

operations, facility rental, QSCB spending, and ASB activities) in order that you may continue to monitor their separate unique activities. In the unaudited year-end financial report, you will see how this information is combined to report our entire operation and it will be comparable to the information in the audit for 2011-12.

Over the next several pages, I will compare the major financial components of the two prior audit reports and describe the reasons for the changes in each of these areas.

STATEMENT OF FINANCIAL POSITION 2011 (Statement of Net Assets 2010)

These statements are the “balance sheets” of the organization. At year end they report our assets and liabilities and subtract one from the other to calculate the school’s net worth or net assets.

Description	2010-11	2009-10	Difference	Explanation
Current Assets				
-Cash/Investments	\$13,224,733	\$7,641,380	\$5,583,353	Proceeds from QSCB and ASB
-Accounts Receivable	7,448,368	6,362,648	1,085,720	Increase in state deferrals
-Prepaid Expenses	192,163	116,127	76,036	Payments for next year’s items
-Stores Inventory	151,386	4,273	147,113	Cafeteria and ASB inventory
-Other Current Assets	<u>19,600</u>	<u>18,700</u>	<u>900</u>	Deposits on leased portables
Total Current Assets	\$21,036,250	\$14,143,128	\$6,893,122	
Noncurrent Assets				
-Property less accumulated depreciation	<u>4,918,493</u>	<u>4,985,255</u>	<u>-66,762</u>	Depreciation expense was greater than new property added.
Total Assets	\$25,954,743	\$19,128,383	\$6,826,360	

Assets increased primarily from the issue of the \$5 million QSCB, additional deferral of payment of state apportionment, and from the incorporation of the ASB assets (about \$665,000), both cash and inventories in the student store.

Description	2010-11	2009-10	Difference	Explanation
Current Liabilities				
-Accounts Payable	\$3,029,984	\$3,900,708	\$-870,724	Final payroll and payables
-Deferred Revenue	85,209	0	85,209	Federal Grant – A.H.A. program
-Current portion of LTD	178,302	140,650	37,652	Incr in compensated absences
-Balance Long Term Debt	<u>5,039,893</u>	<u>70,449</u>	<u>4,969,444</u>	QSCB less capital leases
Total Liabilities	\$8,333,388	\$4,111,807	\$4,221,581	

Accounts payable (in the previous table) declined for both vendors and salaries and benefits. The portion of the grant for the after school program was received late in the year, but it was deferred to the next year because it had not yet been spent; essentially it was carried over to the next year. Long term debt (current and balance) increased because of the QSCB.

Description	2010-11	2009-10	Difference	Explanation
Net Assets				
-Capital Assets	\$4,918,493	\$4,985,255	\$-66,762	Change in value of assets
-Restricted Net Assets	1,075,620	615,852	459,768	Increase in grant carryover
-Unrestricted	<u>11,627,242</u>	<u>9,415,469</u>	<u>2,211,773</u>	Increase from operations
Total Net Assets	\$17,621,355	\$15,016,576	\$2,604,779	

The increase in total net assets is both from charter school operations and ASB activities.

STATEMENT OF ACTIVITIES 2011 (Statement of Activities 2010)

Because of the differences in reporting of revenues and expenses under FASB (new year) versus GASB (old year), we cannot compare individual sources of revenue and types of expenditures. The table below will compare totals and differences from the two years reported.

Description	2010-11	2009-10	Difference	Explanation
Total Revenue	\$36,358,007	\$33,261,357	\$3,096,650	Increase in funding / ASB
Total Expenses	<u>34,267,654</u>	<u>34,169,227</u>	<u>98,427</u>	
Increase (Decrease) in Net Assets	\$2,090,353	\$-907,870	\$2,998,223	

In reviewing the change in operating revenue from one year to the next, the charter school operation received more state and federal revenue in the 2010-11 year and we also included all of the ASB revenue (about \$865,000) in the recent year. In expenses, reductions in charter school operation expenses were offset by the inclusion of the ASB expenses (about \$794,000) in the current year.

GRANADA HILLS CHARTER HIGH SCHOOL

LOS ANGELES COUNTY

GRANADA HILLS, CALIFORNIA

AUDIT REPORT

JUNE 30, 2011

**GRANADA HILLS 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
Granada Hills Charter High School
10535 Zelah Avenue
Granada Hills, California 91344**

We have audited the accompanying statement of financial position of Granada Hills 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 Granada Hills 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 Granada Hills 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 September 23, 2011, on our consideration of Granada Hills 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 Granada Hills 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.

Wilkinson Adley King PC LLP

El Cajon, California
September 23, 2011

**GRANADA HILLS CHARTER HIGH SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011**

ASSETS

Current Assets

Cash and cash equivalents	\$ 13,224,733
Accounts receivable	7,448,368
Prepaid expenses	192,163
Stores inventory	151,386
Other current assets	<u>19,600</u>

Total Current Assets 21,036,250

Noncurrent Assets

Property and equipment, net	<u>4,918,493</u>
-----------------------------	------------------

Total Assets \$ 25,954,743

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 3,029,984
Deferred revenue	85,209
Current portion of long-term debt	<u>178,302</u>

Total Current Liabilities 3,293,495

Long Term Liabilities

Long-term debt, less current portion	<u>5,039,893</u>
--------------------------------------	------------------

Total Liabilities 8,333,388

Commitments and Contingencies

-

Net Assets

Unrestricted net assets:	
Debt services	5,000,000
General reserves	<u>11,545,735</u>
Total Unrestricted Net Assets	16,545,735
Temporarily restricted net assets	<u>1,075,620</u>

Total Net Assets 17,621,355

Total Liabilities and Net Assets \$ 25,954,743

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

**GRANADA HILLS CHARTER HIGH SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Federal revenue	\$ -	3,375,955	\$ 3,375,955
General purpose grant	19,623,205	-	19,623,205
Property tax	4,855,555	-	4,855,555
State revenue	6,402,758	-	6,402,758
Local revenue	1,116,751	877,353	1,994,104
Interest revenue	106,430	-	106,430
Net assets released from restrictions	3,727,025	(3,727,025)	-
Total Revenues	<u>35,831,724</u>	<u>526,283</u>	<u>36,358,007</u>
Expenses:			
Salaries and wages	20,007,218	-	20,007,218
Employee benefits	5,207,394	-	5,207,394
Books and supplies	2,390,525	-	2,390,525
Services and operating expenses	4,124,541	-	4,124,541
Other	2,086,128	-	2,086,128
Interest	122,941	-	122,941
Depreciation	328,907	-	328,907
Total Expenses	<u>34,267,654</u>	<u>-</u>	<u>34,267,654</u>
Increase in net assets	1,564,070	526,283	2,090,353
Net assets at beginning of year	<u>14,981,665</u>	<u>549,337</u>	<u>15,531,002</u>
Net assets at end of year	<u>\$ 16,545,735</u>	<u>\$ 1,075,620</u>	<u>\$ 17,621,355</u>

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

**GRANADA HILLS CHARTER HIGH SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011**

Cash Flows From Operating Activities

	2011
Change in Net Assets:	\$ 2,090,353
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	328,907
Decrease (increase) in operating assets:	
Accounts receivable	(1,086,067)
inventory	(48,775)
Decrease in prepaid expenses	(69,109)
Decrease in other assets	(900)
Increase (decrease) in operating liabilities:	
Accounts payable	(907,597)
Trust accounts	11,541
Deferred revenue	85,209
Net Cash Used by Operating Activities	403,562
Cash Flows From Investing Activities	
Purchase of property and equipment	(262,145)
Net Cash Used From Investing Activities	(262,145)
Cash Flows From Financing Activities	
Proceeds from issuance of debt	5,000,000
Repayment of debt	(28,821)
Net Cash Provided by Financing Activities	4,971,179
Net Increase in Cash and Cash Equivalents	5,112,596
Cash and Cash Equivalents at the beginning of the year	8,112,137
Cash and Cash Equivalents at the end of the year	\$ 13,224,733

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

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

A. Organization and Summary of Significant Accounting Policies

Organization

Granada Hills charter High School was formed as a charter school pursuant to Education Code Section 47600 under an agreement with Los Angeles Unified School District granted initially in May, 2003. In May 2004 the Los Angeles Unified School District renewed the School's charter for a five year period from July, 2004 until June 2009.

In June 2009, the Los Angeles Unified School District renewed the School's charter for another five year period from July 2009 until June 2014.

The School's mission is to provide a positive student-centered environment in which all students will develop academic skills, practical skills, and attitudes to enable them to be successful lifelong learners and productive, responsible citizens in a diverse society. The students and staff at the School propose to pledge their resources to create a school where all students are actively engaged in the process of learning in a multicultural setting.

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.
- Permanently restricted: These net assets are permanently restricted by donors and cannot be used by the School.

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.

GRANADA HILLS 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.

GRANADA HILLS 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 September 23, 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.

GRANADA HILLS 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	\$	243,979
State programs		7,162,565
Local and miscellaneous		<u>41,824</u>
Total		<u>\$ 7,448,368</u>

D. Property and Equipment

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

Land	\$	527,402
Land improvements		1,958,432
Buildings		3,024,488
Equipment		<u>1,036,747</u>
Total		6,547,069
Less accumulated depreciation		<u>(1,628,576)</u>
Total property and equipment, net		<u>\$ 4,918,493</u>

E. Accounts Payable

Accounts payable at June 30, 2011 consisted of:

Vendors payable	\$	1,056,838
Salaries and benefits		<u>1,973,146</u>
Total		<u>\$ 3,029,984</u>

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

F. Long-Term Debt

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2011 are as follows:

	Beginning Balances	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Compensated absences	\$ 109,813	\$ 35,917	\$ -	\$ 145,730	\$ 145,730
Capital leases	101,286	-	28,821	72,465	32,572
Quality School Construction Bonds	-	5,000,000	-	5,000,000	-
Total governmental activities	<u>\$ 211,099</u>	<u>\$ 5,035,917</u>	<u>\$ 28,821</u>	<u>\$ 5,218,195</u>	<u>\$ 178,302</u>

2. Debt Service Requirements

Debt service requirements on long-term debt at June 30, 2011 are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 178,302	228,294	406,596
2013	36,727	224,139	260,866
2014	3,166	221,431	224,597
2015	-	221,300	221,300
2016	-	221,300	221,300
2017-2021	5,000,000	885,200	5,885,200
Totals	<u>\$ 5,218,195</u>	<u>\$ 2,001,664</u>	<u>\$ 7,219,859</u>

3. Qualified School Construction Bonds

Year Ending June 30,	Principal	Interest	Total
2012	\$ -	221,300	221,300
2013	-	221,300	221,300
2014	-	221,300	221,300
2015	-	221,300	221,300
2016	-	221,300	221,300
2017-2021	5,000,000	885,200	5,885,200
Totals	<u>\$ 5,000,000</u>	<u>\$ 1,991,700</u>	<u>\$ 6,991,700</u>

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

F. Long-Term Debt (continued)

4. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2011, as follows:

Year Ending	
June 30,	
2012	\$ 39,566
2013	39,566
2014	3,297
Total Minimum Lease Payments	82,429
Less Amounts Representing Interest	(9,964)
Net Total Minimum Lease Payments	<u>\$ 72,465</u>

G. Employment 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.

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

G. Employee Retirement System (continued)

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.

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	\$ 1,257,995	100%	\$ 377,304	100%
2010	\$ 1,167,574	100%	\$ 392,842	100%
2011	\$ 801,331	100%	\$ 467,374	100%

H. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of June 30, 2011, are as follows:

Year Ending June 30,	
2012	\$ 390,045
2013	35,244
2014	8,916
2015	8,916
Total Minimum Rentals	<u>\$ 443,121</u>

The School will receive no sublease rental revenues nor pay any contingent rentals associated with these leases.

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

I. Joint Ventures (Joint Powers Agreements)

The School participates in one joint powers agreement (JPA) entity, The California Charter Schools Association Joint Powers Authority. The relationship between the School and the JPA is such that the JPA is not a component unit of the District.

The JPA arranges for and provides for various types of insurances for its member charter schools as requested. The JPA is governed by a board consisting of five seats. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member charter schools. Each member charter school pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA.

Combined condensed audited financial information of the School's share of the JPA for the year ended June 30, 2010 is as follows:

Total Assets	\$ 8,800,862
Total Liabilities	11,311,090
Total Net Assets	(2,510,228)
Total Operating Revenues	10,500,009
Total Expenses	13,229,853
Change in Net Assets	\$ (2,510,228)

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

**GRANADA HILLS CHARTER HIGH SCHOOL
ORGANIZATION
JUNE 30, 2011**

Granada Hills Charter High School (#572) was formed as a charter school pursuant to Education Code Section 47600 under an agreement with Los Angeles Unified School District granted in May 2003. In June 2009 the Los Angeles Unified School District renewed the School's charter for a five year period ending June 30, 2014.

The School's mission is to provide a positive student-centered environment in which all students will develop academic skills, practical skills, and attitudes to enable them to be successful lifelong learners and productive responsible citizens in a diverse society.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Jim Salin	Chair	Two Year Term Expires 12/31/2012
Joan Lewis	Member	Two Year Term Expires 12/31/2011
Jesus Vaca	Member	Two Year Term Expires 12/31/2012
Gary Conley	Member	Two Year Term Expires 12/31/2011
Steve Bourgouin	Member	Two Year Term Expires 12/31/2011
Marlene Hoffman	Member	Two Year Term Expires 12/31/2012
Kenneth Horwitz	Member	Two Year Term Expires 12/31/2012
Steve Overton	Member	Two Year Term Expires 12/31/2012
Leila Vickers	Member	Two Year Term Expires 12/31/2012

ADMINISTRATION

Brian Bauer
Executive Director

Walter Wallace
Chief Financial Officer

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

<u>Classroom Based</u>	<u>Second Period Report</u>		<u>Annual Report</u>	
	<u>Original</u>	<u>Revised</u>	<u>Original</u>	<u>Revised</u>
Classroom Based				
Grades 9 through 12, regular classes	<u>3,995.67</u>	<u>3,932.11</u>	<u>3,992.43</u>	<u>3,931.74</u>
Non-Classroom Based				
Grades 9 through 12, regular classes	<u>44.83</u>	<u>46.24</u>	<u>52.18</u>	<u>53.24</u>
High School Totals	<u><u>4,040.50</u></u>	<u><u>3,978.35</u></u>	<u><u>4,044.61</u></u>	<u><u>3,984.98</u></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.

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

Classroom Based Grade Level:	<u>1986-87 Minutes Requirement</u>	<u>1986-87 Adjusted and Reduced</u>	<u>2010-11 Actual Minutes</u>	<u>Number of Traditional Days</u>	<u>Status</u>
Grade 9	64,800	62,949	64,936	180	Complied
Grade 10	64,800	62,949	65,364	180	Complied
Grade 11	64,800	62,949	64,936	180	Complied
Grade 12	64,800	62,949	64,062	180	Complied

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

**GRANADA HILLS 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	14329	\$ 454,530
Special Education*	84.027	13379	994,845
ARRA-State Fiscal Stabilization Fund*	84.394	24997	425,929
Title III LEP	84.365	10084	34,199
Title III – Immigration Education	84.365	10013	97,268
Education Technology*	84.386	15019	8,505
ARRA-Education Jobs Fund	84.410	25152	909,903
Title II Part D. Technology*	84.318	14334	1,476
21 st Century Learning	84.287	14349	147,530
Title II – Teacher Quality	84.367	14341	46,184
Carl D. Perkins Vocational Education	84.048	14894	42,381
Total Passed Through State Department of Education			<u>3,162,750</u>
Total U.S. Department of Education			<u>3,162,750</u>
<u>U.S. Department of Agriculture</u>			
Passed Through State Department of Education:			
National School Lunch Program*	10.555	13396	636,625
Total U.S. Department of Agriculture			<u>636,625</u>
Total Expenditures of Federal Awards			<u>\$ 3,799,375</u>

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

**GRANADA HILLS CHARTER HIGH SCHOOL
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED, JUNE 30, 2011**

The net assets reported in the accompanying audited financial statements is in agreement with the net assets reported by the school in their unaudited financial statements.

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

OTHER INDEPENDENT AUDITOR'S REPORTS



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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
Granada Hills Charter High School
Granada Hills, California**

We have audited the financial statements of Granada Hills Charter High School as of and for the year ended June 30, 2011, and have issued our report thereon dated September 23, 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 Granada Hills 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 Granada Hills Charter High School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Granada Hills 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 Granada Hills 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 H. King & Co. LLP

El Cajon, California
September 23, 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
Granada Hills Charter High School
Granada Hills, California**

Compliance

We have audited Granada Hills 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 Granada Hills Charter High School's major federal programs for the year ended June 30, 2011. Granada Hills 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 Granada Hills 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, Granada Hills 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 Granada Hills 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 Granada Hills 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 Granada Hills 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
September 23, 2011



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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

**Board of Trustees
 Granada Hills Charter High School
 Granada Hills, California**

We have audited the financial statements of the Granada Hills Charter High School ("School") as of and for the year ended June 30, 2011, and have issued our report thereon dated September 23, 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	No
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.

We did not audit the nonclassroom based independent study because the ADA for independent study was below the level that required testing.

In our opinion, Granada Hills 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 Nadley King + Co LLP

El Cajon, California
September 23, 2011

**GRANADA HILLS 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 No

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

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes No

One or more significant deficiencies identified that Are not considered to be material weaknesses? Yes 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 No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.410	ARRA Education Job Fund
84.367	Title II Teacher Quality
84.394	ARRA State Fiscal Stabilization Funds
84.386	Education Technology
84.318	Title II Part D. Technology

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

Auditee qualified as low-risk auditee? Yes No

3. State Awards

Internal control over state programs:

One or more material weaknesses identified? Yes No

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

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

**GRANADA HILLS 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.

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

There were no findings reported in the 2010 audit.