

VISTA CHARTER PUBLIC SCHOOLS, INC.

LOS ANGELES COUNTY

LOS ANGELES, CALIFORNIA

**CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

YEAR ENDED JUNE 30, 2017

VISTA CHARTER PUBLIC SCHOOLS, INC.
Financial Statements and Supplemental Information
Year Ended June 30, 2017

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Independent Auditor's Report

To the Board of Trustees of
Vista Charter Public Schools, Inc.
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Vista Charter Public Schools, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, and cash flows for the year then ended, and the related consolidated 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vista Charter Public Schools, Inc. as of June 30, 2017, 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 *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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 15, 2017, on our consideration of Vista Charter Public Schools, Inc.'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 Vista Charter Public Schools, Inc.'s internal control over financial reporting and compliance.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 15, 2017

Financial Statements

VISTA CHARTER PUBLIC SCHOOLS, INC.

Statement of Financial Position

June 30, 2017

ASSETS

Current Assets

Cash and cash equivalents	\$	1,492,910
Investments		920,073
Accounts receivable		1,103,634
Prepaid expenses		6,576
Total Current Assets		<u>3,523,193</u>

Noncurrent Assets

Capital assets, net		<u>6,567,867</u>
Total Noncurrent Assets		<u>6,567,867</u>

TOTAL ASSETS \$ 10,091,060

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$	236,376
Accrued payroll and benefits		373,837
Loan payable, current portion		50,000
Bond payable, current portion		112,880
Total Current Liabilities		<u>773,093</u>

Long Term Liabilities

Loan payable, less current portion		150,000
Bond payable, less current portion		<u>6,722,768</u>
Total Long Term Liabilities		<u>6,872,768</u>

Total Liabilities 7,645,861

Net Assets

Unrestricted		2,134,367
Temporarily restricted		<u>310,832</u>
Total Net Assets		<u>2,445,199</u>

TOTAL LIABILITIES AND NET ASSETS \$ 10,091,060

The accompanying notes are an integral part of this statement.

VISTA CHARTER PUBLIC SCHOOLS, INC.

Statement of Activities
Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Revenue			
LCFF state aid, current year	\$ 3,931,207	\$ -	\$ 3,931,207
LCFF state aid, prior year	(78,684)	-	(78,684)
Education protection account funds	573,536	-	573,536
Payments in lieu of property taxes	1,491,628	-	1,491,628
Federal revenue	-	967,514	967,514
Other state revenue	240,539	1,352,219	1,592,758
Interest	26,109	-	26,109
Other local revenue	88,743	-	88,743
Gain (loss) on investments	(11,774)	-	(11,774)
Total Revenues	<u>6,261,304</u>	<u>2,319,733</u>	<u>8,581,037</u>
Net assets released from restrictions:			
Grant restrictions satisfied	<u>2,036,765</u>	<u>(2,036,765)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>8,298,069</u>	<u>282,968</u>	<u>8,581,037</u>
EXPENSES			
Certificated salaries	2,386,057	-	2,386,057
Classified salaries	1,006,713	-	1,006,713
Taxes and employee benefits	1,012,609	-	1,012,609
Books and supplies	970,911	-	970,911
Rentals, leases and repairs	350,165	-	350,165
Other operating expenses	1,391,997	-	1,391,997
Debt service interest	406,228	-	406,228
Amortization expense	2,120	-	2,120
Depreciation expense	299,511	-	299,511
TOTAL EXPENSES	<u>7,826,311</u>	<u>-</u>	<u>7,826,311</u>
CHANGE IN NET ASSETS	471,758	282,968	754,726
NET ASSETS, BEGINNING OF YEAR ¹	<u>1,662,609</u>	<u>27,864</u>	<u>1,690,473</u>
NET ASSETS, END OF YEAR	<u>\$ 2,134,367</u>	<u>\$ 310,832</u>	<u>\$ 2,445,199</u>

¹ See Note V for Restatement of Beginning Net Assets

The accompanying notes are an integral part of this statement.

VISTA CHARTER PUBLIC SCHOOLS, INC.

Statement of Cash Flows
Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 754,726
Depreciation	299,511
Amortization	2,120
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) Decrease resulting from changes in assets:	
Accounts receivable	(328,142)
Prepaid expenses	37,807
Increase (Decrease) resulting from changes in liabilities:	
Accounts payable	165,668
Accrued payroll and benefits	(63,087)
Unearned revenue	(23,304)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>845,299</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of capital assets	(207,574)
Decrease in investments	2,191
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(205,383)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments on loan payable	(50,000)
Principal payments on loan payable	(110,000)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(160,000)</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 479,916

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 1,012,994

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 1,492,910

The accompanying notes are an integral part of this statement.

VISTA CHARTER PUBLIC SCHOOLS, INC.

Notes to the Consolidated Financial Statements

Year Ended June 30, 2017

A. Organization and Summary of Significant Accounting Policies

Organization

Vista Charter Public Schools, Inc.

Vista Charter Public Schools, Inc. is a non-profit public benefit corporation located at 2900 W Temple St., Los Angeles, CA 90026. Vista Charter Public Schools, Inc., and the Schools that are a part of the organization, Vista Charter Middle School and Vista Heritage Charter Middle School (the Schools), are exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. The Schools were formed as charter schools pursuant to California Education Code Section 47600.

The mission of Vista Charter Public Schools, Inc. is to create a learning environment that allows students to have power in developing their identity within personal, interpersonal and educational realms.

Vista Charter Middle School

Vista Charter Middle School was formed as a charter school pursuant to California Education Code Section 47600 under a charter agreement with the Los Angeles Unified School District. The charter agreement was approved by the Los Angeles Unified School District in 2010 and renewed for a five-year term in November 2014. Vista Charter Middle School is located at 2900 W. Temple St., Los Angeles, California.

Vista Heritage Charter Middle School

Vista Heritage Charter Middle School was formed as a charter school pursuant to California Education Code section 47600 under a charter agreement with the Orange County Department of Education. The charter agreement was entered into in July 2015. Vista Heritage Charter Middle School is located at 206 West Fifth St., Santa Ana, California.

2900 W. Temple LLC

2900 W. Temple LLC (the Corporation) was formed in 2014, as a California limited liability company, whose sole member is Vista Charter Public Schools, a California nonprofit public benefit corporation, operating as Vista Charter Middle School and Vista Heritage Charter Middle School (the Schools).

Basis of Consolidation

The accompanying consolidated financial statements include accounts of Vista Charter Public Schools, Inc., Vista Charter Middle School, Vista Heritage Charter Middle School and its related entity, 2900 W. Temple LLC. All significant intercompany accounts and transactions have been eliminated in consolidation. Management makes estimates and assumptions that affect the amounts reported in the financial statements and footnotes. Actual results could differ from those estimates.

VISTA CHARTER PUBLIC SCHOOLS, INC.
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2017

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 Schools are 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 Schools 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 Schools have 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 Schools consider all highly liquid debt equity instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments

The Schools' 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. The Schools' policy is to follow the fair value measurement and reporting requirements contained in FASB ASC 820.

VISTA CHARTER PUBLIC SCHOOLS, INC.
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2017

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 Schools' 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 Schools' 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 Schools prior to the Schools meeting the requirements for legal claim to the resources.

In subsequent periods, when both revenue recognition criteria are met or when the Schools have 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.

VISTA CHARTER PUBLIC SCHOOLS, INC.
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2017

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 Schools receive services donated by volunteers in carrying out the Schools' 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 Schools report expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Schools reclassify temporarily restricted net assets to unrestricted net assets at that time.

LCFF Revenues and Payments in Lieu of Property Taxes

The Schools' 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 Schools' 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 Schools, 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 69% of the school's revenue. The Schools are not at risk of losing these funding sources, as long as the schools maintain 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 Schools are 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 Schools are also exempt from California franchise or income tax under Section 23701d of the California Revenue and Taxation Code. The Schools may be subject to tax on income which is not related to its exempt purpose. For the year ended June 30, 2017, no such unrelated business income was reported and, therefore, no provision for income taxes has been made.

The Schools follow provisions of uncertain tax positions as addressed in ASC 958. The Schools recognize 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, 2017.

VISTA CHARTER PUBLIC SCHOOLS, INC.
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2017

The Schools file 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 Schools have evaluated events and transactions for potential recognition or disclosure through December 15, 2017, the date the financial statements were available to be issued.

B. Cash and Cash Equivalents

Cash in County Treasury

The Schools are a voluntary participant and therefore maintains a portion of its cash in the Orange County Treasury as part of the common investment pool (\$166,040 as of June 30, 2017). 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 Schools' investment in this pool is reported in the accompanying financial statements at amounts based upon the Schools' 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 Orange 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 Schools' cash (\$1,326,219 as of June 30, 2017) 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, 2017, the Schools' bank account exceeded the FDIC insurance coverage by \$1,076,219. The schools reduce its exposure of credit risk by maintaining such deposits with highly qualified financial institutions. The Schools have not experienced any losses in such accounts and believes it has not been exposed to any significant credit risk on cash and cash equivalents. As of June 30, 2017 the Schools also had \$651 of petty cash on hand.

VISTA CHARTER PUBLIC SCHOOLS, INC.
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2017

C. Analysis of Specific Deposit and Investment 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 Schools’ name. As of June 30, 2017, the Schools had \$1,076,219 of deposits at financial institutions that were subject to custodial credit risk. The Schools reduce its exposure to credit risk by maintaining such deposits with high quality financial institutions. The Schools have not experienced any losses in such accounts and believes it is not subject to any substantial custodial credit risk on cash and cash equivalents.

D. Investments

Investments, carried at fair value at June 30, 2017 and held on behalf of the Schools, 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 Schools or its agent in the Schools’ name.

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

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

	2900 West Temple Street LLC			Fair Value
	1	2	3	
U.S. Bank National Association Money Market Funds	433,529	-	-	433,529
US Government Issues - Federal Farm Credit Banks	126,683	-	-	126,683
US Government Issues - Federal Home Loan Banks	240,962	-	-	240,962
Foreign Issues - Aid Iraq Bonds	118,899	-	-	118,899
	\$ 920,073	\$ -	\$ -	\$ 920,073

VISTA CHARTER PUBLIC SCHOOLS, INC.
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2017

E. Accounts Receivable

As of June 30, 2017 accounts receivable consisted of:

	Vista Charter Middle School	Vista Heritage Charter Middle School	2900 W. Temple LLC	Total
Federal Government:				
Federal grants	\$ 92,856	\$ 487,327	\$ -	\$ 580,183
State Government:				
LCFF revenue	188,814	-	-	188,814
Lottery revenue	31,730	28,032	-	59,762
Other state grants	100,722	96,214	-	196,936
Local Sources:				
In lieu of property taxes	47,201	-	-	47,201
Other Local Sources	3,734	27,004	-	30,738
				-
Total Accounts Receivable	<u>\$ 465,057</u>	<u>\$ 638,577</u>	<u>\$ -</u>	<u>\$ 1,103,634</u>

F. Prepaid Expenses

As of June 30, 2017 prepaid expenses consisted of:

	Vista Charter Middle School	Vista Heritage Charter Middle School	2900 W. Temple LLC	Total
Prepaid vendor expenses	<u>\$ 6,309</u>	<u>\$ 267</u>	<u>\$ -</u>	<u>\$ 6,576</u>
Total Prepaid Expenses	<u>\$ 6,309</u>	<u>\$ 267</u>	<u>\$ -</u>	<u>\$ 6,576</u>

G. Capital Assets

As of June 30, 2017 capital assets consisted of:

Vista Charter Middle School

	Beginning Balance	Increases	Decreases	Ending Balance
Land Improvements	\$ 101,827	\$ 191,485	\$ -	\$ 293,312
Furnishings	74,318	-	-	74,318
Equipment	72,747	16,089	-	88,836
Total capital assets	248,892	207,574	-	456,466
Less accumulated depreciation	<u>(108,078)</u>	<u>(53,584)</u>	<u>-</u>	<u>(161,662)</u>
Capital assets, net	<u>\$ 140,814</u>	<u>\$ 153,990</u>	<u>\$ -</u>	<u>\$ 294,804</u>

VISTA CHARTER PUBLIC SCHOOLS, INC.
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2017

G. Capital Assets (Continued)

Vista Heritage Charter Middle School

	Beginning Balance	Increases	Decreases	Ending Balance
Land Improvements	\$ 266,296	\$ -	\$ -	\$ 266,296
Furnishings	8,180	-	-	8,180
Equipment	78,246	-	-	78,246
Total capital assets	352,722	-	-	352,722
Less accumulated depreciation	(80,977)	(80,977)	-	(161,954)
Capital assets, net	<u>\$ 271,745</u>	<u>\$ (80,977)</u>	<u>\$ -</u>	<u>\$ 190,768</u>

2900 W. Temple LLC

	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$1,560,000	\$ -	\$ -	\$1,560,000
Building	4,948,414	-	-	4,948,414
Total capital assets	6,508,414	-	-	6,508,414
Less accumulated depreciation	(261,169)	(164,950)	-	(426,119)
Capital assets, net	<u>\$6,247,245</u>	<u>\$ (164,950)</u>	<u>\$ -</u>	<u>\$6,082,295</u>

Consolidated Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$1,560,000	\$ -	\$ -	\$1,560,000
Land Improvements	368,123	191,486	-	559,609
Furnishings	82,498	-	-	82,498
Equipment	150,993	16,088	-	167,081
Building	4,948,414	-	-	4,948,414
Total capital assets	7,110,028	207,574	-	7,317,602
Less accumulated depreciation	(450,224)	(299,511)	-	(749,735)
Capital assets, net	<u>\$6,659,804</u>	<u>\$ (91,937)</u>	<u>\$ -</u>	<u>\$6,567,867</u>

VISTA CHARTER PUBLIC SCHOOLS, INC.
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2017

H. Accounts Payable

As of June 30, 2017 accounts payable consisted of:

	Vista Charter Middle School	Vista Heritage Charter Middle School	2900 W. Temple LLC	Total
Vendors payable	\$ 79,934	\$ 84,632	\$ -	\$ 164,566
LCFF State Aid payable	-	66,461	-	66,461
Other liabilities	5,349	-	-	5,349
Total Accounts Payable	\$ 85,283	\$ 151,093	\$ -	\$ 236,376

I. Accrued Payroll and Benefits

As of June 30, 2017 accrued payroll and benefits consisted of:

	Vista Charter Middle School	Vista Heitage Charter Middle School	2900 W. Temple LLC	Total
Accrued wages and benefits	\$ 197,426	\$ 121,497	\$ -	\$ 318,923
Pension related liabilities	5,963	48,951	-	54,914
Total Accrued Payroll and Benefits	\$ 203,389	\$ 170,448	\$ -	\$ 373,837

J. Loan Payable

In September 2015, the Schools entered into a loan agreement with the California School Financing Authority to supplement cash flows during implementation years. The agreement provided for annual payments of \$50,000 plus accrued interest for a period of 5 years, beginning September 20, 2016. Payments included interest at a rate of 0.34%. As of June 30, 2017, the Schools were obligated for the following remaining payments:

Year Ended June 30,	Principal	Interest	Total
2018	\$ 50,000	\$ 618	\$ 50,618
2019	50,000	449	50,449
2020	50,000	283	50,283
2021	50,000	117	50,117
Total	\$ 200,000	\$ 1,467	\$ 201,467

VISTA CHARTER PUBLIC SCHOOLS, INC.
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2017

K. Charter School Lease Revenue Bonds

In October 2014, 2900 W. Temple LLC, whose sole member are the Schools, entered into a loan agreement with the California Municipal Finance Authority for the issuance of \$7,075,000 Charter Lease Revenue Bonds. The funds were used for financing the costs of acquisition of land and education and related facilities for use as a charter school facilities located at 2900 West Temple Street, Los Angeles, California. The charter school facilities will be leased by the Schools.

The Series 2014 Charter School Lease Revenue Bonds were sold at an original issue discount of \$63,592, amounting to total bond proceeds, net of the original issue discount, of \$7,011,408. Terms of the bond call for principal and interest payments due for each year ending July 1.

The Series 2014 Charter School Lease Revenue Bonds matures as follows:

Bond Component	Interest Rate	Amount	Maturity Date
2024 Tax-exempt Term Bonds	5.000%	\$ 1,265,000	July 1, 2024
2029 Tax-exempt Term Bonds	5.125%	930,000	July 1, 2029
2034 Tax-exempt Term Bonds	5.375%	1,195,000	July 1, 2034
2038 Tax-exempt Term Bonds	6.000%	1,225,000	July 1, 2038
2044 Tax-exempt Term Bonds	6.000%	2,460,000	July 1, 2044

The outstanding bonded debt of Series 2014 Charter School Lease Revenue Bonds as of June 30, 2017 is as follows:

Description	Original Issue Amount	Beginning Balance	Current Year Additions	Current Year Subtractions	Ending Balance	Due within One Year
2014 Charter School Lease Revenue Bonds	\$ 7,075,000	\$7,005,000	\$ -	\$ 110,000	\$6,895,000	\$ 115,000
Bond Discount	(63,592)	(61,472)	-	(2,120)	(59,352)	(2,120)
Total Charter School Lease Revenue Bonds	<u>7,011,408</u>	<u>6,943,528</u>	<u>-</u>	<u>107,880</u>	<u>6,835,648</u>	<u>112,880</u>

VISTA CHARTER PUBLIC SCHOOLS, INC.
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2017

K. Charter School Lease Revenue Bonds (Continued)

As of June 30, 2017, repayment of the bonds, net of bond discount, is as follows:

Year Ended June 30,	Principal	Interest	Total
2018	\$ 115,000	\$ 384,369	\$ 499,369
2019	120,000	378,494	498,494
2020	125,000	372,369	497,369
2021	130,000	365,994	495,994
2022	140,000	359,244	499,244
2023-2027	800,000	1,682,292	2,482,292
2028-2032	1,025,000	1,449,271	2,474,271
2033-2037	1,330,000	1,133,665	2,463,665
2038-2042	1,775,000	678,750	2,453,750
2043-2047	1,335,000	123,150	1,458,150
Total	<u>\$ 6,895,000</u>	<u>\$ 6,927,597</u>	<u>\$ 13,822,597</u>

L. Bond Discount

Bond discount arises when the market rate of interest is higher than the stated interest rate on the bond. Generally Accepted Accounting Principles (GAAP) require that the discount decrease the face value of the bond and then amortize the discount over the life of the bond. The discounts are amortized over the life of the bond using the straight line method.

The following bond was issued at a discount resulting in effective interest as follows:

	2014 Charter School Lease Revenue Bonds
Total Interest	\$ 7,779,226
Plus Bond Discount	63,592
Net Interest	<u>\$ 7,842,818</u>
Par Amount of Bonds	\$ 7,075,000
Periods	30
Effective Interest Rate	3.70%

VISTA CHARTER PUBLIC SCHOOLS, INC.
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2017

M. Temporarily Restricted Net Assets

As of June 30, 2017 temporarily restricted net assets consisted of:

	Vista Charter Middle School	Vista Heritage Charter Middle School	2900 West Temple LLC	Total
Educator Effectiveness Grant	\$ 27,864	\$ -	\$ -	\$ 27,864
Title I	819	68,765	-	69,584
Title II Teacher Quality	-	1,114	-	1,114
Title III Immigrant Education Program	-	6	-	6
Title III English Learner Student Program	-	1,127	-	1,127
California Clean Energy Prop 39	192,161	-	-	192,161
State Lottery Prop 20	-	18,976	-	18,976
Total Temporarily Restricted Net Assets	\$ 220,844	\$ 89,988	\$ -	\$ 310,832

N. Operating Lease

The Schools have entered into lease agreements for the use of facilities and 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 consolidated statement of financial position.

Future minimum lease payments under the agreements are as follows:

Year Ended June 30,	Vista Charter Middle School	Vista Heritage Charter Middle School	2900 W. Temple LLC	Total Lease Payments
2018	\$ 5,583	\$ 284,604	\$ -	\$ 290,187
Total	<u>\$ 11,166</u>	<u>\$ 569,259</u>	<u>\$ -</u>	<u>\$ 580,425</u>

VISTA CHARTER PUBLIC SCHOOLS, INC.
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2017

O. Functional Expenses

As of June 30, 2017 functional expenses consisted of:

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 3,223,132	\$ 169,639	\$ 3,392,771
Pension plan accruals and contributions	329,305	17,332	346,637
Other employee benefits	506,851	26,676	533,527
Payroll taxes	125,823	6,622	132,445
Fees for services (non-employees):			
Management	-	-	-
Legal	-	92,769	92,769
Accounting	-	17,050	17,050
Lobbying	-	-	-
Non-instructional consultants	-	30,269	30,269
Instructional consultants and contractors	104,699	-	104,699
Special Education	197,280	-	197,280
After school services	160,378	-	160,378
Other fees for services	3,157	8,986	12,143
Advertising and promotion	324	6,158	6,482
Technology	159,203	17,689	176,892
Operations and housekeeping	122,010	13,557	135,567
Travel and conferences	48,066	12,017	60,083
Conferences, conventions and meetings	8,763	2,191	10,954
Debt service interest	-	406,228	406,228
Oversight fees	103,718	25,929	129,647
Depreciation	107,649	191,862	299,511
Amortization	-	2,120	2,120
Insurance	-	34,201	34,201
Books and supplies	825,274	145,637	970,911
Student transportation	63,458	-	63,458
Professional development	50,190	-	50,190
Dues and memberships	9,897	2,474	12,371
Subscriptions	2,132	533	2,665
Building rent	223,743	55,936	279,679
Equipment leases and repairs	56,389	14,097	70,486
Licenses	-	20,084	20,084
All other operating expenses	37,407	37,407	74,814
Total expenses	\$ 6,468,848	\$ 1,357,463	\$ 7,826,311

VISTA CHARTER PUBLIC SCHOOLS, INC.
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2017

P. Commitments and Contingencies

State and Federal Allowances, Awards, and Grants

The Schools have 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.

Q. 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 Schools choose to stop participating in some of its multi-employer plans, the Schools may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Schools' participation in these plans for the fiscal year ended June 30, 2017, 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 2017, 2016 and 2015 is for the plan's year-end at June 30, 2017, 2016 and 2015, respectively. The zone status is based on information that the Schools 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. The number of employees covered by the Schools' multiemployer plans increased by 53% for CalSTRS and 12% for CalPERS, from 2015 to 2016, due to the opening of Vista Heritage Charter Middle School, affecting the period-to-period comparability of the contributions for years 2015 and 2016. The significant increase in covered employees corresponded to an increase in overall business. Finally, the CalSTRS employer contribution rates have increased on an annual basis from 8.88% to 10.73% for 2015 to 2016 and from 10.73% to 12.58% for 2016 to 2017, affecting the period-to-period comparability of the contributions for years 2015, 2016 and 2017.

VISTA CHARTER PUBLIC SCHOOLS, INC.
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2017

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status Year Ended June 30			FIP/RP Status Pending/ Implemented
		2017	2016	2015	
CalSTRS	19920	Yellow	Yellow	Yellow	No
CalPERS	1523797072	Yellow	Yellow	Green	No

Pension Fund	Year Ended June 30			Employees Participating	Surcharge Imposed
	2017	2016	2015		
CalSTRS	284,543	220,894	109,446	27	No
CalPERS	62,094	62,680	44,667	18	No

CalSTRS:

The Schools 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, 2017, active plan members were required to contribute between 9.205% and 10.25% of their salary, depending on their hire date. The employer contribution rate was 12.58% of annual payroll. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. The Schools made contributions as noted above. For the year ended June 30, 2017 the State contributed \$86,318 (7.0578% of creditable salaries from 2013-14) on behalf of the Schools.

CalPERS:

The Schools contribute 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.

Active plan members were required to contribute between 6% and 7% of their salary, depending on their hire date, and the Schools are 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 2016-17 were 13.888% of salaries. The Schools made contributions as noted above.

VISTA CHARTER PUBLIC SCHOOLS, INC.
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2017

R. Joint Ventures (Joint Powers Agreements)

The Schools participate in one joint powers agreement (JPA) entity, the California Charter Schools Joint Powers Authority (CCS-JPA). The relationship between the Schools and the JPA is such that the JPA is not a component unit of the school.

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

Audited financial statements for the year ended June 30, 2017 were not available at the time this report was issued. Financial statements from the JPA are available upon request from the respective agency.

S. Related Party Transactions

Vista Charter Public Schools' have the same Board of Directors. During the year, the Schools have related transactions that are recorded in their respective related party accounts. At year end, the related party accounts are reconciled to ensure all transactions between the Schools are properly recorded, and all intercompany related party accounts have been eliminated.

T. Note Receivable from Related Entity and Note Payable to Related Entity

On August 28, 2015, Vista Charter Middle School entered into a promissory note with Vista Heritage Charter Middle School to loan \$500,000 to Vista Heritage Charter Middle School to cover operating expenditures. On November 28, 2016, the note was subsequently amended. The note calls for 12 monthly installments of \$41,667 commencing July 1, 2017 and ending June 1, 2018. As of June 30, 2017, Vista Heritage Charter Middle School was obligated for the following remaining payments:

Year Ended June 30,	Principal	Interest	Total
2018	\$ 500,000	\$ -	\$ 500,000
Total	\$ 500,000	\$ -	\$ 500,000

VISTA CHARTER PUBLIC SCHOOLS, INC.
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2017

U. Operating Leases – Related Party

On October 30, 2014 the Vista Charter Middle School entered into a lease agreement with 2900 W Temple LLC, a related party whose sole member are the Schools, for use of facilities. The agreement does not contain a purchase option and does not meet the requirements for capitalization. As such, the lease has not been recorded on the statement of financial position. The agreement provides for monthly payments that vary for a period of 360 months. On December 15, 2017 the lease agreement was subsequently amended. Future minimum lease payments under the agreement are as follows:

Year Ended June 30,	Lease Payments
2018	\$ 502,244
2019	501,494
2020	500,494
2021	499,244
2022	502,744
2023-2027	2,502,506
2028-2032	2,501,087
2033-2037	2,501,206
2038-2042	2,507,000
2043-2047	1,498,200
Total	\$ 14,016,219

V. Adjustment to Beginning Net Assets

An adjustment to beginning net assets was made to include an investment account for 2900 West Temple LLC that was not initially recorded on the financial statements when the Corporation was formed in 2014. Additionally, an adjustment was made to correct the bond payable to agree to the repayment schedule and principal payments paid. Finally, adjustments to beginning net assets were made to correct overstated prepaid expense accounts, that were not reversed in the prior year.

	Vista Charter Middle School	Vista Heritage Middle School	2900 West Temple LLC	Total
Net Assets, Beginning (As Originally Stated)	\$ 1,712,928	\$ (235,410)	\$ (18,162)	\$ 1,459,356
Adjustments for:				
Overstatement of prepaid expenses	(9,682)	(3,343)	-	(13,025)
Understatement on investments	-	-	352,023	352,023
Correction to bond payable	-	-	(107,881)	(107,881)
Total adjustments	(9,682)	(3,343)	244,142	231,117
Net Assets, Beginning (Restated)	\$ 1,703,246	\$ (238,753)	\$ 225,980	\$ 1,690,473

VISTA CHARTER PUBLIC SCHOOLS, INC.
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2017

W. Subsequent Events

In January 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2017-02 *Not-for-Profit Entities – Consolidation (Subtopic 958-810)*. FASB issued this update to amend the consolidation guidance in Subtopic 958-810 to clarify when a not-for-profit entity that is a general partner or a limited partner should consolidate a for-profit limited partnership or similar legal entity. ASU 2017-02 becomes effective for years that begin after December 15, 2016. The Charter Schools have adopted the provisions of this FASB update for the 2017-18 fiscal year.

In December 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-19 *Technical Corrections and Improvements*. FASB issued this update to clarify the Accounting Standards Codification and correct unintended application of guidance that is not expected to have significant effect on current accounting practice or create a significant administrative cost to most entities. The amendments include items raised to FASB through Accounting Standards Codification's feedback mechanism. ASU 2016-19 becomes effective for years that begin after December 15, 2016. The Charter Schools have adopted the provisions of this FASB update for the 2017-18 fiscal year.

In October 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-17 *Consolidation (Topic 810)*. FASB issued this update to amend the consolidation guidance on how a reporting entity that is a single decision maker of a Variable Interest Entity (VIE) should treat indirect interests in the entity held through related parties that are under common control with the reporting entity when determining whether it is the primary beneficiary of that VIE. ASU 2016-17 becomes effective for years that begin after December 15, 2016. The Charter Schools have adopted the provisions of this FASB update for the 2017-18 fiscal year.

In March 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-07 *Investments – Equity Method and Joint Ventures (Topic 323)*. FASB issued this update as a part of their Simplification Initiative by eliminating a requirement to retroactively adopt the equity method of accounting given that there is no clear benefit to users of financial statements. ASU 2016-07 becomes effective for years that begin after December 15, 2016. The Charter Schools have adopted the provisions of this FASB update for the 2017-18 fiscal year.

In September 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-16 *Business Combinations (Topic 805)*. FASB issued this update as part of their Simplification Initiative by amending the presentation of business combinations disclosing the effect on earnings of changes in depreciation, amortization, or other income effects, if any. The amendments in this Update require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous recognition reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. ASU 2015-16 becomes effective for years that begin after December 15, 2016. The Charter Schools have adopted the provisions of this FASB update for the 2017-18 fiscal year.

VISTA CHARTER PUBLIC SCHOOLS, INC.
Notes to the Consolidated Financial Statements (Continued)
Year Ended June 30, 2017

W. Subsequent Events (Continued)

In July 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-11 *Inventory*. FASB issued this update as part of their Simplification Initiative by eliminating unnecessarily complex measurement of inventory at the lower of cost or market given that there were several potential outcomes. Under the new guidance inventory should be measured at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This measure is in effect for all forms of inventory valuation except Last In First Out (LIFO). ASU 2015-11 becomes effective for the years that begin after December 15, 2016. The Charter Schools have adopted the provisions of this FASB update for the 2017-18 fiscal year.

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2015-09 *Financial Services – Insurance (Topic 944)*. FASB issued this update to provide guidance on note disclosure requirements for short-duration insurance contracts to increase transparency of significant estimates made in measuring liabilities associated with short-duration insurance contracts. ASU 2015-09 becomes effective for the years that begin after December 15, 2016. The Charter Schools have adopted the provisions of this FASB update for the 2017-18 fiscal year.

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2015-04 *Compensation – Retirement Benefits (Topic 715)*.

In February 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2015-02 *Consolidation (Topic 810)*. FASB issued this update to change the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. ASU 2015-02 becomes effective for years that begin after December 15, 2016. The Charter Schools have adopted the provisions of this FASB update for the 2017-18 fiscal year.

In August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2014-15 *Presentation of Financial Statements – Going Concern (Subtopic 205-40)*. FASB issued this update to provide guidance regarding management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. ASU 2014-15 becomes effective for years that begin after December 15, 2016. The Charter Schools have adopted the provisions of this FASB update for the 2017-18 fiscal year.

On December 13, 2017, Orange County Department of Education approved Vista Charter Public Schools, Inc.’s petition to open Vista Condor Global Academy, a new K-5 public charter school pursuant to California Education Code section 47600. The charter petition is for a five-year term commencing July 1, 2018 to June 30, 2023.

Supplementary Information

VISTA CHARTER PUBLIC SCHOOLS, INC.

Organization Structure
Year Ended June 30, 2017

Vista Charter Middle School (Charter #1234) was established in 2010. The authorizing entity is Los Angeles Unified School District.

Vista Heritage Charter Middle School (Charter #1752) was established in 2015. The authorizing entity is the Orange County Department of Education.

GOVERNING BOARD

Name	Office	Term and Term Expiration
Jack Bagwell	President	One Year Term Expires June 30, 2017
Jody Molodow	Secretary/Treasurer	One Year Term Expires June 30, 2017
Dr. Todd Clark	Director	One Year Term Expires June 30, 2017
Paul Vieyra	Director	One Year Term Expires June 30, 2017
Joe Rubio	Director	One Year Term Expires June 30, 2017

ADMINISTRATION

Don Wilson
Superintendent

Paul Khoury
Chief Business Officer

VISTA CHARTER PUBLIC SCHOOLS, INC.

Schedule of Average Daily Attendance

Year Ended June 30, 2017

Vista Charter Middle School	<u>Second Period Report</u>		<u>Annual Report</u>	
	<u>Original</u>	<u>Revised</u>	<u>Original</u>	<u>Revised</u>
Grades 4-6:				
Regular ADA - Classroom Based	137.81	N/A	137.41	N/A
Grades 7-8:				
Regular ADA - Classroom Based	<u>261.59</u>	<u>N/A</u>	<u>261.53</u>	<u>N/A</u>
Total Average Daily Attendance	<u>399.40</u>	<u>N/A</u>	<u>398.94</u>	<u>N/A</u>
Vista Heritage Charter Middle School	<u>Second Period Report</u>		<u>Annual Report</u>	
	<u>Original</u>	<u>Revised</u>	<u>Original</u>	<u>Revised</u>
Grades 4-6:				
Regular ADA - Classroom Based	75.32	N/A	75.21	N/A
Grades 7-8:				
Regular ADA - Classroom Based	<u>155.93</u>	<u>N/A</u>	<u>155.38</u>	<u>N/A</u>
Total Average Daily Attendance	<u>231.25</u>	<u>N/A</u>	<u>230.59</u>	<u>N/A</u>

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

VISTA CHARTER PUBLIC SCHOOLS, INC.

Schedule of Instructional Time

Year Ended June 30, 2017

Vista Charter Middle School

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>2016-17 Actual Minutes</u>	<u>Number of Traditional Days</u>	<u>Status</u>
Grade 6	54,000	77,354	180	Complied
Grade 7	54,000	77,354	180	Complied
Grade 8	54,000	77,354	180	Complied

Vista Heritage Charter Middle School

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>2016-17 Actual Minutes</u>	<u>Number of Traditional Days</u>	<u>Status</u>
Grade 6	54,000	74,138	180	Complied
Grade 7	54,000	74,138	180	Complied
Grade 8	54,000	74,138	180	Complied

See accompanying notes to supplementary information

VISTA CHARTER PUBLIC SCHOOLS, INC.

Schedule of Financial Trends and Analysis

Year Ended June 30, 2017

	Budget				
	2018	2017	2016	2015	2014
Revenues	<u>\$ 8,571,356</u>	<u>\$ 8,581,037</u>	<u>\$ 6,995,252</u>	<u>\$ 4,201,513</u>	<u>\$ 4,088,316</u>
Expenses	<u>8,062,663</u>	<u>7,826,311</u>	<u>6,947,763</u>	<u>4,139,746</u>	<u>3,440,017</u>
Change in Net Assets	<u>508,693</u>	<u>754,726</u>	<u>47,489</u>	<u>61,767</u>	<u>648,299</u>
 Ending Net Assets	 <u>\$ 2,953,892</u>	 <u>\$ 2,445,199</u>	 <u>\$ 1,690,473</u>	 <u>\$ 1,642,984</u>	 <u>\$ 1,581,217</u>
 Unrestricted Net Assets	 <u>\$ 2,496,795</u>	 <u>\$ 2,134,367</u>	 <u>\$ 1,662,609</u>	 <u>\$ 1,411,867</u>	 <u>\$ 1,350,100</u>
 Unrestricted net assets as a percentage of total expenses	 <u>31%</u>	 <u>27%</u>	 <u>24%</u>	 <u>34%</u>	 <u>39%</u>
 Total Long Term Debt	 <u>\$ 6,872,768</u>	 <u>\$ 7,035,648</u>	 <u>\$ 7,193,528</u>	 <u>\$ 6,943,528</u>	 <u>\$ -</u>
 Average Daily Attendance at P2	 <u>658</u>	 <u>631</u>	 <u>546</u>	 <u>396</u>	 <u>408</u>

See accompanying notes to supplementary information

VISTA CHARTER PUBLIC SCHOOLS, INC.

Reconciliation of Unaudited Financial Report Alternative Form with Audited Financial Statements
Year Ended June 30, 2017

	<u>Vista Charter Middle School</u>	<u>Vista Heritage Charter Middle School</u>
June 30, 2017 annual financial alternative form net assets	<u>\$ 2,291,251</u>	<u>\$ 52,714</u>
Adjustments and reclassifications:		
(Overstatement) Understatement of cash and cash equivalents	35,951	(37)
(Overstatement) Understatement of prepaid expenses	(66,454)	(3,343)
(Overstatement) Understatement of accounts receivable	(14,995)	-
(Overstatement) Understatement of capital assets	8,940	-
Overstatement (Understatement) of accounts payable	-	(66,461)
Overstatement (Understatement) of accounts payable to related entity	30,910	
Rounding	<u>2</u>	<u>1</u>
Total adjustments and reclassifications	<u>(5,646)</u>	<u>(69,840)</u>
June 30, 2017 audited financial statement net assets	<u><u>\$ 2,285,605</u></u>	<u><u>\$ (17,126)</u></u>

See accompanying notes to supplementary information

VISTA CHARTER PUBLIC SCHOOLS, INC.

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Vista Charter Middle School	Vista Heritage Charter Middle School	Total Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>					
Passed Through State Department of Education:					
Title I	84.010	14329	\$ 171,666	\$ 32,115	\$ 203,781
Special Education: IDEA Basic	84.027	13379	77,149	20,447	97,596
Title III - English Learner Student Program	84.365	14346	9,430	8,188	17,618
Title III - Immigrant Education Program	84.365	15146	1,210	80	1,290
Title II - Teacher Quality	84.367	14344	2,264	-	2,264
Title V Public Charter Schools Grant	84.282A	14941	-	174,848	174,848
Total Passed Through State Department of Education			<u>261,719</u>	<u>235,678</u>	<u>497,397</u>
Total U.S. Department of Education			<u>261,719</u>	<u>235,678</u>	<u>497,397</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
Passed Through State Department of Education:					
Child Nutrition Cluster:					
School Breakfast Program - Needy	10.553	13526	53,284	25,926	79,210
National School Lunch Section 4	10.555	13391	25,758	12,533	38,291
National School Lunch Section 11	10.555	13396	174,699	85,004	259,703
Total Child Nutrition Cluster			<u>253,741</u>	<u>123,463</u>	<u>377,204</u>
Child Nutrition: NSLP Equipment Assistance Grants	10.579	14906	<u>11,960</u>	<u>11,994</u>	<u>23,954</u>
Total Passed Through State Department of Education			<u>265,701</u>	<u>135,457</u>	<u>401,158</u>
Total U.S. Department of Agriculture			<u>265,701</u>	<u>135,457</u>	<u>401,158</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 527,420</u>	<u>\$ 371,135</u>	<u>\$ 898,555</u>

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

VISTA CHARTER PUBLIC SCHOOLS, INC.

Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Schools 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 Schools used an indirect cost rate of 3.47% 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 Schools did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 *Indirect Costs*. For the year ended June 30, 2017 the Schools did not charge any indirect costs to federal programs.

Summary of Significant Accounting Policies

The expenditures reported on the Schedule are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

VISTA CHARTER PUBLIC SCHOOLS, INC.

Combining Consolidated Financial Position

Year Ended June 30, 2017

	Vista Charter Middle School	Vista Heritage Charter Middle School	Vista Charter Public Schools, Inc.	2900 West Temple LLC	Elimination	Total
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 1,308,107	\$ 174,803	\$ 10,000	\$ -	\$ -	\$ 1,492,910
Investments	-	-	-	920,073	-	920,073
Accounts receivable	465,057	638,577	-	-	-	1,103,634
Prepaid expenses	6,309	267	-	-	-	6,576
Total Current Assets	<u>1,779,473</u>	<u>813,647</u>	<u>10,000</u>	<u>920,073</u>	<u>-</u>	<u>3,523,193</u>
Noncurrent Assets						
Note receivable from related entity	500,000	-	-	-	(500,000)	-
Capital assets, net	294,804	190,768	-	6,082,295	-	6,567,867
Total Noncurrent Assets	<u>794,804</u>	<u>190,768</u>	<u>-</u>	<u>6,082,295</u>	<u>(500,000)</u>	<u>6,567,867</u>
TOTAL ASSETS	<u>\$ 2,574,277</u>	<u>\$ 1,004,415</u>	<u>\$ 10,000</u>	<u>\$ 7,002,368</u>	<u>\$ (500,000)</u>	<u>\$ 10,091,060</u>
LIABILITIES AND NET ASSETS						
Current Liabilities						
Accounts payable	\$ 85,283	\$ 151,093	\$ -	\$ -	\$ -	\$ 236,376
Accrued payroll and benefits	203,389	170,448	-	-	-	373,837
Loan payable, current portion	-	50,000	-	-	-	50,000
Note payable to related entity, current portion	-	41,667	-	-	(41,667)	-
Bond payable, current portion	-	-	-	112,880	-	112,880
Total Current Liabilities	<u>288,672</u>	<u>413,208</u>	<u>-</u>	<u>112,880</u>	<u>(41,667)</u>	<u>773,093</u>
Long Term Liabilities						
Note payable to related entity	-	458,333	-	-	(458,333)	-
Loan payable, less current portion	-	150,000	-	-	-	150,000
Bond payable, less current portion	-	-	-	6,722,768	-	6,722,768
Total Long Term Liabilities	<u>-</u>	<u>608,333</u>	<u>-</u>	<u>6,722,768</u>	<u>(458,333)</u>	<u>6,872,768</u>
Total Liabilities	<u>288,672</u>	<u>1,021,541</u>	<u>-</u>	<u>6,835,648</u>	<u>(500,000)</u>	<u>7,645,861</u>
Net Assets						
Unrestricted	2,064,761	(107,114)	10,000	166,720	-	2,134,367
Temporarily restricted	220,844	89,988	-	-	-	310,832
Total Net Assets	<u>2,285,605</u>	<u>(17,126)</u>	<u>10,000</u>	<u>166,720</u>	<u>-</u>	<u>2,445,199</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,574,277</u>	<u>\$ 1,004,415</u>	<u>\$ 10,000</u>	<u>\$ 7,002,368</u>	<u>\$ (500,000)</u>	<u>\$ 10,091,060</u>

VISTA CHARTER PUBLIC SCHOOLS, INC.

Combining Consolidated Statement of Activities

Year Ended June 30, 2017

	Vista Charter Middle School	Vista Heritage Charter Middle School	Vista Charter Public Schools, Inc.	2900 West Temple LLC	Elimination	Total
REVENUE AND SUPPORT						
Revenue						
LCFF State Aid	\$ 2,351,296	\$ 1,579,911	\$ -	\$ -	\$ -	\$ 3,931,207
State aid, prior year	(33,400)	(45,284)	-	-	-	(78,684)
Education protection account funds	527,286	46,250	-	-	-	573,536
Payments in lieu of property taxes	876,917	614,711	-	-	-	1,491,628
Federal revenue	526,134	441,380	-	-	-	967,514
Other state revenue	1,151,400	441,358	-	-	-	1,592,758
Interest	14,119	2,386	-	9,604	-	26,109
Other local revenue	59,494	19,249	10,000	499,974	(499,974)	88,743
Gain (loss) on investments	-	-	-	(11,774)	-	(11,774)
Total Revenues	<u>5,473,246</u>	<u>3,099,961</u>	<u>10,000</u>	<u>497,804</u>	<u>(499,974)</u>	<u>8,581,037</u>
EXPENSES						
Certificated salaries	1,378,876	1,007,181	-	-	-	2,386,057
Classified salaries	663,032	343,681	-	-	-	1,006,713
Taxes and employee benefits	640,142	372,467	-	-	-	1,012,609
Books and supplies	605,871	365,040	-	-	-	970,911
Rentals, leases and repairs	557,906	292,233	-	-	(499,974)	350,165
Other operating expenses	991,476	400,521	-	-	-	1,391,997
Debt service interest	-	16,234	-	389,994	-	406,228
Amortization expense	-	-	-	2,120	-	2,120
Depreciation expense	53,584	80,977	-	164,950	-	299,511
Total Expenses	<u>4,890,887</u>	<u>2,878,334</u>	<u>-</u>	<u>557,064</u>	<u>(499,974)</u>	<u>7,826,311</u>
CHANGE IN NET ASSETS	582,359	221,627	10,000	(59,260)	-	754,726
NET ASSETS, BEGINNING OF YEAR¹	<u>1,703,246</u>	<u>(238,753)</u>	<u>-</u>	<u>225,980</u>	<u>-</u>	<u>1,690,473</u>
NET ASSETS, END OF YEAR	<u>\$ 2,285,605</u>	<u>\$ (17,126)</u>	<u>\$ 10,000</u>	<u>\$ 166,720</u>	<u>\$ -</u>	<u>\$ 2,445,199</u>

¹ See Note V for Restatement of Beginning Net Assets

VISTA CHARTER PUBLIC SCHOOLS, INC.

Notes to the Supplementary Information
Year Ended June 30, 2017

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 2018 is presented for analysis purposes only and is based on estimates of the 2017-18 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.

As a result of the opening Vista Heritage Charter Middle School and the consolidation of Vista Charter Public Schools Inc. and 2900 W. Temple LLC, financial activity for the year ended June 30, 2016 is not comparable to previous years represented in this table.

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.

Combining Consolidated Financial Position and Statement of Activities

These schedules disclose the intercompany accounts and transactions of Vista Charter Middle School, Vista Heritage Charter Middle School, Vista Charter Public Schools, Inc. and 2900 West Temple LLC (the Corporation). All significant intercompany accounts and transactions have been eliminated in consolidation.

Other Independent Auditors' 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 Trustees of
Vista Charter Public Schools, Inc.
Los Angeles, California

Report on Compliance for Each Major Federal Program

We have audited Vista Charter Public Schools, Inc.'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 Vista Charter Public Schools, Inc.'s major federal programs for the year ended June 30, 2017. Vista Charter Public Schools, Inc.'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 Vista Charter Public Schools, Inc.'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 Vista Charter Public Schools, Inc.'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 Vista Charter Public Schools, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Vista Charter Public Schools, Inc. 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, 2017.

Report on Internal Control Over Compliance

Management of Vista Charter Public Schools, Inc. 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 Vista Charter Public Schools, Inc.'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 Vista Charter Public Schools, Inc.'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 15, 2017

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 Trustees of
Vista Charter Public Schools, Inc.
Los Angeles, 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 Vista Charter Public Schools, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, 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 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Vista Charter Public Schools, Inc.'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 Vista Charter Public Schools, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Vista Charter Public Schools, Inc.'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 entity'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as item 2017-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Vista Charter Public Schools, Inc.'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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 15, 2017

Independent Auditor's Report on State Compliance

To the Board of Trustees of
Vista Charter Public Schools, Inc.
Los Angeles, California

Report on State Compliance

We have audited the School's compliance with the types of compliance requirements described in the *2016-17 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, 2017.

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 *2016-17 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 *2016-17 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 Schools' compliance with those requirements.

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

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies Other Than Charter Schools	
Attendance	N/A
Teacher Certification and Misassignments	N/A
Kindergarten Continuance	N/A
Independent Study	N/A
Continuation Education	N/A
Instructional Time	N/A
Instructional Materials	N/A
Ratio of Administrative Employees to Teachers	N/A
Classroom Teacher Salaries	N/A
Early Retirement Incentive	N/A
Gann Limit Calculation	N/A
School Accountability Report Card	N/A
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	N/A
Transportation Maintenance of Effort	N/A
Mental Health Expenditures	N/A
School Districts, County Offices of Education and Charter Schools	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	N/A
Immunizations	Yes
Charter Schools	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom Based Instruction/Independent Study	N/A
Determination of Funding for Nonclassroom Based Instruction	N/A
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	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.

Opinion on State Compliance

In our opinion, Vista Charter Public Schools, Inc. 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, 2017.

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 *2016-17 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 15, 2017

Auditor's Results, Findings & Recommendations

VISTA CHARTER PUBLIC SCHOOLS, INC.

Schedule of Auditor's Results

Year Ended June 30, 2017

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)? X Yes 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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	Special Education
10.553, 10.555	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? Yes X No

STATE AWARDS

Any audit findings disclosed that are required to be reported in accordance with *2016-17 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

VISTA CHARTER PUBLIC SCHOOLS, INC.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

The following finding represents significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), or the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. The findings have been coded as follows:

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

A. Financial Statement Findings

Finding 2017-001 (30000)
Year End Closing

Criteria

Determine that the Schools have procedures and controls in place to ensure accurate financial reporting.

Condition

In our review of the financial statements, we noted areas in which adjusting journal entries were required to accurately report the financial statements. Proper procedures to prepare and review closing entries were not put in place. As a result, expenditures for restricted programs and other items were coded incorrectly in the financial reporting system. In addition, there were cases of duplicate entries and errors in recording.

Questioned Costs

None

Effect

There were misstatements in the financial statements that were not detected by the Schools' procedures.

Cause

The School did not implement procedures to review the financial records for accuracy before they were closed and did not have a procedure in place to reconcile restricted programs in its financial reporting system at the time financial statements were closed.

Recommendation

We recommend that the Schools implement a review process to ensure accurate reporting. In addition, we recommend that the Schools review expenditures for restricted programs throughout the year to ensure they are properly coded in the financial reporting system and agree to separately tracked program expense and budget documents.

LESA's Response and Corrective Action Plan

Vista Charter Public Schools agrees with the recommendation and has implemented several steps to improve our internal controls and procedures to ensure accuracy and timeliness. The chief business officer, working with school site principals and the superintendent, is producing subsidiary budgets for each federal and state program. School site leaders review the budgets ensuring allowable costs are assigned to specific cost objectives. Schedules of compensation are maintained each month for all employees who are performing activities under specific cost objectives. All program costs are classified to the appropriate resource code. Financial reports are reviewed by the CBO each month and presented to the board.

Detailed financial reports will be reviewed quarterly by the school site leaders in conjunction with the CBO to further ensure program costs are appropriately classified. Review includes staff schedules of activities as well as purchased curriculum and services. Staff or appropriate supervisor will sign a semi-annual certificate noting the cost objective(s) activities performed by the employee.

These procedures have been reviewed and implemented in fiscal 2017-18. VCPS financial policies and procedures manual was revised and presented to the board for approved at our board meeting of November 27, 2017.

B. Federal Award Findings

None

C. State Award Findings

None

VISTA CHARTER PUBLIC SCHOOLS, INC.

Schedule of Prior Year Audit Findings

Year Ended June 30, 2017

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