

GRANADA HILLS CHARTER HIGH SCHOOL

LOS ANGELES COUNTY

GRANADA HILLS, CALIFORNIA

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

YEAR ENDED JUNE 30, 2016

GRANADA HILLS CHARTER HIGH SCHOOL
Financial Statements and Supplemental Information
Year Ended June 30, 2016

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Independent Auditor's Report

To the Board of Directors
Granada Hills Charter High School
Granada Hills, California

Report on the Financial Statements

We have audited the accompanying financial statements of Granada Hills Charter High School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School'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 School'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 financial statements.

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

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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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, 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*, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying additional supplementary information, as required by the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel prescribed in Title 5, *California Code of Regulations*, section 19810 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2016, on our consideration of Granada Hills 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 Granada Hills Charter High School's internal control over financial reporting and compliance.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 1, 2016

FINANCIAL STATEMENTS

GRANADA HILLS CHARTER HIGH SCHOOL
Statement of Financial Position
June 30, 2016

Current Assets

Cash and cash equivalents	\$ 12,983,226
Investments	2,653,984
Accounts receivable	1,880,915
Prepaid expenditures	313,635
Inventory	125,044
Other current assets	1,325
Total Current Assets	17,958,129

Noncurrent Assets

Capital assets, net	14,713,889
Total Noncurrent Assets	14,713,889

TOTAL ASSETS \$ 32,672,018

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 1,381,578
Accrued payroll	4,335,055
Accounts payable to student groups	292,666
Unearned revenue	75,000
Accrued vacation liability	198,400
Note payable	4,000,000
Total Current Liabilities	10,282,699

Long Term Liabilities

Loan payable, less current portion	5,000,000
Total Long Term Liabilities	5,000,000

Total Liabilities 15,282,699

Net Assets

Unrestricted	17,002,942
Temporarily restricted	386,377
Total Net Assets	17,389,319

TOTAL LIABILITIES AND NET ASSETS \$ 32,672,018

The accompanying notes are an integral part of this statement.

GRANADA HILLS CHARTER HIGH SCHOOL

Statement of Activities
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Revenue			
LCFF state aid, current year	\$ 23,246,004	\$ -	\$ 23,246,004
LCFF state aid, prior year	16,060	-	16,060
Education protection account funds	6,896,334	-	6,896,334
Payments in lieu of property taxes	8,374,645	-	8,374,645
Federal revenue	148,894	3,201,811	3,350,705
Other state revenue	3,128,081	3,502,416	6,630,497
Interest	289,176	-	289,176
Other local revenue	3,033,127	-	3,033,127
Total Revenues	<u>45,132,321</u>	<u>6,704,227</u>	<u>51,836,548</u>
Net assets released from restrictions:			
Grant restrictions satisfied	<u>6,411,695</u>	<u>(6,411,695)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>51,544,016</u>	<u>292,532</u>	<u>51,836,548</u>
EXPENSES			
Certificated salaries	20,850,788	-	20,850,788
Classified salaries	7,305,720	-	7,305,720
Taxes and employee benefits	8,589,381	-	8,589,381
Books and supplies	5,303,442	-	5,303,442
Rentals, leases and repairs	2,599,687	-	2,599,687
Other operating expenditures	5,971,588	-	5,971,588
Debt service interest	221,300	-	221,300
Depreciation expense	455,362	-	455,362
TOTAL EXPENSES	<u>51,297,268</u>	<u>-</u>	<u>51,297,268</u>
CHANGE IN NET ASSETS	246,748	292,532	539,280
NET ASSETS, BEGINNING OF YEAR	<u>16,756,194</u>	<u>93,845</u>	<u>16,850,039</u>
NET ASSETS, END OF YEAR	<u>\$ 17,002,942</u>	<u>\$ 386,377</u>	<u>\$ 17,389,319</u>

The accompanying notes are an integral part of this statement.

GRANADA HILLS CHARTER HIGH SCHOOL

Statement of Cash Flows

Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 539,280
Depreciation	455,362
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) Decrease resulting from changes in assets:	
Accounts receivable	(908,443)
Prepaid expenses	(258,432)
Inventory	(5,324)
Other current assets	(1,325)
Increase (Decrease) resulting from changes in liabilities:	
Accounts payable	(204,690)
Accrued payroll	2,142,123
Accounts payable to student groups	74,849
Unearned revenue	75,000
Accrued vacation liability	27,586
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>1,935,986</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of capital assets	(1,521,106)
Increase in investments	(988,294)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(2,509,400)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(573,414)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>13,556,640</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$12,983,226</u></u>

The accompanying notes are an integral part of this statement.

GRANADA HILLS CHARTER HIGH SCHOOL

Notes to the Financial Statements

Year Ended June 30, 2016

A. Organization and Summary of Significant Accounting Policies

Organization

Granada Hills Charter High School (the School) was formed as a charter school pursuant to California Education Code §47600 under a charter agreement with Los Angeles Unified School District (the District). The School became a nonprofit benefit corporation on October 22, 2010. The charter agreement was approved by Los Angeles Unified School District and submitted to the California Board of Education in May 2003. The charter agreement was subsequently renewed for two additional five-year terms in 2009 and 2014. The current charter agreement runs through June 30, 2019.

Granada Hills Charter High School is a tuition-free public high school. The School's mission is to create a community-based high performance model of educational excellence guided by core beliefs, cultural sensitivity, research-based instruction, collaboration, and built-in accountability, that serves the social and academic needs of a diverse student body reflective of the population of the Los Angeles Unified School District and other public schools.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958, Financial Statements of Not-for-Profit Organizations. Under ASC No. 958, the School is required to report information regarding its financial position and activities according to three classes of net assets:

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor or grant restrictions.
- Temporarily restricted net assets consist of contributed funds or grants subject to donor or grant imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the School may spend the funds.
- Permanently restricted net assets are 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.

The School had no permanently restricted net assets during the year.

Use of Estimates

The preparation of 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 financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the 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.

GRANADA HILLS CHARTER HIGH SCHOOL

Notes to the Financial Statements (Continued)

Year Ended June 30, 2016

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 unrealized fair values of equity investments. Adjustments to fair values are reflected as unrealized gain/loss on investments in the accompanying statement of activities.

Accounts Receivable

Accounts receivable arise in the normal course of operations. It is the policy of management to review the outstanding accounts receivable at year end, as well as bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts. No allowance was considered necessary as management believes that all amounts are collectible.

Capital Assets

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 School's 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. Estimated useful lives range from three to fifty years depending on the asset.

Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition or when resources are received by the School prior to the School meeting the requirements for legal claim to the resources.

In subsequent periods, when both revenue recognition criteria are met or when the School has legal claim to the resources, the liability for unearned revenue is removed from the statement of financial position and revenue is recognized.

Revenue Recognition

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

All donor or grant 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 and reported in the statement of activities as net assets released from restrictions.

GRANADA HILLS CHARTER HIGH SCHOOL

Notes to the Financial Statements (Continued)

Year Ended June 30, 2016

Contributed Materials and Services

Contributed materials are recorded at their fair market value where an objective basis is available to measure their value. Such items are capitalized or charged to operations as appropriate. The School receives services donated by volunteers in carrying out the School's operations. The services do not meet the criteria as contributions and are, therefore, not recognized in the financial statements.

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 contribution 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.

LCFF Revenues and Payments in Lieu of Property Taxes

The School's primary funding source is a combination of local property taxes and state revenues. The California Department of Education computes the local control funding formula (LCFF) on statewide charter school rates multiplied by the School's average daily attendance (ADA) as reported at the Second Principal apportionment period (P2). The result is then reduced by property tax revenues transferred from the District to the School, which is funding in lieu of property taxes and education protection account funds paid by the state under proposition 30. The remaining balance is paid from the state General Fund, in the form of LCFF State Aid. LCFF funding sources, inclusive of state and local sources, made up 74% of the school's revenue. The School is not at risk of losing these funding sources, as long as the school maintains a steady level of ADA, as these funding sources are mandated by the California State Constitution to fund schools.

Advertising

Advertising costs are expensed when incurred.

Income Taxes

The School is a 509(a)(1) publicly supported non-profit organization that is exempt from income taxes under Sections 501(a) and 501(c)(3) of the Internal Revenue Code. The School is also exempt from California franchise or income tax under Section 23701d of the California Revenue and Taxation Code. The School may be subject to tax on income which is not related to its exempt purpose. For the year ended June 30, 2016, no such unrelated business income was reported and, therefore, no provision for income taxes has been made.

GRANADA HILLS CHARTER HIGH SCHOOL

Notes to the Financial Statements (Continued)

Year Ended June 30, 2016

The School follows provisions of uncertain tax positions as addressed in ASC 958. The School recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There are no amounts accrued in the financial statements related to uncertain tax positions for the year ended June 30, 2016.

The School files informational and income tax returns in the United States and in the state of California. The federal income tax and informational returns are subject to examination by the Internal Revenue Service for three years after the returns are filed. State and local jurisdictions have statutes of limitation that generally range from three to five years.

Subsequent Events

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through December 1, 2016, the date the financial statements were available to be issued.

B. Cash and Cash Equivalents

Cash in County Treasury

The School is a voluntary participant and therefore maintains a portion of its cash in the Los Angeles County Treasury as part of the common investment pool (\$5,247,213 as of June 30, 2016). The County Treasury is restricted by Government Code §53635 pursuant to §53601 to invest in time deposits, U.S. Government Securities, state registered warrants, notes or bonds, State Treasurer's investment pool, banker's acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse agreements.

The fair value of the School's investment in this pool is reported in the accompanying financial statements at amounts based upon the School's pro-rata share of the fair value provided by the County Treasury for the entire County Treasury portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasury, which are recorded on an amortized cost basis.

The Los Angeles County Treasury is not registered with the Securities and Exchange Commission (SEC) as an investment company; however, the County Treasury acts in accordance with investment policies monitored by a Treasury Oversight Committee consisting of members appointed by participants in the investment pool and up to five members of the public having expertise, or an academic background, in public finance. In addition, the County Treasury is audited annually by an independent auditor.

Cash in Bank

The remainder of the School's cash (\$7,736,013 as of June 30, 2016) is held in financial institutions which are either insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor or certain non-interest bearing accounts that are fully insured by the FDIC. As of June 30, 2016, the School had \$3,826,185 in bank accounts that exceeded the FDIC insured limit.

GRANADA HILLS CHARTER HIGH SCHOOL

Notes to the Financial Statements (Continued)

Year Ended June 30, 2016

C. Analysis of Specific Deposit and Investment Risk

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. Cash invested as part of the County Treasury Investment Pool is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of the credit risk.

Custodial Credit Risk – Deposits

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the School's name. As of June 30, 2016, the School had \$3,826,185 of deposits at financial institutions that were subject to custodial credit risk. The School reduces its exposure to credit risk by maintaining such deposits with high quality financial institutions. The School has not experienced any losses in such accounts and believes it is not subject to any substantial custodial credit risk on cash and cash equivalents.

Concentrations of Credit Risk

This risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The investment policy of the School contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such the School was not exposed to concentration of credit risk.

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The School manages its exposure to interest rate risk by investing in the county pool.

Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. As of June 30, 2016 the school has not invested in any foreign investments and as such is not exposed to foreign currency risk.

GRANADA HILLS CHARTER HIGH SCHOOL

Notes to the Financial Statements (Continued)

Year Ended June 30, 2016

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaning Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 Years	None	None
Registered State Bonds, Notes, Warrants	5 Years	None	None
U.S. Treasury Obligations	5 Years	None	None
U.S. Agency Securities	5 Years	None	None
Banker's Acceptance	180 Days	40%	30%
Commercial Paper	270 Days	25%	10%
Negotiable Certificates of Deposit	5 Years	30%	None
Repurchase Agreements	1 Year	None	None
Reverse Repurchase Agreements	92 Days	20% of Base	None
Medium-Term Corporate Notes	5 Years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 Years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Funds	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

GRANADA HILLS CHARTER HIGH SCHOOL
Notes to the Financial Statements (Continued)
Year Ended June 30, 2016

D. Investments

Investments, carried at fair value at June 30, 2016 and held on behalf of the School, are presented below, categorized separately to give an indication of the level of risk associated with each investment:

Category 1: Insured or registered, or securities held by the School or its agent in the School's name.

Category 2: Uninsured and unregistered, with securities held by the counter party's trust department or agent in the School's name.

Category 3: Uninsured and unregistered, with securities held by the county party, or by its trust department or agent but not in the School's name.

	Category			Fair Value
	1	2	3	
Payden Absolute Return Bond Fund	266,788	-	-	266,788
Payden Core Bond Fund	537,219	-	-	537,219
Payden Low Duration Fund	1,183,161	-	-	1,183,161
Payden Strategic Income Fund	666,816	-	-	666,816
	\$2,653,984	\$ -	\$ -	\$2,653,984

E. Accounts Receivable

As of June 30, 2016 accounts receivable consisted of:

Federal Government:	
Federal grants	\$ 889,561
State Government:	
Lottery revenue	487,862
Other state grants	82,360
Local Sources:	
Interest	102,572
Other local sources	318,560
Total Accounts Receivable	\$ 1,880,915

GRANADA HILLS CHARTER HIGH SCHOOL

Notes to the Financial Statements (Continued)

Year Ended June 30, 2016

F. Capital Assets

As of June 30, 2016 capital assets consisted of:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Land	\$ 6,102,402	\$ -	\$ -	\$ 6,102,402
Work in progress	1,019,921	-	1,019,921	-
Building	5,539,510	2,073,604	-	7,613,114
Leasehold improvements	2,256,968	-	-	2,256,968
Equipment	<u>1,202,690</u>	<u>467,425</u>	<u>-</u>	<u>1,670,115</u>
Total capital assets	16,121,491	2,541,029	1,019,921	17,642,599
Less accumulated depreciation	<u>(2,473,346)</u>	<u>(455,364)</u>	<u>-</u>	<u>(2,928,710)</u>
Capital assets, net	<u>\$ 13,648,145</u>	<u>\$ 2,085,665</u>	<u>\$ 1,019,921</u>	<u>\$ 14,713,889</u>

G. Accounts Payable

As of June 30, 2016 accounts payable consisted of:

Vendors payable	\$ 735,738
Accounts payable to LAUSD	605,477
Accounts payable to ASB	<u>40,363</u>
Total Accounts Payable	<u>\$ 1,381,578</u>

H. Unearned Revenue

As of June 30, 2016 unearned revenue consisted of:

Career Technical Education Incentive Grant	<u>\$ 75,000</u>
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GRANADA HILLS CHARTER HIGH SCHOOL

Notes to the Financial Statements (Continued)

Year Ended June 30, 2016

I. Note Payable

On September 12, 2014, the School closed on a \$4 million loan through Capital Impact Partners. The term for the note is 18 months, renewable for an additional six months on the approval of the lender. On September 19, 2016 the promissory note was amended to extend the maturity date to April 1, 2017. The interest rate on the note is 6.50%. Accrued interest is paid monthly with the principal amount due at maturity. The note may be paid in full at any time without penalty. The balance of the note at June 30, 2016 was \$4,000,000. The loan was for capital improvements to the School.

J. Long-Term Debt

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2016 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Qualified School Construction Bonds Series 2010B	\$ 5,000,000	\$ -	\$ -	\$ 5,000,000	\$ -
Total Long-Term Obligations	\$ 5,000,000	\$ -	\$ -	\$ 5,000,000	\$ -

K. Qualified School Construction Bonds:

In October 2010, the School issued California School Finance Authority Education Facilities Revenue Bonds, Series 2010B Qualified School Construction Bonds in the amount of \$5,000,000. The School used proceeds of the bonds to finance the acquisition, construction, improvement and equipping of certain charter school facilities utilized by the School and to pay certain costs of issuance of the Series 2010B Bonds.

The maturity date of the Series 2010B Bonds is July 1, 2020 and the bonds bear interest rate of 4.426%. Repayment of the bonds consist of interest only annual payments of \$221,300, with principal and any unpaid interest due and payable on July 1, 2020.

Debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2017	\$ -	\$ 221,300	\$ 221,300
2018	-	221,300	221,300
2019	-	221,300	221,300
2020	-	221,300	221,300
2021	5,000,000	-	5,000,000
Total	\$ 5,000,000	\$ 885,200	\$ 5,885,200

GRANADA HILLS CHARTER HIGH SCHOOL
Notes to the Financial Statements (Continued)
Year Ended June 30, 2016

L. Operating Lease

The School entered into a lease agreements for equipment. The agreements do not contain a purchase option and does not meet the requirements for capitalization. As such, the leases have not been recorded on the statement of financial position. The agreements contain a termination clause providing for cancellation after a specified number of days written notice to the lessor, but it is unlikely that the School will cancel the agreements prior to the expiration date.

Future minimum lease payments under the agreement are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Lease</u> <u>Payments</u>
2017	\$ 140,489
2018	69,825
2019	69,825
2020	61,180
2021	<u>61,180</u>
Total	<u>\$ 402,499</u>

GRANADA HILLS CHARTER HIGH SCHOOL

Notes to the Financial Statements (Continued)

Year Ended June 30, 2016

M. Functional Expenses

As of June 30, 2016 functional expenses consisted of:

	Program Services	Management and General	Total
Salaries and wages	\$ 24,355,379	\$ 3,801,129	\$ 28,156,508
Pension plan accruals and contributions	2,517,230	392,863	2,910,093
Other employee benefits	4,657,016	1,022,272	5,679,288
Fees for services (non-employees):			-
Accounting and legal	62,376	168,648	231,024
Contracted services	1,833,106	1,499,813	3,332,919
Communications	-	56,384	56,384
Housekeeping	-	757,981	757,981
Travel and conference	27,120	153,679	180,799
Interest	-	221,300	221,300
Depreciation	364,290	91,072	455,362
Insurance	100,078	100,079	200,157
Food service	796,969	140,642	937,611
Other fees	157,180	113,820	271,000
Books and supplies	2,519,805	1,185,791	3,705,596
Non-capitalized equipment	283,901	376,334	660,235
Dues and memberships	3,715	33,435	37,150
Disposal	-	75,009	75,009
Rents and leases	102,923	540,348	643,271
Repairs	939,080	1,017,336	1,956,416
Field trips	283,707	-	283,707
Postage	-	37,969	37,969
Transfer to District	329,868	177,621	507,489
Total expenses	<u>\$ 39,333,743</u>	<u>\$ 11,963,525</u>	<u>\$ 51,297,268</u>

GRANADA HILLS CHARTER HIGH SCHOOL

Notes to the Financial Statements (Continued)

Year Ended June 30, 2016

N. 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. As a result, no liability has been accrued.

Sick Leave

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulate sick leave. Employees, therefore, are never paid for any sick leave balance at termination of employment or any other time. Therefore, it is not appropriate to accrue the value of the accumulated sick leave.

O. Employee Retirement System

Qualified employees are covered under multiple-employer defined benefit pension plans by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects:

1. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of the other participating employers.
2. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
3. If the School chooses to stop participating in some of its multi-employer plans, the School may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The School's participation in these plans for the fiscal year ended June 30, 2016, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2016, 2015 and 2014 is for the plan's year-end at June 30, 2016, 2015 and 2014, respectively. The zone status is based on information that the School received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. Finally, the CalSTRS contribution rate and certificated salaries increased from 2015 to 2016, affecting the period-to-period comparability of the contributions for years 2015 and 2016. There have been no significant changes that affect the comparability of the 2014 and 2015 contributions.

GRANADA HILLS CHARTER HIGH SCHOOL

Notes to the Financial Statements (Continued)

Year Ended June 30, 2016

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status Year Ended June 30			FIP/RP Status Pending/ Implemented
		2016	2015	2014	
CalSTRS	19746	Yellow	Yellow	Yellow	No
CalPERS	7340355290	Yellow	Green	Yellow	No

Pension Fund	Contributions of School			Number of Employees	Surcharge Imposed
	2016	2015	2014		
CalSTRS	2,164,468	1,589,992	1,327,679	242	No
CalPERS	745,625	666,247	582,580	131	No

CalSTRS:

The School contributes to the State Teachers' Retirement System (CalSTRS), a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. Required contribution rates are set by the California Legislature and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level of percentage of payroll using the entry age normal actuarial cost method. CalSTRS also uses the level percentage of payroll method to calculate the amortization of any unfunded liability. Copies of the STRS annual report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

For the fiscal year ended June 30, 2016, active plan members were required to contribute between 8.56% and 9.20% of their salary, depending on their hire date. The employer contribution rate was 10.73% of annual payroll. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. The School made contributions as noted above. For the year ended June 30, 2016 the State contributed \$1,180,932 (7.12589% of creditable salaries from 2013-14) on behalf of the School.

CalPERS:

The School contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalPERS. 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, with the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

GRANADA HILLS CHARTER HIGH SCHOOL

Notes to the Financial Statements (Continued)

Year Ended June 30, 2016

Active plan members were required to contribute between 6% and 7% of their salary, depending on their hire date, and the School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rates for fiscal year 2015-16 were 11.847% of salaries. The School made contributions as noted above.

P. Joint Ventures (Joint Powers Agreements)

The School participates in two joint powers agreement (JPA) entities, the California Charter Schools Joint Powers Authority (CCS-JPA) and the Alliance of Schools for Cooperative Insurance Program (ASCIP). The relationship between the School and the JPAs is such that the JPAs are not component units of the school.

The JPAs arrange for and provide for various types of insurances for its member districts and schools as requested. The JPAs are governed by boards consisting of one or more representatives from each member. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the member districts and schools beyond their representation on the boards. Each member district and school pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPAs.

The JPAs have budgeting and financial reporting requirements independent of member units and therefore the JPAs' financial statements are not presented in these financial statements; however, transactions between the School and the JPAs are included in these statements. Audited financial statements for the year ended June 30, 2016 were not available at the time this report was issued. Financial statements from the JPAs are available upon request from the respective agencies.

GRANADA HILLS CHARTER HIGH SCHOOL
Notes to the Financial Statements (Continued)
Year Ended June 30, 2016

Q. Adjustment to Beginning Net Assets

An adjustment to beginning assets was made to record a prior year adjustment for a missed STRS payment that was not carried forward into the subsequent year. Beginning net assets were adjusted as follows:

Net Assets, Beginning (As Originally Stated)	\$ 17,080,655
Adjustments for:	
Decrease in cash and cash equivalents	<u>(230,616)</u>
Net Assets, Beginning (Restated)	<u><u>\$ 16,850,039</u></u>

SUPPLEMENTARY INFORMATION

GRANADA HILLS CHARTER HIGH SCHOOL

Organization Structure
Year Ended June 30, 2016

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. In February 2014, the School was again renewed for a five-year period ending June 30, 2019.

The School's mission is to create a community-based high performance model of educational excellence guided by core beliefs, cultural sensitivity, research-based instruction, collaboration and built-in accountability that serves the social and academic needs of a diverse student body reflective of the population of the Los Angeles Unified School District and other public schools.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Jim Salin	Chair	Two Year Term Expires December 31, 2016
Steve Bourgouin	Member	Two Year Term Expires December 31, 2016
Jesus Vaca	Member	Two Year Term Expires December 31, 2017
Lorene Dixon-Ndife	Member	Two Year Term Expires December 31, 2017
Jody Dunlap	Member	Two Year Term Expires December 31, 2017
Joan Lewis	Member	Two Year Term Expires December 31, 2017
Amita Naganand	Member	Two Year Term Expires December 31, 2017

ADMINISTRATION

Brian Bauer
Executive Director

Eugene Straub
Chief Financial Officer

See accompanying notes to supplementary information

GRANADA HILLS CHARTER HIGH SCHOOL

Schedule of Average Daily Attendance
Year Ended June 30, 2016

	<u>Second Period Report</u>		<u>Annual Report</u>	
	<u>Original</u>	<u>Revised</u>	<u>Original</u>	<u>Revised</u>
Classroom Based ADA:				
Grades 9-12	<u>4,037.39</u>	<u>N/A</u>	<u>4,030.75</u>	<u>N/A</u>
Total Classroom Based ADA	<u>4,037.39</u>	<u>N/A</u>	<u>4,030.75</u>	<u>N/A</u>
Non-Classroom Based ADA:				
Grades 9-12	<u>298.21</u>	<u>N/A</u>	<u>295.59</u>	<u>N/A</u>
Total Non-Classroom Based ADA	<u>298.21</u>	<u>N/A</u>	<u>295.59</u>	<u>N/A</u>
Total ADA	<u><u>4,335.60</u></u>	<u><u>N/A</u></u>	<u><u>4,326.34</u></u>	<u><u>N/A</u></u>

N/A – There were no audit findings which resulted in revisions to the second period or annual reports of attendance.

GRANADA HILLS CHARTER HIGH SCHOOL

Schedule of Instructional Time
Year Ended June 30, 2016

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>2015-16 Actual Minutes</u>	<u>Number of Traditional Days</u>	<u>Status</u>
Grade 9	64,800	70,663	180	Complied
Grade 10	64,800	70,663	180	Complied
Grade 11	64,800	70,867	180	Complied
Grade 12	64,800	69,799	180	Complied

See accompanying notes to supplementary information

GRANADA HILLS CHARTER HIGH SCHOOL

Schedule of Financial Trends and Analysis
Year Ended June 30, 2016

	Budget				
	2017	2016	2015	2014	2013
Revenues	<u>\$53,457,358</u>	<u>\$51,836,548</u>	<u>\$43,987,283</u>	<u>\$40,115,852</u>	<u>\$37,201,740</u>
Expenses	<u>52,222,415</u>	<u>51,297,268</u>	<u>44,325,024</u>	<u>39,729,942</u>	<u>36,388,737</u>
Change in Net Assets	<u>1,234,943</u>	<u>539,280</u>	<u>(337,741)</u>	<u>385,910</u>	<u>813,003</u>
Ending Net Assets	<u>\$18,624,262</u>	<u>\$17,389,319</u>	<u>\$16,850,039</u>	<u>\$17,187,780</u>	<u>\$16,801,870</u>
Unrestricted Net Assets	<u>\$18,468,500</u>	<u>\$17,002,942</u>	<u>\$16,986,810</u>	<u>\$17,418,396</u>	<u>\$16,233,081</u>
Unrestricted net assets as a percentage of total expenses	<u>35%</u>	<u>33%</u>	<u>38%</u>	<u>44%</u>	<u>45%</u>
Total Long Term Debt	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Average Daily Attendance at P2	<u>4,501</u>	<u>4,336</u>	<u>4,267</u>	<u>4,165</u>	<u>4,129</u>

See accompanying notes to supplementary information

GRANADA HILLS CHARTER HIGH SCHOOL

Reconciliation of Unaudited Financial Report Alternative Form with Audited Financial Statements
Year Ended June 30, 2016

June 30, 2016 annual financial alternative form net assets	<u>\$ 17,619,934</u>
Adjustments and reclassifications	
Rounding	1
Adjustment to beginning net assets (Note P)	<u>(230,616)</u>
Total adjustments and reclassifications	<u>(230,615)</u>
June 30, 2016 audited financial statement net assets	<u><u>\$ 17,389,319</u></u>

See accompanying notes to supplementary information

GRANADA HILLS CHARTER HIGH SCHOOL

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
US DEPARTMENT OF EDUCATION			
Passed through State Department of Education			
Title I	84.010	14329	923,340
Special Education	84.027	13379	823,713
21st Century Learning	84.287	14349	230,000
Title II - Teacher Quality	84.367	14341	12,726
Carl D. Perkins Vocational Education	84.048	14894	64,101
Total passed through State Department of Education			<u>2,053,880</u>
Total U.S. Department of Education			<u>2,053,880</u>
 US DEPARTMENT OF EDUCATION			
Passed through State Department of Education			
School Breakfast Program	10.553	13525	407,554
National School Lunch Section 4	10.555	13523	105,557
National School Lunch Section 11	10.555	13396	604,513
Noncash Commodities	10.555	13396	11,919
Total passed through State Department of Education			<u>1,129,543</u>
Total U.S. Department of Education			<u>1,129,543</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 <u><u>\$ 3,183,423</u></u>

The accompanying notes to the schedule of expenditures of federal awards is an integral part of this schedule.

GRANADA HILLS CHARTER HIGH SCHOOL
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of 2 CFR §200.502 *Basis for Determining Federal Awards Expended* and 2CFR §200.510(b) *Schedule of Expenditures of Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Indirect Cost Rate

Indirect costs were calculated in accordance with 2 CFR §200.412 *Direct and Indirect Costs*. The School used an indirect cost rate of 3.86% based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The School did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 *Indirect Costs*. The following programs are restricted to a lower indirect cost rate and therefore the school used the lower indirect cost rate for these programs:

<u>Program</u>	<u>CFDA #</u>	<u>Allowable Indirect Cost Rate</u>
Carl D. Perkins Vocational Education	84.048	3.61%

GRANADA HILLS CHARTER HIGH SCHOOL

Notes to the Supplementary Information

Year Ended June 30, 2016

A. Purpose of Schedules

Organization Structure

This schedule provides information about the School's charter number, district of authorization, members of the governing board, and members of administration.

Schedule of Average Daily Attendance

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

Schedule of Instructional Time

The School receives incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the School and whether they complied with the provisions of Education Code Sections 46200 through 46206. Charter schools must maintain their instructional minutes at the 1986-87 requirements as adjusted by Education Code sections later adopted. The School neither met nor exceeded its LCFF target.

Schedule of Financial Trends and Analysis

Budget information for 2017 is presented for analysis purposes only and is based on estimates of the 2016-17 fiscal year. The information has not been subject to audit.

This schedule discloses the School's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the School's ability to continue as a going concern for a reasonable period of time.

Reconciliation of Unaudited Financial Report Alternative Form with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance as reported on the Unaudited Financial Report Alternative Form to the net assets reported in the audited financial statements.

OTHER INDEPENDENT AUDITOR'S REPORTS

**Independent Auditor's Report on Compliance for Each Major Program and on
Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Directors
Granada Hills Charter High School
Granada Hills, California

Report on Compliance for Each Major Federal Program

We have audited Granada Hills 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 Granada Hills Charter High School's major federal programs for the year ended June 30, 2016. 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.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Granada Hills 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 Granada Hills 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 Granada Hills Charter High School's compliance.

Opinion on Each Major Federal Program

In our opinion, Granada Hills 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, 2016.

Report on Internal Control Over Compliance

Management of Granada Hills 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 Granada Hills 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 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. *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.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 1, 2016



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

Aubrey W. King, CPA
Kevin A. Sproul, CPA

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Granada Hills Charter High School
Granada Hills, 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 Granada Hills Charter High School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 1, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Granada Hills 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 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. Accordingly, we do not express an opinion on the effectiveness of Granada Hills 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 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Granada Hills Charter High School's financial statements are free from 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 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.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 1, 2016

Independent Auditor's Report on State Compliance

To the Board of Directors
Granada Hills Charter High School
Granada Hills, California

Report on State Compliance

We have audited the School's compliance with the types of compliance requirements described in the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of the School's state programs identified below for the fiscal year ended June 30, 2016.

Management's Responsibility for State Compliance

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit Guide *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance*, prescribed in Title 5, *California Code of Regulations*, section 19810. 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 State's audit guide *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards and audit guide 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 direct and material effect on the state programs noted below. 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>Reference In Audit Guide</u>	<u>Procedures Performed</u>
Local Education Agencies Other Than Charter Schools		
Attendance	A	N/A
Teacher Certification and Misassignments	B	N/A
Kindergarten Continuance	C	N/A
Independent Study	D	N/A
Continuation Education	E	N/A
Instructional Time	F	N/A
Instructional Materials	G	N/A
Ratio of Administrative Employees to Teachers	H	N/A
Classroom Teacher Salaries	I	N/A
Early Retirement Incentive	J	N/A
Gann Limit Calculation	K	N/A
School Accountability Report Card	L	N/A
Juvenile Court Schools	M	N/A
Middle or Early College High Schools	N	N/A
K-3 Grade Span Adjustment	O	N/A
Transportation Maintenance of Effort	P	N/A
School Districts, County Offices of Education and Charter Schools		
Educator Effectiveness	R	Yes
California Clean Energy Jobs Act	S	Yes
After School Education and Safety Program	T	N/A
Proper Expenditure of Education Protection Account Funds	U	Yes
Unduplicated Local Control Funding Formula Pupil Counts	W	Yes
Local Control and Accountability Plan	X	Yes
Independent Study – Course Based	Y	N/A
Immunizations	Z	N/A
Charter Schools		
Attendance	AA	Yes
Mode of Instruction	BB	Yes
Nonclassroom Based Instruction/Independent Study	CC	Yes
Determination of Funding for Nonclassroom Based Instruction	DD	N/A
Annual Instructional Minutes – Classroom Based	EE	Yes
Charter School Facility Grant Program	FF	N/A

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.

Opinion on State Compliance

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, 2016.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing. This report is an integral part of an audit performed in accordance with *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Accordingly, this report is not suitable for any other purpose.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 1, 2016

AUDITOR'S RESULTS, FINDINGS AND RECOMMENDATIONS

GRANADA HILLS CHARTER HIGH SCHOOL
 Schedule of Auditor's Results
 Year Ended June 30, 2016

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
 One or more material weakness(es) identified? Yes X No
 One or more significant deficiencies identified that are
 not considered material weakness(es)? Yes X No

Noncompliance material to financial statements noted? Yes X No

FEDERAL AWARDS

Internal control over major programs:
 One or more material weakness(es) identified? Yes X No
 One or more significant deficiencies identified that are
 not considered material weakness(es)? Yes X No

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

Any audit findings disclosed that are required to be
 reported in accordance with 2 CFR §200.516? Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I

Dollar threshold used to distinguish between Type A
 and Type B programs \$750,000

Auditee qualified as low-risk auditee? X Yes No

STATE AWARDS

Any audit findings disclosed that are required to be reported
 in accordance with *2015-16 Guide for Annual Audits
 of California K-12 Local Education Agencies*? Yes X No

Type of auditor's report issued on compliance for state programs: Unmodified

GRANADA HILLS CHARTER HIGH SCHOOL
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

A. Financial Statement Findings

None

B. Federal Award Findings

None

C. State Award Findings

None

GRANADA HILLS CHARTER HIGH SCHOOL

Schedule of Prior Year Audit Findings

Year Ended June 30, 2016

Finding/Recommendation	Status	Explanation if Not Implemented
There were no findings reported in the prior year audit.	N/A	N/A