SANTIAGO MIDDLE SCHOOL

AUDIT REPORT

FOR THE YEAR ENDED
JUNE 30, 2023

A NONPROFIT PUBLIC BENEFIT CORPORATION
OPERATING THE FOLLOWING CALIFORNIA CHARTER SCHOOL

Santiago Middle (Charter No. 0066)

SANTIAGO MIDDLE SCHOOL
TABLE OF CONTENTS
JUNE 30, 2023

FINANCIAL SECTION

Independent Auditors' Report 1
Financial Statements
Statement of Financial Position 3
Statement of Activities 4
Statement of Functional Expenses 5
Statement of Cash Flows 6
Notes to Financial Statements 7

SUPPLEMENTARY INFORMATION

LEA Organization Structure 18
Schedule of Expenditures of Federal Awards 19
Schedule of Average Daily Attendance 20
Schedule of Instructional Time 21
Reconciliation of Financial Report – Alternative Form with Audited Financial Statements 22
Notes to the Supplementary Information 23

OTHER INDEPENDENT AUDITORS' REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards* 24
Report on Compliance for Each Major Federal Program; and Report on Internal Control over Compliance Required by the Uniform Guidance 26
Report on State Compliance and on Internal Control over Compliance for State Programs 29

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results 32
Financial Statement Findings 33
Federal Award Findings and Questioned Costs 34
State Award Findings and Questioned Costs 35
Schedule of Prior Audit Findings 36

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Santiago Middle School
Orange, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Santiago Middle School (the "Charter") which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Santiago Middle School as of June 30, 2023, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Santiago Middle School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in section O in Note 1 to the financial statements, in 2022-23 Santiago Middle School adopted new accounting guidance, ASU No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Santiago Middle School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Santiago Middle School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Santiago Middle School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* 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. 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 DATE, on our consideration of Santiago Middle School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Santiago Middle School's 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 Santiago Middle School's internal control over financial reporting and compliance.

San Diego, California
DATE

SANTIAGO MIDDLE SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS		
Current assets		
Cash and cash equivalents	$	3,522,568
Accounts receivable		5,007,403
Prepaid expenses		92,801
Total current assets		8,622,772
Noncurrent assets		
Deposits		450,000
Capital assets, net		41,763
Total noncurrent assets		491,763
Total Assets	$	9,114,535
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable		4,969,234
Deferred revenue		222,403
Supplemental retirement plans		195,940
Total liabilities		5,387,577
Net assets		
Without donor restrictions		3,726,958
Total net assets		3,726,958
Total Liabilities and Net Assets	$	9,114,535

The notes to the financial statements are an integral part of this statement.

SANTIAGO MIDDLE SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions
SUPPORT AND REVENUES	
Federal and state support and revenues	
Local control funding formula, state aid	$ 3,324,537
Federal revenues	1,736,299
Other state revenues	1,726,363
Total federal and state support and revenues	6,787,199
Local support and revenues	
Payments in lieu of property taxes	7,360,579
Grants and donations	4,209
Other local revenues	396,357
Total local support and revenues	7,761,145
Total Support and Revenues	14,548,344
EXPENSES	
Program services	11,112,928
Management and general	3,016,591
Total Expenses	14,129,519
CHANGE IN NET ASSETS	418,825
Net Assets - Beginning	3,308,133
Net Assets - Ending	$ 3,726,958

The notes to the financial statements are an integral part of this statement.

SANTIAGO MIDDLE SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Program Services	Management and General	Total
EXPENSES			
Personnel expenses			
Certificated salaries	$ 5,163,566	$ 794,006	$ 5,957,572
Non-certificated salaries	1,161,809	502,082	1,663,891
Pension plan contributions	1,215,103	250,716	1,465,819
Payroll taxes	1,193,178	335,538	1,528,716
Other employee benefits	42,412	23,502	65,914
Total personnel expenses	8,776,068	1,905,844	10,681,912
Non-personnel expenses			
Books and supplies	675,508	126,755	802,263
Insurance	60,967	6,097	67,064
Facilities	556,241	18,991	575,232
Professional services	931,129	755,312	1,686,441
Depreciation	-	20,156	20,156
Fees to authorizing agency	104,946	124,472	229,418
Other operating expenses	8,069	58,964	67,033
Total non-personnel expenses	2,336,860	1,110,747	3,447,607
Total Expenses	$ 11,112,928	$ 3,016,591	$ 14,129,519

The notes to the financial statements are an integral part of this statement.

SANTIAGO MIDDLE SCHOOL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	418,825
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation		20,156
(Increase) decrease in operating assets		
Accounts receivable		(693,825)
Prepaid expenses		41,673
Increase (decrease) in operating liabilities		
Accounts payable		2,288,200
Deferred revenue		(46,005)
Supplemental retirement plans		(65,314)
Net cash provided by (used in) operating activities		1,963,710
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets		(20,630)
Net cash provided by (used in) investing activities		(20,630)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,943,080
Cash and cash equivalents - Beginning		1,579,488
Cash and cash equivalents - Ending	$	3,522,568
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	$	-

The notes to the financial statements are an integral part of this statement.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Santiago Middle School (the "Charter") was formed as a nonprofit public benefit corporation June 1, 2005 for the purpose of operating as a California public school located in Orange County. The Charter was numbered by the State Board of Education in July 1994 as California Charter No. 0066. Santiago Middle School's mission is to assist its students to attain an educational advantage by delivering a quality and disciplined public school education of unmatched value. During the year ended June 30, 2023, Santiago Middle School served grades 7 and 8.

Santiago Middle School is authorized to operate as a charter school through the Orange Unified School District (the "authorizing agency" or the "District"). On February 13, 2020, the Board of Directors of Orange Unified School District approved a charter renewal for an additional five-year term beginning July 1, 2020 and expiring June 30, 2025. Due to AB 130 and SB 114, the current charter petition end date is extended to June 30, 2028. Funding sources primarily consist of state apportionments, in lieu of property tax revenues, and grants and donations from the public.

B. Basis of Accounting

The Charter's policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when cash is received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

C. Financial Statement Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). ASC 958-205 was effective July 1, 2018. Under the Guide, Santiago Middle School is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net assets with donor restrictions – These assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires (that is until the stipulated time restriction ends or the purpose of the restriction is accomplished) the net assets are restricted. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions.

As a public charter school, Santiago Middle School also accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual* presented in Procedure 810 Charter Schools. Fund accounting is not used in the Charter's financial statement presentation.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures, such as depreciation expense and the net book value of capital assets. Accordingly, actual results could differ from those estimates.

E. Functional Expenses

The costs of providing services have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Certain costs and expenses have been allocated between program and supporting services based on management's estimates.

F. Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities as "net assets released from restrictions." Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without restriction upon acquisition of the assets and the assets are placed in service.

Non-cash contributions of goods, materials, and facilities are recorded at fair value at the date of contribution. Contributed services are recorded at fair value at the date of contribution if they are used to create or enhance a non-financial asset or require specialized skills, are provided by someone possessing those skills, and would have to be purchased by the organization if not donated.

G. In Lieu of Property Taxes Revenue

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County bills and collects the taxes for the authorizing agency. In lieu of distributing funds out of property tax proceeds, the authorizing agency makes monthly payments to Santiago Middle School. Revenues are recognized by the Charter when earned.

H. Cash and Cash Equivalents

Santiago Middle School considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Investments

The Charter's method of accounting for most investments is the fair value method. Fair value is determined by published quotes when they are readily available. Gains and losses resulting from adjustments to fair values are included in the accompanying statement of activities. Investment return is presented net of any investment fees.

J. Receivables and Allowances

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowance for doubtful accounts to accounts receivable and current economic conditions.

Based on review of these factors, the Charter establishes or adjusts the allowance for specific revenue sources as a whole. At June 30, 2023, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

K. Capital Assets

Santiago Middle School has adopted a policy to capitalize asset purchases over $5,000. Lesser amounts are expensed. Donations of capital assets are recorded as contributions at their estimated fair value. Such donations are reported as net assets without donor restrictions. Capital assets are depreciated using the straight-line method over the estimated useful lives of the property and equipment or the related lease terms.

L. Deferred Revenue

Deferred revenue arises when potential revenue does not meet the criteria for recognition in the current period and when resources are received by the organization prior to the incurrence of expenses. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

M. Income Taxes

Santiago Middle School is a 509(a)(1) publicly supported nonprofit organization that is exempt from income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Charter is exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code. As a school, the Charter is not required to register with the California Attorney General as a charity.

The Charter's management believes all of its significant tax positions would be upheld under examination; therefore, no provision for income tax has been recorded. The Charter's information and/or tax returns are subject to examination by the regulatory authorities for up to four years from the date of filing.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fair Value Measurements

The Fair Value Measurements Topic of the FASB *Accounting Standards Codification* establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
Level 2	Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

O. Change in Accounting Principle

ASC 842 *Leases*
In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The objective of the ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. The new FASB ASU topic on leases consists of five subtopics: overall, lessee, lessor, sale and leaseback transactions, and leveraged lease arrangements. ASU No. 2016-02 is applicable to any entity that enters into a lease. The new lease standard is effective for private nonprofits with fiscal years beginning after December 15, 2021. The Charter has determined the impact and noted no significant change to the financial statements as a result of this accounting principle.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2023, consists of the following:

Cash in banks, non-interest bearing	$	865,256
Cash in banks, interest bearing		2,657,312
Total Cash and Cash Equivalents	$	3,522,568

Cash in Banks

Custodial Credit Risk
Custodial credit risk is the risk that in the event of a bank failure, an organization's deposits may not be returned to it. Santiago Middle School does not have a policy for custodial credit risk for deposits. The FDIC insures up to $250,000 per depositor per insured bank. As of June 30, 2023, $3,292,137 of the Santiago Middle School's bank balance was exposed to custodial credit risk as there were deposits over $250,000 in accounts held at one or more banks.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2023, consists of the following:

Local control funding sources, state aid	$ 935,690
Federal sources	1,415,918
Other state sources	2,619,415
Other local sources	36,380
Total Accounts Receivable	$ 5,007,403

NOTE 4 – DEPOSITS

In accordance with the Charter's Memorandum of Understanding with its authorizing agency, $450,000 is held by the authorizing agency as a reserve. The funds are invested in an Orange County treasury account administered by Orange Unified School District which is mainly utilized for payroll processing.

NOTE 5 – CAPITAL ASSETS

A summary of activity related to capital assets during the year ended June 30, 2023 consists of the following:

	Balance July 1, 2022	Additions	Disposals	Balance June 30, 2023
Property and equipment				
Land	$ 19,895	$ 9,820	$ -	$ 29,715
Buildings	74,837	-	-	74,837
Site and leasehold improvements	43,144	10,810	-	53,954
Total property and equipment	137,876	20,630	-	158,506
Less accumulated depreciation	(96,587)	(20,156)	-	(116,743)
Capital Assets, net	$ 41,289	$ 474	$ -	$ 41,763

NOTE 6 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2023, consists of the following:

Salaries and benefits	$ 2,481,849
vendor payables	1,805,017
Due to authorizing agency	486,916
Due to grantor government	52,394
Compensated absences	143,058
Total Accounts Payable	$ 4,969,234

NOTE 7 – DEFERRED REVENUE

Deferred revenue as of June 30, 2023, consists of $222,403 related to conditional contributions from federal sources.

NOTE 8 – SUPPLEMENTARY RETIREMENT PLANS

In March 2021, the Charter offered an additional PARS supplementary retirement plan. A total of five (5) employees opted to participate. Additionally, one (1) employee had a shared cost of 50% with a separate charter school, El Rancho Charter School. The Charter's obligation under this plan is $326,568 payable in five (5) annual installments of $65,314. The Charter holds a receivable of $27,564 for the portion due from El Rancho Charter School and will be reimbursed $5,513 for the next five (5) years. The outstanding balance attributed to this plan as of June 30, 2023 was $195,240. Future payment obligations are as follows:

Fiscal Year Ending June 30,	Payment
2024	$ 65,314
2025	65,314
2026	65,312
Total	$ 195,940

NOTE 9 – NET ASSETS

As of June 30, 2023, the Charter had no net assets with donor restrictions. Certain designations or reserves have been made for the use of net assets without donor restrictions either by the board, management or by nature of the financial assets held by the Charter. At June 30, 2023, the Charter's net assets without donor restrictions consist of the following:

Net investment in capital assets	$ 41,763
Undesignated	3,685,195
Total Net Assets without Donor Restrictions	$ 3,726,958

NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Charter's financial assets as of June 30, 2023, reduced by amounts not available for general expenditure within one year. Financial assets are considered not available for general use when illiquid or not convertible to cash within one year, consist of assets held for others or are held aside by the governing board for specific contingency reserves. Any board designations could be drawn upon if the board approves that action.

Financial Assets	
Cash and cash equivalents	$ 3,522,568
Accounts receivable	5,007,403
Prepaid expenses	92,801
Total Financial Assets, excluding noncurrent	$ 8,622,772
Contractual or donor-imposed restrictions	
Cash held for conditional contributions	(222,403)
Financial Assets available to meet cash needs for expenditures within one year	$ 8,400,369

NOTE 11 – EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. In accordance with *California Education Code* 47605, charter schools have the option of participating in such plans if an election to participate is specified within the charter petition. The Charter has made such election. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and non-certificated employees are members of the California Public Employees' Retirement System (CalPERS).

California State Teachers' Retirement System (CalSTRS)

Plan Description
Santiago Middle School contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard; Sacramento, California 95826.

Funding Policy
Active plan members are required to contribute 10.25% or 10.205% of their 2022-23 salary depending on the employee's membership date in the plan. The required employer contribution rate for fiscal year 2021-22 was 19.10% of annual payroll. The contribution requirements of the plan members are established by state statute. The Charter's contributions to CalSTRS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2022-23	$ 1,240,970	100%
2021-22	$ 939,796	100%
2020-21	$ 737,323	100%

On-Behalf Payments
The State of California makes direct on-behalf payments for retirement benefits to CalSTRS on behalf of all school agencies in California. The amount of on-behalf payments made for Santiago Middle School is estimated at $625,392. The on-behalf payment amount is computed as the proportionate share of total 2021-22 State on-behalf contributions.

California Public Employees' Retirement System (CalPERS)

Plan Description
Santiago Middle School contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within 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.

NOTE 11 – EMPLOYEE RETIREMENT PLANS (continued)

California Public Employees' Retirement System (CalPERS) (continued)

Funding Policy
Active plan members, who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA), specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 7.0% of their salary.

Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

Santiago Middle School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2022-23 was 25.37% of annual payroll. The contribution requirements of the plan members are established by state statute. The Charter's contributions to CalPERS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2022-23	$ 376,054	100%
2021-22	$ 301,174	100%
2020-21	$ 199,465	100%

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Charter School Authorization

As mentioned in Note 1A, Santiago Charter Middle School is approved to operate as a public charter school through authorization by the Orange Unified School District. As such, the Charter is subject to the risk of possible non-renewal or revocation at the discretion of its authorizing agency if certain criteria for student outcomes, management, and/or fiscal solvency are not met.

On July 9, 2021, the Governor of California approved Assembly Bill 130 (AB 130). Effective July 1, 2021, AB 130 added a provision within the California Education Code whereby all charter schools whose term expires on or between January 1, 2022, and June 30, 2025, inclusive, shall have their term extended by two years. As a result, the charter petition end date is extended to June 30, 2027. Refer to Note 15 for an additional year extension.

Governmental Funds

Santiago Middle School has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements would not be material.

Pending or Threatened Litigation

The Charter is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Charter as of June 30, 2023.

NOTE 12 – COMMITMENTS AND CONTINGENCIES (continued)

Energy Conservation Contract

On September 28, 2007, the Charter entered into a Memorandum of Understanding with Orange Unified School District to compensate the District for energy conservation measures and modernization projects planned at the Charter's site. The term of the agreement is a period of twenty years. As of June 30, 2023, the future minimum annual payments under the terms of this agreement are as follows:

Fiscal Year Ending June 30,	Payments
2024	$ 53,967
2025	53,967
2026	53,967
2027	53,967
Thereafter	53,967
Total	$ 269,835

Multiemployer Defined Benefit Plan Participation

Under current law on multiemployer defined benefit plans, the Charter's voluntary withdrawal from any underfunded multiemployer defined benefit plan would require the Charter to make payments to the plan, which would approximate the Charter's proportionate share of the multiemployer plan's unfunded vested liabilities. CalSTRS and CalPERS have not estimated the Charter's share of withdrawal liability as it has been included within Orange Unified School District's proportionate share. As explained in Note 11, the District processes payroll of the Charter as reportable compensation of its own. As such, the Charter may be liable for a portion of the unfunded liability if the District were to allocate any portion of the liability to the Charter. As of June 30, 2023, the District has not elected to do so; therefore, a liability has not been recorded within the Charter's financials.

Custodial Assets

The Charter holds funds for the Associated Student Body (ASB) as a trustee. The ASB exists at the explicit approval, subject to the revocation, of the Charter's Board of Directors. The Charter includes the financial position and activity of the ASB in its financial statements. The ASB's financial position as of June 30, 2023 amounted to $52,514 in cash assets.

NOTE 13 – RELATED PARTY TRANSACTIONS

Interested Parties

The Charter's Board of Directors is designed to include representatives from all affected groups (e.g.; parents, teachers, and administrators); consequently, certain members of the Board of Directors are classified as interested parties because they are also employed by the Charter.

NOTE 13 – RELATED PARTY TRANSACTIONS (continued)

Authorizing Agency

The Charter makes payments to the authorizing agency, Orange Unified School District, to provide required services for special education and other purchased services in addition to fees for oversight. Fees associated with oversight consisted of 2% of revenue from local control funding formula sources. During the fiscal year ended June 30, 2023, fees paid to the authorizing agency consisted of the following:

Oversight fees	$	229,418
Administrative services		159,123
Facility usage fees		120,741
Energy conservation payment (see Note 12)		269,835
Total Fees to Authorizing Agency	$	779,117

In addition to the services mentioned above, the Charter utilized the authorizing agency for payroll processing. All personnel expenses as presented on the Statement of Functional Expenses are passed-through the District and are in addition to the "payments to authorizing agency" included in non-payroll expenses and presented above. All employee compensation is paid for by the Orange Unified School District with the Charter's funds held by the authorizing agency in a County Treasury account (see Note 4). Though all individuals employed by Santiago Middle School have reportable compensation issued under the authorizing agency's employer identification number and not that of the Charter; the individuals fully provide their compensated services to the Charter, except with respect to substitute teachers, which are shared employees between the Charter and the authorizing agency. As of June 30, 2023, $486,916 was payable to the District.

NOTE 14 – DONATED GOODS AND SERVICES

During the year, many parents, administrators and other individuals donated significant amounts of time and services to Santiago Middle School in an effort to advance the Charter's programs and objectives. These services have not been recorded in the Charter's financial statements because they do not meet the criteria required by generally accepted accounting principles. The Charter did not receive any donated items during the fiscal year ended June 30, 2023.

NOTE 15 – SUBSEQUENT EVENTS

Santiago Middle School has evaluated subsequent events for the period from June 30, 2023 through DATE, the date the financial statements were available to be issued.

On July 10, 2023, the Governor of California approved Senate Bill 114 (SB 114), which amended California Education Code (EC) 47607.4. The EC was amended to add "all charter schools whose term expires on or between January 1, 2024, and June 30, 2027, inclusive, shall have their term extended by one additional year." As a result, the charter petition end date is extended to June 30, 2026.

Management did not identify any other transactions or events that require disclosure or that would have an impact on the financial statements.

SUPPLEMENTARY INFORMATION

SANTIAGO MIDDLE SCHOOL
LEA ORGANIZATION STRUCTURE
JUNE 30, 2023

Santiago Middle School (the "Charter") is a charter school located in Orange, California which provides seventh and eighth grade education to approximately 1,017 students. The Charter opened as the first charter school in Orange County in September 1995 and the sixty-sixth charter school in the state of California (Charter No. 0066). In 2005, Santiago Middle School transitioned from a dependent to an independent charter. The Charter received approval to operate as a charter school through Orange Unified School District, the authorizing agency.

BOARD OF DIRECTORS

Name	Office	Term Expiration
John Besta	Chairperson	August 2023
Ashley Pedroza	Secretary	August 2023
Lisa Adray	Classified Representative	August 2024
Kelli Colbery	Parent Representative	August 2023
Andy Edlund	Parent Representative	August 2024
H. H. Hanson	Teacher Representative	August 2023
Cathy Hunsberger	Certificated/Classified Representative	August 2023
Eric Jaime	Parent Representative	August 2023
Dennis McCuistion	Parent Representative	August 2024
Sandra Snider	Certificated Representative	August 2023
Justin Vasquez	Certificated Representative	August 2024

ADMINISTRATION

Jim D'Agostino
Principal & Chief Executive Officer

Sarah Jarrell
Business Services Coordinator/Chief Financial Officer

See accompanying notes to the supplementary information.

SANTIAGO MIDDLE SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
Passed through California Department of Education:			
Title I, Part A			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	$ 215,720
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	32,493
Title III, English Learner Student Program	84.365	14346	19,023
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	16,918
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants **[1]**:			
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	80,185
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	1,028,692
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	104,533
Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425	15618	91,369
Expanded Learning Opportunities (ELO) Grant GEER II	84.425	15619	20,970
Subtotal Education Stabilization Fund Discretionary Grants			1,325,749
Passed through Los Angeles County Charter Special Education Local Plan Area:			
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	126,396
Subtotal Special Education Cluster			126,396
Total U. S. Department of Education			1,736,299
Total Federal Expenditures			$ 1,736,299

[1] - Major Program

See accompanying notes to the supplementary information.

SANTIAGO MIDDLE SCHOOL
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2023

	Second Period Report	Annual Report
	Classroom-Based	
Grade Span		
Regular		
Seventh through eighth	999.73	997.12
Special Education		
Ninth through twelfth	1.55	1.55
Total Average Daily Attendance - Classroom-Based	1,001.28	998.67
	Nonclassroom-Based	
Grade Span		
Regular		
Seventh through eighth	-	0.13
Total Average Daily Attendance - Nonclassroom-Based	-	0.13
Total Average Daily Attendance	1,001.28	998.80

See accompanying notes to the supplementary information.

SANTIAGO MIDDLE SCHOOL
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2023

Grade Level	Minutes Requirement	2022-23 Instructional Minutes	2022-23 Number of Days	Status
Grade 7	54,000	54,000	175	Complied
Grade 8	54,000	54,000	175	Complied

See accompanying notes to the supplementary information.

SANTIAGO MIDDLE SCHOOL
RECONCILIATION OF FINANCIAL REPORT – ALTERNATIVE FORM WITH AUDITED FINANCIAL STATEMENTS
JUNE 30, 2023

June 30, 2023, fund balance/net position on the Financial Report - Alternative Form (Charter School Unaudited Actuals)	$ 3,802,692
Adjustments:	
Increase (decrease) in total net assets:	
Record compensated absences liability	(75,734)
Net adjustments	(75,734)
June 30, 2023, net assets per audited financial statements	$ 3,726,958

See accompanying notes to the supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

A. LEA Organization Structure

This schedule provides information about the local education agency (LEA or charter school), including the Charter's authorizing agency, grades served, members of the governing body, and members of the administration.

B. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Charter and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The Charter has not elected to use the 10 percent de minimis indirect cost rate.

C. Schedule of Average Daily Attendance

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

D. Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the Santiago Middle School and whether the Charter complied with the provisions of *Education Code Section* 47612.5.

E. Reconciliation of Financial Report – Alternative Form with Audited Financial Statements

This schedule provides the information necessary to reconcile net position reported on the Financial Report – Alternative Form (Charter School Unaudited Actuals) to net assets on the audited financial statements.

OTHER INDEPENDENT AUDITORS' REPORTS

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*

Independent Auditors' Report

To the Board of Directors of
Santiago Middle School
Orange, California

We have audited, 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, the financial statements of Santiago Middle School (the "Charter") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements and have issued our report thereon dated DATE.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter'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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter'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 Charter's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

San Diego, California
DATE

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditors' Report

To the Board of Directors of
Santiago Middle School
Orange, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Santiago Middle School's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Santiago Middle School's major federal programs for the year ended June 30, 2023. Santiago Middle School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Santiago Middle School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Santiago Middle School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for each major federal program. Our audit does not provide a legal determination of Santiago Middle School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Santiago Middle School's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Santiago Middle School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards,* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the report on compliance about Santiago Middle School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Santiago Middle School's compliance with the compliance requirements referred to above and performing such procedures as we consider necessary in the circumstances.
- Obtain an understanding of Santiago Middle School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Santiago Middle School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Report on Internal Control Over Compliance (continued)

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.

San Diego, California
DATE

REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE FOR STATE PROGRAMS

Independent Auditors' Report

To the Board of Directors of
Santiago Middle School
Orange, California

Report on State Compliance

Opinion on State Compliance

We have audited Santiago Middle School's compliance with the requirements specified in the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to Santiago Middle School's state program requirements for the fiscal year ended June 30, 2023.

In our opinion, Santiago Middle School complied, in all material respects, with the laws and regulations of the applicable state programs for the year ended June 30, 2023, as identified in the table in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

Basis for Opinion on State Compliance

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 *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810 as regulations (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

We are required to be independent of Santiago Middle School and to meet certain ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on state compliance. Our audit does not provide a legal determination of Santiago Middle School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of internal control over compliance with the requirements of the laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Santiago Middle School's state programs.

Auditor's Responsibilities for the Audit for State Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the state compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Santiago Middle School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the K-12 Audit Guide will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the report on compliance about Santiago Middle School's compliance with the requirements of the applicable state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* and the K-12 Audit Guide, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Santiago Middle School's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Santiago Middle School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Santiago Middle School's internal control over compliance. Accordingly, no such opinion is expressed; and
- Select and test transactions and records to determine Santiago Middle School's compliance with the state laws and regulations to the following items:

Description	Procedures Performed
School Districts, County Offices of Education and Charter Schools	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not applicable
Transitional Kindergarten	Not applicable
Charter Schools	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	No*
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not applicable

**We did not perform testing of Nonclassroom-Based Instruction/Independent Study because reported ADA for the P-2 period was not material.*

"Not applicable" is used in the table above to indicate that the Charter either did not receive program funding or did not otherwise operate the program during the fiscal year.

Auditor's Responsibilities for the Audit for State Compliance (continued)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies or material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 state 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 state 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 state 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 Auditor's Responsibilities for the Audit of State Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

San Diego, California
DATE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SANTIAGO MIDDLE SCHOOL
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2023

Financial Statements

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

Federal Awards

Internal control over major program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	No
Identification of major programs:	

AL Number(s)	Name of Federal Program or Cluster
84.425U, 84.425D, 84.425	Education Stabilization Fund Discretionary Grants

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

State Awards

Internal control over state programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	None Reported
Any audit findings disclosed that are required to be reported in accordance with *2022-23 Guide for Annual Audits of California K-12 Local Education Agencies* ?	No
Type of auditors' report issued on compliance for state programs:	Unmodified

All audit year findings, if any, are assigned an appropriate finding code as follows:

FIVE DIGIT CODE	AB 3627 FINDING TYPE
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no audit findings related to the financial statements for the year ended June 30, 2023.

SANTIAGO MIDDLE SCHOOL
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

There were no audit findings and questioned costs related to federal awards for the year ended June 30, 2023.

SANTIAGO MIDDLE SCHOOL
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

There were no audit findings and questioned costs related to state awards for the year ended June 30, 2023.

SANTIAGO MIDDLE SCHOOL
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

This schedule presents the status of actions taken by the Charter on each of the findings and recommendations reported in the prior year audit; however, there were no audit findings reported in the year ended June 30, 2022.