

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

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

**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, 2016, 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, 2016, 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 5, 2016, 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 5, 2016

**TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS**  
**Statement of Financial Position**  
**June 30, 2016**

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**Assets**

Current assets:

Cash and cash equivalents	\$ 985,635
Inventory	10,741
Total current assets	<u>996,376</u>

Property and equipment:

Computer equipment	110,653
Equipment	60,644
Furniture and fixtures	62,257
Instruments	16,799
Vehicles	53,641
Leasehold improvements	264,779
Accumulated depreciation	<u>(241,399)</u>
Total property and equipment	<u>327,374</u>
Total assets	<u><u>\$ 1,323,750</u></u>

**Liabilities**

Current liabilities:

Accounts payable	\$ 17,302
Accrued payroll and liabilities	152,251
Credit cards	74
Deferred revenue	<u>45,896</u>
Total current liabilities	<u>215,523</u>
Total liabilities	<u>215,523</u>

**Net assets**

Unrestricted	<u>1,108,227</u>
Total liabilities and net assets	<u><u>\$ 1,323,750</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, 2016**

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<b>Unrestricted net assets:</b>	
Revenues and support:	
Local	
Student activity fees	\$ 171,195
Student application fees	53,925
Donations	55,007
Interest income	6,174
State	2,537,661
Federal	158,358
Total revenues and support	<u>2,982,320</u>
Expenses:	
Program services:	
School	2,405,120
Total program services	<u>2,405,120</u>
Supporting services:	
General	562,044
Total supporting services	<u>562,044</u>
Total expenses	<u>2,967,164</u>
<b>Change in unrestricted net assets</b>	15,156
Net assets at beginning of year	<u>1,093,071</u>
<b>Net assets at end of year</b>	<u><u>\$ 1,108,227</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, 2016**

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<b>Cash flows from operating activities:</b>	
Cash received from educational activities	\$ 2,696,019
Cash received from contributions	55,007
Cash received from sales to students	239,016
Interest income	6,174
Payments for educational activities	(2,303,132)
Payments for management and general expenses	<u>(547,346)</u>
Cash flows from operating activities	<u>145,738</u>
<b>Cash flows from investing activities:</b>	
Purchases of capital assets	<u>(49,564)</u>
Cash flows from investing activities	<u>(49,564)</u>
<b>Change in cash and cash equivalents</b>	96,174
Cash and cash equivalents beginning of year	<u>889,461</u>
<b>Cash and cash equivalents end of year</b>	<u><u>\$ 985,635</u></u>
 <b>Reconciliation of change in net assets to net cash flows from operating activities:</b>	
Change in net assets	\$ 15,156
Adjustments needed to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	41,993
Changes in operating assets and liabilities:	
(Increase)/decrease in accounts receivable	-
(Increase)/decrease in inventory	2,066
(Increase)/decrease in prepaid expenses	4,650
Increase/(decrease) in accounts payable	5,311
Increase/(decrease) in accrued payroll and liabilities	62,623
Increase/(decrease) in credit cards	43
Increase/(decrease) in deferred revenue	<u>13,896</u>
Cash flows from operating activities	<u><u>\$ 145,738</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, 2016**

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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, 2016**

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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, 2016 was \$41,993.

**TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS**  
**Notes to the Financial Statements**  
**June 30, 2016**

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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, 2016 is recorded as accrued payroll. As of June 30, 2016, \$152,251 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 \$18,982 for fiscal year 2016.

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 2013, 2014, and 2015 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, 2016**

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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 5, 2016, 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, 2016, the School's bank balance was \$988,635 and \$403,557 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	\$ 985,290
Cash on hand	345
Total deposits and investments	<u>\$ 985,635</u>

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

Cash and cash equivalents	\$ 985,635
Total	<u>\$ 985,635</u>

**TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 3. Property and Equipment**

The following table summarizes the changes to capital assets during the year ended June 30, 2016.

	<b>Balance 6/30/2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2016</b>
Computer equipment	\$ 110,653	\$ -	\$ -	\$ 110,653
Equipment	60,644	-	-	60,644
Furniture and fixtures	34,264	27,993	-	62,257
Instruments	16,799	-	-	16,799
Vehicles	32,070	21,571	-	53,641
Leasehold improvements	264,779	-	-	264,779
Total	519,209	49,564	-	568,773
Less accumulated depreciation	(199,406)	(41,993)	-	(241,399)
Total capital assets, net	<u>\$ 319,803</u>	<u>\$ 7,571</u>	<u>\$ -</u>	<u>\$ 327,374</u>

**Note 4. Deferred Revenue**

As of June 30, 2016, \$45,896 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 \$4,777 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 \$244,100 and for other services for \$155,953 for the year ended June 30, 2016.

**TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS**  
**Notes to the Financial Statements**  
**June 30, 2016**

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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	\$ 1,100,656
Fiscal year 2016 adjustments:	
In-kind donation	12,500
In-kind expense	(12,500)
Capitalized assets	49,564
Depreciation expense	(41,993)
Net assets - GAAP basis	<u>\$ 1,108,227</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, 2016**

**Note 7. Retirement Plan, Continued**

**Funding Policy** – Plan members in the State and School Contributory Retirement System are required to contribute 18.24% 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 2016 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				
2016	\$ -	\$ -	\$ 51,480	\$ 282,175
2015	-	-	12,725	152,256
2014	-	-	9,604	112,882
Noncontributory System:				
State and School Division				
2016	\$ -	\$ -	\$ 200,684	\$ 944,930
2015	-	-	242,316	1,044,485
2014	-	-	185,602	963,320
Defined Contribution System:				
401 (k) Plan				
2016	\$ 29,748	\$ 18,244		
2015	26,614	20,610		
2014	22,582	27,622		
401(k) Plan and Tier 2 DC Only				
2016	\$ -	\$ -	\$ -	\$ -
2015	-	-	27	25,251
2014	-	-	26	25,906
457 Plan				
Not applicable				

**TUACAHN HIGH SCHOOL FOR THE PERFORMING ARTS**  
**Notes to the Financial Statements**  
**June 30, 2016**

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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, 2016**

	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>School</u>	<u>General</u>	<u>Total</u>
Salaries and wages	\$ 1,140,133	\$ 316,063	\$ 1,456,196
Employee benefits	460,874	105,217	566,091
Professional fees and technical services	79,732	45,838	125,570
Purchased property services	109,323	5,194	114,517
Supplies	128,016	23,742	151,758
Text books	12,279	-	12,279
Computers and equipment	93,100	5,444	98,544
Library books and supplies	388	-	388
Student activities	61,810	-	61,810
Dues and fees	21,025	5,133	26,158
Communication	7,577	776	8,353
Insurance	-	12,081	12,081
Marketing and advertising	15,862	3,120	18,982
Travel and training	3,936	11,908	15,844
Rent and utilities	243,770	12,830	256,600
Depreciation	27,295	14,698	41,993
Total expenses	<u>\$ 2,405,120</u>	<u>\$ 562,044</u>	<u>\$ 2,967,164</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, 2016**

	<b>Actual on Budgetary Basis (See Note 6)</b>	<b>Budget</b>	<b>Variance with Budget</b>
<b>Revenue:</b>			
Federal revenue	\$ 158,358	\$ 155,100	\$ 3,258
State revenue	2,537,661	2,537,732	(71)
Donations	42,507	40,985	1,522
Student application fees	53,925	54,500	(575)
Student activity fees	171,195	158,525	12,670
Interest income	6,174	6,000	174
Total revenue	<u>2,969,820</u>	<u>2,952,842</u>	<u>16,978</u>
<b>Expenses:</b>			
Salaries and wages	1,456,196	1,441,818	(14,378)
Employee benefits	566,091	580,029	13,938
Professional fees and technical services	125,570	124,925	(645)
Purchased property services	114,517	107,609	(6,908)
Supplies	151,758	153,126	1,368
Text books	12,279	12,500	221
Computers and equipment	148,108	145,608	(2,500)
Library books and supplies	388	390	2
Student activities	61,810	61,850	40
Dues and fees	26,158	23,110	(3,048)
Communication	8,353	8,300	(53)
Insurance	12,081	12,081	-
Marketing and advertising	18,982	18,450	(532)
Travel and training	15,844	16,200	356
Rent and utilities	244,100	245,600	1,500
Total expenses	<u>2,962,235</u>	<u>2,951,596</u>	<u>(10,639)</u>
<b>Change in net assets</b>	7,585	1,246	6,339
Net assets at beginning of year	<u>1,093,071</u>	<u>1,093,071</u>	<u>-</u>
<b>Net assets at end of year</b>	<u>\$ 1,100,656</u>	<u>\$ 1,094,317</u>	<u>\$ 6,339</u>

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, 2016**

	2016
<b>Fund Balance - Ending (AFR / All Funds / Actual)</b>	<b>\$ 780,853</b>
Adjustments made during the audit:	
Additions to fund balance:	
Capital assets:	
Computer equipment	110,653
Equipment	60,644
Furniture and fixtures	62,257
Instruments	16,799
Vehicles	53,641
Leasehold improvements	264,779
Accumulated depreciation	(241,399)
Capital assets, net	327,374
<b>Net Assets - Ending (Financial Statements - Statement of Financial Position)</b>	<b>\$ 1,108,227</b>
 <b>Net Change in Fund Balance (AFR / All Funds / Actual)</b>	 <b>\$ 7,585</b>
Adjustments made during the audit:	
Revenues	
In-kind donation	12,500
Expenditures	
In-kind expense	(12,500)
FY16 Capital asset additions	49,564
Current year depreciation	(41,993)
<b>Change in Net Assets (Financial Statements - Statement of Activities)</b>	<b>\$ 15,156</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, 2016, 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 5, 2016.

**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.



HintonBurdick, PLLC  
St. George, Utah  
September 5, 2016

**Independent Auditors' Report**  
**As Required by the *State Compliance Audit Guide* On:**

- **Compliance with General State Compliance Requirements**
- **Internal Control Over Compliance**

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

**Report on Compliance with General State Compliance Requirements**

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, 2016.

General state compliance requirements were tested for the year ended June 30, 2016 in the following areas:

- Budgetary Compliance
- Utah Retirement Systems
- Restricted Taxes and Other Revenues
- Open and Public Meetings Act
- Cash Management
- Minimum School Program

***Management's Responsibility***

Management is responsible for compliance with the general 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 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 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. However, our audit does not provide a legal determination of Tuacahn High School for the Performing Arts' compliance.

### ***Opinion on General State Compliance Requirements***

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 for the year ended June 30, 2016.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the Finding and Recommendations letter as items 2016-001 and 2016-002. Our opinion on compliance is not modified with respect to these matters.

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

### **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 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 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 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 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 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.

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

HintonBurdick, PLLC  
St. George, Utah  
September 5, 2016

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**Findings and Recommendations  
For the Fiscal Year Ended June 30, 2016**

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, 2016, we noted a few areas that, if improved, would strengthen the School's accounting system and control over its assets. These items are discussed below for your consideration.

**INTERNAL CONTROL OVER FINANCIAL REPORTING:**

**Material Weaknesses:**

None noted

**Significant Deficiencies:**

None noted

**COMPLIANCE AND OTHER MATTERS:**

**Compliance:**

2016-001      Open and Public Meetings Act

The public notices for a few of the Board meetings were not posted to the Utah Public Notice Website, as required by UCA 52-4-202, within 24 hours of each meeting.

Recommendation

We recommend that procedures be enacted to ensure that each Board meeting notice is posted to the Utah Public Notice Website 24 hours in advance of the meeting.

Management's Response

Management is aware of the compliance requirement and will ensure that all public notices be posted to the Utah Public Notice Website.

2016-002      Expenditures Exceeding Final Budget

According to UCA 53A-19-106, entities should not have expenditures in excess of the final adopted budget. The School had unplanned expenditures arise during the year that caused the School to exceed the budget for FY16 by \$10,639 as noted in the financial statements.

Recommendation

We recommend that management take appropriate steps to ensure that all possible expenditures be included in the final adopted budget.

Management's Response

Management will work together within their organization to ensure that all possible expenditures be reflected in the final adopted budget.

**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

September 5, 2016