

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

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

**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, 2018, 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying statement of functional expenses, statement of activities – budget to actual, and reconciliation of the annual financial report (AFR) to the financial statements 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 September 18, 2018, 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  
September 18, 2018

**TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS**  
**Statement of Financial Position**  
**June 30, 2018**

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**Assets**

Current assets:

Cash and cash equivalents	\$ 855,056
Inventory	3,897
Prepaid expenses	1,770
Total current assets	<u>860,723</u>

Property and equipment:

Computer equipment	110,653
Equipment	76,955
Furniture and fixtures	66,065
Instruments	16,799
Vehicles	94,171
Leasehold improvements	264,779
Accumulated depreciation	<u>(303,317)</u>
Total property and equipment	<u>326,105</u>

Total assets	<u><u>\$ 1,186,828</u></u>
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**Liabilities**

Current liabilities:

Accounts payable	500
Accrued payroll and liabilities	151,698
Credit cards	1,183
Deferred revenue	22,715
Total current liabilities	<u>176,096</u>

Total liabilities	<u>176,096</u>
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**Net assets**

Unrestricted	<u>1,010,732</u>
Total liabilities and net assets	<u><u>\$ 1,186,828</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, 2018**

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<b>Unrestricted net assets:</b>	
Revenues and support:	
Local	
Student activity fees	\$ 134,514
Student application fees	70,150
Donations	105,831
Interest income	6,842
Gain on sale of assets	9,643
State	2,800,005
Federal	131,747
Total revenues and support	<u>3,258,732</u>
Expenses:	
Program services:	
School	<u>2,384,537</u>
Total program services	<u>2,384,537</u>
Supporting services:	
General	<u>730,137</u>
Total supporting services	<u>730,137</u>
Total expenses	<u>3,114,674</u>
<b>Change in unrestricted net assets</b>	144,058
Net assets at beginning of year	<u>866,674</u>
<b>Net assets at end of year</b>	<u><u>\$ 1,010,732</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, 2018**

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<b>Cash flows from operating activities:</b>	
Cash received from educational activities	\$ 2,943,662
Cash received from contributions	105,831
Cash received from sales to students	177,950
Interest income	6,842
Payments for educational activities	(2,358,710)
Payments for management and general expenses	(712,803)
	<u>162,772</u>
Cash flows from operating activities	
<b>Cash flows from investing activities:</b>	
Purchases of capital assets	(21,810)
Proceeds from sale of capital assets	12,000
	<u>(9,810)</u>
Cash flows from investing activities	
<b>Change in cash and cash equivalents</b>	
	152,962
Cash and cash equivalents beginning of year	702,094
	<u>855,056</u>
<b>Cash and cash equivalents end of year</b>	
	<u><u>\$ 855,056</u></u>

**Reconciliation of change in net assets to net cash flows from operating activities:**

Change in net assets	\$ 144,058
Adjustments needed to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	49,527
Gain/loss on disposal of assets	(9,643)
Changes in operating assets and liabilities:	
(Increase)/decrease in accounts receivable	11,910
(Increase)/decrease in inventory	5,116
(Increase)/decrease in prepaid expenses	3,225
Increase/(decrease) in accounts payable	(1,500)
Increase/(decrease) in accrued payroll and liabilities	(14,319)
Increase/(decrease) in credit cards	1,112
Increase/(decrease) in deferred revenue	(26,714)
	<u>(26,714)</u>
Cash flows from operating activities	<u><u>\$ 162,772</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, 2018**

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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, 2018**

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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, 2018 was \$49,527.

**TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS**  
**Notes to the Financial Statements**  
**June 30, 2018**

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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, 2018 is recorded as accrued payroll. As of June 30, 2018, \$151,698 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 \$12,306 for fiscal year 2018.

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, for the years ending 2015, 2016, and 2017 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.

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, 2018**

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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 September 18, 2018, 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, 2018, the School's bank balance was \$854,664 and \$256,036 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	\$ 854,711
Cash on hand	<u>345</u>
Total deposits and investments	<u><u>\$ 855,056</u></u>

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

Cash and cash equivalents	\$ 855,056
Total	<u><u>\$ 855,056</u></u>

**TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS**  
**Notes to the Financial Statements**  
**June 30, 2018**

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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, 2018.

	<b>Balance 06/30/17</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 06/30/18</b>
Computer equipment	\$ 110,653	\$ -	\$ -	\$ 110,653
Equipment	60,644	21,810	(5,499)	76,955
Furniture and fixtures	70,692	-	(4,627)	66,065
Instruments	16,799	-	-	16,799
Vehicles	113,591	-	(19,420)	94,171
Leasehold improvements	264,779	-	-	264,779
Total	637,158	21,810	(29,546)	629,422
Less accumulated depreciation	(280,979)	(49,527)	27,189	(303,317)
Total capital assets, net	<u>\$ 356,179</u>	<u>\$ (27,717)</u>	<u>\$ (2,357)</u>	<u>\$ 326,105</u>

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**Note 4. Deferred Revenue**

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As of June 30, 2018, \$22,715 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 \$14,517 for accrued liabilities as of the date of the financial statements. Other related party transactions include the rental and utilities of the School's facility from the Center for \$262,740 for the year ended June 30, 2018.

**TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS**  
**Notes to the Financial Statements**  
**June 30, 2018**

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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 17 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	\$ 1,040,806
Fiscal year 2017 adjustments:	
Capitalized assets	21,810
Depreciation expense	(49,527)
Gain on disposal of assets	9,643
Proceeds from sale of assets	(12,000)
Net assets - GAAP basis	<u>\$ 1,010,732</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, 2018**

**Note 7. Retirement Plan, Continued**

**Funding Policy** – Plan members in the State and School Contributory Retirement System are required to contribute 18.44% of their annual covered salary. In the State and School Noncontributory Retirement System, the School is required to contribute 22.19% 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 2018 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				
2018	\$ -	\$ -	\$ 115,471	\$ 627,101
2017	-	-	61,017	334,520
2016	-	-	51,480	282,175
Noncontributory System:				
State and School Division				
2018	\$ -	\$ -	\$ 163,085	\$ 742,602
2017	-	-	213,335	984,609
2016	-	-	200,684	944,930
Defined Contribution System:				
401 (k) Plan				
2018	\$ 15,253	\$ 26,157		
2017	24,862	24,198		
2016	29,748	18,244		
401(k) Plan and Tier 2 DC Only				
2018	\$ -	\$ -	\$ 5,162	\$ 51,515
2017	-	-	3,980	39,725
2016	-	-	-	-
457 Plan				
Not applicable				

**TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS**  
**Notes to the Financial Statements**  
**June 30, 2018**

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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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**SUPPLEMENTARY INFORMATION**

**TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2018**

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	<b>Program Services</b>	<b>Supporting Services</b>	<b>Total</b>
	<b>School</b>	<b>General</b>	
Salaries and wages	\$ 1,117,615	\$ 403,785	\$ 1,521,400
Employee benefits	516,665	146,886	663,551
Professional fees and technical services	97,970	48,586	146,556
Purchased property services	78,872	5,970	84,842
Supplies	88,252	40,723	128,975
Text books	3,199	-	3,199
Computers and equipment	93,026	6,503	99,529
Student activities	69,800	-	69,800
Dues and fees	23,763	10,550	34,313
Communication	6,842	1,068	7,910
Insurance	-	13,012	13,012
Marketing and advertising	3,760	8,546	12,306
Travel and training	2,977	14,037	17,014
Rent and utilities	249,603	13,137	262,740
Depreciation	32,193	17,334	49,527
Total expenses	\$ 2,384,537	\$ 730,137	\$ 3,114,674

See accountants' report.

**TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS**  
**Statement of Activities – Budget to Actual (Budgetary Basis)**  
**For the Year Ended June 30, 2018**

	<b>Actual on Budgetary Basis (See Note 6)</b>	<b>Budget</b>	<b>Variance with Budget</b>
<b>Revenue:</b>			
Federal revenue	\$ 131,747	\$ 130,397	\$ 1,350
State revenue	2,800,005	2,800,234	(229)
Donations	105,831	105,831	-
Student application fees	70,150	70,150	-
Student activity fees	146,514	144,545	1,969
Interest income	6,842	6,823	19
<b>Total revenue</b>	<b>3,261,089</b>	<b>3,257,980</b>	<b>3,109</b>
<b>Expenses:</b>			
Salaries and wages	1,521,400	1,564,576	43,176
Employee benefits	663,551	689,493	25,942
Professional fees and technical services	146,556	152,838	6,282
Purchased property services	84,842	91,495	6,653
Supplies	128,975	138,676	9,701
Text books	3,199	3,199	-
Computers and equipment	121,339	121,498	159
Student activities	69,800	70,000	200
Dues and fees	34,313	33,939	(374)
Communication	7,910	7,955	45
Insurance	13,012	13,012	-
Marketing and advertising	12,306	12,316	10
Travel and training	17,014	17,334	320
Rent and utilities	262,740	262,750	10
<b>Total expenses</b>	<b>3,086,957</b>	<b>3,179,081</b>	<b>92,124</b>
<b>Change in net assets</b>	<b>174,132</b>	<b>78,899</b>	<b>95,233</b>
Net assets at beginning of year	866,674	866,674	-
<b>Net assets at end of year</b>	<b>\$ 1,040,806</b>	<b>\$ 945,573</b>	<b>\$ 95,233</b>

See accountants' report.

**TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS**  
**Reconciliation of the Annual Financial Report (AFR) to the Financial Statements**  
**For the Year Ended June 30, 2018**

	2018
<b>Fund Balance - Ending (AFR / All Funds / Actual)</b>	<b>\$ 684,627</b>
Adjustments made during the audit:	
Additions to fund balance:	
Capital assets:	
Computer equipment	110,653
Equipment	76,955
Furniture and fixtures	66,065
Instruments	16,799
Vehicles	94,171
Leasehold improvements	264,779
Accumulated depreciation	(303,317)
Capital assets, net	326,105
<b>Net Assets - Ending (Financial Statements - Statement of Financial Position)</b>	<b>\$ 1,010,732</b>
<b>Net Change in Fund Balance (AFR / All Funds / Actual)</b>	<b>\$ 174,132</b>
Adjustments made during the audit:	
Revenues	
Proceeds from sale of assets	(12,000)
Gain/loss on sale of assets	9,643
Expenditures	
FY18 Capital asset additions	21,810
Current year depreciation	(49,527)
<b>Change in Net Assets (Financial Statements - Statement of Activities)</b>	<b>\$ 144,058</b>

See accountants' report.

**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, 2018, 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 September 18, 2018.

**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. 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 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*.

## 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.



*Hinton Burdick, PLLC*

HintonBurdick, PLLC  
St. George, Utah  
September 18, 2018





**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  
Ivins, Utah

**Report on Compliance**

We have audited Tuacahn High School for the Performing Arts' compliance with the applicable general state 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 for the year ended June 30, 2018.

State compliance requirements were tested for the year ended June 30, 2018 in the following areas:

- Budgetary Compliance
- Fund Balance
- Utah Retirement Systems
- Restricted Taxes and Related Revenues
- Open and Public Meetings Act
- Public Treasurer's Bond
- Cash Management
- School Fees
- Minimum School Program

***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 Tuacahn High School for the Performing Arts' 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 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 for each state compliance requirement referred to above. However, our audit does not provide a legal determination of Tuacahn High School for the Performing Arts' 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, 2018.

### ***Other Matters***

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide*.

### **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 state 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 state compliance requirements that could have a direct and material effect on Tuacahn High School for the Performing Arts to determine the auditing 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 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 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*. Accordingly, this report is not suitable for any other purpose.



HintonBurdick, PLLC  
St. George, Utah  
September 18, 2018