

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

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2014**

**Tuacahn High School for the Performing Arts**

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## Independent Auditors' Report

Board of Directors  
Tuacahn High School for the Performing Arts  
Ivins, Utah

### Report on the Financial Statements

We have audited the accompanying financial statements of Tuacahn High School for the Performing Arts (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tuacahn High School for the Performing Arts as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying statement of functional expenses and statement of activities – budget to actual are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2014, on our consideration of Tuacahn High School for the Performing Arts’ 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 Tuacahn’s internal control over financial reporting and compliance.



HintonBurdick, PLLC  
St. George, Utah  
October 7, 2014

**TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS**  
**Statement of Financial Position**  
**June 30, 2014**

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**Assets**

Current assets:

Cash and cash equivalents	\$ 693,290
Accounts receivable	51,563
Inventory	<u>18,056</u>
Total current assets	<u>762,909</u>

Property and equipment:

Computer equipment	153,132
Equipment	76,755
Furniture and fixtures	48,398
Instruments	22,141
Vehicles	32,070
Leasehold improvements	274,407
Accumulated depreciation	<u>(231,151)</u>
Total property and equipment	<u>375,752</u>

Total assets	<u><u>\$ 1,138,661</u></u>
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**Liabilities**

Current liabilities:

Accounts payable	\$ 6,320
Accrued payroll and liabilities	87,967
Credit cards	6,664
Deferred revenue	<u>37,855</u>
Total current liabilities	<u>138,806</u>

Total liabilities	<u>138,806</u>
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**Net assets**

Unrestricted	<u>999,855</u>
Total liabilities and net assets	<u><u>\$ 1,138,661</u></u>

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, 2014**

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<b>Unrestricted net assets:</b>	
Revenues and support:	
Local	
Student activity fees	\$ 207,704
Student application fees	56,323
Donations	51,971
Interest income	704
State	2,376,107
Federal	49,440
Total revenues and support	<u>2,742,249</u>
Expenses:	
Program services:	
School	2,016,955
Total program services	<u>2,016,955</u>
Supporting services:	
General	546,102
Total supporting services	<u>546,102</u>
Total expenses	<u>2,563,057</u>
<b>Change in unrestricted net assets</b>	179,192
Net assets at beginning of year	755,888
Prior period adjustment	64,775
<b>Net assets at end of year</b>	<u><u>\$ 999,855</u></u>

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

**TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2014**

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<b>Cash flows from operating activities:</b>	
Cash received from educational activities	\$ 2,416,325
Cash received from contributions	51,971
Cash received from sales to students	263,777
Interest income	704
Payments for educational activities	(2,033,385)
Payments for management and general expenses	<u>(529,464)</u>
Cash flows from operating activities	<u>169,928</u>
<b>Cash flows from investing activities:</b>	
Purchases of capital assets	<u>(87,009)</u>
Cash flows from investing activities	<u>(87,009)</u>
<b>Change in cash and cash equivalents</b>	82,919
Cash and cash equivalents beginning of year	<u>610,371</u>
<b>Cash and cash equivalents end of year</b>	<u><u>\$ 693,290</u></u>
<b>Reconciliation of change in net assets to net cash</b>	
<b>flows from operating activities:</b>	
Change in net assets	\$ 179,192
Adjustments needed to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	47,537
Loss on disposal of assets	1,400
Changes in operating assets and liabilities:	
(Increase)/decrease in accounts receivable	(10,622)
(Increase)/decrease in inventory	(11,365)
Increase/(decrease) in accounts payable	(25,206)
Increase/(decrease) in accrued payroll and liabilities	(15,597)
Increase/(decrease) in credit cards	4,839
Increase/(decrease) in deferred revenue	<u>(250)</u>
Cash flows from operating activities	<u><u>\$ 169,928</u></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, 2014**

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**Note 1.           Summary of Significant Accounting Policies**

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This summary of significant accounting policies of Tuacahn High School for the Performing Arts, (the School) is presented to assist in understanding the School's financial statements. The financial statements and notes are representations of the School's management, which is responsible for their integrity and objectivity. The accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Background

Tuacahn High School for the Performing Arts was organized under the laws of the State of Utah in November of 1998 opened in August of 1999. The School is 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.

Description of Program

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. The School's outstanding faculty of master teachers will be complemented by a cadre of adjunct consultants, practicing professional musicians, dancers, actors, and directors from the Utah and Nevada performing communities.

Funding

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.

Basis of Accounting and Presentation

The financial statements of the School have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Revenues are recognized when earned and expenses are recognized when incurred.

The School reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Any restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions.

**TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows and Note 2, the School considers all highly liquid debt investments with an initial maturity of one year or less to be cash equivalents.

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 method.

Property and Equipment

The School rents 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.

The School follows the practice of capitalizing all expenditures for property, furniture, fixtures, instruments and office equipment in excess of \$2,500 and all improvements in excess of \$2,500. Assets are recorded at cost if purchased or estimated fair value if donated.

Depreciation of property and equipment is provided on the straight-line method over their estimated useful lives as follows:

Computer equipment	3-7 years
Equipment	5-10 years
Furniture and fixtures	7 years
Instruments	5-7 years
Vehicles (used)	5 years
Leasehold improvements	40 years

Maintenance, repairs and renewals, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. Major renewals and betterments are capitalized. Gains or losses on dispositions of property and equipment are included in revenue in the year of disposition.

Depreciation expense for the year ended June 30, 2014 was \$47,537.

**TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**Note 1.      Summary of Significant Accounting Policies, Continued**

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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, 2014 is recorded as accrued payroll. As of June 30, 2014, \$87,968 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.

Advertising

Advertising costs are charged to expense as incurred and were \$14,106 for fiscal year 2014.

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 has implemented accounting guidance associated with accounting for uncertainty in income taxes; however, there was no impact to the School's financial statements.

Revenue Recognition

Operating funds for the School are derived principally from federal and state sources. The School receives state funding based on the number of students enrolled in the School. The School also receives federal and state grants on a reimbursement basis. Accordingly, grant revenues are recognized when qualifying expenses have been incurred and all other grant reimbursements have been met. Amounts of restricted grants received in excess of qualifying expenditures are recorded as deferred revenue. When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted funds first, then unrestricted resources as they are needed.

Accounts Receivable

The School's accounts receivable consists of amounts due from federal, state and local sources. No allowance for doubtful accounts has been established, as the School deems all amounts to be fully collectible.

**TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Management and general expenses include those expenses that are not directly identifiable with any specific function, but provide for the overall support and direction of the School.

Donated Services

No amounts have been reflected in the financial statements for donated services. However, many individuals volunteer their time and perform a variety of tasks that assist the School with specific programs, administration and fundraising.

Date of Management's Review

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through October 7, 2014, the date the financial statements were available to be issued.

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**Note 2. Cash and Investments**

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*Custodial credit risk deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk. As of June 30, 2014, the School's bank balance was \$735,458 and \$260,080 of that amount was exposed to custodial credit risk because it was uninsured. Deposits are not collateralized, nor are they required to be.

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

Deposits and investments:	
Cash in bank	\$ 692,945
Cash on hand	<u>345</u>
Total deposits and investments	<u><u>\$ 693,290</u></u>

Cash and investments are reported in the Statement of Financial Position as follows:

Cash and cash equivalents	\$ 693,290
Total	<u><u>\$ 693,290</u></u>

**TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**Note 3. Property and Equipment**

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The following table summarizes the changes to capital assets during the year ended June 30, 2014.

	<b>Balance 6/30/2013</b>	<b>Adjustments*</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2014</b>
Computer equipment	\$ 100,649	\$ -	\$ 52,483	\$ -	\$ 153,132
Equipment	66,887	-	9,868	-	76,755
Furniture and fixtures	36,539	-	11,859	-	48,398
Instruments	9,342	-	12,799	-	22,141
Vehicles	9,000	29,070	-	(6,000)	32,070
Leasehold improvements	274,407	-	-	-	274,407
Total	496,824	29,070	87,009	(6,000)	606,903
Less accumulated depreciation	(177,918)	(10,296)	(47,537)	4,600	(231,151)
Total capital assets, net	<u>\$ 318,906</u>	<u>\$ 18,774</u>	<u>\$ 39,472</u>	<u>\$ (1,400)</u>	<u>\$ 375,752</u>

\* Adjustments were made to beginning assets for prior period adjustments. See note 9.

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**Note 4. Deferred Revenue**

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As of June 30, 2014, \$37,855 had been received from students for registration fees for the following school year.

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**Note 5. Related Party Transactions**

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As indicated in Note 1, the School is 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. The School owed the Center \$307 of accrued liabilities as of the date of the financial statements. Other related party transactions include the rental of the School's facility from the Center for \$271,406 for the year ended June 30, 2014.

**TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**Note 6. Adjustments to Budgetary Basis**

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The School's Statement of Activities on page 4 has been prepared on the accrual basis in accordance with generally accepted account principles (GAAP). The Statement of Activities – Budget to Actual (Budgetary Basis) on page 15 has been prepared on a budgetary basis, not GAAP.

Since the School's budget is prepared on a basis that differs from GAAP, adjustments were necessary for comparability purposes. Listed below are the more significant of these adjustments. The School budgets capital expenditures as expenses and does not budget for depreciation expense. These adjustments were made to actual expenditures in order to compare them to the legally adopted budget.

The following schedule is a reconciliation of the budgetary and GAAP net assets:

Net assets - budgetary basis	\$	961,782
Fiscal year 2014 adjustments:		
Capitalized assets		87,010
Depreciation expense		(47,537)
Loss on disposal of assets		(1,400)
Net assets - GAAP basis	\$	<u>999,855</u>

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**Note 7. Retirement Plan**

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**Plan Description** – The School contributes to the State and School Contributory Retirement System and the State and School Noncontributory Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (the Systems). Utah Retirement Systems provides refunds, retirements benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the *Utah Code Annotated 1953* as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (the Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statement and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102, or by calling 1-800-365-8772.

**TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS**  
**Notes to the Financial Statements**  
**June 30, 2014**

**Note 7. Retirement Plan, Continued**

**Funding Policy** – Plan members in the State and School Contributory Retirement System are required to contribute 16.75% of their annual covered salary. In the State and School Noncontributory Retirement System, the School is required to contribute 20.46% of their annual covered salary. The contribution rates are actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board. Under the *Internal Revenue Code* Section 401(k), the School participates in a defined contribution plan for employees enrolled in the Systems. This plan covers all employees with the Noncontributory System. These contributions represent 1.50% of covered salaries and vest immediately. They may be withdrawn by the employee upon termination or may be used as supplemental income upon retirement. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The required contributions and amounts received for the 2014 fiscal year and the two previous years are as follows:

<u>Year</u>	<u>Employee paid contributions</u>	<u>Employer paid for employee contributions</u>	<u>Employer contributions</u>	<u>Salary subject to retirement contributions</u>
Contributory System:				
State and School Division				
2014	\$ -	\$ -	\$ 9,604	\$ 112,882
2013	-	-	7,283	86,193
2012	-	-	4,258	56,102
Noncontributory System:				
State and School Division				
2014	\$ -	\$ -	\$ 185,602	\$ 963,320
2013	-	-	135,022	782,139
2012	-	-	135,961	892,622
Defined Contribution System:				
401 (k) Plan				
2014	\$ 22,582	\$ 27,622		
2013	14,363	21,049		
2012	24,233	23,267		
401(k) Plan and Tier 2 DC Only				
2014	\$ -	\$ -	\$ 26	\$ 25,906
457 Plan				
Not applicable				

**TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**Note 8. Risk Management**

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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.

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**Note 9. Prior Period Adjustments**

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Subsequent to the fiscal year ended June 30, 2014, and before the issuance of these statements, it was discovered that a pass-through revenue from the Utah State Office of Education relating to fiscal year 2013 had not been accrued in the previous year. Accordingly, the beginning net assets have been restated to include this item that was excluded from the previous financial statements. The prior year statement of activities understated revenues in the amount of \$46,001. The overall effect or the change in net assets was \$46,001.

In addition, the organization discovered that their capital asset listing was missing two buses that had been purchased or donated in prior years. Adjustments were made to record these items as capital assets and their respective accumulated depreciation. Accordingly, the beginning net assets have been restated to include these adjustments. The overall effect or the change in net assets of these prior period adjustments was \$18,774.

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**SUPPLEMENTARY INFORMATION**

**TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2014**

	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>School</u>	<u>General</u>	<u>Total</u>
Salaries and wages	\$ 936,808	\$ 287,516	\$ 1,224,324
Employee benefits	442,820	118,976	561,796
Professional fees and technical services	80,843	45,290	126,133
Purchased property services	17,839	6,114	23,953
Supplies	106,039	16,755	122,794
Text books	20,769	-	20,769
Computers and equipment	2,504	6,318	8,822
Library books and supplies	5,092	-	5,092
Student activities	76,550	-	76,550
Dues and fees	6,011	582	6,593
Communication	133	503	636
Insurance	-	10,396	10,396
Marketing and advertising	9,128	4,978	14,106
Travel and training	22,774	17,976	40,750
Rent and utilities	257,836	13,570	271,406
Depreciation	30,899	16,638	47,537
Loss on disposal of assets	910	490	1,400
	<u>\$ 2,016,955</u>	<u>\$ 546,102</u>	<u>\$ 2,563,057</u>

See accountants' report.

**TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS**  
**Statement of Activities – Budget to Actual (Budgetary Basis)**  
**For the Year Ended June 30, 2014**

	<b>Actual on Budgetary Basis (See Note 6)</b>	<b>Budget</b>	<b>Variance with Budget</b>
<b>Revenue:</b>			
Federal revenue	\$ 49,440	\$ 49,440	\$ -
State revenue	2,376,107	2,356,640	19,467
Donations	51,971	52,000	(29)
Student application fees	56,323	60,000	(3,677)
Student activity fees	207,704	180,000	27,704
Interest income	704	1,000	(296)
<b>Total revenue</b>	<b>2,742,249</b>	<b>2,699,080</b>	<b>43,169</b>
<b>Expenses:</b>			
Salaries and wages	1,224,324	1,219,000	(5,324)
Employee benefits	561,796	556,200	(5,596)
Professional fees and technical services	126,133	127,100	967
Purchased property services	23,953	57,500	33,547
Supplies	122,794	192,050	69,256
Text books	20,769	21,000	231
Computers and equipment	90,333	88,000	(2,333)
Library books and supplies	5,092	6,000	908
Student activities	76,550	50,000	(26,550)
Dues and fees	6,593	8,550	1,957
Communication	636	1,000	364
Insurance	10,396	12,000	1,604
Marketing and advertising	14,106	15,100	994
Travel and training	40,750	45,900	5,150
Rent and utilities	276,905	248,000	(28,905)
<b>Total expenses</b>	<b>2,601,130</b>	<b>2,647,400</b>	<b>46,270</b>
<b>Change in net assets</b>	<b>141,119</b>	<b>51,680</b>	<b>89,439</b>
Net assets at beginning of year	755,888	820,663	(64,775)
Prior period adjustment	64,775	-	64,775
<b>Net assets at end of year</b>	<b>\$ 961,782</b>	<b>\$ 872,343</b>	<b>\$ 89,439</b>

See accountants' report.

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**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  
Ivins, 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 Tuacahn High School for the Performing Arts (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, 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 October 7, 2014.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tuacahn High School for the Performing Arts' 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and recommendations that we consider to be a significant deficiency.

10-01. Misstatements Requiring Adjustments

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Tuacahn High School for the Performing Arts' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Responses to Findings**

Tuacahn High School for the Performing Arts' responses to the findings identified in our audit are described in the accompanying letter of Findings and Recommendations. Tuacahn High School for the Performing Arts' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HintonBurdick, PLLC  
St. George, Utah  
October 7, 2014

**Independent Auditors' Report**  
**In Accordance with the *State Compliance Audit Guide* On:**

- **Compliance with General State Compliance Requirements**
- **Compliance for Each Major State Program**
- **Internal Control Over Compliance**

Board of Directors  
Tuacahn High School for the Performing Arts  
Ivins, Utah

**Report on Compliance with General State Compliance Requirements and for Each Major State Program**

We have audited Tuacahn High School for the Performing Arts' compliance with the general state and major state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on Tuacahn High School for the Performing Arts or each of its major state programs for the year ended June 30, 2014.

General state compliance requirements were tested for the year ended June 30, 2014 in the following areas:

- Budgetary Compliance
- Utah Retirement Systems

Tuacahn High School for the Performing Arts received state funding from the following programs classified as major programs for the year ended June 30, 2014:

- Minimum School Program

***Management's Responsibility***

Management is responsible for compliance with the general state requirements referred to above and the requirements of laws, regulations, contracts, and grants applicable to its state programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on Tuacahn High School for the Performing Arts' compliance based on our audit of the 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 compliance requirements referred to above could have a direct and material effect on Tuacahn High School for the Performing Arts or its major state programs occurred. An audit includes examining, on a test basis, evidence about Tuacahn High School for the Performing Arts' 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 with general state compliance requirements and for each major state program. However, our audit does not provide a legal determination of Tuacahn High School for the Performing Arts' compliance.

### ***Opinion on General State Compliance Requirements and Each Major State Program***

In our opinion, Tuacahn High School for the Performing Arts complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Tuacahn High School for the Performing Arts or on each of its major state programs for the year ended June 30, 2014.

### **Report on Internal Control Over Compliance**

Management of Tuacahn High School for the Performing Arts is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Tuacahn High School for the Performing Arts' internal control over compliance with the compliance requirements that could have a direct and material effect on Tuacahn High School for the Performing Arts or on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and for each major state program 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 Tuacahn High School for the Performing Arts' 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 or major state program 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 general state or major state program 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 general state or major state program 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*. Accordingly, this report is not suitable for any other purpose.



HintonBurdick, PLLC  
St. George, Utah  
October 7, 2014

**Findings and Recommendations  
For the Fiscal Year Ended June 30, 2014**

Honorable Board of Directors  
Tuacahn High School for the Performing Arts  
Ivins, Utah

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, 2014, 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:**

10-01. Misstatements Requiring Adjustments

During our audit we noted misstatements that were not initially identified by the School's internal controls. We have made recommendations for various journal entries that were necessary to make accruals and record or correct transactions. Current auditing standards require that we report such audit adjustments as a deficiency in internal control over financial reporting.

Recommendations

We recommend that management review the journal entries and discuss them with us if necessary to ensure they understand and are in agreement with the entries and that they understand the purpose and underlying accounting principles associated with each entry. Specifically, the School should track and monitor payroll accruals since several of the misstatements and adjustments related to accruals for payroll and benefits.

Management's Response

Management will discuss with the auditors all proposed adjustments until the purpose and underlying accounting principles associated with each entry are understood. Additionally, management will periodically throughout the year, review comparative financial statements in an effort to identify transactions that have been miscoded or contain errors.

**COMPLIANCE AND OTHER MATTERS:**

**Compliance:**

None noted

**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,

A handwritten signature in black ink that reads "Hinton Burdick, PLLC". The signature is written in a cursive, flowing style.

HintonBurdick, PLLC  
October 7, 2014