,224,720)	292,517	(25,825)	(1,958,028)	(718,992)
Net Assets, July 1	(3,303,220)	150,969	314,454	(2,837,797)	(2,118,805)
Net Assets, June 30	\$ (5,527,940)	\$ 443,486	\$ 288,629	\$ (4,795,825)	\$ (2,837,797)

PALISADES CHARTER HIGH SCHOOL
Combined Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,958,028)	\$ (718,992)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	637,921	594,295
(Increase) decrease in operating assets:		
Accounts receivable	(530,503)	63,600
Prepaid expenses	146,333	(17,457)
Increase (decrease) in operating liabilities:		
Accounts payables and other liabilities	(270,148)	798,980
Retiree benefit payable	1,162,652	1,237,002
Compensated absences	5,241	-
Unearned revenues	(306,194)	(13,714)
Due to student groups	26,490	39,708
Net cash provided (used) by operating activities	<u>(1,086,236)</u>	<u>1,983,422</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment, furniture, and building improvements	<u>(2,174,428)</u>	<u>(673,947)</u>
Net increase (decrease) in cash	(3,260,664)	1,309,475
Cash, July 1	<u>10,445,172</u>	<u>9,135,697</u>
Cash, June 30	<u>\$ 7,184,508</u>	<u>\$ 10,445,172</u>
SUPPLEMENTAL DISCLOSURE		
Interest paid	<u>\$ 44,960</u>	<u>\$ -</u>

PALISADES CHARTER HIGH SCHOOL
Combined Statement of Functional Expenses
For the Fiscal Year Ended June 30, 2018

	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Education</u>	<u>Management And General</u>	<u>Total Expenditures</u>
Certificated salaries	\$ 14,703,194	\$ -	\$ 14,703,194
Classified salaries	1,827,756	2,764,408	4,592,164
Benefits	8,639,209	826,343	9,465,552
Total Salaries and Benefits	<u>25,170,159</u>	<u>3,590,751</u>	<u>28,760,910</u>
Professional and consulting	1,849,584	1,437,886	3,287,470
Rents and other operating	484,766	794,164	1,278,930
Student transportation	732,204	-	732,204
Books and supplies	524,240	156,147	680,387
Depreciation	74,455	563,466	637,921
Noncapitalized equipment	534,273	6,198	540,471
Student activities	390,226	-	390,226
Dues & subscriptions	293,887	5,320	299,207
Other outgo	76,453	191,724	268,177
Student nutrition	231,314	-	231,314
Insurance	-	183,815	183,815
Travel & conferences	71,438	36,659	108,097
Communications	-	70,315	70,315
Interest	-	44,960	44,960
Totals	<u>\$ 30,432,999</u>	<u>\$ 7,081,405</u>	<u>\$ 37,514,404</u>

PALISADES CHARTER HIGH SCHOOL
Notes to Combined Financial Statements
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

Palisades Charter High School (the Charter School) is a Non-Profit Public Benefit Corporation. The Charter School petitioned for a charter through Los Angeles Unified School District (LAUSD) and was approved in September 1993. The charter was renewed in May 2015 for a period of five years ending on June 30, 2020.

The Charter School located at 15777 Bowdoin Street, Los Angeles, California, opened as an independent charter on August 1, 2003, and currently serves approximately 2,900 students in grades nine through twelve. The Charter School is a California public charter school, with a mission to empower a diverse student population to make positive contributions to the global community by dedicating resources to ensure educational excellence, civic responsibility, and personal growth.

The accompanying combined financial statements include the accounts of the Charter School and the Associated Student Body accounts.

B. Basis of Accounting

The Charter School accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the Charter School conform to generally accepted accounting principles as prescribed by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA).

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Financial statements are prepared using the accrual basis of accounting.

C. Basis of Presentation

The Charter School reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted: These net assets represent expendable funds for operations that are not otherwise limited by donor restrictions. These generally result from revenues generated by receiving contributions, providing services, and receiving interest from investments. These net assets also included expendable funds that are designated by the board, but do not meet the criteria to be classified as temporarily restricted.

Temporarily Restricted: The Charter School reports gifts of cash and other assets as temporarily restricted when they are received with donor stipulations that limit the use of the donated asset. The specific donor imposed restrictions are often contingent upon specific performance of a future event or a specific passage of time before the organization may spend the funds.

PALISADES CHARTER HIGH SCHOOL
Notes to Combined Financial Statements
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Permanently Restricted: Assets subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

At June 30, 2018, the Charter School had unrestricted net assets of \$(5,527,940), temporarily restricted net assets of \$443,486, and permanently restricted net assets of \$288,629.

D. Functional Allocation of Expenses

The Charter School reports expenses by function. The costs of providing and supporting educational programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the instructional program and supporting services benefited.

E. Cash

Cash consists of funds held in financial institutions and in the Los Angeles County Treasury with the majority of the cash balance held in the County Treasury. Cash is valued at carrying cost which approximates its fair value.

F. Prepaid Expenses

Certain payments of vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

G. Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions or conditions.

H. Non-Cash Donations

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 Charter School reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Charter School reclassifies temporarily restricted net assets to unrestricted net assets at that time.

I. Unearned Revenue

Unearned revenues represent payments received in advance for services that have not yet been performed or from cost-reimbursement grants for which expenses have not yet been incurred.

PALISADES CHARTER HIGH SCHOOL
Notes to Combined Financial Statements
June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Estimates

The preparation of financial statements in conformity with U.S. 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 financial statements and revenues and expenses during the reporting period. Significant estimates include the lives used for depreciation of property and equipment and allocation of costs between the various programs and expense categories. Actual results could differ from those estimates.

K. Capital Assets

Property and equipment are recorded at cost, or estimated fair value at the date of donation, and are updated for additions and retirements during the year. The Charter School’s policy is to capitalize all assets costing \$5,000 or more; all other assets are expensed in the year incurred. All capital assets, except for land and construction in progress, are depreciated. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Leasehold Improvements	5-19 years
Furniture and Equipment	2-30 years

Depreciation expense for the year ended June 30, 2018, was \$637,921.

L. Income Taxes

The Charter School is a non-profit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The Charter School files information returns in the U.S. federal jurisdiction, and the state of California. The statute of limitations for federal and California state tax purposes is generally three and four years, respectively.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2018, are reported at fair value and consisted of the following:

Cash and Cash Equivalents:	
Cash on hand and in banks	\$ 1,406,159
Cash in County Treasury	5,778,349
Total Cash and Cash Equivalents	<u><u>\$ 7,184,508</u></u>

PALISADES CHARTER HIGH SCHOOL
Notes to Combined Financial Statements
June 30, 2018

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

Pooled Funds

In accordance with Education Code Section 41001, the Charter School maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the Charter School's deposits are maintained in a recognized pooled investment fund under the care of a third party and the Charter School's share of the pool does not consist of specific, identifiable investment securities owned by the Charter School, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2018, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Charter School's deposits may not be returned to it. The Charter School does not have a policy for custodial credit risk for deposits. Deposits held in noninterest bearing transaction accounts are fully insured regardless of the amount in the account through June 30, 2018, and other cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions.

The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2018, \$1,263,728 of the Charter School's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the Charter School.

Fair Value Measurements

The Charter School categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets that the Charter School has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

PALISADES CHARTER HIGH SCHOOL
Notes to Combined Financial Statements
June 30, 2018

NOTE 2 – CASH AND INVESTMENTS (continued)

Fair Value Measurements (continued)

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 – Unobservable inputs should be developed using the best information available under the circumstances, which might include the Charter School’s own data. The Charter School should adjust that date if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the Charter School are not available to other market participants.

Uncategorized – Funds in the Los Angeles County Treasury Investment Pool are not measured using the input levels above because the Charter School’s transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable outstanding at June 30, 2018, consisted of the following:

Federal Government:	
School lunch and breakfast program	\$ 55,702
Other	23,847
State Government:	
Lottery	122,684
School lunch and breakfast program	4,737
Other state	21,002
Local:	
Special education - AB602	2,500
Education Foundation	156,125
Permit and pool	64,308
School lunch and breakfast program	91,612
Interest	27,702
Other local	586,354
Total	<u>\$ 1,156,573</u>

PALISADES CHARTER HIGH SCHOOL
Notes to Combined Financial Statements
June 30, 2018

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance, July 1, 2017	Additions	Retirements	Balance, June 30, 2018
Capital assets not being depreciated:				
Work in progress	\$ 371,712	\$ 1,493,790	\$ 371,712	\$ 1,493,790
Capital assets being depreciated:				
Buildings & improvements	10,651,257	866,343	-	11,517,600
Furniture & equipment	2,037,097	186,007	-	2,223,104
Total capital assets being depreciated	12,688,354	1,052,350	-	13,740,704
Accumulated depreciation for:				
Buildings & improvements	(5,095,099)	(482,141)	-	(5,577,240)
Furniture & equipment	(830,328)	(155,780)	-	(986,108)
Total accumulated depreciation	(5,925,427)	(637,921)	-	(6,563,348)
Total capital assets being depreciated, net	6,762,927	414,429	-	7,177,356
Total capital assets, net	<u>\$ 7,134,639</u>	<u>\$ 1,908,219</u>	<u>\$ 371,712</u>	<u>\$ 8,671,146</u>

NOTE 5 – NET ASSETS

As of June 30, 2018, the Charter School had board designated unrestricted net assets, as well as temporarily and permanently restricted net assets that are legally restricted balances, which were allocated to the following programs:

Unrestricted Net Assets:	
Board designated for OPEB	\$ 2,038,821
Unfunded deficit OPEB	(16,425,129)
General reserves	8,858,368
Total Unrestricted	<u>(5,527,940)</u>
Temporarily Restricted:	
College readiness block grant	11,032
Renovation and technology	231,162
Drama program	1,292
Restroom renovation	200,000
Total Temporarily Restricted	<u>443,486</u>
Permanently Restricted:	
Scholarship Fund	<u>288,629</u>
Total Net Assets	<u>\$ (4,795,825)</u>

PALISADES CHARTER HIGH SCHOOL
Notes to Combined Financial Statements
June 30, 2018

NOTE 6 – LONG-TERM OBLIGATIONS

A general schedule of long-term liabilities as of June 30, 2018, is as follows:

	Balance, June 30, 2017	Additions	Deductions	Balance, June 30, 2018	Current Portion
Other post-employment benefits	\$ 17,205,492	\$ 1,487,687	\$ 229,229	\$ 18,463,950	\$ 344,748
Compensated absences	75,607	5,241	-	80,848	-
Totals	<u>\$ 17,281,099</u>	<u>\$ 1,492,928</u>	<u>\$ 229,229</u>	<u>\$ 18,544,798</u>	<u>\$ 344,748</u>

Postemployment Benefits

Management has reported \$18,463,950 as long-term obligations for post-employment benefits shown as current of \$344,748 and non-current obligation of \$18,119,202. Additionally, the Charter School has a board designation of post-employment benefits of \$2,038,821 reported in the ending net asset balance.

Future estimated payments are as follows:

Year Ended June 30:	
2019	\$ 344,748
2020	393,809
2021	451,284
2022	508,563
2023	556,405
Thereafter	<u>16,209,141</u>
Total	18,463,950
Less Current Portion	<u>(344,748)</u>
Net Long-Term Obligations	<u>\$ 18,119,202</u>

NOTE 7 – PENSION PLANS

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

The risks of participating in these multi-employer defined benefit pension plans are different from single employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and State contribution rates are set by the California Legislature, and (c) if the Charter School chooses to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. The Charter School has no plans to withdraw from this multi-employer plan.

NOTE 7 – PENSION PLANS (continued)

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

The Charter School contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP. The Charter School contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

PALISADES CHARTER HIGH SCHOOL
Notes to Combined Financial Statements
June 30, 2018

NOTE 7 – PENSION PLANS (continued)

A. California State Teachers’ Retirement System (CalSTRS)

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date	2% at 60	2% at 62
Benefit Formula	5 years of service	5 years of service
Benefit Vesting Schedule	Monthly for life	Monthly for life
Benefit Payments	60	62
Retirement Age	2.0%-2.4%	2.0%-2.4%
Monthly Benefits as a Percentage of Eligible Compensation	10.25%	9.205%
Required Employee Contribution Rate	14.43%	14.43%
Required Employer Contribution Rate	9.328%	9.328%
Required State Contribution Rate		

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers’ Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the Charter School’s total contributions were \$2,059,405.

The Charter School’s contributions to CalSTRS and required employer contribution rate for the last three fiscal years were as follows:

	Contribution	Required Contribution Rate
2017-18	\$ 2,059,405	14.43%
2016-17	\$ 1,711,339	12.58%
2015-16	\$ 1,375,220	10.73%

On Behalf Payments

The Charter School was the recipient of on-behalf payments made by the State of California to STRS for the benefit of covered employees’ retirement savings. These payments consist of state General Fund contributions of \$1,195,531 to STRS. This estimate was based on 9.328% of covered payroll expenses for the 2015-16 year.

PALISADES CHARTER HIGH SCHOOL
Notes to Combined Financial Statements
June 30, 2018

NOTE 7 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Monthly Benefits as a Percentage of Eligible Compensation	1.1%-2.5%	1.0%-2.5%
Required Employee Contribution Rate	7.00%	6.00%
Required Employer Contribution Rate	15.531%	15.531%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

PALISADES CHARTER HIGH SCHOOL
Notes to Combined Financial Statements
June 30, 2018

NOTE 7 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Contributions (continued)

The Charter School is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total Charter School contributions were \$609,158.

The Charter School's contributions to CalPERS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Required Contribution Rate</u>
2017-18	\$ 609,158	15.531%
2016-17	\$ 499,538	13.05%
2015-16	\$ 406,653	11.847%

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS

A. Plan Description

The Charter School provides for the continuation of retiree health benefits to eligible employees at retirement. Retiree health benefits include medical, prescription drug, dental and vision coverage. The Charter School 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. All employees hired on or after July 1, 2009 except Palisades Educational Support Personnel United (PESPU) employees hired on or after January 1, 2012, are not eligible for the Charter School paid retiree health benefits.

B. Benefits Provided

The Charter School currently provides medical, dental and vision benefits to approximately 105 eligible active employees. Additionally, as of June 30, 2018, there were 27 retirees eligible for benefits.

The Charter School 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 the Charter School for the lifetime of the retiree. Survivors of deceased retirees may continue health coverage at their own expense.

PALISADES CHARTER HIGH SCHOOL
Notes to Combined Financial Statements
June 30, 2018

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (continued)

C. Eligibility

Future retiree must be enrolled in health plan prior to retirement date, and 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 March 12, 1984, must have five consecutive years of service just prior to retirement.
- Hired after March 11, 1984, but before July 1, 1987, — must have ten consecutive years of service just prior to retirement.
- Hired after June 30, 1987, but before June 1, 1992, — must have 15 consecutive years of service just prior to retirement or 20 years of service with ten years of consecutive years of service just prior to retirement.
- Hired after May 31, 1992, age + consecutive years of qualifying service at retirement greater than or equal to 80.
- Hired after February 28, 2007, but before January 1, 2012, 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 June 30, 2009, but before January 1, 2012, 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 after July 1, 2009, (PESPU employees hired on or after January 1, 2012) are not eligible for the Charter School-paid health benefits at retirement.

Employees who defer their retirement after separation from service with the Charter School are not eligible for the Charter School-paid health benefits.

D. Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Fiscal year	July - June
Valuation date	July 1, 2017
Accounting standard	FASB ASC 715
Discount	5.00%
Return on assets*	Not applicable (no qualified plan assets)
Medical cost trend rates	Actual
Dental & vision cost trend rates	3.00%

* The School has not reported any FASB-eligible plan assets but has set aside assets and has commenced investing these assets for the future payment of retiree health benefits. The amount of set-aside assets at June 30, 2018 is \$6,383,360

PALISADES CHARTER HIGH SCHOOL
Notes to Combined Financial Statements
June 30, 2018

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (continued)

E. Post-Retirement Benefit Plan

The following information relating to the Charter School's other post-employment benefits is contained in the Actuarial Valuation as of July 1, 2017, and is projected at June 30, 2018.

Change in Benefit Obligation	
Benefit obligation at beginning of year	\$ 17,205,492
Service cost	633,143
Interest cost	854,544
Change due to plan amendments	-
Change due to gain/loss	-
Actual benefits paid	(229,229)
Benefit obligation at end of year	<u><u>\$ 18,463,950</u></u>
Change in Plan Assets	
Fair value of plan assets at beginning of year	\$ -
Expected/actual return of plan assets	-
Employer contributions	229,229
Benefits paid	(229,229)
Fair value of plan assets at end of year	<u><u>\$ -</u></u>
Funded Status	
Funded balance	\$ (18,463,950)
Unrecognized net gain(loss)	(95,806)
Unrecognized prior service cost	-
Unrecognized transition obligation	7,175,426
Net amount recognized	<u><u>\$ (11,384,330)</u></u>
Amount Recognized in Unrestricted Assets	
Net actuarial gain(loss)	\$ (95,806)
Prior service cost	-
Unrecognized net transition obligation	7,175,426
Net amount recognized	<u><u>\$ 7,079,620</u></u>
Weight Average Assumptions for Disclosure	
Discount rate	5.0%
Initial healthcare trend rate	7.0%
Ultimate healthcare trend rate	5.0%

PALISADES CHARTER HIGH SCHOOL
Notes to Combined Financial Statements
June 30, 2018

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (continued)

E. Post-Retirement Benefit Plan (continued)

The following information relating to the Charter School's other post-employment benefits is contained in the Actuarial Valuation as of July 1, 2017, and is projected at June 30, 2018.

Components of Net Periodic Benefit Cost

Service cost	\$	633,143
Interest cost		854,544
Expected return on assets		-
Amortization of net (gain)/loss		-
Amortization of prior service cost		-
Amortization of transition obligation		551,956
Net periodic postretirement benefit cost	<u>\$</u>	<u>2,039,643</u>

Effect of a One Percent Increase in Healthcare Trend

Benefit obligation	\$	3,639,330
Total service cost and interest cost	\$	362,331

Effect of a One Percent Decrease in Healthcare Trend

Benefit obligation	\$	(2,831,969)
Total service cost and interest cost	\$	(278,125)

Estimated Future Benefit Payments

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2018 Actuals	\$ 229,229
2019	344,748
2020	393,809
2021	451,284
2022	508,563
2023	556,405
2024	638,344
2025	698,948
2026	762,198
2027	845,532

The above information relating to the Charter School's Other Postemployment Benefits are contained in the Palisades Charter High School Actuarial Valuation as of July 1, 2017, for the 2017-18 fiscal year. The Charter School will obtain a new evaluation every two years.

In response to and in anticipation of the post-retirement health benefits described, the Charter School has designated \$2,038,821 of the unrestricted net assets and \$18,463,950 in retiree benefit reported in current and non-current long term obligations to be used to meet the obligation arising from setting up its own post-retirement health benefit plan.

PALISADES CHARTER HIGH SCHOOL
Notes to Combined Financial Statements
June 30, 2018

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (continued)

E. Post-Retirement Benefit Plan (continued)

During 2015-2016 the Board approved an internal borrowing agreement to payoff outside Aquatics Center project debt by transferring designated net assets to unrestricted net assets. The amount required to pay off outstanding debt on the Aquatics Center project was \$835,000, with monthly payments of \$15,667 and interest of 4.5 percent due April 2021. During 2017-18, the Board approved another internal borrowing agreement for track improvement related debt in the amount of \$649,881, at an interest rate of 4.5 percent and monthly payments of \$12,116 due April 2023. At June 30, 2018, the total loans receivable are \$496,052 for the Aquatics Center and \$630,487 for the track loan.

A summary of the board designations and retiree benefit payable for post-retirement health benefits are as follows:

OPEB Obligation, June 30, 2017	\$ 17,205,492
Current year additions to benefit payable	1,487,687
Current year benefits paid	<u>(229,229)</u>
OPEB Obligation, June 30, 2018	<u><u>\$ 18,463,950</u></u>
Board Designated for OPEB, June 30, 2017	\$ 1,926,172
Current year interest revenue earned	112,649
Board Designated for OPEB, June 30, 2018	<u><u>\$ 2,038,821</u></u>
Board Designated Pool Loan, June 30, 2017	\$ 656,593
Repayment of loan	<u>(160,541)</u>
*Board Designated Pool Loan, June 30, 2018	<u><u>\$ 496,052</u></u>
Board Designated Track Loan, June 30, 2017	\$ 649,881
Repayment of loan	<u>(19,394)</u>
*Board Designated Track Loan, June 30, 2018	<u><u>\$ 630,487</u></u>

*Funds borrowed against the designated OPEB net assets

NOTE 9 – COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

The Charter 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.

Litigation

The Charter School is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Charter School at June 30, 2018.

PALISADES CHARTER HIGH SCHOOL
Notes to Combined Financial Statements
June 30, 2018

NOTE 10 - SUBSEQUENT EVENTS

Events subsequent to June 30, 2018, have been evaluated through January 10, 2019, the date at which the Charter School's audited financial statements were available to be issued.

Supplementary Information

PALISADES CHARTER HIGH SCHOOL

Organizational Structure

June 30, 2018

Palisades Charter High School (Charter #0037) was formed in 2003 pursuant to Education Code Section 47600 under an agreement with Los Angeles Unified School District and operates one high school.

BOARD OF TRUSTEES

Member	Office	Term Expires
Emilie Larew	Faculty/Board Chair	June 30, 2018
Leslie Woolley	Community/Vice Chair	June 30, 2018
Deanna Hamilton	Parent/Board Secretary	June 30, 2018
Rocky Montz	Management	June 30, 2018
Robert Rene	Parent	June 30, 2018
Andrew Paris	Classified	June 30, 2019
Emily Hirsch	Community	June 30, 2019
Camille Schoenberg	Community	June 30, 2019
David Carini	Faculty	June 30, 2019
Shawn McClellan	Parent	June 30, 2019
Mystic Thompson	Faculty	June 30, 2018

ADMINISTRATION

Dr. Pamela Magee (Ex-Officio),
Executive Director/Principal

Gregory Wood (Ex-Officio),
Chief Business Officer

Taylor Torgerson (Ex-Officio),
Student Representative

PALISADES CHARTER HIGH SCHOOL
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2018

	Second Period Report	Annual Report
	Certificate No. EBDB7DCA	Certificate No. 0C2CEE24
Total ADA		
Regular ADA:		
Ninth through Twelfth	2,903.14	2,887.84
Exextended Year Special Education:		
Ninth through Twelfth	1.18	1.18
Special Education, Nonpublic, Nonsectarian Schools:		
Ninth through Twelfth	1.94	2.49
Extended Year Special Education, Nonpublic, Nonsectarian Schools:		
Ninth through Twelfth	0.05	0.05
Total Regular ADA	2,906.31	2,891.56
Classroom-Based ADA		
Regular ADA:		
Ninth through Twelfth	2,852.70	2,837.06
Exextended Year Special Education:		
Ninth through Twelfth	1.18	1.18
Special Education, Nonpublic, Nonsectarian Schools:		
Ninth through Twelfth	1.94	2.49
Extended Year Special Education, Nonpublic, Nonsectarian Schools:		
Ninth through Twelfth	0.05	0.05
Total Classroom-Based ADA	2,855.87	2,840.78

PALISADES CHARTER HIGH SCHOOL
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2018

<u>Grade Level</u>	<u>Required</u>	<u>2017-18 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Grade 9	64,800	64,455*	172*	Complied
Grade 10	64,800	64,455*	172*	Complied
Grade 11	64,800	64,455*	172*	Complied
Grade 12	64,800	64,455*	172*	Complied

*In compliance due to charter obtaining approval for three emergency closure dates.

PALISADES CHARTER HIGH SCHOOL

*Reconciliation of Unaudited Actuals with Audited Financial Statements
For the Fiscal Year Ended June 30, 2018*

June 30, 2018, unaudited actuals	
Net assets	\$ (3,783,173)
Adjustments and reclassifications:	
Increase (decrease) in total net assets:	
Long-term obligations - OPEB	(1,162,652)
Pledge receivable understated	<u>150,000</u>
Net adjustments and reclassifications	<u>(1,012,652)</u>
June 30, 2018, audited financial statement net assets	<u><u>\$ (4,795,825)</u></u>

PALISADES CHARTER HIGH SCHOOL
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Basic	10.553	13525	\$ 3,625	
School Breakfast Program - Especially Needy	10.553	13525	124,394	
National School Lunch Program	10.555	13523	234,668	
Total Child Nutrition Cluster				\$ 362,687
Total U.S. Department of Agriculture				362,687
U.S. Department of Health and Human Services:				
Passed through California Department of Health Services:				
Medi-Cal Billing Option	93.778	10013		16,925
Total U.S. Department of Health and Human Services				16,925
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Every Student Succeeds Act (ESSA):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		281,972
Title II, Part A, Supporting Effective Instruction Local	84.367	14341		57,519
Carl D. Perkins Career and Technical Education, Secondary, Section 131	84.048	14894		24,736
Passed through the Los Angeles Unified School District SELPA:				
Individuals with Disabilities Education Act (IDEA):				
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379		565,541
Passed through California Department of Rehabilitation:				
State Vocational Rehabilitation Services Program	84.126A	N/A		8,550
Total U.S. Department of Education				938,318
Total Expenditures of Federal Awards				\$ 1,317,930

Subrecipients

Of the Federal expenditures presented in the schedule, the Charter provided no Federal awards to subrecipients.

PALISADES CHARTER HIGH SCHOOL
Charter School Statement of Financial Position
For the Fiscal Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets:		
Cash	\$ 6,833,276	\$ 10,006,164
Accounts receivable	1,156,189	625,477
Prepaid expenses and other current assets	140,941	287,274
Total Current Assets	<u>8,130,406</u>	<u>10,918,915</u>
Non-Current Assets:		
Capital assets:		
Non-depreciable assets	1,493,790	371,712
Depreciable assets	13,680,887	12,628,537
Accumulated depreciation	<u>(6,503,531)</u>	<u>(5,865,610)</u>
Capital assets (net)	<u>8,671,146</u>	<u>7,134,639</u>
Total Assets	<u>\$ 16,801,552</u>	<u>\$ 18,053,554</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 1,497,461	\$ 1,708,213
Accrued payroll and benefits	1,447,216	1,508,231
Unearned revenues	91,209	397,403
Long term liabilities:		
Portion due within one year	344,748	268,927
Portion due after one year	<u>18,200,050</u>	<u>17,032,371</u>
Total liabilities	<u>21,580,684</u>	<u>20,915,145</u>
Net assets		
Unrestricted		
Board designated for OPEB	2,038,821	2,005,926
Unfunded deficit OPEB	(16,425,129)	(15,295,372)
General reserves	<u>8,875,061</u>	<u>9,962,432</u>
Total unrestricted	<u>(5,511,247)</u>	<u>(3,327,014)</u>
Temporarily restricted	443,486	150,969
Permanently restricted	<u>288,629</u>	<u>314,454</u>
Total net assets	<u>(4,779,132)</u>	<u>(2,861,591)</u>
Total Liabilities and Net Assets	<u>\$ 16,801,552</u>	<u>\$ 18,053,554</u>

PALISADES CHARTER HIGH SCHOOL
Charter School Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018	2017
REVENUES, GAINS, AND OTHER SUPPORT					
Local Control Funding Formula	\$ 26,453,983	\$ -	\$ -	\$ 26,453,983	\$ 1,190,729
Federal revenue	-	1,317,930	-	1,317,930	25,626,699
Other state revenues	544,322	4,784,679	-	5,329,001	4,864,012
Interest earned	115,788	-	-	115,788	78,560
Other local revenues	1,415,668	560,082	14,185	1,989,935	2,023,224
Net assets released from restrictions	6,410,184	(6,370,174)	(40,010)	-	-
Total Revenues, Gains, and Other Support	34,939,945	292,517	(25,825)	35,206,637	33,783,224
EXPENSES					
Program Services					
Education	30,042,773	-	-	30,042,773	27,431,364
Management and general	7,081,405	-	-	7,081,405	7,072,140
Total Expenses	37,124,178	-	-	37,124,178	34,503,504
Change in net assets	(2,184,233)	292,517	(25,825)	(1,917,541)	(720,280)
Net Assets, July 1	(3,327,014)	150,969	314,454	(2,861,591)	(2,141,311)
Net Assets, June 30	\$ (5,511,247)	\$ 443,486	\$ 288,629	\$ (4,779,132)	\$ (2,861,591)

PALISADES CHARTER HIGH SCHOOL
Charter School Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,917,541)	\$ (720,280)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	637,921	594,295
(Increase) decrease in operating assets:		
Accounts receivable	(530,712)	63,580
Prepaid expenses and other current assets	146,333	(16,602)
Increase (decrease) in operating liabilities:		
Accounts payable and other liabilities	(196,160)	687,602
Retiree benefit payable	1,162,652	1,237,002
Compensated absences	5,241	-
Unearned revenues	(306,194)	(13,714)
Net cash provided (used) by operating activities	<u>(998,460)</u>	<u>1,831,883</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment, furniture, and building improvements	<u>(2,174,428)</u>	<u>(673,947)</u>
Net increase (decrease) in cash	(3,172,888)	1,157,936
Cash, July 1	<u>10,006,164</u>	<u>8,848,228</u>
Cash, June 30	<u>\$ 6,833,276</u>	<u>\$ 10,006,164</u>
SUPPLEMENTAL DISCLOSURE		
Interest paid	<u>\$ 44,960</u>	<u>\$ -</u>

PALISADES CHARTER HIGH SCHOOL*Associated Student Body Funds Statement of Financial Position
For the Fiscal Year Ended June 30, 2018*

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 351,232	\$ 439,008
Accounts receivable	384	593
Inventory	5,481	5,481
Prepaid expenses and other current assets	6,355	6,355
Capital assets:		
Depreciable assets	59,817	59,817
Accumulated depreciation	<u>(59,817)</u>	<u>(59,817)</u>
Total Assets	<u>\$ 363,452</u>	<u>\$ 451,437</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 35,433	\$ 109,421
Accrued payroll and benefits	25,480	22,055
Due to student groups	317,612	294,547
Unearned revenues	<u>1,620</u>	<u>1,620</u>
Total liabilities	<u>380,145</u>	<u>427,643</u>
Net assets		
Unrestricted	<u>(16,693)</u>	<u>23,794</u>
Total Liabilities and Net Assets	<u>\$ 363,452</u>	<u>\$ 451,437</u>

PALISADES CHARTER HIGH SCHOOL
Associated Student Body Funds Statement of Activities
For the Fiscal Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>
REVENUES, GAINS, AND OTHER SUPPORT		
Admissions	\$ 138,397	\$ 118,748
Collections	17,836	20,738
Commissions	5,387	14,353
Merchandise sales	196,821	180,460
Non-taxable income	11,583	42,930
Other income	4,606	37,331
Cost of sales	<u>(24,891)</u>	<u>(52,225)</u>
 Total Revenues, Gains, and Other Support	 <u>349,739</u>	 <u>362,335</u>
 EXPENSES		
Program Services:		
Salaries and benefits	18,906	23,606
Officials	28,674	33,354
Tournament fees	-	117
Security	38,527	22,883
Bank charges	6,357	1,214
General expenses	<u>297,762</u>	<u>279,873</u>
 Total Expenses	 <u>390,226</u>	 <u>361,047</u>
 Change in net assets	 (40,487)	 1,288
 Net Assets, July 1	 <u>23,794</u>	 <u>22,506</u>
 Net Assets, June 30	 <u>\$ (16,693)</u>	 <u>\$ 23,794</u>

PALISADES CHARTER HIGH SCHOOL*Associated Student Body Funds Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018*

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (40,487)	\$ 1,288
Adjustments to reconcile increase (decrease) in net (Increase) decrease in operating assets:		
Accounts receivable	209	20
Prepaid expenses and other current assets	-	(855)
Increase (decrease) in operating liabilities:		
Accounts payable and other liabilities	(73,988)	111,378
Due to student groups	26,490	39,708
Net increase (decrease) in cash	<u>(87,776)</u>	<u>151,539</u>
Cash, July 1	<u>439,008</u>	<u>287,469</u>
Cash, June 30	<u><u>\$ 351,232</u></u>	<u><u>\$ 439,008</u></u>

PALISADES CHARTER HIGH SCHOOL*Statement of Financial Position – Other Postemployment Benefits Adjustment
For the Fiscal Year Ended June 30, 2018*

	Final Combined Audit Report	Combined Audit Pre-OPEB Adjustment
ASSETS		
Cash	\$ 7,184,508	\$ 7,184,508
Accounts Receivable	1,156,573	1,156,573
Inventory	5,481	5,481
Prepaid expenses and other current assets	147,296	147,296
Capital assets:		
Non-depreciable assets	1,493,790	1,493,790
Depreciable assets	13,740,704	13,740,704
Accumulated depreciation	<u>(6,563,348)</u>	<u>(6,563,348)</u>
Total Assets	<u>\$ 17,165,004</u>	<u>\$ 17,165,004</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 1,532,894	\$ 1,532,894
Accrued payroll and benefits	1,472,696	1,472,696
Due to student groups	317,612	317,612
Unearned revenues	92,829	92,829
Long term liabilities:		
Portion due within one year	344,748	344,748
Portion due after one year	18,200,050	17,037,398
Total liabilities	<u>21,960,829</u>	<u>20,798,177</u>
Net assets		
Unrestricted		
Board designated for OPEB	2,038,821	2,038,821
Unfunded deficit OPEB	(16,425,129)	(15,262,477)
General reserves	8,858,368	8,858,368
Total unrestricted	<u>(5,527,940)</u>	<u>(4,365,288)</u>
Temporarily restricted	443,486	443,486
Permanently restricted	288,629	288,629
Total net assets	<u>(4,795,825)</u>	<u>(3,633,173)</u>
Total Liabilities and Net Assets	<u>\$ 17,165,004</u>	<u>\$ 17,165,004</u>

PALISADES CHARTER HIGH SCHOOL*Statement of Activities – Other Postemployment Benefits Adjustment
For the Fiscal Year Ended June 30, 2018*

	Final Combined Audit Report	Combined Audit Pre- OPEB Adjustment
REVENUES		
Local control funding formula	\$ 26,453,983	\$ 26,453,983
Federal revenues	1,317,930	1,317,930
Other state revenues	5,329,001	5,329,001
Interest	115,788	115,788
Local revenues	2,339,674	2,339,674
Total Revenues	<u>35,556,376</u>	<u>35,556,376</u>
EXPENSES		
Program Services		
Education	30,432,999	29,270,347
Management and general	7,081,405	7,081,405
Total Expenses	<u>37,514,404</u>	<u>36,351,752</u>
Change in net assets	(1,958,028)	(795,376)
Net Assets, July 1, 2017	<u>(2,837,797)</u>	<u>(2,837,797)</u>
Net Assets, June 30, 2018	<u>\$ (4,795,825)</u>	<u>\$ (3,633,173)</u>

PALISADES CHARTER HIGH SCHOOL

Note to the Supplementary Information

June 30, 2018

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) 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.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the Charter School and whether the Charter School complied with the provisions of Education Code Sections 47612 through 47612.5.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the net assets reported on the Unaudited Actual financial report to the audited financial statements.

Schedule of Expenditures of Federal Awards

The schedule of expenditures of Federal awards includes the Federal grant activity of the Charter School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The Charter did not elect to use the ten percent de minimis indirect cost rate.

Supplementary Financial Statements by Entity

These combining financial statements include an account of each entity operated by the Charter School.

Other Postemployment Benefits Schedules

These combining financial statements present the effect of the adjustment to the postemployment benefit liability.

Other Independent Auditors' Reports



INDEPENDENT AUDITORS' 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

Governing Board
Palisades Charter High School
Pacific Palisades, California

We have audited, in accordance with the 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, the financial statements of Palisades Charter High School as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Palisades Charter High School's basic financial statements, and have issued our report thereon dated January 10, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Palisades Charter High School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Palisades Charter High School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Palisades Charter High School's internal control.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Charter School's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Murrieta, California
January 10, 2019



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Palisades Charter High School
Pacific Palisades, California

Report on State Compliance

We have audited Palisades Charter High School's compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Palisades Charter High School's state government programs as noted on the following page for the fiscal year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with state laws, regulations, and the terms and conditions of its State programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Palisades Charter High School's state programs based on our audit of the types of compliance requirements referred to on the following page. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to on the following page that could have a direct and material effect on a state 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 on compliance for each state program. However, our audit does not provide a legal determination of Palisades Charter High School's compliance.

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:

Description	Procedures Performed
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not Applicable

Unmodified Opinion on Compliance with State Programs

In our opinion, Palisades Charter High School complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2018.



Murrieta, California
January 10, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Governing Board
Palisades Charter High School
Pacific Palisades, California

Report on Compliance for Each Major Federal Program

We have audited Palisades Charter High School's compliance with the types of compliance requirements described in the OMB *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, 2018. Palisades Charter High School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Palisades Charter High School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Palisades Charter High School's compliance.

Opinion on Each Major Federal Program

In our opinion, Palisades Charter High School complied, in all material respects, with the types of 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, 2018.

Report on Internal Control Over Compliance

Management of Palisades Charter High School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Palisades Charter High School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter 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 a 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Murrieta, California
January 10, 2019

Findings and Recommendations

PALISADES CHARTER HIGH SCHOOL
Schedule of Findings and Recommendations
For the Fiscal Year Ended June 30, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None Reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 200.516	<u>No</u>
Identification of major programs:	
<u>CFDA Numbers</u>	<u>Name of Program/Cluster</u>
84.027	Basic Local Assistance Entitlement, Part B, Section 611

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

State Awards

Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>
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PALISADES CHARTER HIGH SCHOOL
Schedule of Findings and Recommendations
For the Fiscal Year Ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no financial statement findings in 2017-18.

PALISADES CHARTER HIGH SCHOOL
Schedule of Findings and Recommendations
For the Fiscal Year Ended June 30, 2018

SECTION III - FEDERAL AWARD FINDINGS AND RECOMMENDATIONS

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or recommendations in 2017-18.

PALISADES CHARTER HIGH SCHOOL
Schedule of Findings and Recommendations
For the Fiscal Year Ended June 30, 2018

SECTION IV - STATE AWARD FINDINGS AND RECOMMENDATIONS

This section identifies the audit findings pertaining to noncompliance with State program rules and regulations.

There were no state award findings or questioned costs in 2017-18.

PALISADES CHARTER HIGH SCHOOL
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2018

There were no audit findings in 2016-17.



To the Governing Board
and Management of Palisades Charter High School

In planning and performing our audit of the financial statements of Palisades Charter High School as of and for the year ending June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered Palisades Charter High School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated January 10, 2019, on the financial statements of Palisades Charter High School

ASSOCIATED STUDENT BODY – REVENUE POTENTIALS

Observation: The ASB is not utilizing revenue potentials for fundraisers.

Recommendation: As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success and failure of the completed project. The revenue potential also indicates weak control areas in the fund-raising procedures at the site, including lost or stolen merchandise, problems with collecting all money due and so forth. The revenue potential form used at the site should contain four major elements.

These are:

1. Potential Income – This lists the selling price of the item multiplied by the number of items purchased to compute the total income that should be deposited from this fundraiser if all the items were sold and all the money was turned in. This element should also be utilized to track the cost of the items, check numbers used to purchase the items, and the purchase dates. This purchasing information is a good reference source for future sales and also tracks to cost so that profits can be determined.
2. Receipts/Fundraiser Deposits – This records all deposits turned in which are from funds generated from the sale. The receipt number issued to the advisor, date, and deposit amount should be logged. This is necessary to be able to recap the deposits of the sale and to trace these deposits to the appropriate accounts at the end of the sale to the appropriate accounts to ensure that all postings were correct.
3. Analysis – This section is used to compare the potential income as calculated in the Potential Income section to the actual funds raised as calculated in the Receipts/Fundraiser Deposits section. The difference between these two amounts should be documented and explained. The explanation can consist of merchandise not sold, merchandise lost or destroyed, or funds lost or stolen.
4. Recap – This section figures the net profit of the sale. Further fundraisers of this type can be planned or canceled depending on the information calculated in this section.

ASSOCIATED STUDENT BODY – INVENTORY LISTING

Observation: Although the student store performs inventory counts every two months, it was noted that the inventory was not properly reflected in the financial statements.

Recommendation: According to the policies and procedures outlined in the “Accounting Procedures for Student Body Organizations”, prepared by FCMAT, a physical inventory should be taken quarterly under supervision of the student body advisor. The inventory listing should contain a description, unit, cost, quantity, and extended value. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been lost or stolen. The June 30 inventory report would also be used in the preparation of the financial statements prepared for the Associated Student Body of the site.

PAYROLL & PERSONNEL FILES

Observation: We noted the following deficiencies in internal controls over the payroll and personnel activities at the Charter School:

- Proper updated documentation for pay rate increases, auxiliary pay, and stipend contracts is not maintained consistently in the personnel files.
- Changes within the payroll system are not consistently communicated on the Charter School’s personnel action notice form to the payroll department.

As a part of gaining an understanding of internal controls for payroll and personnel activities we reviewed eight personnel files and noted the following

- Two exceptions noted for certificated employees’ files lacking proper updated documentation to support the pay rates and stipends associated to the period tested.
- Two exceptions noted for classified hourly employees’ files lacking proper updated documentation to support pay rates and stipends to the period tested. Also, the time cards for the period tested did not show evidence of approvals by their respective supervisors.

Recommendation: We recommend that the Charter School develop a board approved policy and procedure that will ensure the proper pay rate and contract information is communicated between the departments, as well as maintained in the personnel files with note of proper review and approvals. We recommend that each school year a contract for additional pay and stipends is approved and signed by the respective employee to be maintained in their personnel file. We also recommend that the supervisor over hourly employees review timecards and indicate approval prior to payroll processing each pay period.

This communication is intended solely for the information and use of management, the Governing Board, and others within the Charter School, and is not intended to be, and should not be, used by anyone other than these specified parties.



Murrieta, California
January 10, 2019