



# THE PALMDALE AEROSPACE ACADEMY

2025-2026

First Interim Financial Report



Presented November 18, 2025

Roseann Zarasua, CBO

# Administration

## Board of Directors

Justin Knowles, Treasurer

Nardy Lopez, Secretary

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Vicki Lee, Board Member

Ellen McIsaac, Board Member

Firat Taxpulat, Board Member

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Gary Schatz, Director of Educational Services

Julie Fawcette, Director of Special Education

Julie Lovvik, Director of Health Services

Patrick Brophy, Director of STEAM

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# General Information

## About the School

The Palmdale Aerospace Academy (The Academy) is a transitional kindergarten through 12th-grade charter school that provides education under a single Board of Directors and centralized administration. The Academy operates two campuses and an administrative office on the same property.

## Mission Statement

The Palmdale Aerospace Academy is committed to academic excellence. Guided by the principles and innovation of the aerospace industry, the educational program integrates STEAM focused learning with real world applications providing opportunities for students to design, create, and explore. Through industry-inspired learning experiences and partnerships with aerospace employers, local community colleges, and other partners, students will develop the skills and mindset needed to innovate, adapt, and excel in a rapidly evolving world.

## Vision Statement

The vision of The Palmdale Aerospace Academy is to provide an engaging environment for learning in grades TK-12. Our graduates will be supported, encouraged, and challenged to develop the following competencies that they will use for the rest of their lives:

- Ethical, Responsible Citizens Who Lead With Integrity
- Flexible, Adaptable, Imaginative, and Resilient Life-Long Learners
- Creators and Innovators Who Are Artistic and Technologically Literate
- Empathetic and Compassionate Individuals
- Effective Communicators, Critical Thinkers, and Problem-Solvers

# Enterprise Fund (Fund 62) Summary

## Revenues

The Enterprise Fund consists of two different types of revenue:

*Unrestricted* – funds whose uses are not subject to external or legal constraints and may be used for any purpose not prohibited by law.

*Restricted* – funds subject to constraints imposed by external resource providers or by law through constitutional provisions or enabling legislation.

Revenues are also classified into the following subcategories: LCFF Sources, Federal Sources, Other State Revenue, and Other Local Revenue.

## Unrestricted Revenues

The Local Control Funding Formula (LCFF) is the Academy's primary unrestricted revenue source. The LCFF is comprised of the base grant, additional funding for K-3 and grades 9-12 Class Size Reduction (CSR), supplemental grants for English learners, low-income, foster youth, and homeless students, and add-ons for Home-to-School Transportation and a Targeted Instructional Improvement Grant (TIIG) – The Academy does not receive these add-ons. However, commencing in fiscal year 2022-23, a transitional kindergarten add-on was added to the LCFF calculation. The Academy does receive this funding—all these sums are included in the Principal Apportionment.

The Principal Apportionment comprises State Aid, Education Protection Act, and In-Lieu of Property Tax monies. The LCFF apportionment amount is derived from a mathematical calculation utilizing The Academy's current-year average daily attendance (ADA) through the attendance reporting period named P-2 (typically a date in the middle of April), base grant per student value, Cost of Living Allowance (COLA), and the percentage of students who are either English learners, low-income, foster youth, or homeless (unduplicated student count).

## Restricted Revenues

Restricted revenues are subject to externally imposed, legally enforceable constraints imposed by external providers or by law through constitutional provisions.

## Revenues Summary

The 2025–26 enrollment is projected at 2,303 students, based on the annual census from the California Basic Educational Data System (CBEDS), an increase of 44 students from the prior year. Average daily attendance (ADA) is projected at 94.00%, consistent with the Academy’s three-year attendance trend, resulting in a total projected ADA of 2,164.82. The state-approved cost-of-living adjustment (COLA) for the LCFF base grant is 2.30%.

Based on these assumptions, the Academy’s 2025–26 Local Control Funding Formula (LCFF) revenue is projected to total \$32,582,015, an increase of \$2,543,146 from the prior fiscal year. The Academy’s unduplicated pupil percentage, based on the three-year average, is 74.99%, generating \$7,205,633 in Supplemental and Concentration (S/C) grant funding. As required under LCFF, these funds must be used to increase or improve services for unduplicated pupils—English Learners, Low-Income students, and Foster Youth—above the level of services provided to all students.

Federal revenue projections increased by \$566,158 due to aligning expenditures with available federal grant programs, primarily Title programs that support targeted student achievement and intervention services.

Other State Revenue decreased by \$672,094 from the Adopted Budget. This reduction reflects the planned reservation of unrestricted lottery funds for the 2026–27 textbook adoption. Because these funds will not be spent in the current year, the associated revenue is removed and recorded on the balance sheet in a holding account until utilized.

Fund 62 - The Academy		2025-26 First Interim Budget	2025-26 Adopted Budget	Variance Under/(Over)	Percentage Variance (Under)/Over
Description	Object Codes				
<b>A. REVENUES AND OTHER FINANCING SOURCES</b>					
1. LCFF Sources Revenue	8010-8099	\$ 32,582,015	\$ 32,147,158	\$ 434,857	1.35%
2. Federal Revenue	8100-8299	\$ 2,259,963	\$ 1,693,805	\$ 566,158	33.43%
3. Other State Revenues	8300-8599	\$ 9,332,007	\$ 9,623,536	\$ (291,529)	(3.03%)
3a. STRS On-Behalf	8300-8599	\$ 1,063,000	\$ 1,063,000	\$ -	0.00%
4. Other Local Revenues	8600-8799	\$ 2,242,033	\$ 2,002,500	\$ 239,533	11.96%
5. Other Financing Sources					
a. Transfers In	8900-8929	\$ 450,000	\$ 450,000	\$ -	0.00%
b. Other Sources	8930-8979	\$ -	\$ -	\$ -	0.00%
c. Contributions	8980-8999	\$ -	\$ -	\$ -	0.00%
6. Total (Sum lines A1 thru A5c)		\$ 47,929,018	\$ 46,979,999		

## Expenditures Summary

Expenses are classified into the following categories: Certificated Salaries, Classified Salaries, Employee Benefits, Books and Supplies, Services and Other Operating Expenses, Capital Outlay, and Other Outgo.

Certificated and Classified Salaries decreased from the Adopted Budget due to corrected staffing projections, including several positions that were not hired and were prorated. Employee Benefits increased by more than 17% due to a budgeting error at adoption, where incorrect medical benefit data was initially pulled into the model.

Books and Supplies show a modest increase as budgets were updated to reflect actual expenditures.

Services and Other Operating Expenses include services, rentals and leases, contracts, membership dues, travel, insurance, utilities, legal costs, and other general administrative expenses. This category also includes the annual bond payments, which total \$5,449,700.

Capital Outlay in a charter school environment is primarily used to record annual depreciation. All fixed assets are depreciated each year, and the expense is recorded on this line. Depreciation is a non-cash, accounting-only entry.

Fund 62 - The Academy		2025-26 First Interim Budget	2025-26 Adopted Budget	Variance Under/(Over)	Percentage Variance (Under)/Over
Description	Object Codes				
<b>B. EXPENDITURES AND OTHER FINANCING SOURCES</b>					
1. Certificated Salaries	1000-1999	\$ 13,272,077	\$ 13,674,400	\$ 402,323	2.94%
2. Classified Salaries	2000-2999	\$ 6,347,942	\$ 6,628,928	\$ 280,986	4.24%
3. Employee Benefits	3000-3999	\$ 9,753,665	\$ 8,286,493	\$ (1,467,172)	(17.71%)
3a. STRS On-Behalf	3000-3999	\$ 1,063,000	\$ 1,063,000	\$ -	0.00%
4. Books and Supplies	4000-4999	\$ 3,361,822	\$ 3,289,234	\$ (72,588)	(2.21%)
5. Services and Other Operating Expenses	5000-5999	\$ 11,273,370	\$ 11,224,230	\$ (49,140)	(0.44%)
6. Capital Outlay	6000-6999	\$ 650,000	\$ 470,000	\$ (180,000)	(38.30%)
7. Other Outgo (excluding Transfers of Indirect Cost 7100-7299, 7400-7499)		\$ 150,708	\$ 85,000	\$ (65,708)	(77.30%)
8. Other Outgo - Transfers of Indirect Costs	7300-7399	\$ -	\$ -	\$ -	0.00%
9. Other Financing Sources					
a. Transfers Out	7600-7629	\$ 450,000	\$ 450,000	\$ -	0.00%
b. Other Uses	7630-7699	\$ -	\$ -	\$ -	0.00%
10. Other Adjustments		\$ -	\$ -	\$ -	0.00%
11. Total (Sum lines B1 thru B10)		\$ 46,322,584	\$ 45,171,285		

## Net Position

The First interim projects an excess of revenues over expenses of \$1,606,434.

The beginning net position as of July 1, 2025, is \$25,848,523. The projected June 30, 2026, ending fund balance is \$27,454,957.

Fund 62 - The Academy		2025-26 First Interim Budget	2025-26 Adopted Budget	Variance Under/(Over)	Percentage Variance (Under)/Over
Description	Object Codes				
<b>C. NET INCREASE (DECREASE) IN NET POSITION (Line A6 minus B11)</b>		\$ 1,606,434	\$ 1,808,714		
<b>D. NET POSITION</b>					
1. Beginning Net Position					
a. As of July 1, 2024 - Unaudited	9791	\$ 25,848,523	\$ 25,848,523	\$ -	0.00%
b. Audit Adjustments	9793	\$ -	\$ -	\$ -	
c. As of July 1 - Audited (D1a plus D1b)		\$ 25,848,523	\$ 25,848,523	\$ -	0.00%
d. Other Restatements	9795	\$ -	\$ -	\$ -	
e. Adjusted Beginning Net Position (D1c plus D1d)		\$ 25,848,523	\$ 25,848,523	\$ -	0.00%
2. Ending Net Position, June 30 (C plus D1e)		\$ 27,454,957	\$ 27,657,237	\$ 202,280	0.73%
3. Components of Ending Net Position					
a. Net Investment in Capital Assets	9796	\$ -	\$ -		
b. Restricted Net Position	9797	\$ 1,327,401	\$ 1,339,042		
c. Unrestricted Net Position	9790	\$ 26,127,556	\$ 26,318,195		

## Bond Covenants

Design, Create, Explore LLC issued the California Municipal Finance Authority Charter School Revenue Bonds, Series 2016A and Series 2018A, on behalf of The Palmdale Aerospace Academy. In connection with the bond issuance, the Academy entered into a lease agreement with Design, Create, Explore LLC, under which it is obligated to make annual lease payments equal to the bonds' annual principal and interest payments.

In accordance with the bond covenants, the Academy must comply with measuring three key financial requirements each quarter and at fiscal year-end:

1. A coverage ratio of at least 1.20x, meaning net income available for debt service must be at least 1.2 times the annual lease payment.
2. A cash on hand reserve equal to a minimum of 45 days of operating expenses.
3. A net position to net assets ratio greater than 5%.

Based on the first interim budget for fiscal year 2025–26, the Academy remains in full compliance with all bond covenant requirements. The coverage ratio remains the most critical and closely monitored financial indicator, as non-compliance could trigger penalties, higher borrowing costs, or the acceleration of debt repayment. Maintaining a minimum 1.20x coverage ratio ensures the Academy generates at least \$1.20 in net income for every \$1.00 in annual lease obligations, providing a necessary financial cushion to manage fluctuations in revenues and expenditures.

The days-cash-on-hand covenant is significant to bondholders, as it reinforces the Academy's creditworthiness, reduces investor risk, and provides assurance of the Academy's ability to meet its ongoing debt obligations.

The Academy's strong financial position, including a robust unrestricted reserve and continued compliance with all financial covenants, supports its long-term fiscal sustainability and commitment to full transparency in all required disclosures.

## Bond Covenants

<b>Coverage Ratio Covenant</b>		<b>2025-26</b>
		<b>First Interim</b>
Unrestricted Revenue		31,022,382
Restricted Revenue		16,906,636
Total Revenue		47,929,018
Unrestricted Expenses		30,078,763
Restricted Expenses		16,243,821
Total Expenses		46,322,584
Unrestricted Net Income		943,619
Add: Depreciation		650,000
Add: Rent Under the Lease		5,449,700
Net Income Available for Debt Service		7,043,319
<b>Coverage Ratio Covenant</b>		<b>1.29</b>
Coverage Ratio Covenant Requirement		1.20x
Meet Coverage Ratio Covenant Requirement		Yes

<b>Days Cash on Hand</b>		<b>2025-26</b>
		<b>First Interim</b>
Cash and Cash Equivalents		28,104,448
Accounts Receivable		-
Unrestricted Cash		28,104,448
Total Expenses		46,322,584
Less: Depreciation		(650,000)
Operating Expenses		45,672,584
Days Cash on Hand		225
Days Cash on Hand Requirement		45
Meet Days Cash on Hand Requirement		Yes

<b>Fund Balance/Net Asset Covenant</b>		<b>2025-26</b>
		<b>First Interim</b>
Total Net Asset Balance		27,454,957
Less: Restricted Net Asset Balance		(1,327,401)
Unrestricted Net Asset Balance		26,127,556
Unrestricted Operating Expenses		30,078,763
Fund Balance/ Net Asset		91.3%
Fund Balance/Net Asset Requirement		5.0%
Meet Fund Balance/Net Asset Requirement		Yes

# Multi-Year Projections (MYP)

## Assumptions

The multi-year budget projections (MYP) for the First Interim Report use the assumptions recommended by the Los Angeles County Office of Education (LACOE) and School Services of California. The multi-year revenue budget assumptions show increases in enrollment and ADA, and maintain the three-year average unduplicated count percentage (UPP). Expense projections include step and column salary increases, CalPERS pension increases, and increases for non-salary-related Expenses. The following are the budget assumptions used for the MYP:

Assumptions	2025-2026	2026-2027	2027-2028
COLA	2.30%	2.30%	2.30%
Enrollment (CALPADS)	2,303	\$ 2,325	\$ 2,334
Year to Date Change In Enrollment	1.95%	0.10%	0.39%
Projected P2 ADA	2,164.82	\$ 2,185.50	\$ 2,217.30
Attendance Factor	94.00%	94.00%	94.00%
Unduplicated Count % (3-year average)	75.62%	74.82%	74.58%
LCFF Supplemental	\$ 3,820,170	\$ 3,905,284	\$ 3,999,161
LCFF Concentration	\$ 3,385,463	\$ 3,362,187	\$ 3,412,263
Lottery - Unrestricted; per ADA	\$ 190	\$ 190	\$ 190
Lottery - Restricted; per ADA	\$ 82	\$ 82	\$ 82
Certificated Step and Column	1.50%	1.50%	1.50%
Classified Step	2.00%	2.00%	2.00%
CalSTRS Employer Rate	19.10%	19.10%	19.10%
CalPERS Employer Rate	26.81%	26.900%	27.800%
Special Education Contributions	\$ 1,875,312	\$ 1,740,550	\$ 1,740,383

## Multi-Year Projections

Fund 62 - Enterprise Fund	2025-2026	2026-2027	2027-2028
<b>A. Revenue</b>			
LCFF Sources	\$ 32,582,015	\$ 33,485,426	\$ 34,345,491
Federal Revenue	\$ 2,259,963	\$ 2,251,915	\$ 2,251,915
Other State Revenues	\$ 9,332,007	\$ 9,195,895	\$ 8,797,127
STRS On-Behalf	\$ 1,063,000	\$ 1,063,000	\$ 1,063,000
Other Local Revenues	\$ 2,242,033	\$ 1,893,011	\$ 1,806,591
Transfers In	\$ 450,000	\$ 548,909	\$ 584,871
<b>Total Revenue</b>	<b>\$ 47,929,018</b>	<b>\$ 48,438,156</b>	<b>\$ 48,848,995</b>
<b>B. Expenses</b>			
Certificated Salaries	\$ 13,272,077	\$ 13,613,674	\$ 13,919,413
Classified Salaries	\$ 6,347,942	\$ 6,474,901	\$ 6,604,399
Employee Benefits	\$ 9,753,665	\$ 9,851,649	\$ 10,008,985
STRS On-Behalf	\$ 1,063,000	\$ 1,063,000	\$ 1,063,000
Books and Supplies	\$ 3,361,822	\$ 4,461,555	\$ 3,938,550
Services and Other Operating Expenses	\$ 11,273,370	\$ 11,040,371	\$ 11,000,485
Capital Outlay/Depreciation	\$ 650,000	\$ 650,000	\$ 650,000
Other Outgo (excluding Indirect Costs)	\$ 150,708	\$ 85,000	\$ 85,000
Transfers Out	\$ 450,000	\$ 548,909	\$ 584,871
<b>Total Expenses</b>	<b>\$ 46,322,584</b>	<b>\$ 47,789,060</b>	<b>\$ 47,854,703</b>
<b>C. Excess (Deficiency) of Revenues over Expenses</b>	<b>\$ 1,606,434</b>	<b>\$ 649,097</b>	<b>\$ 994,292</b>
<b>D. Net Position</b>			
Beginning Net Position as of July 1, 2025	\$ 25,848,523	\$ 27,454,957	\$ 28,104,054
Audit Adjustments	\$ -	\$ -	\$ -
Adjusted Beginning Net Position	\$ 25,848,523	\$ 27,454,957	\$ 28,104,054
<b>Projected Ending Net Position June 30, 2026</b>	<b>\$ 27,454,957</b>	<b>\$ 28,104,054</b>	<b>\$ 29,098,345</b>