

**TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
(Nonprofit Organization)**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS

Table of Contents

Financial Section

Independent Auditors’ Report..... 1

Management’s Discussion and Analysis.....3

Basic Financial Statements:

 Government-wide Financial Statements:

 Statement of Net Position8

 Statement of Activities9

 Fund Financial Statements:

 Balance Sheet – Governmental Fund 10

 Reconciliation of the Balance Sheet of the Governmental Fund
 to the Statement of Net Position 11

 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Governmental Fund 12

 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balance of Governmental Fund to the
 Statement of Activities 13

 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual General Fund 14

 Notes to the Financial Statements 15

Required Supplementary Information:

 Schedule of the Proportionate Share of the Net Pension Liability34

 Schedule of Contributions35

 Notes to Required Supplementary Information.....36

Other Communications from Independent Auditors

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*39

Report In Accordance with the *State Compliance Audit Guide*.....41

Findings and Recommendations43

Response to Findings45

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Independent Auditors' Report

Board of Directors
Tuacahn High School for the Performing Arts
St. George, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Tuacahn High School for the Performing Arts (the School), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Tuacahn High School for the Performing Arts, as of June 30, 2021, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pensions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2021, on our consideration of the 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 the 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 School's internal control over financial reporting and compliance.



HintonBurdick, PLLC
St. George, Utah
October 1, 2021

Management's Discussion and Analysis

This section of Tuacahn High School for the Performing Arts (the School) comprehensive annual financial report presents management's discussion and analysis of the School's financial performance during the year ending June 30, 2021. This report is in conjunction with the School's financial statements.

Financial Highlights

- The School's assets (net of depreciation) plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$354,631 at the close of the most recent fiscal year.
- During the year, governmental fund expenditures were \$3,512,177. The revenues plus prior year carry-over amounts met or exceeded the adopted budgeted amounts.
- At the close of the current year, the School's governmental fund reported a fund balance of \$1,105,341.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the School, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The *statement of activities* presents information showing how the net position of the School changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Refer to the table of contents for the location of the government-wide financial statements.

Fund financial statements. A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School can be divided into one category: governmental funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains one governmental fund, the general fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is a major fund.

The School adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Refer to the table of contents for the location of the basic governmental fund financial statements.

Notes to the financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements. Refer to the table of contents for the location of the notes to the financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$354,631 at the close of the most recent fiscal year.

As described in Note 1 of the basic financial statements, fiscal year's 2020 financial reporting was based on a different reporting model than in fiscal year 2021. The amounts below for fiscal year 2020 are reported under the Financial Accounting Standards Board (FASB) generally accepted accounting principles. Starting in fiscal year 2021, the School is now reporting under Governmental Accounting Standards (GASB).

Tuacahn High School's Net Position

	Governmental Activities		
	06/30/21	06/30/20	Change
Current and other assets	\$ 1,323,347	\$ 1,180,178	\$ 143,169
Capital assets	77,265	306,254	(228,989)
Total assets	1,400,612	1,486,432	(85,820)
Deferred outflows of resources	347,945	-	347,945
Current and other liabilities	218,007	306,021	(88,014)
Long-term liabilities outstanding	627,834	-	627,834
Total liabilities	845,841	306,021	539,820
Deferred inflows of resources	548,085	-	548,085
Net position:			
Net investment in capital assets	77,265	306,254	(228,989)
Unrestricted	277,366	874,157	(596,791)
Total net position	\$ 354,631	\$ 1,180,411	\$ (825,780)

21.8% of the School's net position reflects its investment in capital assets (e.g., land, buildings and improvements, and furniture and equipment net of accumulated depreciation); less any related debt used to acquire those assets that is still outstanding. The School uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending.

- The remaining balance, unrestricted net position 78.2% may be used to meet the School's obligations to students, employees, and creditors, and to honor next year's budget.

At the end of the current fiscal year, the School is able to report positive balances in both categories of net position.

Governmental funds. Governmental funds report the differences between their assets plus deferred outflows of resources and liabilities plus deferred inflows of resources as fund balance, which is divided into restricted and unrestricted portions. Restrictions indicate the portion of the School's fund balances that are not available for appropriation. The unrestricted fund balance is, in turn, subdivided between committed, assigned, and unassigned portions. Committed and assigned balances reflect the School's self-imposed limitation on the use of otherwise available expendable financial resources in governmental

funds. Unassigned balances in the general fund are required by state law to be appropriated in the following year's budget.

General Fund Budgetary Highlights

The budget was revised during the year by the Board.

Revenue and expenditure variances primarily result from expenditure-driven federal and state grants that are included in the budget. Such grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met; unspent grant amounts are carried forward and included in the succeeding year's budget.

Capital Assets

Capital Assets at June 30, 2021 are outlined below:

Tuacahn High School Capital Assets
(net of accumulated depreciation)

	Governmental Activities		
	06/30/21	06/30/20	Change
Leasehold improvements	\$ -	\$ 204,101	\$ (204,101)
Furniture, equipment and vehicles	77,265	102,153	(24,888)
Total capital assets	\$ 77,265	\$ 306,254	\$ (228,989)

Additional information on the School's capital assets can be found in the notes to the basic financial statements.

Changing Enrollment within the School

The enrollment for the School for FY21 on October 1, 2020 was 350 students which was a decrease from FY20 of 399 students. Enrollment for FY22 on October 1, 2021 was 281.

Requests for Information

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, 16 South 300 West, St. George, UT 84770.

BASIC FINANCIAL STATEMENTS

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,300,945
Receivables	9,596
Inventory	7,208
Prepays	5,598
Capital assets net of accumulated depreciation:	
Buildings and improvements	-
Furniture, equipment, and vehicles	77,265
Total assets	1,400,612
Deferred outflows of resources	
Deferred outflows related to pensions	347,945
Total deferred outflows of resources	347,945
Liabilities	
Accounts payable	4,591
Accrued salaries, benefits and withholdings	165,116
Unearned revenue	48,300
Noncurrent liabilities:	
Due within one year	-
Due in more than one year	115,000
Net pension liability	512,834
Total liabilities	845,841
Deferred inflows of resources	
Deferred inflows related to pensions	548,085
Total deferred inflows of resources	548,085
Net position	
Net investment in capital assets	77,265
Unrestricted	277,366
Total net position	\$ 354,631

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

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
Statement of Activities
For the Year Ended June 30, 2021

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Total</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities:				
Instructional services	\$ 1,875,385	\$ 124,531	\$ 686,799	\$ (1,064,055)
Supporting services:				
Students	369,607	-	12,330	(357,277)
General administration	16,145	-	-	(16,145)
School administration	610,169	-	-	(610,169)
Central services	145,700	-	-	(145,700)
Operation and maintenance of facilities	489,747	-	-	(489,747)
Transportation	65,756	9,090	-	(56,666)
	<u>\$ 3,572,509</u>	<u>\$ 133,621</u>	<u>\$ 699,129</u>	<u>\$ (2,739,759)</u>
 General revenues:				
Federal and state aid not restricted to specific purposes				2,790,689
Unrestricted investment earnings				4,922
Total general revenues				<u>2,795,611</u>
Change in net position				55,852
Net position - beginning				1,180,411
Restatement adjustment				(881,632)
Net position - ending				<u>\$ 354,631</u>

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

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
Balance Sheet
Governmental Fund
June 30, 2021

	General Fund
Assets	
Cash and cash equivalents	\$ 1,300,945
Due from other governments	9,596
Inventory	7,208
Prepaid expenses	5,598
Total assets	\$ 1,323,347
 Liabilities and fund balances	
Liabilities:	
Accounts payable	\$ 500
Accrued salaries, benefits and withholdings	165,116
Credit cards	4,091
Unearned revenue - local	18,300
Unearned revenue - state	30,000
Total liabilities	218,007
 Fund balances:	
Unassigned	1,105,341
Total fund balances	1,105,341
Total liabilities and fund balances	\$ 1,323,347

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

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
Reconciliation of the Balance Sheet of the Governmental Fund
to the Statement of Net Position
June 30, 2021

Total fund balance - governmental fund		\$ 1,105,341
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.</p>		
Governmental capital assets	\$ 209,943	
Accumulated depreciation	<u>(132,678)</u>	77,265
<p>Some liabilities, including note payable and net pension liability, are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Note payable	(115,000)	
Net pension liability	<u>(512,834)</u>	(627,834)
<p>Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.</p>		
Deferred outflows	347,945	
Deferred inflows	<u>(548,086)</u>	<u>(200,141)</u>
Net position of governmental activities		<u>\$ 354,631</u>

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

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2021

	General Fund
Revenues	
Local	
Student fees	\$ 97,885
Other	35,736
Donations	5,799
Earnings on investments	4,922
State	3,214,762
Federal	269,257
Total revenues	3,628,361
Expenditures	
Current:	
Instructional services	1,881,502
Supporting services:	
Students	369,607
General administration	16,145
School administration	613,668
Central services	145,700
Operation and maintenance of facilities	435,407
Transportation	50,148
Total expenditures	3,512,177
Excess (deficiency) of revenues over (under) expenditures	116,184
Other financing sources (uses)	
Debt proceeds	115,000
Total other financing sources (uses)	115,000
Net change in fund balance	231,184
Fund balances - beginning	874,157
Fund balances - ending	\$ 1,105,341

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

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balance of the Governmental Fund
To The Statement of Activities
For the Year Ended June 30, 2021

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - governmental fund \$ 231,184

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period as shown below:

	Capital outlay	\$ 3,499	
	Depreciation expense	<u>(33,983)</u>	(30,484)

The issuance of long-term debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal on long-term debt is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position.

Note issued (115,000)

Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension liability is measured six months before the report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

	Pension contributions	330,987	
	Pension expense	<u>(162,330)</u>	168,657

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net-book-value of the capital assets sold.

(198,505)

Change in net position of governmental activities \$ 55,852

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

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual General Fund
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local				
Student fees	\$ 74,800	\$ 97,884	\$ 97,885	\$ 1
Other	86,500	35,616	35,736	120
Donations	20,000	5,799	5,799	-
Earnings on investments	7,450	5,279	4,922	(357)
State	3,187,071	3,205,165	3,214,762	9,597
Federal	111,025	269,256	269,257	1
Total revenues	<u>3,486,846</u>	<u>3,618,999</u>	<u>3,628,361</u>	<u>9,362</u>
Expenditures				
Current:				
Instructional services	1,861,500	1,913,180	1,881,502	31,678
Supporting services:				
Students	336,200	369,312	369,607	(295)
General administration	14,400	16,144	16,145	(1)
School administration	475,919	614,342	613,668	674
Central services	143,320	147,051	145,700	1,351
Operation and maintenance of facilities	494,310	435,407	435,407	-
Transportation	55,900	50,614	50,148	466
Total expenditures	<u>3,381,549</u>	<u>3,546,050</u>	<u>3,512,177</u>	<u>33,873</u>
Excess (deficiency) of revenues over (under) expenditures	105,297	72,949	116,184	43,235
Other financing sources (uses)				
Debt proceeds	-	-	115,000	115,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>115,000</u>	<u>115,000</u>
Net change in fund balance	105,297	72,949	231,184	158,235
Fund balances - beginning	<u>874,157</u>	<u>874,157</u>	<u>874,157</u>	<u>-</u>
Fund balances - ending	<u>\$ 979,454</u>	<u>\$ 947,106</u>	<u>\$ 1,105,341</u>	<u>\$ 158,235</u>

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

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
Notes to the Financial Statements
June 30, 2021

NOTE 1. Summary of Significant Accounting Policies

Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Reporting Entity

Tuacahn High School for the Arts was organized under the laws of the State of Utah in November of 1998 and opened in August of 1999. Until May 2021, the School was a subsidiary of the Tuacahn Center for the Arts (the Center) and operates as a non-profit, 501(c)(3) organization. The School's mission is to educate its students to their highest level of achievement in all areas of learning so they become responsible, productive citizens who engage in the pursuit of lifelong learning and practice democratic values. Able to teach 450 students, the School's goal is to create graduates who are proficient at critical thinking, problem solving, and communication skills through a uniquely structured environment that emphasizes student success, citizenship, and traditional values. The School's curriculum was designed to provide an accelerated academic program for high-functioning students with special interests in the performing arts. Other subject matter will include classes in English, mathematics, science, social studies, and foreign languages.

Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. As to the School, there are no component units which are included to form the reporting entity.

Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds.

As a general rule, the effect of interfund activity is eliminated from the government-wide financial statements; however, the School only has one fund.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds. Separate statements for each fund category—governmental—are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
Notes to the Financial Statements
June 30, 2021

NOTE 1. Significant Accounting Policies (Continued)

The School reports the following major governmental fund:

The **General Fund** is the School's primary operating fund. It is also the School's only fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. However, the School only has one fund.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. However, the School only has one fund.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
Notes to the Financial Statements
June 30, 2021

NOTE 1. Significant Accounting Policies (Continued)

Intergovernmental revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

Starting July 1, 2020, statutory changes regarding the ability for the charter school authorizer to unilaterally dissolve a charter school with the net assets reverting to the authorizer now meets the criteria for governmental accounting, financial reporting, and auditing. Thus, all Utah charter schools, regardless of legal form, must follow accounting standards promulgated by the Governmental Accounting Standards Board (GASB).

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Deposits and Investments

Cash includes cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurers' Investment Fund (PTIF). All investments are carried at fair value with changes in the fair value of investments recorded as investment earnings.

Inventory

The School operates a small bookstore on its facility, selling school uniforms and other miscellaneous school items. Inventories are stated at cost using the average cost method.

Capital Assets and Depreciation

Capital assets, which include land, buildings and improvements and furniture, equipment, instruments and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the School as assets with an individual cost of more than \$2,500 and an estimated useful life in excess of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

For fiscal year 2021, the School rented its facility from the Tuacahn Center for the Arts. The rental agreement is renewed annually. Because the building is owned by the Center, no amounts have been recorded for land or building on these financial statements.

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
Notes to the Financial Statements
June 30, 2021

NOTE 1. Significant Accounting Policies (Continued)

Land and construction in progress are not depreciated. Property and equipment are depreciated using the straight-line method over the following estimated useful lives; furniture, equipment, instruments and vehicles – 3 to 10 years; leasehold improvements – 40 years.

Accrued Payroll and Liabilities

Teachers at the School have the option of having their salary paid over twelve months, even though school is only in session for ten months. Because of this, the salary for the current school year that is paid subsequent to June 30, 2021 is recorded as accrued payroll. As of June 30, 2021, \$165,116 has been accrued for payroll and related liabilities.

Compensated Absences

The School has not recorded a liability for unpaid vacation or sick pay as such accrual cannot be reasonably estimated and would not have a material effect on the financial statements.

Receivables

The School does not have any trade accounts receivable, all other receivables are deemed collectible and an allowance for uncollectible accounts is deemed immaterial and has not been recorded. The School's receivables consist primarily of reimbursement-type revenues relating to various school programs. The latter revenues are classified as State or Federal receivables in the fund financial statements.

Unearned Revenue

As of June 30, 2021, \$18,300 had been received from students for registration fees for the following school year. The \$30,000 shown as unearned revenue from the State of Utah is from a grant received for training that was postponed due to COVID-19. This revenue will be recognized when the training occurs.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The School has one type of item that qualifies for reporting in this category. It is pension related items reported on the statement of net position. See Note 7 for more information.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School has one type of item that qualifies for reporting in this category. It is pension related items reported on the statement of net position. See Note 7 for more information.

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
Notes to the Financial Statements
June 30, 2021

NOTE 1. Significant Accounting Policies (Continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
Notes to the Financial Statements
June 30, 2021

NOTE 1. Significant Accounting Policies (Continued)

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The School's Board is authorized to assign amounts to a specific purpose in accordance with the School's budget policy. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. Other internally dedicated resources are reported as general revenues rather than as program revenues.

The School receives most of its funding from the Utah State Office of Education based on the Weighted Pupil Units calculation. The School also receives tuition from students who are not residents of Utah.

Advertising

Advertising costs are charged to expense as incurred and were \$2,216 for fiscal year 2021.

Income Taxes

No amounts have been paid or accrued for income taxes as the School is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The School's Forms 990, Return of Organization Exempt from Income Tax, are subject to examination by the IRS, generally for three years after they were filed. The School has implemented accounting guidance associated with accounting for uncertainty in income taxes; however, there was no impact to the School's financial statements.

Use of Estimates

Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. Actual results could differ from those estimates.

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
Notes to the Financial Statements
June 30, 2021

NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 11.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 13.

NOTE 3. Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

Budgets are presented on the modified accrual basis of accounting for all governmental funds. All annual appropriations lapse at fiscal year end with the exception of those indicated as a fund balance reserve. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- During June of each year, the School principal submits to the Board a proposed operating budget for the next fiscal year commencing July 1. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the current year ending June 30.
- Copies of the proposed budget are made available for public inspection and review by the patrons of the School.
- Once adopted, the budget can be amended by subsequent Board action. The Board upon recommendation of the principal can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Utah State law, interim adjustments may be made by administrative transfer of money from one appropriation to another within any given fund.
- Certain interim adjustments in estimated revenue and expenditures during the current fiscal year have been included in the final budget approved by the Board, as presented in the financial statements.
- Expenditures may not legally exceed budgeted appropriations at the fund level.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the School.

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
Notes to the Financial Statements
June 30, 2021

NOTE 4. Deposits and Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The School follows the requirements of the Utah Money Management Act (*Utah code*, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of School funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The School's deposits at year end are shown as follows:

Cash in bank	\$ 1,280,148
Cash on hand	345
State Treasurer's Investment Pool	<u>20,452</u>
Total cash and cash equivalents	<u><u>\$ 1,300,945</u></u>

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the School's deposit may not be returned to it. The School does not have a formal policy for custodial credit risk. As of June 30, 2021, the School's bank balance was \$1,341,204 and of this amount \$622,312 was exposed to custodial credit risk because it was uninsured and uncollateralized. Deposits are not collateralized, nor are they required to be.

Investments

The Money Management Act defines the types of securities authorized as appropriate investment for the School and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

The Act authorizes investments in negotiable or nonnegotiable deposits of qualified depositories and permitted depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; the Utah Public Treasurer's Investment Fund; and reciprocal deposits subject to rules of the State Money Management Council.

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
Notes to the Financial Statements
June 30, 2021

NOTE 4. Deposits and Investments (Continued)

The Utah State Treasurer’s Office operates the Public Treasurer’s Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments. Financial statements for the PTIF funds can be obtained by contacting the Utah State Treasurer’s office.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant’s average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2021 the School had the following investments, ratings, and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating (1)</u>	<u>Weighted Average Maturity (2)</u>
State of Utah Public Treasurer's Investment Fund	\$ 20,452	N/A	66.7
Total Fair Value	<u>\$ 20,452</u>		

(1) Ratings are provided where applicable to indicate associated credit risk. N/A indicated not applicable.

(2) Interest rate risk is estimated using the weighted average days to maturity.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School’s policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State’s Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School’s policy for reducing its exposure to credit risk is to comply with the State’s Money Management Act.

Fair value measurements

As noted above, the School holds investments that are measured at fair value on a recurring basis. The School categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The PTIF, as listed above, is valued using significant other observable inputs (Level 2 inputs).

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
Notes to the Financial Statements
June 30, 2021

NOTE 5. Capital Assets

Capital assets activity for the year ended June 30, 2021 is as follows:

	<u>Balance</u> <u>06/30/20</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/21</u>
Governmental activities:				
Capital assets, being depreciated:				
Leasehold improvements	\$ 270,778	\$ -	\$(270,778)	\$ -
Furniture, equipment and vehicles	341,670	3,499	(135,226)	209,943
Total capital assets, being depreciated:	<u>612,448</u>	<u>3,499</u>	<u>(406,004)</u>	<u>209,943</u>
Less accumulated depreciation for:				
Leasehold improvements	(66,677)	(6,769)	73,447	-
Furniture, equipment and vehicles	<u>(239,517)</u>	<u>(27,214)</u>	<u>134,052</u>	<u>(132,678)</u>
Total accumulated depreciation	<u>(306,194)</u>	<u>(33,983)</u>	<u>207,499</u>	<u>(132,678)</u>
Total capital assets, being depreciated, net	<u>306,254</u>	<u>(30,484)</u>	<u>(198,505)</u>	<u>77,265</u>
Governmental activities capital assets, net	<u>\$ 306,254</u>	<u>\$ (30,484)</u>	<u>\$(198,505)</u>	<u>\$ 77,265</u>

Depreciation expense was charged to the functions of the School as follows:

Governmental activities:	
Instructional services	\$ 11,606
Supporting services	
Operation and maintenance of facilities	6,769
Student transportation	<u>15,608</u>
Total depreciation expense - governmental activities	<u>\$ 33,983</u>

NOTE 6. Long-Term Liabilities

Long-term liabilities at June 30, 2021 consisted of the following:

	<u>Restated</u> <u>6/30/2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/2021</u>	<u>Current</u> <u>Portion</u>
Governmental activities:					
Note payable - direct borrowing	\$ -	\$ 115,000	\$ -	\$ 115,000	\$ -
Net pension liability*	<u>817,516</u>	<u>-</u>	<u>(304,682)</u>	<u>512,834</u>	<u>-</u>
Total long-term liabilities	<u>\$ 817,516</u>	<u>\$ -</u>	<u>\$ (304,682)</u>	<u>\$ 512,834</u>	<u>\$ -</u>

*See Note 11 on restatement

The School's outstanding note from direct borrowings related to governmental activities of \$115,000 is payable in monthly principal installments of \$2,396, non-interest bearing, starting July 1, 2022 and maturing June 1, 2026. The note contains a provision that in the event of default, the note shall become immediately due and payable and interest shall accrue from that point forward at a rate of 10% per annum.

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
Notes to the Financial Statements
June 30, 2021

NOTE 6. Long-Term Liabilities, Continues

The debt service requirement to maturity on the direct borrowing note payable is as follows:

Year Ended		
June 30	Principal	Interest
2022	\$ -	\$ -
2023	28,750	-
2024	28,750	-
2025	28,750	-
2026	28,750	-
	<u>\$ 115,000</u>	<u>\$ -</u>

NOTE 7. Defined Benefit Pension Plan

General Information about the Pension Plan

Plan description: Eligible plan participants are provided with pensions through the Utah Retirement Systems. Utah Retirement Systems are comprised of the following Pension Trust Funds:

Defined Benefit Plans

- The Public Employees Noncontributory Retirement System (Noncontributory System); is a multiple employer, cost-sharing, public employee retirement system.
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System); is a multiple employer, cost-sharing, public employee retirement system.

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the website: www.urs.org/general/publications.

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
Notes to the Financial Statements
June 30, 2021

NOTE 7. Defined Benefit Pension Plan, Continued

Benefits provided: URS provides retirement, disability, and death benefits. Retirement benefits are as follows:

Summary of Benefits by System

System	Final average salary	Years of service required and/or age eligible for benefit	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

* Actuarial reductions are applied

** All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

Contribution rate summary: As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability.

Contribution rates as of June 30, 2021 are as follows:

Utah Retirement Systems

	Employee	Employer	Employer 401(k)
Contributory System			
112 – State School Division Tier 2	N/A	19.13 %	0.89 %
Noncontributory System			
16 – State School Division Tier 1	N/A	22.19 %	1.50 %
Tier 2 DC Only			
212 – State and School	N/A	10.02 %	10.00 %

Tier 2 rates include a statutory required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
Notes to the Financial Statements
June 30, 2021

NOTE 7. Defined Benefit Pension Plan, Continued

For the fiscal year ended June 30, 2021, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 179,919	N/A
Tier 2 Public Employees System	128,133	-
Tier 2 DC Only System	23,019	N/A
Total Contributions	\$ 331,071	\$ -

Contributions reported are the URS Board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

Pension Assets, Liabilities, Expense, and Deferred Outflows and Inflows of Resources Relating to Pensions

At June 30, 2021, the School reported a net pension asset of \$0 and a net pension liability of \$512,834.

	(Measurement Date): December 31, 2020				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2019	Change (Decrease)
Noncontributory System	\$ -	\$ 506,958	0.0380279%	0.0363067%	0.0017212%
Tier 2 Public Employees System	\$ -	\$ 5,876	0.0408541%	0.0484167%	(0.0075626)%
	\$ -	\$ 512,834			

The net pension asset and liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2020 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability was is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2021, the School recognized pension expense of \$162,330.

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
Notes to the Financial Statements
June 30, 2021

NOTE 7. Defined Benefit Pension Plan, Continued

At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 61,008	\$ 2,691
Changes in assumptions	55,252	214
Net difference between projected and actual earnings on pension plan investments	-	527,464
Changes in proportion and differences between contributions and proportionate share of contributions	58,129	17,717
Contributions subsequent to the measurement date	<u>173,556</u>	<u>-</u>
Total	<u>\$ 347,945</u>	<u>\$ 548,086</u>

\$173,556 reported as deferred outflows of resources related to pension results from contributions made by the School prior to our fiscal year end, but subsequent to the measurement date of December 31, 2020.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Net Deferred Outflows (Inflows) of Resources
2021	\$(106,733)
2022	(19,681)
2023	(171,705)
2024	(85,950)
2025	1,863
Thereafter	8,509

Actuarial assumptions: The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Salary increases	3.25- 9.75 percent, average, including inflation
Investment rate of return	6.95 percent, net of pension plan investment expense, including inflation

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
Notes to the Financial Statements
June 30, 2021

NOTE 7. Defined Benefit Pension Plan, Continued

Mortality rates were adopted from an actual experience study dated January 1, 2020. The retired mortality tables are developed using URS retiree experience and are based upon gender, occupation, and age as appropriate with projected improvement using 80% of the ultimate rates from the MP-2019 improvement assumption using a base year of 2020. The mortality assumption for active members is the PUB-2010 Employees Mortality Table for public employees, teachers, and public safety members, respectively.

The actuarial assumptions used in the January 1, 2020, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2019.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class and is applied consistently to each defined benefit pension plan. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	Expected Return Arithmetic Basis		
Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity securities	37%	6.30%	2.33%
Debt securities	20%	0.00%	0.00%
Real assets	15%	6.19%	0.93%
Private equity	12%	9.50%	1.14%
Absolute return	16%	2.75%	0.44%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		4.84%
	Inflation		2.50%
		Expected arithmetic nominal return	7.34%

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.50%, a real return of 4.45% that is net of investment expense.

Discount rate: The discount rate used to measure the total pension liability was 6.95 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate, and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current, active, and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments, to determine the total

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
Notes to the Financial Statements
June 30, 2021

NOTE 7. Defined Benefit Pension Plan, Continued

pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate remained unchanged at 6.95 percent.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.95 percent, as well as what the proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.95 percent) or 1 percentage point higher (7.95 percent) than the current rate:

	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
System			
Noncontributory System	\$ 1,625,193	\$ 506,958	\$ (428,039)
Tier 2 Public Employees System	<u>98,875</u>	<u>5,876</u>	<u>(65,266)</u>
Total	<u>\$ 1,724,068</u>	<u>\$ 512,834</u>	<u>\$ (493,305)</u>

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
Notes to the Financial Statements
June 30, 2021

NOTE 8. Defined Contribution Plan

Defined Contributions Savings Plans

The Defined Contributions Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b) and 408 of the Internal Revenue code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

The School participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

- 401(k) Plan
- Roth IRA Plan

Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plans for fiscal year ended June 30th, were as follows:

	2021	2020	2019
401(k) Plan			
Employer Contributions	\$ 41,212	\$ 34,943	\$ 25,999
Employee Contributions	\$ 42,133	\$ 36,253	\$ 22,706
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 10,400	\$ 4,350	\$ -

NOTE 9. Risk Management

The School is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; errors and omissions; violations of civil rights; and natural disasters. The School has procured State of Utah Risk Management insurance coverage and Workman's Compensation Insurance, which in the School's estimation, is adequate to reduce the risk of loss to manageable level.

NOTE 10. Related Party Transactions

As indicated in Note 1, the School was a subsidiary of the Tuacahn Center for the Arts (The Center). The School enters into several transactions with the Center. These related party transactions include the payment of payroll related liabilities and other expenses by the Center and the reimbursement of these expenses by the School. Other related party transactions include rent and utility costs for the School's facility paid to the Center for \$235,688 for the year ended June 30, 2021.

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
Notes to the Financial Statements
June 30, 2021

NOTE 11. Restatement Adjustment

Due to statutory changes in the State of Utah, non-profit charter schools now meet the criteria for governmental accounting and financial reporting. This changes the Generally Accepted Accounting Principles (GAAP) standards the School was using from the Financial Accounting Standards Board (FASB) to standards set by the Governmental Accounting Standards Board (GASB). This changed the basis of accounting from the accrual basis of accounting to the modified accrual basis of accounting. See Note 1.

For the fund financial statements, this change removes capital assets from the balance sheet.

Net Assets - Ending (FASB)		\$ 1,180,411
Deductions to fund balance (GASB)		
Capital assets:		
Equipment		341,670
Lease improvements		270,778
Accumulated depreciation		(306,194)
Capital assets, net		<u>306,254</u>
Fund Balance - Beginning (GASB)		<u><u>\$ 874,157</u></u>

For the government-wide financial statements, this change implements GASB 68 to record the net pension liability and related deferred inflows and outflows related to pensions. This change is reflected in the restatement adjustment and is detailed below.

Restatement adjustment -		
implementation of GASB 68:		
Net pension liability		\$ (817,516)
Deferred outflows related to pension		263,811
Deferred inflows related to pension		(327,927)
Total Restatement Adjustment		<u><u>\$ (881,632)</u></u>

NOTE 12. Subsequent Events

At the end of the fiscal year 2021 school year, the school separated from the Tuacahn Center of the Arts and became a separate legal entity. The name of the school was changed to the Utah Arts Academy and a new Board of Directors was established.

Starting in July 2021, the School entered into a lease agreement with Sunset Corner Properties, LC for the lease of a building for the location of the new school. The School also entered into a lease agreement with the Washington County School District for the lease of a building for the School to use until the new location is ready for occupancy. In addition, the School has entered into a construction contract with JMI Constructors for tenant improvements at the site of the new school.

REQUIRED SUPPLEMENTARY INFORMATION

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
Utah Retirement Systems
Last 10 Fiscal Years

As of fiscal year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
Noncontributory System					
2015	0.0377748%	\$ 1,186,615	\$ 1,009,990	117.49%	84.50%
2016	0.0379749%	\$ 1,230,735	\$ 1,012,243	121.58%	84.90%
2017	0.0358436%	\$ 876,506	\$ 856,622	102.32%	89.20%
2018	0.0319121%	\$ 1,187,295	\$ 668,999	177.47%	84.10%
2019	0.0363067%	\$ 806,627	\$ 738,736	109.19%	90.10%
2020	0.0380279%	\$ 506,958	\$ 798,783	63.47%	94.30%
Tier 2 Public Employees System					
2015	0.0310138%	\$ (68)	\$ 200,315	-0.03%	100.20%
2016	0.0399704%	\$ 4,459	\$ 327,786	1.36%	95.10%
2017	0.0460885%	\$ 4,063	\$ 451,743	0.90%	97.40%
2018	0.0557468%	\$ 23,875	\$ 656,484	3.64%	90.80%
2019	0.0484167%	\$ 10,889	\$ 674,569	1.61%	96.50%
2020	0.0408541%	\$ 5,876	\$ 655,023	0.90%	98.30%

Note: The School implemented GASB 68 in fiscal year 2015.

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
Required Supplementary Information
Schedule of Contributions
Utah Retirement Systems
Last 10 Fiscal Years

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
Noncontributory System	2014	\$ 174,506	\$ 174,506	\$ -	\$ 963,320	18.12%
	2015	225,555	225,555	-	1,044,485	21.59%
	2016	200,684	200,684	-	944,930	21.24%
	2017	213,335	213,335	-	984,609	21.67%
	2018	163,085	163,085	-	742,602	21.96%
	2019	144,164	144,164	-	679,158	21.23%
	2020	170,312	170,312	-	797,006	21.37%
	2021	179,919	179,919	-	827,527	21.74%
Tier 2 Public Employees System *	2014	\$ 18,648	\$ 18,648	\$ -	\$ 112,882	16.52%
	2015	27,444	27,444	-	152,256	18.02%
	2016	51,480	51,480	-	282,175	18.24%
	2017	61,017	61,017	-	334,520	18.24%
	2018	115,471	115,471	-	627,101	18.41%
	2019	126,506	126,506	-	672,597	18.81%
	2020	125,843	125,843	-	663,330	18.97%
	2021	128,133	128,133	-	670,570	19.11%
Tier 2 Public Employees DC Only System *	2014	\$ 2,078	\$ 2,078	\$ -	\$ 25,906	8.02%
	2015	2,451	2,451	-	25,251	9.71%
	2016	-	-	-	-	0.00%
	2017	3,980	3,980	-	39,725	10.02%
	2018	5,162	5,162	-	51,515	10.02%
	2019	8,481	8,481	-	84,646	10.02%
	2020	16,867	16,867	-	168,330	10.02%
	2021	23,019	23,019	-	229,727	10.02%

Note: The School implemented GASB 68 in fiscal year 2015.

* Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems. Tier 2 systems were created effective July 1, 2011.

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
Notes to Required Supplementary Information
For the Year Ended June 30, 2021

NOTE 1. Changes in Assumptions

There were a number of demographic assumptions (e.g. rates of termination, disability, retirement, as well as an updated mortality and salary increase assumption) updated for use in the January 1, 2020 actuarial valuation. These assumption updates were adopted by the Utah State Retirement Board as a result of an Actuarial Experience Study performed for the Utah Retirement Systems. In aggregate, those assumption changes resulted in a \$201 million increase in the Total Pension Liability, which is about 0.50% of the Total Pension Liability as of December 31, 2019 for all systems combined. The Actuarial Experience Study report as of December 31, 2019 provides detailed information regarding those assumptions changes, which may be accessed online at newsroom.urs.org under the “Retirement Office” column using the “Reports and Stats” tab.

OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

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**Independent Auditors' 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***

Board of Directors
Tuacahn High School for the Performing Arts
St. George, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tuacahn High School for the Performing Arts (a nonprofit organization), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Tuacahn High School for the Performing Arts' basic financial statements, and have issued our report thereon dated October 1, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tuacahn High School for the Performing Arts' 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tuacahn High School for the Performing Arts' 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HintonBurdick, PLLC
St. George, Utah
October 1, 2021



**Independent Auditors' Report on Compliance and
Report on Internal Control over Compliance
As Required by the *State Compliance Audit Guide***

Board of Directors
Tuacahn High School for the Performing Arts
St. George, Utah

Report on Compliance

We have audited Tuacahn High School for the Performing Arts' compliance with the applicable state requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, for the year ended June 30, 2021.

State compliance requirements were tested for the year ended June 30, 2021 in the following areas:

- Budgetary Compliance
- Fund Balance
- Restricted Taxes and Related Revenues
- Fraud Risk Assessment
- Government Fees
- Cash Management
- Minimum School Program – Unrestricted Programs
- Minimum School Program – Restricted Programs: Special Education, Teacher and Student Success Act
- School Fees

Management's Responsibility

Management is responsible for compliance with the state requirements referred to above.

Auditor's Responsibility

Our responsibility is to express an opinion on the School's compliance based on our audit of the state compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state compliance requirement referred to above. However, our audit does not provide a legal determination of the School's compliance with those requirements.

Opinion on Compliance

In our opinion, Tuacahn High School for the Performing Arts complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with the *State Compliance Audit Guide* and which is described in the findings and recommendations letter as item 2021-001. Our opinion on compliance is not modified with respect to these matters.

The School's response to the noncompliance finding identified in our audit is described in the accompanying response to findings letter. The School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a general state compliance requirement 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 state 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 with a state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*, this report is not suitable for any other purpose.



HintonBurdick, PLLC
St. George, Utah
October 1, 2021





**Findings and Recommendations
For the Fiscal Year Ended June 30, 2021**

Board of Directors
Tuacahn High School for the Performing Arts
St. George, UT

Professional standards require that we communicate, in writing; deficiencies in internal control over financial reporting that are considered significant deficiencies or material weaknesses that are identified during the audit of the financial statements. During our audit of Tuacahn High School for the Performing Arts for the fiscal year ended June 30, 2021, we noted a few areas that, if improved, would strengthen the School's accounting system and control over its assets. These items are discussed below for your consideration.

INTERNAL CONTROL OVER FINANCIAL REPORTING:

Material Weaknesses:

None noted

Significant Deficiencies:

None noted

COMPLIANCE AND OTHER MATTERS:

Compliance:

2021-001 Cash Management

Criteria: Per the State Money Management Act, cash and check receipts should be deposited within 3 business days of being received.

Condition: Receipts were not being made within 3 business days of being received.

Cause: The School has not designed and implemented controls to ensure deposits are being made within 3 business days in accordance with the Money Management Act.

Effect: Holding cash and checks allows for greater opportunity for theft or misplacement.

Recommendation: We recommend that the School design and implement controls to ensure receipts are being deposited within 3 business days of being received.

Other Matters:

None noted

This report is intended solely for the information and use of management and various state and federal agencies, and is not intended to be and should not be used by anyone other than these specified parties.

It has been a pleasure to be of service to the School. We invite you to ask questions of us throughout the year as you feel necessary. We look forward to a continued professional relationship.

Sincerely,



HintonBurdick, PLLC
October 1, 2021



13 October 2021

Hinton Burdick
CPA's & Advisors

To Whom It May Concern,

This letter is to confirm and respond to the Findings and Recommendations for the Fiscal Year Ended June 30, 2021. According to the document, we had no Material Weaknesses or Significant Deficiencies. We did have a compliance issue related to Cash Management with a condition of receipts not being made within 3 business days of being received.

Context:

The compliance was noted during March, 2021, which was directly after the THSA School Board placed the current Director on administrative leave, leaving the entire faculty, student body and community in shock and disbelief. At that point, all internal controls that were implemented and working were shocked. A new Interim Director was put in place without knowledge and expertise to manage the current and working policy.

Implemented Controls:

THSA, and now UAA, take internal controls seriously as this has implications surrounding a greater opportunity for theft and misplacement. Throughout our time we have worked hard to ensure compliance in all fiscal responsibilities. Knowing that our controls worked outside of the shift of leadership, the focus on managing student's mental health due to the situation, we will ensure that we continue to implement the following with the added documentation from CFO on dates receipt is turned in:

- Front Office/Registrar collects receipts, cash and credit card payments
- Front Office/Registrar completes form and has colleague double check numbers
- Front Office/ Registrar gives black bank bag to Dir of Support Services (or Executive Director) to deposit money
- Dir of Support Services (or ED) takes money to bank
- Dir of Support Services (or ED) provides receipt to CFO
- CFO documents, on Google Doc, when receipts are turned in

Sincerely,

Dr. Drew Williams

UTAH ARTS ACADEMY

1091 N. Bluff St., #801
St. George, UT 84770
435.414.4535

Drew Williams, Ed.D.
Executive Director

Kent Brown, MBA
Senior Director HR/CFO

Kyle Lewis, MFA
Artistic Director

Chris Andrus, M.Ed.
Director Support Services

Sarah McNaughton, M.Ed.
Director of Counseling

Nate Keith, B.A.
Dean of Students