

**UTAH MILITARY ACADEMY**

**Financial Statements**

Year Ended June 30, 2025

# UTAH MILITARY ACADEMY

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## Independent Auditor's Report

Board of Directors  
Utah Military Academy

### Report on the Audit of the Financial Statements

#### *Qualified Opinions*

We have audited the accompanying financial statements of the governmental activities and the general fund of Utah Military Academy (the School), as of and for the year ended June 30, 2025, and the related notes to the basic financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

<i>Opinion Unit</i>	<i>Type of Opinion</i>
Governmental Activities	Qualified
General Fund	Qualified

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinions section, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of Utah Military Academy, as of June 30, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Qualified 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 (GAS), issued by the Comptroller General of the United States. 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 Utah Military Academy 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 qualified audit opinions.

#### *Matter Giving Rise to Qualified Opinions on Governmental Activities and General Fund*

Management has recognized \$1,101,406 of employee retention credits received as local revenue in both the governmental activities and the general fund rather than deferring these amounts. Accounting principles generally accepted in the United States of America require that the employee retention credits received should be deferred, which would increase current liabilities and decrease local revenues in both

the governmental activities and the general fund. The amount by which this departure would affect the current liabilities, net position, fund balances, and local revenues of the governmental activities and general fund is material.

### ***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 Utah Military Academy'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 doubts 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 opinion. 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 Utah Military Academy'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 Utah Military Academy'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 be presented to supplement the basic financial statements. Such information, 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 required supplementary 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 November 26, 2025, 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.

A handwritten signature in black ink that reads "Squire & Company, PC". The signature is written in a cursive, flowing style.

Orem, Utah  
November 26, 2025

## Management's Discussion and Analysis

This section of the financial report of Utah Military Academy (the School) presents management's discussion and analysis of the School's financial performance during the year ended June 30, 2025.

### Financial Highlights

- The School's liabilities exceeded its assets at the close of the most recent fiscal year by \$1,359,450 (a deficit in net position).
- During the year, expenses were \$857,637 more than the \$14,440,176 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 \$13,331,780 in 2025. Instruction expenses totaled \$8,290,452 in 2025.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The School's basic financial statements comprise three components: a) government-wide financial statements, b) fund financial statements, and c) notes to the basic financial statements.

#### *Government-Wide Financial Statements*

The *government-wide financial statements* are designed to provide readers with a consolidated broad overview of the School's finances, in a manner similar to a private-sector business or nonprofit organization.

The *statement of net position* presents information on all the assets, liabilities, with the remainder being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The School's government-wide financial statements are reported as *governmental activities*. The School's basic services are included here, such as instruction, various supporting services, food services, and interest on long-term debt. State and federal grants finance most of these activities.

#### *Fund Financial Statements*

A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School's accounting demonstrates compliance with finance-related legal requirements.

*Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains one individual governmental fund (the *general fund*). The School adopts an annual appropriated budget for its *general fund*. A budgetary comparison statement is provided for the *general fund* to demonstrate compliance with this budget.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

**Government-wide Financial Analysis**

<b>UTAH MILITARY ACADEMY</b>			
Governmental Activities - Net Position			
June 30, 2025 and 2024			
	2025	2024	Change 2025-2024
Current and other assets	\$ 5,556,658	\$ 5,747,005	\$ (190,347)
Capital assets, net	17,120,038	18,097,377	(977,339)
Total assets	22,676,696	23,844,382	(1,167,686)
Current and other liabilities	1,645,631	1,434,127	211,504
Long-term liabilities	22,390,515	22,912,068	(521,553)
Total liabilities	24,036,146	24,346,195	(310,049)
Net position:			
Net investment in capital assets	(1,964,029)	(1,524,114)	(439,915)
Restricted	81,671	190,023	(108,352)
Unrestricted	522,908	832,278	(309,370)
Total net position	\$ (1,359,450)	\$ (501,813)	\$ (857,637)

As noted earlier, net position may serve over time as a useful indicator of a school’s financial position. In the School’s case, liabilities exceeded assets by \$1,359,450 at the close of the most recent fiscal year.

- A portion of the School’s net position (a deficit of \$1,964,029) reflects the School’s investment in capital assets (e.g., land, buildings, building improvements, equipment, and leased assets, net of accumulated depreciation), less any related debt (bonds payable and leases payable) used to acquire those assets that are still outstanding. The School uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the School’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- An additional portion of the School’s net position (\$81,671) represents resources subject to external restrictions on how they may be used. The restricted balance is for food services.
- The remaining net position (\$522,908) is unrestricted.

The School’s net position decreased by \$857,637 during the current year from activities. The following discussion and analysis on governmental activities focuses on this decrease.

**UTAH MILITARY ACADEMY**  
 Governmental Activities - Changes in Net Position  
 Years Ended June 30, 2025 and 2024

	2025	2024	Total change 2025-2024
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 567,789	\$ 493,221	\$ 74,568
Operating grants and contributions	8,410,946	8,235,605	175,341
General revenues:			
Federal and state revenue not restricted to specific purposes	4,920,834	4,522,713	398,121
Earnings on investments	203,631	248,526	(44,895)
Miscellaneous	336,976	2,002,838	(1,665,862)
<b>Total revenues</b>	<b>14,440,176</b>	<b>15,502,903</b>	<b>(1,062,727)</b>
<b>Expenses:</b>			
Instruction	8,290,452	8,733,652	(443,200)
Supporting services	5,064,797	5,080,189	(15,392)
Food services	463,492	413,941	49,551
Interest on long-term debt	1,479,072	1,519,471	(40,399)
<b>Total expenses</b>	<b>15,297,813</b>	<b>15,747,253</b>	<b>(449,440)</b>
Change in net position	(857,637)	(244,350)	(613,287)
<b>Net position - beginning</b>	<b>(501,813)</b>	<b>(257,463)</b>	<b>(244,350)</b>
<b>Net position - ending</b>	<b>\$ (1,359,450)</b>	<b>\$ (501,813)</b>	<b>\$ (857,637)</b>

- Revenues totaled \$14,440,176 for the year ended June 30, 2025. Of this amount, \$13,331,780 was from state and federal sources. Also, total expenses were \$15,297,813 during the same period. Of this amount \$8,290,452 was spent on instruction, \$5,064,797 was spent on supporting services.

- State aid is based primarily on weighted pupil units (WPU) and other appropriations. If a student is in membership a full 180 days, the state awards the School one WPU. Certain students receive a weighting greater than one. The state provides the School with additional funding intended to represent the local taxes assessed by school districts. The value of the WPU increased by 5.0% during the year ended June 30, 2025 (\$4,494 during 2025 as compared to \$4,280 in 2024).

### **Governmental Fund Financial Analysis**

The focus of the School's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. The School's *general fund* completed the year with a fund balance of \$4,266,929, a decrease of \$408,262 from the previous year. In addition, the following other changes in fund balances should be noted:

- Expenditures for the *general fund* totaled \$14,848,438. Instruction represents 50% of *general fund* expenditures.
- *General fund* salaries totaled \$8,534,736 while the associated employee benefits of retirement, social security, and insurance (health and accident, industrial, and unemployment) added \$1,675,243 to arrive at 69% of total *general fund* expenditures.

Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into nonspendable, restricted, and unrestricted portions. *Nonspendable* includes inventories and prepaid items that are not expected to be converted to cash. *Restricted* includes net fund resources that are subject to external constraints due to state or federal laws, or externally-imposed conditions by grantors or creditors. *Committed* balances reflect the self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds. *Assigned* balances in the *general fund* and other governmental funds are those that do not meet the requirements of restricted or committed but that are intended to be used for specific purposes. *Unassigned* balances in the *general fund* are all other available net fund resources. At June 30, 2025, the *general fund* balance is \$4,266,929 (\$3,388,119 in restricted, and \$878,810 in unassigned fund balance).

### **General Fund Budgetary Highlights**

During the year, the Board revised the School's budget. Budget amendments were to reflect changes in programs and related funding. The difference between the original budget and the final amended budget was an increase of \$196,198 in total *general fund* expenditures to reflect anticipated increases in salaries and benefits. During the year, final budgeted revenues increased by \$5,193 to reflect anticipated increases in earnings on investments and decreases in federal revenues.

Even with these adjustments, actual expenditures were \$484,822 more than final budgeted amounts. Other variances normally result from expenditure-driven federal and state grants that are included in the budgets at their full amounts. Such grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met; unspent grant amounts are carried forward and included in the succeeding year's budget. Therefore, actual grant revenues and expenditures are normally less than the amounts budgeted.

## Capital Asset and Debt Administration

### Capital Assets

The School's investment in capital assets for its governmental activities as of June 30, 2025 amounts to \$17,120,038 (net of accumulated depreciation). The School's capital assets include land, buildings, building improvements, equipment, and leased assets.

**UTAH MILITARY ACADEMY'S Capital Assets**  
**June 30, 2025 and 2024**  
(net of accumulated depreciation and amortization)

	Governmental activities		Total change 2025-2024
	2025	2024	
Land	\$ 3,700,000	\$ 3,700,000	\$ -
Construction in progress	-	217,298	(217,298)
Buildings and improvements	13,079,772	13,372,369	(292,597)
Equipment	250,262	318,371	(68,109)
Leased equipment and vehicles	90,004	489,339	(399,335)
Total capital assets	<u>\$ 17,120,038</u>	<u>\$ 18,097,377</u>	<u>\$ (977,339)</u>

Refer to Note 3 to the basic financial statements for additional information on the School's capital assets.

### Debt Administration

At the end of the current year, the School had total debt outstanding of \$22,390,515.

**UTAH MILITARY ACADEMY'S Outstanding Debt**  
**June 30, 2025 and 2024**  
(net of unamortized bond premiums)

	Governmental activities		Total change 2025-2024
	2025	2024	
Bonds payable	\$ 22,244,653	\$ 22,345,584	\$ (100,931)
Leases payable	145,862	566,484	(420,622)
Total long-term debt	<u>\$ 22,390,515</u>	<u>\$ 22,912,068</u>	<u>\$ (521,553)</u>

Refer to Note 5 to the basic financial statements for additional information on the School's long-term debt.

## **Enrollment**

The School anticipates student enrollment to remain relatively constant. The following enrollment information is based on the five most recent annual October 1 counts:

<u>Year Ended June 30,</u>	<u>October 1 Enrollment</u>
2025	954
2024	906
2023	912
2022	961
2021	954

## **Contacting the School's Management**

This financial report is designed to provide citizens, taxpayers, students, and investors and creditors with a general overview of Utah Military Academy's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School at 5120 South 1050 West Riverdale, Utah 84405.

## **Basic Financial Statements**

**UTAH MILITARY ACADEMY****Statement of Net Position**

June 30, 2025

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and investments	\$ 1,782,556
Restricted investments	3,306,448
Receivables:	
Local	10,454
State	441,453
Federal	15,747
Capital assets:	
Land	3,700,000
Depreciable building and other, net of accumulated depreciation	13,420,038
Total assets	<u>22,676,696</u>
<b>Liabilities:</b>	
Accounts and contracts payable	352,906
Accrued interest	355,902
Payroll and benefits payable	846,394
Unearned revenue:	
State	90,429
Long-term liabilities:	
Portion due or payable within one year	435,124
Portion due or payable after one year	21,955,391
Total liabilities	<u>24,036,146</u>
<b>Net position:</b>	
Net investment in capital assets	(1,964,029)
Restricted	81,671
Unrestricted	522,908
Total net position	<u><u>\$ (1,359,450)</u></u>

The notes to the basic financial statements are an integral part of this statement.

**UTAH MILITARY ACADEMY**  
**Statement of Activities**  
Year Ended June 30, 2025

Activities and Functions	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Total Governmental Activities
<b>Governmental activities:</b>				
Instruction	\$ 8,290,452	\$ 446,878	\$ 5,800,229	\$ (2,043,345)
Supporting services:				
Student	753,461	-	1,062,374	308,913
Instructional staff	520,854	-	6,298	(514,556)
District	122,309	-	45,109	(77,200)
School administration	1,839,217	-	580,039	(1,259,178)
Central	793,520	-	556,496	(237,024)
Operation and maintenance of facilities	657,378	-	54,957	(602,421)
Student transportation	378,058	-	50,320	(327,738)
Food services	463,492	120,911	255,124	(87,457)
Interest on long-term debt	1,479,072	-	-	(1,479,072)
	<u>\$ 15,297,813</u>	<u>\$ 567,789</u>	<u>\$ 8,410,946</u>	(6,319,078)
<b>General revenues:</b>				
Federal and state revenue not restricted to specific purposes				4,920,834
Earnings on investments				203,631
Other				336,976
Total general revenues				<u>5,461,441</u>
Change in net position				(857,637)
<b>Net position - beginning</b>				<u>(501,813)</u>
<b>Net position - ending</b>				<u>\$ (1,359,450)</u>

The notes to the basic financial statements are an integral part of this statement.

**UTAH MILITARY ACADEMY**  
**Balance Sheet – Governmental Fund**  
June 30, 2025

	<u><b>General Fund</b></u>
<b>Assets:</b>	
Cash and investments	\$ 1,782,556
Restricted investments	3,306,448
Receivables:	
Local	10,454
State	441,453
Federal	15,747
	<u>5,556,658</u>
Total assets	<u><u>\$ 5,556,658</u></u>
<b>Liabilities:</b>	
Accounts and contracts payable	\$ 352,906
Payroll and benefits payable	846,394
Unearned revenue:	
State	90,429
	<u>1,289,729</u>
Total liabilities	1,289,729
<b>Fund balances:</b>	
Restricted for:	
Debt service	3,306,448
Food service	81,671
Unassigned	878,810
	<u>4,266,929</u>
Total fund balances	4,266,929
Total liabilities and fund balances	<u><u>\$ 5,556,658</u></u>

The notes to the basic financial statements are an integral part of this statement.

**UTAH MILITARY ACADEMY**

**Reconciliation of the Balance Sheet of the Governmental Fund to the  
Statement of Net Position**

June 30, 2025

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**Total fund balances for the governmental fund** \$ 4,266,929

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in the governmental fund are not financial resources and therefore are not reported in the fund. Capital assets are reported, net of accumulated depreciation and amortization, in the statement of net position. 17,120,038

Long-term debt and related accounts are not due and payable in the current period and therefore are not reported in the funds; these accounts are reported in the statement of net position.

Bonds payable	\$ (23,315,000)	
Unamortized bond premium	1,070,347	
Accrued interest on bonds	(355,902)	
Lease obligations	<u>(145,862)</u>	<u>(22,746,417)</u>
<b>Total net position of governmental activities</b>		<b><u><u>\$ (1,359,450)</u></u></b>

The notes to the basic financial statements are an integral part of this statement.

**UTAH MILITARY ACADEMY**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances –**  
**Governmental Fund**  
Year Ended June 30, 2025

	<u>General Fund</u>
<b>Revenues:</b>	
Local:	
Earnings on investments	\$ 203,631
Student activities	446,878
Food sales	120,911
Other	336,976
State	12,759,141
Federal	<u>572,639</u>
Total revenues	14,440,176
<b>Expenditures:</b>	
Current:	
Instruction	7,433,251
Supporting services:	
Students	753,461
Instructional staff	520,854
School administration	1,727,750
General administration	122,309
Central	793,520
Operation and maintenance of facilities	626,978
Student transportation	391,173
Food services	463,492
Building acquisition and construction	8,614
Debt service:	
Interest and fiscal charges	1,271,414
Redemption of principal	<u>735,622</u>
Total expenditures	<u>14,848,438</u>
Deficiency of revenues under expenditures / net change in fund balances	(408,262)
<b>Fund balances - beginning</b>	<u>4,675,191</u>
<b>Fund balances - ending</b>	<u><u>\$ 4,266,929</u></u>

The notes to the basic financial statements are an integral part of this statement.

**UTAH MILITARY ACADEMY**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balances of the Governmental Fund to the Statement of Activities**

Year Ended June 30, 2025

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**Net change in fund balances for the governmental fund** \$ (408,262)

The change in net position for governmental activities in the statement of activities is different because:

The governmental fund reports capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation and amortization expense.

Capital outlays	\$ 35,997	
Depreciation expense	<u>(1,013,336)</u>	(977,339)

Governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Amortization of bond discount	(214,069)	
Principal retirement of lease obligations	420,622	
Principal retirement of bonds payable	315,000	
Accrued interest	<u>6,411</u>	<u>527,964</u>

**Change in net position of governmental activities** \$ (857,637)

The notes to the basic financial statements are an integral part of this statement.

**UTAH MILITARY ACADEMY**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances –**  
**Budget and Actual – General Fund**  
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Local:				
Earnings on investments	\$ 152,000	\$ 225,000	\$ 203,631	\$ (21,369)
Student activities	413,500	413,500	446,878	33,378
Food sales	115,000	115,000	120,911	5,911
Other	550,200	404,200	336,976	(67,224)
State	12,522,446	12,649,413	12,759,141	109,728
Federal	600,000	551,226	572,639	21,413
Total revenues	14,353,146	14,358,339	14,440,176	81,837
<b>Expenditures:</b>				
Current:				
Instruction	7,373,220	7,754,996	7,433,251	321,745
Supporting services:				
Students	685,622	670,010	753,461	(83,451)
Instructional staff	118,500	160,000	520,854	(360,854)
General administration	227,000	182,000	122,309	59,691
School administration	1,333,281	1,339,684	1,727,750	(388,066)
Central	1,393,692	1,244,734	793,520	451,214
Operation and maintenance of facilities	741,070	686,070	626,978	59,092
Student transportation	295,425	370,425	391,173	(20,748)
Food services	384,608	384,609	463,492	(78,883)
Building acquisition and construction	-	10,000	8,614	1,386
Debt service:				
Interest and fiscal charges	1,300,000	1,246,088	1,271,414	(25,326)
Redemption of principal	315,000	315,000	735,622	(420,622)
Total expenditures	14,167,418	14,363,616	14,848,438	(484,822)
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	185,728	(5,277)	(408,262)	(402,985)
<b>Fund balances - beginning</b>	4,675,191	4,675,191	4,675,191	-
<b>Fund balances - ending</b>	\$ 4,860,919	\$ 4,669,914	\$ 4,266,929	\$ (402,985)

The notes to the basic financial statements are an integral part of this statement.

# UTAH MILITARY ACADEMY

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Utah Military Academy (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 is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School's more significant accounting policies are described below.

#### **Reporting Entity**

Utah Military Academy (the School) was incorporated in the state of Utah on December 20, 2013, as a nonprofit organization involved in public education. The School operates public charter schools in Riverdale and Lehi, Utah and serves students from grades seven through twelve.

#### **Government-Wide and Fund Financial Statements**

The *government-wide financial statements* (the statement of net position and the statement of activities) display financial activities of the School. These statements include the financial activities of the overall school.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the School's governmental activities. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to a function. Depreciation expense for capital assets that can specifically be identified with a function are included in its direct expenses. Depreciation expense for "shared" capital assets (for example, a school building is used primarily for instruction, school administration, operation and maintenance of facilities, and food services) are ratably included in the direct expenses of the appropriate functions. Interest on general long-term liabilities is considered an indirect expense and is reported in the statement of activities as a separate line. Program revenues include a) fees and charges paid by students and other recipients of goods or services offered by a given function, and b) grants and contributions that are restricted to meeting the operational or capital requirements of a function. Revenues that are not classified as program revenues are presented as general revenues.

The School reports the *general fund*, the School's primary operating fund, as a major governmental fund. The *general fund* accounts for all financial resources of the School.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The *government-wide financial statements* are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School receives value without directly giving equal value in exchange, include grants and contributions. On an accrual basis, revenue from grants and contributions is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental fund financial statements* are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School considers all revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year end. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term

**UTAH MILITARY ACADEMY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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debt, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. All other revenue items are considered measurable and available only when the School receives cash.

**Budgetary Data**

The School submits a Board-approved annual budget to the Office of the Utah State Auditor in accordance with state requirements. The Board may amend the annual budget prior to year-end. The budget has been prepared on the modified accrual basis of accounting. Revenues are budgeted by source and program. Expenditures are budgeted by function and object.

Expenditure-driven grants are included in the budgets at their full amounts. Such grants are recognized as revenue when the qualifying expenditures are incurred and all other grant requirements are met; unspent grant amounts are carried forward and included in the succeeding fiscal year's budget. Therefore, actual grant revenues and expenditures are normally less than the amounts budgeted.

**Cash and Investments Restricted for Debt Service**

Resources have been set aside in bond funds for annual debt service, debt service reserves, and building construction and repairs. Deposits to and withdrawals from these bond funds are governed by the bond agreement. These bond funds are presented as restricted cash and investments (see Notes 2 and 5).

**Prepaid Items**

The School made payments for goods and services that will be consumed or utilized in a future period.

**Capital Assets**

Capital assets, which include buildings, improvements, and equipment, are reported in the government-wide financial statements. The School defines capital assets as assets with an initial, individual cost of more than \$5,000 for equipment, vehicles, and furniture and fixtures.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Buildings and improvements and equipment and buses are depreciated using the straight-line method over the estimated useful lives as indicated in the chart below:

<u>Asset Class</u>	<u>Depreciable Lives (Years)</u>
Buildings and improvements	10 to 30
Equipment	5 to 10
Leased equipment and vehicles	2 to 5

## UTAH MILITARY ACADEMY NOTES TO THE BASIC FINANCIAL STATEMENTS

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### Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term liabilities are reported as liabilities in the statement of net position. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable unamortized bond premium.

In the fund financial statements, the face amount of debt issued and premiums received are reported as other financing sources

### Leases

The School is a lessee for noncancellable leased equipment and buildings. The School recognizes a lease payable and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The School recognizes lease payables with an initial, individual value of \$1,000 or more.

At the commencement of a lease, the School initially measures the lease payable at the present value of payments expected to be made during the lease term. Subsequently, the lease payable is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease payable, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the School determines (a) the discount rate it uses to discount the expected lease payments to present value, (b) lease term, and (c) lease payments.

- The School uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease payable are composed of fixed payments and purchase option price that the School is reasonably certain to exercise.

### Net Position/Fund Balances

The residual of all other elements presented in a statement of net position is *net position* on the government-wide financial statements and the residual of all other elements presented in a balance sheet on the governmental fund financial statements is *fund balance*.

Net position is divided into three components: net investment in capital assets (capital assets, net of accumulated depreciation and related debt), restricted, and unrestricted. Net position is reported as restricted when constraints are placed upon it by external parties or are imposed by constitutional provisions or enabling legislation.

The governmental fund financial statements present fund balances based on a hierarchy that shows, from highest to lowest, the level or form of constraints on fund balance resources and the extent to which the School is bound to honor them.

**UTAH MILITARY ACADEMY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**Net Position/Fund Balance Flow Assumption**

Sometimes the School will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report in each category of net position and fund balance, a flow assumption must be made about the order in which the resources are considered to be applied.

*Net Position* – It is the School’s policy to consider restricted net position to have been depleted before unrestricted net position.

*Fund Balance* – It is the School’s policy to consider restricted fund balance to have been depleted before using any components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

A reconciliation of cash and investments at June 30, 2025, as shown on the financial statements, is as follows:

Carrying amount of deposits	\$ 1,782,556
Carrying amount of investments	<u>3,306,448</u>
Total	<u>\$ 5,089,004</u>
Cash and investments	\$ 1,782,556
Restricted investments	<u>3,306,448</u>
Total	<u>\$ 5,089,004</u>

The School complies with the State Money Management Act (*Utah Code* Title 51, Chapter 7) (the Act) and related Rules of the Money Management Council (the Council) in handling depository and investing transactions. School funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the School to invest in the Utah Public Treasurers’ Investment Fund (PTIF), certificates of deposit, U.S. Treasury obligations, U.S. agency issues, first-tier commercial paper, banker’s acceptances, repurchase agreements, corporate bonds, money market mutual funds, and obligations of governmental entities within the State of Utah.

The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. The School considers the rules of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

**Deposits**

The School’s carrying amount of bank deposits at June 30, 2025 was \$1,782,556. The bank balance is \$1,782,556, of which \$500,000 was covered by federal depository insurance.

*Custodial Credit Risk* – Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government’s deposits may not be returned to it. The School does not have a formal deposit policy for custodial credit risk other than to comply with the Act. At June 30, 2025, the uninsured amount of the School’s bank deposits was uncollateralized nor is it required by state law.

**UTAH MILITARY ACADEMY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**Investments**

In accordance with bond requirements, the School has bond investment accounts which are restricted and consisted of the following at June 30, 2025:

	Invested in PTIF
Bond investment accounts:	
Bond interest fund	\$ 440,739
Bond principal fund	115,985
Debt service reserve fund	1,606,978
Repair and replacement fund	250,953
Expense fund	24,654
Operating reserve	764,248
Bond tax and insurance fund	102,891
Total	<u>\$ 3,306,448</u>

At June 30, 2025, the School has \$3,306,448 invested with the PTIF, of which \$3,306,448 was restricted for bond requirements.

The PTIF is an external local government investment pool managed by the Utah State Treasurer. The PTIF is authorized and makes investments in accordance with the Act. The Council provides regulatory oversight for the PTIF. Participant accounts with the PTIF are not insured or otherwise guaranteed by the state. Participants in the PTIF share proportionally in the income, costs, gains, and losses from investment activities. The degree of risk of the PTIF depends upon the underlying portfolio, which consists of debt securities held by the state or in the state's name by the state's custodial banks, including investment-grade corporate bonds and notes, money market mutual funds, first-tier commercial paper, and certificates of deposit. The portfolio has a weighted average maturity of 90 days or less. The majority of the PTIF's corporate bonds and notes are variable-rate securities, which reset every three months to the prevailing market interest rates. The PTIF is not rated. The PTIF has no debt securities with more than 5% of its total investments in a single non-governmental issuer. The reported value of the pool is the same as the fair value of the pool shares and is not required to be reported in the fair value hierarchy.

*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 manages its exposure to interest rate risk by complying with the Act, which requires that the remaining term to maturity of investments to not exceed the period of availability of the funds invested. Except endowments, the Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, and fixed-rate securities from 270 days to 15 months. In addition, variable-rate securities may not have a remaining term to final maturity exceeding three years.

*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 and related rules. The Act and related rules limit investments in commercial paper to a first-tier rating and investments in fixed-income and variable-rate securities to a rating of A or higher as rated by Moody's Investors Service or by Standard & Poor's.

**UTAH MILITARY ACADEMY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

*Concentration of Credit Risk* – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The School’s policy for managing this risk is to comply with the Act and related rules. The Act limits investments in commercial paper and or corporate obligations to 5% of the School’s total portfolio with a single issuer.

*Custodial Credit Risk* – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The School’s policy for managing this risk is to comply with the Act and related rules.

**NOTE 3 – CAPITAL ASSETS**

Capital asset activity is as follows for the year ended June 30, 2025:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 3,700,000	\$ -	\$ -	\$ 3,700,000
Construction in progress	217,298	12,749	(230,047)	-
Total capital assets not being depreciated	3,917,298	12,749	(230,047)	3,700,000
Capital assets being depreciated and amortized:				
Buildings and improvements	15,428,642	230,047	-	15,658,689
Equipment	475,258	23,248	-	498,506
Leased equipment and vehicles	1,018,077	-	(67,701)	950,376
Total capital assets being depreciated	16,921,977	253,295	(67,701)	17,107,571
Accumulated depreciation for:				
Buildings and improvements	(2,056,273)	(522,644)	-	(2,578,917)
Equipment	(156,887)	(91,357)	-	(248,244)
Leased equipment and vehicles	(528,738)	(399,335)	67,701	(860,372)
Total accumulated depreciation	(2,741,898)	(1,013,336)	67,701	(3,687,533)
Total capital assets being depreciated, net	14,180,079	(760,041)	-	13,420,038
Total capital assets, net	<u>\$ 18,097,377</u>	<u>\$ (747,292)</u>	<u>\$ (230,047)</u>	<u>\$ 17,120,038</u>

For the year ended June 30, 2025, depreciation expense was charged to functions as follows:

<b>Governmental activities:</b>	
Instruction	\$ 861,336
Supporting services:	
School administration	50,667
Operation and maintenance of facilities	30,400
Student transportation	10,133
Food services	60,800
Total depreciation expense, governmental activities	<u>\$ 1,013,336</u>

**UTAH MILITARY ACADEMY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**NOTE 4 – RETIREMENT PLANS**

**Defined Contribution Plan**

The School participates in a deferred compensation retirement plan – under Internal Revenue Code Section 401(k) – that covers all full-time employees. School matching contributions to the plan were \$225,966 for the year ended June 30, 2025. Plan assets are held by a third-party administrator.

**NOTE 5 – LONG-TERM LIABILITIES**

Long-term liability activity is as follows for the year ended June 30, 2025:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable	\$ 23,630,000	\$ -	\$ (315,000)	\$ 23,315,000	\$ 340,000
Unamortized bond premium	(1,284,416)	-	214,069	(1,070,347)	-
Bonds payable, net	22,345,584	-	(100,931)	22,244,653	340,000
Leases payable	566,484	-	(420,622)	145,862	95,124
Total long-term liabilities	<u>\$ 22,912,068</u>	<u>\$ -</u>	<u>\$ (521,553)</u>	<u>\$ 22,390,515</u>	<u>\$ 435,124</u>

**Bonds Payable**

In April 2020, the School issued \$24,895,000 of Series 2020 bonds to purchase and renovate facilities. The bonds were issued through the Utah Charter School Finance Authority (the Authority). The bonds are not debt of the state of Utah or the Authority, but are obligations payable solely from School funds; the Authority does not guarantee the bonds. The average interest rate on the bonds is 5.34%.

A portion of the Series 2020 bond proceeds was placed in a debt service reserve fund. This fund will be used for the payment of principal and interest in the event other resources are insufficient to make such payments when due; otherwise these resources will be applied towards the final bond payment.

The future debt service of the bonds is summarized as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 340,000	\$ 1,224,039	\$ 1,564,039
2027	360,000	1,206,187	1,566,187
2028	380,000	1,187,289	1,567,289
2029	400,000	1,167,337	1,567,337
2030	21,835,000	1,146,339	22,981,339
	<u>\$ 23,315,000</u>	<u>\$ 5,931,189</u>	<u>\$ 29,246,189</u>

The bond agreement requires the School to maintain a debt service coverage ratio of 110 percent and unrestricted cash on hand equal to or greater than 50 days of the operating expenses for the prior fiscal year, which amount shall be increased to the extent it is not sufficient to meet accrued salary obligations. These covenants remain in effect until the bonds are retired.

**UTAH MILITARY ACADEMY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**Leases Payable**

The School has entered into various lease agreements for the right to use equipment and vehicles. The leases expire between July 2025 and October 2027. As of June 30, 2025, the value of the leases payable was \$145,862. The School is required to make monthly principal and interest payments ranging from \$550 to \$28,262. The leases have interest rates ranging from 6.76% to 7.14%.

Depreciation of leased equipment and vehicles is included with depreciation expense. Depreciation is calculated using the straight-line method over the estimated useful life of the leased equipment and building. Depreciation expense for the equipment and buildings totaled \$399,335 for the year ended June 30, 2025.

Future minimum rental payments are as follows:

<b>Year Ending June 30,</b>	
2026	\$ 95,124
2027	44,899
2028	<u>14,618</u>
Total minimum lease payments	154,641
Amount representing interest	<u>(8,779)</u>
Present value of minimum lease payments	<u>\$ 145,862</u>

**NOTE 6 – RISK MANAGEMENT**

The School maintains insurance coverage for general, personal injury, errors and omissions, and malpractice liability up to \$1,000,000 per occurrence through policies administered by the Utah State Risk Management Fund (Fund). The Fund is a public entity risk pool operated by the State for the benefit of the State and local governments within the State. The School pays annual premiums to the Fund. This is a pooled arrangement where the participants pay experience rated annual premiums, which are designed to pay claims and build sufficient reserves so that the pool will be able to protect the participating entities with its own capital. The pool reinsures excess losses to preserve the capital base. Insurance coverage from coverage by major category of risk has remained relatively constant as compared to the prior fiscal year. There were no settlements in excess of the insurance coverage in any of the past three years.

The Workers Compensation Fund of Utah covers all School employees for workers compensation. The State of Utah Department of Workforce Services provides unemployment insurance. There were no settlements in excess of the insurance coverage in any of the past three years.

**NOTE 7 – RELATED PARTY TRANSACTIONS**

The School employs a relative of the School’s Superintendent to help with grant applications. This employee was paid approximately \$32,000 for the year ended June 30, 2025.

**UTAH MILITARY ACADEMY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**NOTE 8 – LITIGATION AND COMPLIANCE**

At certain times, claims or lawsuits are pending in which the School is involved. School counsel and insurance carriers estimate that the potential obligations resulting from such claims or litigation would not materially affect the School's financial statements.

All fund balances are positive at June 30, 2025. Fund expenditures exceeded budgeted appropriations in the general fund by \$484,822.

The School receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the School's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the *general fund*. Based on prior experience, administration believes such disallowance, if any, would be insignificant.

**NOTE 9 – COMMITMENTS**

**Management Agreement**

The School entered into an agreement with Red Apple Financial whereby Red Apple Financial agrees to provide certain fiscal and administrative services to the School. Red Apple Financial will receive compensation equal to \$8,843 per month for the year ending June 30, 2025. This agreement can be terminated by either party with a 60-day written notice. The fee incurred by the School for the year ended June 30, 2025 was \$106,116.

## **OTHER REPORTS**



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*

Board of Directors  
Utah Military Academy

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 the governmental activities and the general fund of Utah Military Academy (the School), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated November 26, 2025.

**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 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 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 or significant deficiencies 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 from 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 results 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.

*Squire & Company, PC*

Orem, Utah  
November 26, 2025



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

Board of Directors  
Utah Military Academy

**Report on Compliance**

***Opinion on Compliance***

We have audited Utah Military Academy’ (the School) compliance with the following applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, for the year ended June 30, 2025:

- Budgetary Compliance
- Fund Balance
- Fraud Risk Assessment
- Crime Insurance for Public Treasurers
- Internal Control Systems
- Public Education Programs

In our opinion, Utah Military Academy complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2025.

***Basis for Opinion on Compliance***

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*, issued by the Office of the Utah State Auditor. 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 on compliance. 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 compliance requirements referred to above.

### ***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 *State Compliance Audit 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 the School's compliance with the requirements of the *State Compliance Audit Guide* as a whole

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *State Compliance Audit 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 the 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 instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described below. Our opinion on compliance is not modified with respect to these matters.

*Budgetary Compliance* – Title 53G-7-307 requires that expenditures not exceed budgeted amounts at the fund level for school districts. For the year ended June 30, 2025, expenditures exceeded budgeted amounts in the *general fund* by \$484,822. We recommend budgets be reviewed near year end and amended as needed to reflect projected total expenditures.

*Views of responsible officials* – We appreciate your recommendations. We have reviewed these items and will make the necessary changes.

## Report on 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 type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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 over 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.



Orem, Utah  
November 26, 2025