

Charter School of Morgan Hill
(South Valley Charter School)
Charter #0363
County of Santa Clara, Morgan Hill, California

Audited Financial Statements & Report
June 30, 2024



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CHARTER SCHOOL OF MORGAN HILL
(SOUTH VALLEY CHARTER SCHOOL)
SANTA CLARA COUNTY

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Financial Section



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of the South Valley Charter School
Morgan Hill, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the South Valley Charter School (the Charter School), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 the Charter 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.

Responsibilities of Management for the Financial Statements

The Charter School's 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 the Charter School's ability to continue as a going concern for one year after the date that the financial statements are issued.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole 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 GAAS 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Governmental Auditing Standards*, we:

- Exercise professional judgment 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 the Charter 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Charter 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 schedule of average daily attendance, schedule of instructional time, and the reconciliation of the Annual Financial and Budget report to the audited financial statements as required by the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures,



including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial report. The other information comprises the organization schedule but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2024 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.

C & A LLP

Morgan Hill, California
December 6, 2024

Financial Statements

CHARTER SCHOOL OF MORGAN HILL
(SOUTH VALLEY CHARTER SCHOOL)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024

ASSETS

Cash and cash equivalents	\$ 3,826,224
Accounts receivable	788,198
Prepaid expenses and other assets	12,274
Restricted cash	3,576,417
Capital assets - net	<u>15,855,801</u>
 Total Assets	 <u><u>\$ 24,058,914</u></u>

LIABILITIES

Accounts payable	\$ 2,524,533
Due to other governments	895,782
Unearned revenue	234,511
Loan payable	<u>7,944,637</u>
Total Liabilities	<u>11,599,463</u>

NET ASSETS

Without donor restrictions:	
Undesignated	7,969,982
Designated by the Board for operating reserves	<u>273,000</u>
Total net assets without donor restrictions	8,242,982
With donor restrictions:	<u>4,216,469</u>
Total Net Assets	<u>12,459,451</u>
 Total Liabilities and Net Assets	 <u><u>\$ 24,058,914</u></u>

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

CHARTER SCHOOL OF MORGAN HILL
(SOUTH VALLEY CHARTER SCHOOL)
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
LCFF Sources	\$ 6,681,254	\$ -	\$ 6,681,254
Federal Revenue	-	253,102	253,102
State Revenue:			
Special education	-	529,470	529,470
School lunch program	-	254,382	254,382
Lottery revenue	138,428	70,842	209,270
All other state	27,623	469,265	496,888
Local Revenue:			
Foundation	212,030	-	212,030
Contributions and other	155,707	116,727	272,434
Interest	82,598	310,494	393,092
Net Assets Released from Restrictions	6,574,254	(6,574,254)	-
Total Revenues	<u>13,871,894</u>	<u>(4,569,972)</u>	<u>9,301,922</u>
EXPENSES			
Program expenses			
Educational programs	8,029,873	-	8,029,873
Supporting services			
Management and general expenses	1,070,137	-	1,070,137
Total Expenses	<u>9,100,010</u>	<u>-</u>	<u>9,100,010</u>
Change in Net Assets	4,771,884	(4,569,972)	201,912
Net Assets - Beginning	3,946,347	8,311,192	12,257,539
Prior Period Adjustment	(475,249)	475,249	-
Beginning Net Assets - Adjusted	<u>3,471,098</u>	<u>8,786,441</u>	<u>12,257,539</u>
Net Assets - Ending	<u>\$ 8,242,982</u>	<u>\$ 4,216,469</u>	<u>\$ 12,459,451</u>

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

CHARTER SCHOOL OF MORGAN HILL
(SOUTH VALLEY CHARTER SCHOOL)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Program Expenses			Supporting Services			Total Expenses
	Federal and State Funded	Locally Funded	Total Program Expenses	Federal and State Funded	Locally Funded	Total Supporting Services	
Certificated Salaries	\$4,209,664	\$ -	\$4,209,664	\$ 229,500	\$ -	\$ 229,500	\$4,439,164
Classified Salaries	963,157	46,000	1,009,157	132,649	-	132,649	1,141,806
Employee Benefits	1,573,469	4,080	1,577,549	69,297	-	69,297	1,646,846
Books and Supplies	410,307	91,980	502,287	9,788	1,152	10,940	513,227
Services and Other Operating Expenses	273,625	394,401	668,026	577,952	24,106	602,058	1,270,084
Depreciation	63,190	-	63,190	25,693	-	25,693	88,883
Total Expenses	\$7,493,412	\$ 536,461	\$8,029,873	\$1,044,879	\$ 25,258	\$1,070,137	\$9,100,010

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

CHARTER SCHOOL OF MORGAN HILL
(SOUTH VALLEY CHARTER SCHOOL)
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Cash flows from operating activities:	
Change in net assets	\$ 201,912
Depreciation expense	88,883
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) decrease in accounts receivable	837,809
(Increase) decrease in prepaid expenses and other current assets	22,611
Increase (decrease) in accounts payable	288,568
Increase (decrease) in due to other governments	611,350
Increase (decrease) in unearned revenue	89,220
Net cash (used for) provided by operating activities	<u>2,140,353</u>
Cash flows from investing activities:	
Purchase of capital asset	<u>(10,193,194)</u>
Net cash (used for) provided by investing activities	<u>(10,193,194)</u>
Net increase (decrease) in cash and cash equivalents	(8,052,841)
Cash and cash equivalents - beginning of year	<u>15,455,482</u>
Cash and cash equivalents - end of year	<u>\$ 7,402,641</u>
Summary of cash and cash equivalents:	
Cash and cash equivalents available for operations	\$ 3,826,224
Restricted cash	3,576,417
Total cash and cash equivalents	<u>\$ 7,402,641</u>

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

CHARTER SCHOOL OF MORGAN HILL
(SOUTH VALLEY CHARTER SCHOOL)
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The South Valley Charter School was organized in August 2001, for the establishment and operation of a Grade K-8 Charter School according to Senate Bill 1448 and under the laws of the State of California as a non-profit organization. As such, the Charter School receives certain public funding but is exempt from State laws governing Public Schools. The Charter School is governed by a Board with eight (8) Directors. The Charter School's charter is sponsored by Morgan Hill Unified School District. Its charter was renewed on February 11, 2021, for a term from July 1, 2021 through June 30, 2026.

B. Reporting Entity

The Charter School includes all activities that are controlled by or dependent on the Charter School's governing board for financial reporting purposes. The Charter School is fiscally independent and has elected to receive its revenue limit and State categorical funds through the block grant method established by AB 1115 (Ch. 78, St. 1999). The Charter School has considered all potential component units in determining how to define the reporting entity, using criteria set forth in generally accepted accounting principles. The Charter School determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

C. Basis of Presentation

The financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP) for not-for-profit entities (FASB Topic 958, ASU 2016-14).

D. Accounting Principles

The Charter School accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's California School Accounting Manual. The accounting policies of the Charter School conform to accounting principles generally accepted in the United States of America, as prescribed by the American Institute of Certified Public Accountants, which require the use of the accrual method of accounting. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized in the period incurred.

E. Revenue and Revenue Recognition - Contracts with Customers Accounted for in Accordance with ASC 606

The Charter School recognizes revenue when it satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Charter School expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Charter School combines it with other performance obligations until a distinct bundle of goods or services exists. Performance obligations are satisfied over time and the related revenue is recognized as services are rendered. The Charter School management expects that the period between when the Charter School transfers goods and services to their customers and when the customers pay for those goods and services will be one year or less. Therefore, the Charter School elected the

CHARTER SCHOOL OF MORGAN HILL
(SOUTH VALLEY CHARTER SCHOOL)
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

practical expedient not to adjust the promised amount of consideration for the effects of a significant financing component.

Program Fees

The Charter School provides services to individuals, groups and entities that ultimately furthers the mission of the Charter School, yet provides reciprocal value to these groups. Services include education, engagement, and empowerment programs. When applicable, the Charter School has a right to consideration from individuals, groups and entities in an amount that corresponds directly with the value provided upon the Charter School's date of completed performance. Individuals, groups and entities simultaneously receive and consume the benefits provided by the Charter School's performance obligations throughout the end of each period as services are provided. Therefore, the Charter School recognizes revenues as the services are provided. There were no unsatisfied performance obligations as of June 30, 2024

F. Revenue Recognition Accounted for in Accordance with ASC 605: Topic 958 Not for Profit Entities

Grants

Grants awarded by federal, state or local agencies, or passed through to the Charter School from another donor that received similar grants, are generally considered nonreciprocal transactions restricted by the awarding agency for certain purposes. Revenue is recognized when qualified expenses are incurred and conditions under the grant agreement are met. Grants are summarized by resource in the statement of activities.

Contributions of Cash and Other Financial Assets

The Charter School receives support from individuals, local governments, corporations, groups, and other entities in support of its mission. Contribution revenue is recognized at fair value on the earlier of the receipt of cash or an unconditional promise to give. From time to time, the Charter School receives promises to give that have certain conditions such as meeting specific performance-related barriers or limiting the Charter School's discretion on use of the funds. Other contributions may have revocable features to the promises to give. Such conditional promises to give are recognized when the conditions are substantially met.

Contributions of Services and other Nonfinancial Assets

Volunteers contribute significant amounts of time and inventory to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Charter School records donated professional services at the respective fair values of the services received, when applicable. No significant contributions of such goods or services were received during the fiscal year ended June 30, 2024.

CHARTER SCHOOL OF MORGAN HILL
(SOUTH VALLEY CHARTER SCHOOL)
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

G. Financial Instruments and Credit Risk

The Charter School manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Charter School has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from organizations, individuals, and organizations supportive of the Charter School's mission. The carrying amount of the Charter School's total cash was \$7,402,641 at June 30, 2024 and included restricted cash of \$3,576,417. The bank balance, before reconciling items, was \$7,524,473 at June 30, 2024 of which \$7,274,473 was not covered by Federal Deposit Insurance Corporation (FDIC). The FDIC covers up to \$250,000 per entity, per bank. However, this balance was fully collateralized per the terms of the Waiver of Security for Insured Deposits with Heritage Bank which provides insurance in excess of the FDIC limits.

H. Cash and Cash Equivalent

The Charter School considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition, as applicable.

I. Investments

The Charter School records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. The Charter School held no investments at June 30, 2024.

J. Accounts Receivable and Due from Grantor Governments

Receivables and Credit Policies

Accounts receivables consist primarily of noninterest-bearing amounts due for program support services. Management has determined the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivables are written off when deemed uncollectable. As of June 30, 2024, there was no allowance for accounts receivable.

Promises to Give and Grants Receivable

When applicable, the Charter School records unconditional promises to give and grants receivable that are expected to be collected within one year at net realizable value. Unconditional promises to give and grants expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the

CHARTER SCHOOL OF MORGAN HILL
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NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Charter School determines the allowance for uncollectable promises to give and grants receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give and grants receivable are written off when deemed uncollectable. As of June 30, 2024, the allowance for uncollectable accounts was zero and there was no discount applied as there were no promises to give or grants receivable outstanding.

K. Capital Assets

Capital assets are those purchased or acquired with an original cost of \$5,000 or more and are reported at cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets' lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Improvement of sites	5-20
Buildings	30-50
Portable buildings	30
Building improvements	20
Furniture and fixtures	20
Playground equipment	5-20
Field and grounds equipment	3-20
Food services equipment	5-15
Transportation equipment	15
Telephone system	10
Vehicles	8-10
Computer system and equipment	3-5
Office equipment	5

L. Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed (or certain grantor-imposed) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

CHARTER SCHOOL OF MORGAN HILL
(SOUTH VALLEY CHARTER SCHOOL)
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

M. Budget and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By State law, the Charter School's Board of Directors must adopt a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The Charter School's Board of Directors satisfied these requirements.

N. Advertising Costs

The Charter School incurred \$4,334 in advertising costs during the year ended June 30, 2024.

O. Functional Allocation of Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

P. Income Taxes

The Charter School is organized as a California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3) and Section 23701(d) of the California Code, qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under IRC Sections 509(a)(1) and (3). The Charter School is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Charter School is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose.

Q. Concentrations of Revenue

The Charter School has two major revenue resources that accounted for approximately 88% of revenue for the year ended June 30, 2024. The Charter School's LCFF funding comprised 72% of revenue and State funding comprised 16% of revenue.

R. Oversight

The Morgan Hill Unified School District receives 3% of the Charter School's annual total LCFF revenue for monitoring and supervisory responsibility.

S. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates, and those differences could be material.

CHARTER SCHOOL OF MORGAN HILL
(SOUTH VALLEY CHARTER SCHOOL)
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash And Cash Equivalents	\$ 3,826,224
Accounts Receivable	788,198
Restricted Cash	3,576,417
Less:	
Net Assets with donor restrictions	(4,216,469)
Accounts Payable	(2,524,533)
Due to Other Governments	<u>(895,782)</u>
Total	<u>\$ 554,055</u>

NOTE 3 - FAIR VALUE MEASUREMENTS AND DISCLOSURES

The Charter School reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Charter School develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Charter School's assessment of the quality, risk, or liquidity profile of the asset or liability. Management determined that the Charter School did not have any assets or liabilities required to be reported by the levels categorized above.

CHARTER SCHOOL OF MORGAN HILL
(SOUTH VALLEY CHARTER SCHOOL)
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2024:

Special Education: IDEA Basic Local Assistance	\$ 181,916
Special Ed: IDEA Mental Health ADA	7,994
Lottery	46,510
National School Lunch Program	53,150
Special Ed: Learning Recovery Support	27,137
Special Ed: Apportionment	94,587
Special Ed: Dispute Prevention and Dispute Resolution	4,824
State Mental Health-Related Services	126,916
Employee Retention Credit	244,979
Other	185
Total Accounts Receivable	<u>\$ 788,198</u>

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital assets consisted of the following as of June 30, 2024:

<u>Capital Assets</u>	<u>Balance</u> <u>July 01, 2023</u>	<u>Additions</u>	<u>Adjustments &</u> <u>Deletions</u>	<u>Balance</u> <u>June 30, 2024</u>
Construction-in-progress - not depreciable	\$ 4,731,291	\$ 10,008,143	\$ (2,170)	\$ 14,737,264
Buildings and improvements	1,553,283	22,308	-	1,575,591
Furniture and equipment	63,661	164,913	-	228,574
<u>Total capital assets</u>	<u>6,348,235</u>	<u>10,195,364</u>	<u>(2,170)</u>	<u>16,541,429</u>
Less accumulated depreciation for:				
Buildings and improvements	554,622	81,804	(1,389)	635,037
Furniture and equipment	42,123	8,468	-	50,591
<u>Total accumulated depreciation</u>	<u>596,745</u>	<u>90,272</u>	<u>(1,389)</u>	<u>685,628</u>
<u>Total capital assets - net depreciation</u>	<u>\$ 5,751,490</u>	<u>\$ 10,105,092</u>	<u>\$ (781)</u>	<u>\$ 15,855,801</u>

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable consisted of the following as of June 30, 2024:

Accounts Payable	\$ 2,315,258
Payroll Liabilities	149,225
Other Accounts Payable	60,050
Total Accounts Payable	<u>\$ 2,524,533</u>

CHARTER SCHOOL OF MORGAN HILL
(SOUTH VALLEY CHARTER SCHOOL)
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 7 – DUE TO OTHER GOVERNMENTS

Due to Other Governments consisted of the following as of June 30, 2024:

Morgan Hill Unified School District - LCFF overpayment	\$	868,282
Expanded Learning Opportunities Program		27,500
Total Due to Other Governments	\$	<u>895,782</u>

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses that satisfied the restricted purpose or by other events specified by the donors as follows for the year ended June 30, 2024:

Net Assets Released from Restrictions	Amount
Satisfaction of Purpose Restrictions:	
Expanded Learning Opportunities Program (ELOP)	\$ 72,615
ELO ESSER III	35,930
ESSER III - Expanded Learning Opportunitess Grant	61,936
Special Ed. IDEA	91,595
Federal MH	7,994
NSLP	342,051
SNP Emergency Operational Costs Reimbursements	3,645
Educator Effectiveness Grant	27,736
Lottery - Prop 20	102,319
Special Ed. AB 602	526,688
Special Ed. Dispute Prevention and Dispute Resolution	3,931
Special Ed. Learning Recovery Support	27,137
State ERMHS	162,142
Kitchen Infrastructure & Training - Infrastructure Upgrade	17,074
Kitchen Infrastructure & Training - Food Service Staff Training	2,000
Kitchen Infrastructure, Equipment, and Training	9,243
Extended Learning Grant (Paras)	3,341
Low-Performing Students Block Grant	12,360
STRS on Behalf	389,282
Prop 51 Facilities Program	<u>4,675,235</u>
Total Net Assets Released from Restrictions	<u>\$ 6,574,254</u>

CHARTER SCHOOL OF MORGAN HILL
(SOUTH VALLEY CHARTER SCHOOL)
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Net assets with donor restrictions consisted of the following as of June 30, 2024:

Net Assets with Donor Restrictions	Amount
Subject to Expenditure for Specified Purpose:	
California Clean Energy Jobs Act	\$ 6,026
Educator Effectiveness Grant	51,203
Arts, Music, Instructional Materials Block Grant	390,573
Kitchen Infrastructure, Equipment, and Training	94,830
Learning Recovery Emergency Block Grant	97,420
Prop 51 Facilities Program	3,576,417
Total Net Assets with Donor Restrictions	\$ 4,216,469

NOTE 9 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

The Charter 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 will not be material.

B. Commitments

According to the Facility Use Agreement between the Board of Directors of the Charter School and the Board of Trustees of the Morgan Hill Unified School District, the Charter School shall pay the School District an amount equal to 3% of certain Charter School revenues which include revenues from LCFF Sources. Payment shall be made by the Charter School at the end of each fiscal year. In fiscal year 2023, the Charter School entered into an agreement with Delta Managed Solutions, Inc (DMS) for the period beginning on July 1, 2022 and ending on June 30, 2024. DMS provides business and administrative services for the Charter School for a minimum service fee of \$140,000. The Charter School entered into agreements with the contractors for projects related to school facilities program under Proposition 51.

C. Contingencies

The Charter School maintains a minimum reserve for contingencies which is based on a percentage of expenditures. For the fiscal year ended June 30, 2024, the Charter School maintained a minimum reserve of 3% of expenditures. The unrestricted net assets designated for operating reserves was \$273,000 at June 30, 2024.

D. Economic Dependency

During the year, the Charter School received \$6,681,254 in Local Control Funding Formula (LCFF) which was 72% of total revenue.

CHARTER SCHOOL OF MORGAN HILL
(SOUTH VALLEY CHARTER SCHOOL)
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

NOTE 10 - LOAN PAYABLE

On April 26, 2023, the Charter School entered into a funding agreement for the use of Charter School's facilities with State Allocation Board and the California School Finance Authority (individually or collectively referred to as the "State"). The State has provided as a grant funding for fifty percent of the approved costs for the facilities, and the Charter School is responsible for a Local Matching Share of the fifty percent. The loan repayment shall commence no later than one year after project occupancy (pursuant to Education Code Section 17078.57(a)(1)(D)), or 60 days after Board adoption of audit findings (pursuant to the School Facility Program (SFP) Section 1859.106) unless a repayment schedule has been established as provided by SFP Regulation Section 1859.106.1. The outstanding principal at June 30, 2024, was \$7,944,637.

NOTE 11 – FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, payroll taxes, and other personnel costs, which are allocated on the basis of total direct programmatic or functional costs.

NOTE 12 - RETIREMENT PLANS

Qualified employees are covered under cost-sharing multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS).

Plan Description and Provisions - State Teachers' Retirement System (STRS)

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

Funding Policy. Active plan members are required to contribute 10.205% for Tier 2, or 10.250% for Tier 1, of their salary and the Charter School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2023-24 was 19.10% of annual payroll. The contribution requirements of the plan members are established by state statute. The Charter School's contribution to STRS for the fiscal years ending June 30, 2024, 2023 and 2022 were \$829,132, \$765,233, and \$613,082 and equals 100% of the required contributions for the year. The State contributed 9.71 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year, in the amount of \$389,282. Also, as a result of AB 1469, the additional State appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046.

CHARTER SCHOOL OF MORGAN HILL
(SOUTH VALLEY CHARTER SCHOOL)
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

403(b) and 457(b) Retirement Plans

All full time employees are allotted a supplement to cover medical insurance premiums. If employees waive those premiums because they are covered by other plans, or if their premiums are less than the supplement, the full amount or the balance is contributed into a 403b or 457b Retirement Plan or taken as ordinary income, based on the employee's choice.

NOTE 13 – SUBSEQUENT EVENTS

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through December 6, 2024, the date the financial statements were available to be issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.

NOTE 14 – PRIOR PERIOD ADJUSTMENTS

Beginning balance of net assets without donor restrictions were decreased by \$475,249 and beginning balance of net assets with donor restrictions increased by \$475,249 to properly classify donor restricted net assets. This reclassification of net assets from without donor restrictions to with donor restrictions did not change the total beginning balance of net assets.

Supplementary Information

CHARTER SCHOOL OF MORGAN HILL
(SOUTH VALLEY CHARTER SCHOOL)
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Total ADA		Classroom Based	
	Second Period Report	Annual Report	Second Period Report	Annual Report
Regular ADA:				
Grades TK/K through three	278.40	278.30	275.17	274.87
Grades four through six	212.12	211.57	211.17	210.38
Grades seven and eight	140.07	139.88	139.28	139.09
Total Regular ADA	630.59	629.75	625.62	624.34
Special Education, Nonpublic, Nonsectarian Schools:				
Grades four through six	1.53	1.66	1.53	1.66
Total Special Education, Nonpublic, Nonsectarian Schools ADA	1.53	1.66	1.53	1.66
Extended Year Special Education, Nonpublic, Nonsectarian Schools:				
Grades four through six	0.10	0.10	0.10	0.10
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools ADA	0.10	0.10	0.10	0.10
Total ADA	632.22	631.51	627.25	626.10

**CHARTER SCHOOL OF MORGAN HILL
(SOUTH VALLEY CHARTER SCHOOL)
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

Grade Level	Minutes Requirements	2024 Actual Minutes	Scheduled Number of Days Traditional Calendar	Status
Kindergarten	36,000	60,000	180	In compliance
Grade 1	50,400	60,000	180	In compliance
Grade 2	50,400	60,000	180	In compliance
Grade 3	50,400	60,000	180	In compliance
Grade 4	54,000	60,000	180	In compliance
Grade 5	54,000	60,000	180	In compliance
Grade 6	54,000	60,000	180	In compliance
Grade 7	54,000	62,064	180	In compliance
Grade 8	54,000	62,064	180	In compliance

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts and charter schools, including basic aid districts.

CHARTER SCHOOL OF MORGAN HILL
(SOUTH VALLEY CHARTER SCHOOL)
RECONCILIATION OF THE ANNUAL FINANCIAL AND BUDGET REPORT
TO THE AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

June 30, 2024 Annual Financial and Budget Report Fund Balance (Alternative Form)	\$ 12,443,258
Adjustments and Reclassifications:	
Accounts receivable accrual for mental health	15,256
Copier lease expense adjustment	<u>937</u>
June 30, 2024 Audited Financial Statements Fund Balance / Net Assets	<u>\$ 12,459,451</u>

CHARTER SCHOOL OF MORGAN HILL
(SOUTH VALLEY CHARTER SCHOOL)
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance

Average daily attendance is a measurement of pupils attending classes at 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.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the Charter School and whether the Charter School complied with the provisions of Education Code Sections 47612 through 47612.5.

Reconciliation of the Annual Financial and Budget Report with the Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported in the annual financial and budget report to the audited financial statements.

Other Information

CHARTER SCHOOL OF MORGAN HILL
(SOUTH VALLEY CHARTER SCHOOL)
ORGANIZATION (Unaudited)
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

South Valley Charter School was established in August 2001, under an agreement with Morgan Hill Unified School District and is located in Morgan Hill, California. The Charter School is on record with the California Department of Education as the Charter School of Morgan Hill. Its charter number is 0363, and its certificate number is 6402179E. The Charter School operated one school during 2023-24 for grades kindergarten through eight. There are eight (8) members of the Governing Board.

GOVERNING BOARD

<u>Name</u>	<u>Title</u>	<u>Term</u>	<u>Term Expiration</u>
Pete Settelmayer	Chairman	2 Years	August 2025
Heather Poore	Vice-Chairman	2 Years	August 2024
Shelly Guerrero	Secretary	2 Years	August 2024
Heather Allan	Director	2 Years	August 2025
Heather Bringetto	Director	2 Years	August 2025
Michelle Millard	Director	2 Years	August 2024
Garth Gilmour	Director	2 Years	August 2024
Corina Heiser	Representative	3 Years	August 2025

ADMINISTRATION

<u>Name</u>	<u>Title</u>
Paige Cisewski	Executive Director

***Other Independent
Auditor's Reports***



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
of South Valley Charter School
Morgan Hill, 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 the South Valley Charter School (the Charter School), which comprise the statement of financial position as of June 30, 2024, 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 6, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter School'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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Charter School's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs as items 2024-001.

Charter School's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Charter School's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Charter School's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

Morgan Hill, California
December 6, 2024



**INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE
AND ON INTERNAL CONTROL OVER COMPLIANCE**

To the Board of Directors
of South Valley Charter School
Morgan Hill, California

Report on State Compliance

Qualified and Unmodified Opinions on State Compliance

We have audited the South Valley Charter School (the Charter School) compliance with the types of State compliance requirements described in the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, that could have a direct and material effect on each of the Charter School's State Programs identified below for the year ended June 30, 2024.

Qualified Opinion on Expanded Learning Opportunities Program

In our opinion, except for the noncompliance described in the Matters Giving Rise to Qualified Opinion section of our report, the Charter School complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2024.

Unmodified Opinion on Each of the Other Programs

In our opinion, the Charter School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on State Programs for the fiscal year ended June 30, 2024.

Basis for Qualified and Unmodified Opinion on State Compliance Requirements

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Governmental Auditing Standards*); and the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting (Audit Guide)*, published by the Education Audit Appeals Panel. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of the report.

We are required to be independent of the Charter School and to meet our other ethical responsibilities, in accordance with 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 compliance for the state programs identified in the *Audit Guide*. Our audit does not provide a legal determination of the Charter School's compliance with the compliance requirements referred to above.



Matters Giving Rise to Qualified Opinion

As described in the accompanying schedule of findings and questioned costs, the Charter School did not comply with requirements regarding Expanded Learning Opportunities Program (finding 2024-001. Compliance with such requirements is necessary, in our opinion, for the Charter School to comply with the 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 the Charter School's state programs.

Auditor's Responsibilities for the Audit of State 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 the Charter Schools 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 GAAS, *Governmental Auditing Standards*, and *the Audit Guide* will always detect material noncompliance when it exists. The risk of not detecting 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 aggregate, it would influence the judgement made by a reasonable use of the report on compliance about the Charter School's compliance with the requirements of applicable state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment 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 the Charter School's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;
- Obtain an understanding of the Charter 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 2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the Charter School's compliance with the state laws and regulations applicable to the following items:



2023-24 K-12 Audit Guide Procedures	Procedures Performed
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
Apprenticeship: Related and Supplemental Instruction	N/A
Comprehensive School Safety Plan	N/A
District of Choice	N/A
Home to School Transportation Reimbursement	N/A
School Districts, County Offices of Education, and Charter Schools	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	No
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	N/A
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	N/A
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	N/A
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	No
Determination of Funding for Nonclassroom - Based Instruction	No
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	N/A



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 and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-01 to be material weaknesses.

Government Auditing Standards requires the auditor to perform limited procedures on the Charter School's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Charter School's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on these responses.

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 *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

C & A LLP

Morgan Hill, California
December 6, 2024

Findings and Recommendations

CHARTER SCHOOL OF MORGAN HILL
(SOUTH VALLEY CHARTER SCHOOL)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
Material weaknesses?	_____ Yes	___X___ No
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	___X___ None Reported
Noncompliance material to financial statements noted?	_____ Yes	___X___ No

Federal Awards

South Valley Charter School did not spend or incur expenditures of \$750,000 or more in federal awards.

State Awards

Internal control over State Programs:		
Material weaknesses?	_____ Yes	___X___ No
Significant deficiencies identified not considered to be material weaknesses?	___X___ Yes	_____ None Reported
Type of auditor's report issued on compliance over State Programs:	<u>Unmodified</u>	

Section II - Financial Statement Findings

No findings noted.

Section III - Federal Award Findings and Questioned Costs

No findings noted.

CHARTER SCHOOL OF MORGAN HILL
(SOUTH VALLEY CHARTER SCHOOL)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Section IV - State Award Findings and Questioned Costs

Finding 2024-001; Expanded Learning Opportunities Program (40000)

Criteria: During the 2023-24 school year, the Charter school provided only 8 hours per day for 20 of the required 30 intersession days, falling short of the 9-hour daily minimum.

Condition: The California Department of Education (CDE) requires that Expanded Learning Opportunities Programs (ELOP) provide a minimum of 9 hours of daily programming for at least 30 non-school days during intersession periods, including summer, winter, and spring breaks.

Questioned Costs:

Cost of ELO-P Audit Finding:

Charter School's Funding Rate	Rate 2
Instructional Days Offered	175
ELO-P offered on instructional days totaling 9 hours [EC 46120(b)(1)(A)]	180
Required Intersession ELO-P days	30
Actual ELO-P intersession days totaling 9 hours	10
ELO-P days short	15
Penalty Factor	0.0049
ELO-P Entitlement based on Rate 2	\$ 72,615
Penalty Calculation	\$ 5,337

Effect: This noncompliance with ELOP program requirements may reduce the effectiveness of the program in meeting student needs for extended learning and enrichment. Additionally, it could jeopardize compliance with state guidelines, potentially impacting funding or program eligibility.

Cause: The discrepancy in daily program hours was due to an oversight in scheduling and planning during the intersession periods.

Recommendation: The school should ensure that intersession programs are planned and scheduled to meet the required 9 hours per day. A review and monitoring system should be implemented to prevent similar issues in the future. Additionally, staff should be trained on ELOP requirements to ensure compliance with program guidelines.

Corrective Action Plan: The Charter school has been informed and plans to take corrective action. The school will revise future schedules to ensure the 9-hour daily minimum is met for all 30 intersession days. Additional staff training and oversight procedures will be implemented to ensure compliance with CDE requirements.

CHARTER SCHOOL OF MORGAN HILL
(SOUTH VALLEY CHARTER SCHOOL)
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Section II - Financial Statement Findings

There were no findings reported in the previous year.

Section III - Federal Award Findings and Questioned Costs

There were no findings reported in the previous year.

Section IV - State Award Findings and Questioned Costs

There were no findings reported in the previous year.