

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

Tuacahn High School for the Performing Arts

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MEMBERS:

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MARK E. TICHENOR, CPA

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 non-profit organization), which comprise the statement of financial position as of June 30, 2013, 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, 2013, 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 November 20, 2013, 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
November 20, 2013

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
Statement of Financial Position
June 30, 2013

Assets

Current assets:	
Cash and cash equivalents	\$ 610,371
Inventory	<u>6,692</u>
Total current assets	<u>617,063</u>
Property and equipment:	
Computer equipment	100,649
Equipment	66,887
Furniture and fixtures	36,539
Instruments	9,342
Vehicles	9,000
Leasehold improvements	274,407
Accumulated depreciation	<u>(177,918)</u>
Total property and equipment	<u>318,906</u>
Total assets	<u><u>\$ 935,969</u></u>

Liabilities

Current liabilities:	
Accounts payable	\$ 31,526
Accrued payroll and liabilities	103,564
Credit cards	1,825
Deferred revenue	<u>38,105</u>
Total current liabilities	<u>175,020</u>
Total liabilities	<u>175,020</u>

Net assets

Unrestricted	<u>760,949</u>
Total liabilities and net assets	<u><u>\$ 935,969</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, 2013

Unrestricted net assets:	
Revenues and support:	
Local	
Student activity fees	\$ 154,768
Student application fees	42,819
Donations	26,862
Interest income	1,012
State	<u>2,223,210</u>
Total revenues and support	<u>2,448,671</u>
Expenses:	
Program services:	
School	<u>1,951,123</u>
Total program services	<u>1,951,123</u>
Supporting services:	
General	<u>500,063</u>
Total supporting services	<u>500,063</u>
Total expenses	<u>2,451,186</u>
Change in unrestricted net assets	(2,515)
Net assets at beginning of year	<u>763,464</u>
Net assets at end of year	<u><u>\$ 760,949</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, 2013

Cash flows from operating activities:	
Cash received from educational activities	\$ 2,281,589
Cash received from contributions	26,862
Cash received from sales to students	203,700
Interest income	1,012
Payments for educational activities	(1,942,304)
Payments for management and general expenses	(487,324)
Cash flows from operating activities	83,535
Cash flows from investing activities:	
Purchases of capital assets	(71,439)
Cash flows from investing activities	(71,439)
Change in cash and cash equivalents	
Cash and cash equivalents beginning of year	12,096
Cash and cash equivalents end of year	\$ 610,371
 Reconciliation of change in net assets to net cash	
flows from operating activities:	
Change in net assets	\$ (2,515)
Adjustments needed to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	36,398
Loss on disposal of assets	1,644
Changes in operating assets and liabilities:	
(Increase)/decrease in accounts receivable	56,735
(Increase)/decrease in inventory	3,365
Increase/(decrease) in accounts payable	(35,943)
Increase/(decrease) in accrued payroll and liabilities	17,508
Increase/(decrease) in credit cards	230
Increase/(decrease) in deferred revenue	6,113
Cash flows from operating activities	\$ 83,535

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, 2013

Note 1. Summary of Significant Accounting Policies

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, 2013

Note 1. Summary of Significant Accounting Policies, Continued

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, 2013 was \$36,398.

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
Notes to the Financial Statements
June 30, 2013

Note 1. Summary of Significant Accounting Policies, Continued

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, 2013 is recorded as accrued payroll. As of June 30, 2013, \$103,564 has been accrued for payroll and related liabilities, and of this amount \$1,094 was payable to a related party who pays payroll taxes for the School (see Note 5).

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 \$22,297 for fiscal year 2013.

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, 2013

Note 1. Summary of Significant Accounting Policies, Continued

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 November 20, 2013, the date the financial statements were available to be issued.

Note 2. Cash and Investments

Custodial credit risk deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy does not have a deposit policy for custodial credit risk. As of June 30, 2013, the Academy's bank balance was \$674,084 and \$128,288 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	\$ 610,026
Cash on hand	<u>345</u>
Total deposits and investments	<u><u>\$ 610,371</u></u>

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

Cash and cash equivalents	<u>\$ 610,371</u>
Total	<u><u>\$ 610,371</u></u>

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
Notes to the Financial Statements
June 30, 2013

Note 3. Property and Equipment

The following table summarizes the changes to capital assets during the year ended June 30, 2013.

	Balance 6/30/2012	Additions	Deletions	Balance 6/30/2013
Construction in progress	\$ 35,647	\$ 43,280	\$ 78,927	\$ -
Computer equipment	74,790	25,859	-	100,649
Equipment	77,820	2,300	13,233	66,887
Furniture and fixtures	38,699	-	2,160	36,539
Instruments	10,407	-	1,065	9,342
Vehicles	9,000	-	-	9,000
Leasehold improvements	195,480	78,927	-	274,407
Total	441,843	150,366	95,385	496,824
Less accumulated depreciation	(156,334)	(36,398)	(14,814)	(177,918)
Total capital assets, net	<u>\$ 285,509</u>	<u>\$ 113,968</u>	<u>\$ 80,571</u>	<u>\$ 318,906</u>

Note 4. Deferred Revenue

As of June 30, 2013, \$38,105 had been received from students for registration fees for the following school year.

Note 5. Related Party Transactions

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 \$1,094 of accrued liabilities (See Note 1) as of the date of the financial statements. Other related party transactions include the rental of the School's facility from the Center for \$232,308 for the year ended June 30, 2013.

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
Notes to the Financial Statements
June 30, 2013

Note 6. Adjustments to Budgetary Basis

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	\$ 727,552
Fiscal year 2013 adjustments:	
Construction in progress	43,280
Capitalized assets	28,159
Disposal of capital assets	
Depreciation expense	(36,398)
Loss on disposal of assets	(1,644)
Net assets - GAAP basis	<u>\$ 760,949</u>

Note 7. Retirement Plan

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, 2013

Note 7. Retirement Plan, Continued

Funding Policy – Plan members in the State and School Contributory Retirement System are required to contribute 15.06% of their annual covered salary. In the State and School Noncontributory Retirement System, the School is required to contribute 18.76% 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 2013 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				
2013	\$ -	\$ -	\$ 7,283	\$ 86,193
2012	-	-	4,258	56,102
Noncontributory System:				
State and School Division				
2013	\$ -	\$ -	\$ 135,022	\$ 782,139
2012	-	-	135,961	892,622
2011	-	-	129,900	733,810
Defined Contribution System:				
401 (k) Plan				
2013	\$ 14,363	\$ 21,049		
2012	24,233	23,267		
2011	33,852	22,059		
457 Plan				

Note 8. 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.

SUPPLEMENTARY INFORMATION

TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS
Statement of Functional Expenses
For the Year Ended June 30, 2013

	<u>Program Services School</u>	<u>Supporting Services General</u>	<u>Total</u>
Salaries and wages	\$ 845,163	\$ 253,667	\$ 1,098,830
Employee benefits	447,590	117,011	564,601
Professional fees and technical services	144,265	35,885	180,150
Purchased property services	-	11,801	11,801
Supplies	124,903	22,505	147,408
Text books	13,132	-	13,132
Computers and equipment	29,305	7,758	37,063
Library books and supplies	3,740	-	3,740
Student activities	69,432	-	69,432
Dues and fees	4,736	114	4,850
Communication	75	961	1,036
Insurance	-	11,753	11,753
Marketing and advertising	18,831	3,466	22,297
Travel and training	5,599	10,788	16,387
Rent and utilities	220,693	11,615	232,308
Depreciation	23,659	12,739	36,398
Total expenses	<u>\$ 1,951,123</u>	<u>\$ 500,063</u>	<u>\$ 2,451,186</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, 2013

	Actual on Budgetary Basis (See Note 6)	Budget	Variance with Budget
Revenue:			
Federal revenue	\$ -	\$ 102,736	\$ (102,736)
State revenue	2,223,210	2,234,364	(11,154)
Donations	26,862	27,062	(200)
Student application fees	42,819	70,279	(27,460)
Student activity fees	154,768	150,000	4,768
Interest income	1,012	1,000	12
Total revenue	2,448,671	2,585,441	(136,770)
Expenses:			
Salaries and wages	1,098,831	1,245,924	147,093
Employee benefits	564,601	592,729	28,128
Professional fees and technical services	180,150	185,000	4,850
Purchased property services	11,801	7,500	(4,301)
Supplies	191,344	195,000	3,656
Text books	13,132	14,000	868
Computers and equipment	62,921	56,255	(6,666)
Library books and supplies	3,740	11,500	7,760
Student activities	69,432	46,123	(23,309)
Dues and fees	4,850	5,080	230
Communication	1,036	2,700	1,664
Insurance	11,753	12,000	247
Marketing and advertising	22,297	29,000	6,703
Travel and training	16,387	22,830	6,443
Rent and utilities	232,308	320,000	87,692
Total expenses	2,484,583	2,745,641	261,058
Change in net assets	(35,912)	(160,200)	124,288
Net assets at beginning of year	763,464	763,464	-
Net assets at end of year	\$ 727,552	\$ 603,264	\$ 124,288

See accountants' report.

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OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

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MEMBERS:

CHAD B. ATKINSON, CPA
KRIS J. BRAUNBERGER, CPA
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KEVIN L. STEPHENS, CPA
MARK E. TICHENOR, CPA

**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, 2013, 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 November 20, 2013.

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 certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations as follows:

10-01. Misstatements Requiring Adjustments

13-01. Compensating Controls

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*.

We noted certain other matters that we have reported to the management of Tuacahn High School for the Performing Arts in a separate communication dated November 20, 2013.

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
November 20, 2013

**Independent Auditors' Report on Compliance
And on Internal Controls over Compliance
In Accordance with the *State of Utah Legal 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 general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2013.

The general compliance requirements applicable to Tuacahn High School for the Performing Arts are identified as follows:

- Cash Management
- Budgetary Compliance
- Utah Retirement Systems Compliance
- School Fees
- Government Records Access Management Act
- Conflicts of Interest
- Nepotism
- Utah Public Finance Website
- Open and Public Meetings Act

Tuacahn High School for the Performing Arts received the following major assistance programs from the State of Utah:

- Minimum School Program

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of Tuacahn High School for the Performing Arts' management.

Auditor's Responsibility

Our responsibility is to express an opinion on Tuacahn High School for the Performing Arts' compliance based on our audit.

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 of Utah Legal Compliance Audit Guide*. Those standards and the *State of Utah Legal 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 material effect on Tuacahn High School for the Performing Arts and its major 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. Our audit does not provide a legal determination of Tuacahn High School for the Performing Arts' compliance with those requirements.

Opinion

In our opinion, Tuacahn High School for the Performing Arts complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended June 30, 2013.

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, we considered Tuacahn High School for the Performing Arts' internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, 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 does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Purpose of 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.

A handwritten signature in cursive script that reads "Hinton Burdick, PLLC".

HintonBurdick, PLLC
St. George, Utah
November 20, 2013

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MEMBERS:

CHAD B. ATKINSON, CPA
KRIS J. BRAUNBERGER, CPA
DEAN R. BURDICK, CPA
ROBERT S. COX, CPA
TODD B. FELTNER, CPA
K. MARK FROST, CPA

KENNETH A. HINTON, CPA
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PHILLIP S. PEINE, CPA
MICHAEL K. SPILKER, CPA
KEVIN L. STEPHENS, CPA
MARK E. TICHENOR, CPA

**Findings and Recommendations
For the Fiscal Year Ended June 30, 2013**

Honorable Board of Trustees
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, 2013, 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 - Reissued

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.

13-01 Compensating Controls

In an effort to make up for the small staff size, the school has setup compensating controls where various individuals review cash receipts and disbursements to strengthen the internal control environment. Each month the Business Administrator delivers the bank statements and reconciliations to a board member for review of cash receipts and disbursements. It was noted that the statements were not being delivered to the board member every month.

Recommendations

Management has designed sufficient controls to compensate for the small administrative staff. We recommend that management ensure that all compensating controls are properly implemented and followed to ensure that the control environment is sufficient to safeguard the assets of the school from the risks associated with segregation of duties.

Management's Response

The Principal of Tuacahn High School for the Performing Arts will review the bank statements and related bank reconciliations monthly. Upon completion of the review, the Principal will sign and date bank reconciliations indicating that the work was completed. The principal or vice-principal will make bank deposits.

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,



HintonBurdick, PLLC
November 20, 2013