



Financial Statements  
June 30, 2023

# Rockwell Charter High School

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## Independent Auditor's Report

The Board of Directors  
Rockwell Charter High School  
Eagle Mountain, Utah

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities and the major fund of Rockwell Charter High School (the School) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the School, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Substantial Doubt About the Entity's Ability to Continue as a Going Concern*

The accompanying financial statements have been prepared assuming that the School will continue as a going concern. As discussed in Note 4 to the financial statements, the School is not in compliance with its debt service coverage requirement covenant, which constitutes an event of default, creating uncertainty about its ability to continue as a going concern. Management's evaluation of the event of default and management's plans regarding this matter is also described in Note 4. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2023, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Ogden, Utah  
December 20, 2023

The discussion and analysis of Rockwell Charter High School's (the School) financial performance provides an overall review of financial activities for the fiscal year.

### **FINANCIAL HIGHLIGHTS**

- The School's liabilities exceeded its assets at the close of the most recent fiscal year by \$59,487 (net position). The School's unrestricted net position of \$699,340 may be used to meet the School's ongoing obligations to students, employees, and creditors.
- During the year, expenses were \$316,568 more than the \$3,367,588 generated in revenues for governmental activities.
- The School receives most of its revenue from state and federal funding based on the number of students enrolled during the year. State and federal revenues totaled \$3,072,360 in fiscal year 2023. Instructional expenditures totaled \$1,241,140 in fiscal year 2023.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis serve as an introduction to the School's basic financial statements. These financial statements include three primary components:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

The basic financial statements consist of two kinds of statements that present different views of the School's financial activities.

#### **Government-Wide Financial Statements (GWFS)**

The GWFS (i.e., Statement of Net Position and Statement of Activities) provide readers with a broad overview of the School's finances. The government-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies.

*The Statement of Net Position* provides information on all of the assets and liabilities of the School, with the difference between the two providing the net position. Increases or decreases in the net position may indicate whether the financial position of the School is improving or deteriorating, respectively.

*The Statement of Activities* reflects changes in net position during the fiscal year. Changes in net position are reported using the accrual basis of accounting, similar to that used by private-sector companies. Accrual basis accounting takes into account all current year related revenue and expenditures, regardless of when cash is received or paid.

The GWFS presents an aggregate view of the School's finances and contains useful long-term information as well as information for the just-completed fiscal year.

To assess the overall financial condition of the School, additional non-financial factors, such as changes in the condition of school buildings and other facilities, should be considered.

In the GWFS, the School's activities are all classified as governmental activities. Governmental activities include all regular and special education, all educational support activities, administration, custodial, maintenance, transportation, and food services. Most of these activities are supported by the State of Utah Minimum School Program. The GWFS can be found on pages 9-10 of this report.

### **Fund Financial Statements**

Funds are accounting devices the School uses to keep track of sources of funding and spending on particular programs and to demonstrate compliance with various regulatory requirements. Fund financial statements focus on individual parts of the School. Fund statements generally report operations in more detail than the government-wide statements. This statement focuses on its most significant or "major" funds and not on the School as a whole.

The School establishes other funds, as necessary, to control and manage money for particular purposes or to show that it is properly using certain revenue.

### **Governmental Funds**

Governmental funds account for nearly the same functions as the governmental activities. However, unlike the GWFS, governmental funds focus on near-term inflows and outflows as well as the balances left at year-end that are available for funding future basic services.

It is useful to compare information found in the governmental funds with that of the governmental activities. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions.

The basic governmental funds financial statements can be found on pages 11-14 of this report.

### **Notes**

The notes to the financial statements starting on page 15 provide further explanation of some of the information in the statements and provide additional disclosures so statement users have a complete picture of the School's financial activities and position.

Required supplementary information further explains and supports the financial statements by including a comparison of the School's budget data for the year.

### Government-Wide Financial Analysis

Net position may serve as a useful indicator of an organization's financial position. The School put an emphasis on spending restricted funds from various programs and were able to decrease the restricted net position while increasing the unrestricted net position.

	2023	2022
<b>Assets</b>		
Current and other assets	\$ 3,364,596	\$ 3,328,160
Capital assets	9,690,142	9,778,064
Total assets	\$ 13,054,738	\$ 13,106,224
<b>Liabilities</b>		
Current and other liabilities	\$ 864,481	\$ 369,081
Long-term liabilities	12,249,744	12,480,062
Total liabilities	13,114,225	12,849,143
<b>Net Position</b>		
Net investment in capital assets	(2,559,602)	(2,701,998)
Restricted	1,800,775	1,772,069
Unrestricted	699,340	1,187,010
Total net position	\$ (59,487)	\$ 257,081

A portion of the School's net position is the investments in capital assets (i.e., building and improvements, land, equipment and vehicles, and furniture and fixtures) and the related debt used to acquire those assets still outstanding. These capital assets provide services to students; consequently, these assets are not available for future spending. The negative net investment in capital assets is due to cumulative depreciation of the respective capital assets exceeding the cumulative principal repayments on the related long-term debt. Restricted net position is restricted for debt service and program restrictions. The remaining portion of the School's net position is unrestricted.

### Governmental Activities

Changes in Net Position – The table below shows the changes in net position for the fiscal years 2023 and 2022. The School relies on state and federal support for 91% of its governmental activities for the year ended June 30, 2023. The School had total revenue of \$3,367,588 and total expenses of \$3,684,156, during the year ended June 30, 2023. The School had a decrease in net position of \$316,568 during the year ended June 30, 2023. The decrease in the net position during the year ended June 30, 2023, is attributed to additional expenditures related to the uncertainty in qualifying for the ERC credit that was filed in the prior fiscal year.



Rockwell Charter High School  
Management's Discussion and Analysis  
June 30, 2023

	2023	2022	Change
<b>Revenue</b>			
Program revenue			
State and federal aid	\$ 3,072,360	\$ 2,936,916	\$ 135,444
Charges for services	27,276	763	26,513
Operating grants and contributions	15,000	15,377	(377)
Other local revenue	252,952	438,965	(186,013)
<b>Total revenue</b>	<b>3,367,588</b>	<b>3,392,021</b>	<b>(24,433)</b>
<b>Expenses</b>			
Instructional	1,241,140	1,258,412	(17,272)
Support services			
Students	212,544	192,463	20,081
Staff assistance	3,699	5,427	(1,728)
General	368,037	178,829	189,208
School administration	306,417	199,262	107,155
Central services	94,690	102,556	(7,866)
Operation and maintenance of facilities	690,389	625,533	64,856
Transportation	8,748	40,799	(32,051)
School food services	76,740	81,793	(5,053)
Interest and other costs	681,752	694,398	(12,646)
Loss of sale of assets	-	(5,127)	5,127
<b>Total expenses</b>	<b>3,684,156</b>	<b>3,374,345</b>	<b>309,811</b>
<b>Change in Net Position</b>	<b>\$ (316,568)</b>	<b>\$ 17,676</b>	<b>\$ (334,244)</b>

**Governmental Funds**

The focus of the School's governmental funds is to provide balances of spendable resources and to provide data on near-term inflows and outflows.

General Fund – The general fund is the general operating fund for the School. At the end of the current fiscal year, the general fund balance is \$2,807,955, which is a decrease of \$463,593 from the prior year. The School puts an emphasis on continuing to be fiscally healthy by saving a portion of the budget each year. There has traditionally been additional savings throughout the budget at the end of the year.

Expenditures for general School purposes totaled \$3,831,181, which is an increase of \$412,681 from the prior year. The School takes a conservative approach to budgeting, focusing on the bottom line. The School used funds to invest in upgrades to the facility that were long overdue by adding a new roof for the building. The School also focused on making sure staff were fairly compensated.

General fund salaries totaled \$1,291,987, while the associated fringe benefits of retirement, social security, unemployment, workers compensation, health, dental and vision added \$337,174 to arrive at 43% of the School's general fund expenditures.

### **Budgetary Highlights**

The School adopts an original budget in June for the subsequent year.

Actual expenditures in the general fund were \$177,782 more than the amended budget. The School recognized approximately \$270,000 in expenditures during the year ended June 30, 2023, related to their ERC filing and uncertainty about whether the School qualifies for the ERC.

### **Capital Assets**

The School has invested \$13,751,614 in a wide range of capital assets, but primarily in land and building and improvements. The total accumulated depreciation on these assets amounts to \$4,061,472. There were capital asset additions of \$283,192 for fiscal year 2023.

Additional information regarding the School's capital assets can be found in Note 3 to the basic financial statements.

### **Long-Term Debt**

Long-term debt consists of bonds payable totaling \$12,395,000 as of June 30, 2023, that bear interest ranging from 4.00% to 6.63%. The bonds payable mature July 2027, July 2032, July 2037, July 2042, and July 2047. See Note 4 to the financial statements for more information about long-term debt.

### **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School at 3435 East Stonebridge Lane Eagle Mountain, Utah 84005, or by phone at 801-789-7625.

Rockwell Charter High School  
Statement of Net Position  
June 30, 2023

	Governmental Activities
<b>Assets</b>	
Cash and investments	\$ 1,349,892
Restricted cash and investments	1,684,461
State receivables	53,245
Federal receivables	262,259
Other receivables	3,195
Prepaid expenses	11,544
Capital assets (not subject to depreciation)	2,650,000
Capital assets (net of accumulated depreciation)	7,040,142
Total assets	13,054,738
<b>Liabilities</b>	
Accounts payable	45,276
Accrued liabilities	17,935
Accrued interest	307,840
Unearned revenue	493,430
Long-term liabilities	
Due within one year - bonds payable	255,000
Due in more than one year - bonds payable	11,994,744
Total liabilities	13,114,225
<b>Net Position</b>	
Net investment in capital assets	(2,559,602)
Restricted for	
Special education	116,314
Debt service	1,684,461
Unrestricted	699,340
Total net position	\$ (59,487)

Rockwell Charter High School  
Statement of Activities  
Year Ended June 30, 2023

Functions/Programs	Program Revenue			Net Revenue (Expense) and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
<i>Governmental activities</i>				
Instructional	\$ 1,241,140	\$ -	\$ 1,764,812	\$ 523,672
Support services				
Students	212,544	-	-	(212,544)
Staff assistance	3,699	-	-	(3,699)
General	368,037	-	-	(368,037)
School administration	306,417	-	-	(306,417)
Central services	94,690	-	-	(94,690)
Operation and maintenance of facilities	690,389	-	-	(690,389)
Transportation	8,748	-	-	(8,748)
School food services	76,740	27,276	-	(49,464)
Interest and other costs	681,752	-	-	(681,752)
<b>Total Governmental Activities</b>	<b>\$ 3,684,156</b>	<b>\$ 27,276</b>	<b>\$ 1,764,812</b>	<b>(1,892,068)</b>
General Revenue				
Grants and contributions not restricted to specific programs				
State aid				1,322,548
Local revenue				186,575
Interest earnings				66,377
				<u>1,575,500</u>
				(316,568)
				<u>257,081</u>
				<u>\$ (59,487)</u>

Rockwell Charter High School  
Balance Sheet – Governmental Funds  
June 30, 2023

	General
<b>Assets</b>	
Cash and investments	\$ 1,349,892
Restricted cash and investments	1,684,461
State receivables	53,245
Federal receivables	262,259
Other receivables	3,195
Prepaid expenses	11,544
Total assets	\$ 3,364,596
<b>Liabilities and Fund Balance</b>	
<b>Liabilities</b>	
Accounts payable	\$ 45,276
Accrued liabilities	17,935
Unearned revenue	493,430
Total liabilities	556,641
<b>Fund Balance</b>	
Nonspendable	
Prepaid expenses	11,544
Restricted for	
Special education	116,314
Debt service	1,684,461
Unassigned	995,636
Total fund balance	2,807,955
	\$ 3,364,596

Rockwell Charter High School  
 Reconciliation for Governmental Funds Balance Sheet to the Statement of Net Position  
 June 30, 2023

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Total Fund Balance - Governmental Funds \$ 2,807,955

The cost of capital assets (land, buildings and improvements, equipment and vehicles and furniture and fixtures) purchased or constructed is reported as an expenditure in governmental funds. The statement of net position includes those capital assets among the assets of the School as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation expense) to the various programs reported as governmental activities in the statement of activities. Because depreciation expense does not affect financial resources, it is not reported in government funds.

Costs of capital assets	13,751,614	
Depreciation expense to date	<u>(4,061,472)</u>	9,690,142

Long-term liabilities applicable to governmental activities are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. Balances at year end are:

Long-term liabilities		
Bonds payable	(12,395,000)	
Discount on bonds payable	145,256	
Accrued interest	<u>(307,840)</u>	<u>(12,557,584)</u>

Net Position		<u>\$ (59,487)</u>
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Rockwell Charter High School  
Statement of Revenue, Expenditures, and Changes in Fund Balance – Governmental Funds  
Year Ended June 30, 2023

	General
Revenue	
State aid	\$ 2,804,043
Federal aid	268,317
Earnings on investments	66,377
School fees and activities	181,492
School lunch sales	27,276
Local contributions	15,000
Other local sources	5,083
Total revenue	3,367,588
Expenditures	
Instructional	1,241,140
Support services	
Students	212,544
Staff assistance	3,699
General	368,037
School administration	306,417
Central services	94,690
Operation and maintenance of facilities	319,275
Transportation	8,748
Total support services	1,313,410
Non instructional	
School food services program	76,740
Capital outlay	283,192
Total non instructional	359,932
Debt service	
Principal	240,000
Interest	676,699
Total debt service	916,699
Total expenditures	3,831,181
Net Change in Fund Balance	(463,593)
Fund Balance, Beginning of Year	3,271,548
Fund Balance, End of Year	\$ 2,807,955

Rockwell Charter High School  
 Reconciliation of Governmental Funds Statement of Revenue, Expenditures,  
 and Changes in Fund Balance to the Statement of Activities  
 Year Ended June 30, 2023

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Total Net Change in Fund Balance - Governmental Funds \$ (463,593)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays during the fiscal year:

Capital asset additions	283,192	
Depreciation expense	(371,114)	
	(87,922)	(87,922)

The governmental funds report repayment of long-term liability payments as expenditures. Interest is recognized as an expenditure in the governmental activities when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of debt and related items is as follows:

Repayment of bonds payable principal	240,000	
Amortization of bond discount	(9,682)	
Change in accrued interest	4,629	
	234,947	234,947

Change in Net Position of Governmental Activities \$ (316,568)



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

Rockwell Charter High School (the School) was formed in 2007 and is a nonprofit institution, organized under the nonprofit corporation laws of the State of Utah. The School was organized by a group of parents, teachers, and business professionals to provide an educational opportunity in Eagle Mountain, Utah, that was not governed by the local school district. The School's mission is to prepare students to be successful in their post-secondary pursuits by fostering creativity, encouraging collaboration and empowering students to take responsibility for their own learning and future. The School provides the following activities: education, encompassing instruction, student and staff support activities, and facilities maintenance and operation. Supporting services include general and administrative services which are overall entity-related administrative costs.

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the School are described below.

**Financial Reporting Entity**

The School follows Governmental Accounting Standards Board (GASB) in determining the reporting entity and component units. The financial reporting entity consists solely of the primary government. Accordingly, the financial statements include all funds and agencies of the primary government whose budgets are controlled or whose boards are appointed by the School's Board of Directors (the Board).

The accounts of the School are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The funds of the School are classified as governmental funds. The fund classifications and a description of each existing fund type follow:

**Governmental Funds**

Governmental funds are used to account for the School's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt.

The general fund is considered a major fund. Governmental funds include:

General fund – the primary operating fund of the School accounts for all financial resources, except those required to be accounted for in other funds.

### **Measurement Focus and Basis of Accounting**

#### **Government-Wide Financial Statements (GWFS)**

The statement of net position and the statement of activities display information about the reporting government as a whole.

The statement of net position and the statement of activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenue, expenses, gains, losses assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenue, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 *Accounting and Financial Reporting for Nonexchange Transactions* in the GWFS.

#### **Program Revenue**

Program revenue included in the statement of activities derive directly from the program itself or from parties outside the School's citizenry, as a whole; program revenue reduces the cost of the function to be financed from the School's general revenue. Program revenue includes charges to students or applicants who purchase, use, or directly benefit from the goods or services provided by the given function.

### **Fund Financial Statements**

#### **Governmental Funds**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized when susceptible to accrual defined as measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers all revenue available if they are collected within 90 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt, which is recognized when due, and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. With this measurement focus, only current assets and current liabilities and deferred outflows and inflows of resources, as applicable, are generally included on the balance sheet. Operating statements of these funds present increases and decreases in fund balance.

The governmental funds use the following practices in recording revenue and expenditures:

### **Revenue**

Entitlements and shared revenue (which include state equalization and state revenue sharing) are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Other receipts become measurable and available (collected within 90 days of year-end) when cash is received by the School and are recognized as revenue at that time. The School's period of availability is 90 days subsequent to year end.

### **Expenditures**

Salaries are recorded as incurred. The School has employees who do not work year-round, but receive salary payments on a monthly basis; salaries earned, but unpaid, have been accrued as of June 30, 2023.

### **Restricted Cash and Investments**

Cash and investments restricted for debt service is cash and investments set aside for bonds payable reserve requirements.

### **Investments**

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

### **Receivables**

All receivables are shown net of any allowance for uncollectible amounts. No allowances for uncollectible items have been recorded as of June 30, 2023.

### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

### Capital Assets

Capital assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated acquisition value at the date of donation. Estimated useful lives are management's estimate of how long the asset is expected to meet service demands. The School's capitalization threshold is \$1,500. The cost of normal maintenance and repairs not adding to the value of the asset or materially extending asset lives are not capitalized.

Straight-line depreciation is used based on the following estimated useful lives:

Buildings and improvements	3-40 years
Equipment and vehicles	3-10 years
Furniture and fixtures	5-15 years

### Long-Term Liabilities

For government-wide reporting, material premiums and discounts are deferred and amortized over the life of the debt using the effective interest method. Debt is reported net of the applicable premium or discount. Issuance costs are expensed as incurred.

For fund financial reporting, premiums and discounts as well as issuance costs are recognized in the period the debt is issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

### Restricted Net Position

For the government-wide statement of net position, net position is reported as restricted when constraints placed on net position use is either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

It is the School's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

### Fund Balance of Fund Financial Statements

The governmental funds financial statements present a fund balance based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent.

The classifications used in the governmental funds financial statements are as follows:

**Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The School has historically shown prepaids as being nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

**Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the general obligations and are restricted through debt covenants.

**Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action by the Board. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed.

**Assigned:** This classification includes amounts that are constrained by the Board's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or by the Board delegating this responsibility to the Executive Director or their designee through the budgetary process.

**Unassigned:** This classification includes the residual fund balance for the general fund and the amount established for minimum funding.

The School would typically use restricted fund balances first followed by committed resources and the assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

### **Grants and Other Intergovernmental Revenue**

Federal and state reimbursement-type grants are recorded as intergovernmental revenue when the related expenditures/expenses are incurred and, in the governmental funds, when the revenue meets the availability criterion.

**Employee Retention Credit**

The Coronavirus Aid, Relief, and Economic Security Act provided an employee retention credit (the credit) which is a refundable tax credit against certain employment taxes for eligible employers. The Consolidated Appropriations Act of 2021 and the American Rescue Plan Act of 2021 expanded the availability of the credit, extended the credit through September 30, 2021, and increased the credit to 70% of qualified wages, capped at \$7,000 per quarter.

During the year ended June 30, 2022, the School received \$438,456 related to the credit which is presented as unearned revenue on the statement of net position and balance sheet – governmental funds due to uncertainty about the School qualifying for the credit.

**Note 2 - Cash and Investments**

At June 30, 2023, the School’s cash and investments consisted of the following:

Cash			
Insured		\$	327,504
Uninsured and not collateralized			574,710
			<u>902,214</u>
Total balance of deposits		\$	<u>902,214</u>
	<u>Rating</u>	<u>Fair Value</u>	<u>Investment Maturities</u>
Investments			
PTIF	Unrated	\$	2,132,139
			Less than 1 year
Total cash and investments		\$	<u>3,034,353</u>

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

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

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

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

The Utah State Treasurer’s Office operates the Public Treasurers’ Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Act (Utah Code, Title 51, Chapter 7). The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

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

#### *Fair Value of Investments*

The School measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and
- Level 3: Unobservable inputs.

The investments consist only of PTIF funds which are classified as Level 2. The PTIF funds use the application of the June 30, 2023, fair value as calculated by the Utah State Treasurer to the School’s average daily balance in the Fund. The School currently has no assets that qualify for Level 1 or 3 investments. The following table illustrates the investments by the appropriate levels for the School:

	<u>Total</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>
June 30, 2023				
PTIF	\$ 2,132,139	\$ -	\$ 2,132,139	\$ -

**Custodial Credit Risk**

For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School will not be able to recover the value of its deposits, investments, or collateral securities that are in the possession of an outside party. The School's policy for managing custodial credit risk is to adhere to the Act. The Act requires all deposits of the School to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School's policy for reducing its exposure to credit risk is to comply with the Act, as previously discussed.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of the School's investment in a single issuer. The School's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days - 15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the state to five years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding three years.



**Note 3 - Capital Assets**

A summary of activity in the capital assets is as follows:

	<u>June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2023</u>
Capital assets, not subject to depreciation				
Land	\$ 2,650,000	\$ -	\$ -	\$ 2,650,000
Capital assets being depreciated				
Building and improvements	10,424,277	269,022	(19,047)	10,674,252
Equipment and vehicles	433,323	14,170	(33,757)	413,736
Furniture and fixtures	13,626	-	-	13,626
Total capital assets being depreciated	<u>10,871,226</u>	<u>283,192</u>	<u>(52,804)</u>	<u>11,101,614</u>
Less accumulated depreciation for				
Buildings and improvements	(3,498,381)	(303,659)	19,047	(3,782,993)
Equipment and vehicles	(235,564)	(66,440)	33,757	(268,247)
Furniture and fixtures	(9,217)	(1,015)	-	(10,232)
Total accumulated depreciation	<u>(3,743,162)</u>	<u>(371,114)</u>	<u>52,804</u>	<u>(4,061,472)</u>
Total capital assets, subject to depreciation	<u>7,128,064</u>	<u>(87,922)</u>	<u>-</u>	<u>7,040,142</u>
Total capital assets, net	<u>\$ 9,778,064</u>	<u>\$ (87,922)</u>	<u>\$ -</u>	<u>\$ 9,690,142</u>

Depreciation expense was charged to operation and maintenance of facilities function of the School.

**Note 4 - Long-Term Liabilities**

A summary of activity for the long-term liabilities is as follows:

	<u>Balance at June 30, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2023</u>	<u>Due Within One Year</u>
Bonds payable	\$ 12,635,000	\$ -	\$ (240,000)	\$ 12,395,000	\$ 255,000
Bonds discount	(154,938)	-	9,682	(145,256)	-
	<u>\$ 12,480,062</u>	<u>\$ -</u>	<u>\$ (230,318)</u>	<u>\$ 12,249,744</u>	<u>\$ 255,000</u>

Long-term liabilities as of June 30, 2023, consist of the following:

Series 2017A (\$11,700,000), Series 2017B (\$1,540,000) and 2017C (\$290,000) Revenue Refunding Bonds (2017 Bonds) have coupon interest rates ranging from 4.00%-6.63%, issued during fiscal year 2018 to refund the outstanding balance of its 2008 Bonds totaling \$12,065,000 and pay certain debt issuance costs. The 2017 Bonds were issued through the Utah State Charter School Finance Authority (the Authority). The 2017 Bonds issued by the Authority are not debt of the state of Utah or the Authority, but are obligations payable solely from the School's funds and the Authority does not guarantee the 2017 Bonds. The remaining Series 2017A term bonds mature July 2027, July 2032, July 2037, July 2042 and July 2047. The Series 2017B term bond matures July 2047. The Series 2017C term bond matures July 2027. The 2017 Bonds were issued at a discount of \$202,950 that is amortized over the life of the bonds.	\$ 12,395,000
Bond discount, net	<u>(145,256)</u>
	<u><u>\$ 12,249,744</u></u>

The annual requirements to pay principal and interest on the outstanding long-term liabilities is as follows:

<u>Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 255,000	\$ 665,688	\$ 920,688
2025	265,000	653,538	918,538
2026	280,000	640,788	920,788
2027	290,000	627,438	917,438
2028	310,000	613,359	923,359
2028-2033	1,770,000	2,809,313	4,579,313
2034-2038	2,295,000	2,271,575	4,566,575
2039-2043	2,995,000	1,548,578	4,543,578
2044-2048	<u>3,935,000</u>	<u>581,813</u>	<u>4,516,813</u>
Total	<u><u>\$ 12,395,000</u></u>	<u><u>\$ 10,412,090</u></u>	<u><u>\$ 22,807,090</u></u>

As of June 30, 2023, the School failed to comply with the debt service coverage requirement covenant, which constitutes an event of default as defined in the loan agreement. In accordance with the loan agreement, the School has prepared a plan to cure which has been submitted to the trustee. The plan to cure includes three primary action points, including (a) hiring an independent consultant to work with management to identify efficiencies within staffing and to reduce costs, (b) replacing the Executive Director at the beginning of fiscal year 2024 and (c) prepare and execute a budget for fiscal year 2024 that ensures the School is in compliance with its debt covenants as of June 30, 2024.

As of December 20, 2023, the School has hired an independent consultant, replaced its Executive Director and prepared a budget that would ensure compliance with covenants. Furthermore the School's enrollment increased from 250 students on October 1, 2022, to 287 students on October 1, 2023. Although management has submitted a plan to cure, as of December 20, 2023, it has not officially been approved by the trustee, and thus the School remains in default with respect to its loan agreement. As a result, there is substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date.

**Note 5 - Concentrations**

The School's principal source of support is state and federal-based support revenue. For the year ended June 30, 2023, this funding source accounted for approximately 91% of all revenue.

**Note 6 - Benefit Plan**

The School has a defined contribution plan covering substantially all employees. The plan provides that all full-time employees can voluntarily contribute up to the statutory limits of their earnings to the plan. Employer contributions are discretionary and are determined and authorized by the Board of Directors each plan year. Total expense related to the plan for the year ended June 30, 2023 was \$7,180.

**Note 7 - Contingency**

The School's Employee Retention Credit filings remain open for potential examination by the Internal Revenue Service through the statute of limitations, which has varying expiration dates extending through 2027. Any disallowed claims resulting from such examinations could be subject to repayment to the federal government.



Required Supplementary Information  
June 30, 2023

# Rockwell Charter High School

Rockwell Charter High School

Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund

Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenue</b>				
State aid	\$ 3,254,835	\$ 2,729,643	\$ 2,804,043	\$ 74,400
Federal aid	145,611	294,245	268,317	(25,928)
Earnings on investments	6,800	62,000	66,377	4,377
School fees and activities	124,520	233,875	181,492	(52,383)
School lunch sales	305	27,004	27,276	272
Local contributions	3,510	13,799	15,000	1,201
Other local sources	12,630	1,770	5,083	3,313
Total revenue	<u>3,548,211</u>	<u>3,362,336</u>	<u>3,367,588</u>	<u>5,252</u>
<b>Expenditures</b>				
Instructional	<u>1,541,316</u>	<u>1,343,642</u>	<u>1,241,140</u>	<u>102,502</u>
<b>Support services</b>				
Students	123,282	176,801	212,544	(35,743)
Staff assistance	23,000	19,500	3,699	15,801
General	62,875	94,351	368,037	(273,686)
School administration	301,605	297,753	306,417	(8,664)
Central services	88,628	105,516	94,690	10,826
Operation and maintenance of facilities	154,958	598,749	319,275	279,474
Transportation	25,385	7,776	8,748	(972)
Total support services	<u>779,733</u>	<u>1,300,446</u>	<u>1,313,410</u>	<u>(12,964)</u>
<b>Non-instructional</b>				
School food services program	88,531	89,511	76,740	12,771
Capital outlay	-	-	283,192	(283,192)
Total non-instructional	<u>88,531</u>	<u>89,511</u>	<u>359,932</u>	<u>(270,421)</u>
<b>Debt service</b>				
Principal	240,000	240,000	240,000	-
Interest	679,600	679,800	676,699	3,101
Total debt service	<u>919,600</u>	<u>919,800</u>	<u>916,699</u>	<u>3,101</u>
Total expenditures	<u>3,329,180</u>	<u>3,653,399</u>	<u>3,831,181</u>	<u>(177,782)</u>
Net Change in Fund Balance	<u>\$ 219,031</u>	<u>\$ (291,063)</u>	<u>\$ (463,593)</u>	<u>\$ (172,530)</u>

**Note 1 - Basis of Budgeting**

The School follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The School's Executive Director is appointed as the budget officer. Before June 1 of each year, the budget officer shall prepare a tentative budget, with supporting documentation, to be submitted to the Board.
2. The tentative budget and supporting documents shall include the following items:
  - a. The revenue and expenditures of the preceding fiscal year,
  - b. The estimated revenue and expenditures of the current fiscal year,
  - c. A detailed estimate of the essential expenditures for all the purposes for the next succeeding fiscal year, and
  - d. The estimated financial condition of the School at the close of the fiscal year.
3. The tentative budget shall be filed with the School's Executive Director for public inspection at least 15 days before the date of the tentative budget's proposed adoption by the Board.
4. Before June 30 of each year, the Board will adopt a budget for the next fiscal year.
5. By the sooner of July 15 or 30 days of adopting a budget, the Board will file a copy of the adopted budget with the state auditor and the State Board of Education.



Compliance Reports  
June 30, 2023

# Rockwell Charter High School



**Independent Auditor’s 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***

The Board of Directors  
Rockwell Charter High School  
Eagle Mountain, Utah

We have audited, 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, the financial statements of the governmental activities and the major fund of Rockwell Charter High School (the School), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements and the related notes to the financial statements and have issued our report thereon dated December 20, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School’s financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Erik Bailly LLP". The signature is written in a cursive, flowing style.

Ogden, Utah  
December 20, 2023



**Independent Auditor's Report on Compliance and Report on Internal Control over Compliance  
as Required by the *State Compliance Audit Guide***

The Board of Directors  
Rockwell Charter High School  
Eagle Mountain, Utah

**Report on Compliance**

We have audited Rockwell Charter High School's (the School) compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, for the year ended June 30, 2023.

State compliance requirements were tested for the year ended June 30, 2023, in the following areas:

- Budgetary Compliance
- Fraud Risk Assessment
- Cash Management
- Open and Public Meeting Act
- Internal Control Systems
- Public Education Programs

**Opinion on Compliance**

In our opinion, the School complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2023.

**Basis for Opinion**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the *State Compliance Audit Guide* (Guide). Our responsibilities under those standards and the *State Compliance Audit Guide* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

## **Responsibilities of Management for Compliance**

Management is responsible for compliance with the state requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School's government programs.

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about School's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Guide and which are described in the accompanying schedule of findings and questioned costs as item 2023-A. Our opinion on compliance is not modified with respect to this matter.

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

## Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

*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 to 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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.



Ogden, Utah  
December 20, 2023

**2023-A Budgetary Compliance**

*Criteria:* The Budgetary Compliance guidelines require the School to limit total expenditures, by fund, to the amounts appropriated in the final adopted budget.

*Condition:* The School had total expenditures in the general fund that exceeded the final adopted budgeted amounts.

*Cause:* Total expenditures for the year ended June 30, 2023, exceeded the budgeted amount. This is due to the School exceeding budget related to the ERC filing.

*Effect:* Expenditures in excess of the final adopted budgeted amounts.

*Recommendation:* We recommend that management ensures their final adopted budget amounts are sufficient to cover the total expenditures by fund.

*Management Response:* Management agrees with this finding and plans to implement additional control procedures and training of personnel to ensure that expenditures by fund don't exceed the final adopted budgeted amounts.