



Financial Statements
June 30, 2021

Soldier Hollow Charter School

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Independent Auditor's Report

The Board of Directors
Soldier Hollow Charter School
Charleston, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Soldier Hollow Charter School (the School) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the 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, 2021, 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.

Change in Accounting Framework

As described in Note 8 to the financial statements, Utah House Bill 242 (H.B. 242) was passed in 2020 and requires Utah charter schools to report under the Governmental Accounting Standards Board (GASB) framework. As a result of implementing the financial reporting requirements of H.B. 242, the School has converted the financial statement presentation of the School network-wide financial statements and related disclosures to be presented in accordance with the GASB financial reporting framework. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of revenue, expenditures, and changes in fund balance – budget and actual – general fund, schedule of the proportionate share of the net pension liability and schedule of contributions and notes to the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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 inquires 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 November 29, 2021 on our consideration of Soldier Hollow Charter 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 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 Soldier Hollow Charter School's internal control over financial reporting and compliance.



Ogden, Utah
November 29, 2021

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

FINANCIAL HIGHLIGHTS

In fiscal year 2021, the School was able to receive Federal CARES Act funding, which tempered the decrease in the School's net position while allowing the acquisition of technology to facilitate online teaching due to Covid-19.

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.

Change in Reporting Framework

It was determined by the Utah Legislature that the School should be reporting under the Governmental Accounting Standards Board (GASB) framework instead of the Financial Accounting Standards Board (FASB) framework. Therefore, the School has converted the beginning net position and fund balance to be presented in accordance with the GASB framework.

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 government-wide financial statements, 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 government-wide financial statements can be found on pages 8-9 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 10-13 of this report.

Notes

The notes to the financial statements starting on page 14 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. During the year ended June 30, 2021, the School incurred addition costs during the year to relating to in-person and online instruction due to the effects of Covid-19.

	2021	2020
Assets		
Current and other assets	\$ 390,788	\$ 411,739
Capital assets	6,615,009	6,826,717
Total assets	7,005,797	7,238,456
Deferred Outflow of Resources	275,084	235,887
	7,280,881	7,474,343
Liabilities		
Current and other liabilities	694,987	842,625
Long-term liabilities	5,471,826	5,620,309
Total liabilities	6,166,813	6,462,934
Deferred Inflows of Resources	375,896	200,433
Net Position		
Net investment in capital assets	1,143,183	1,206,408
Restricted	231,251	112,322
Unrestricted	(636,262)	(507,754)
Total net position	\$ 738,172	\$ 810,976

A portion of the School's net position is the investments in capital assets (i.e., buildings and improvements, land, and equipment) 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. 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 2021 and 2020. The School relies on state and federal support for 94% of its governmental activities for the year ended June 30, 2021. The School had total revenue of \$2,877,252 and total expenses of \$2,950,056, during the year ended June 30, 2021. The School had a decrease in net position of \$72,804 during the year ended June 30, 2021. Additional costs were incurred to facilitate online teaching and supplies and sanitation costs increased in order to adhere Covid-19 protocols.

Soldier Hollow Charter School
Management's Discussion and Analysis
June 30, 2021

	2021	2020	Change
Revenue			
Program revenue			
State and federal aid	\$ 2,718,276	\$ 2,562,155	\$ 156,121
Operating grants and contributions	4,842	68,325	(63,483)
Other local revenue	154,134	177,795	(23,661)
Total revenue	<u>2,877,252</u>	<u>2,808,275</u>	<u>68,977</u>
Expenses			
Instructional	1,957,355	1,773,879	183,476
Support services			
Students	90,792	82,046	8,746
Staff assistance	39,028	11,320	27,708
General	19,543	48,771	(29,228)
School administration	208,850	161,903	46,947
Central services	87,145	77,949	9,196
Operation and maintenance of facilities	390,020	368,119	21,901
Transportation	9,887	14,004	(4,117)
Interest and other costs	147,436	151,275	(3,839)
Total expenses	<u>2,950,056</u>	<u>2,689,266</u>	<u>260,790</u>
Change in Net Position	<u>\$ (72,804)</u>	<u>\$ 119,009</u>	<u>\$ (191,813)</u>

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 \$55,619 which is a decrease of \$100,579 from the prior year. The fund balance was negatively affected due to decreased student enrollment and increased costs related to the Covid-19 pandemic.

Expenditures for general School purposes totaled \$2,977,835, which is an increase of \$153,015 from the prior year. The primary reason for the increase is related to purchasing much-needed equipment and increased costs to assist students' learning loss due to the Covid-19 pandemic.

General fund salaries totaled \$1,646,493, while the associated fringe benefits of retirement, social security, unemployment, workers compensation, health, dental and vision added \$650,053 to arrive at 77.1% 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 \$18,750 less than the amended budget. The difference in actual to budgeted expenditures is within the 5% allowable threshold set by the Utah State Board of Education.

Capital Assets

The School has invested \$7,946,372 in a wide range of capital assets, but primarily in land, building and improvements, and equipment. The total accumulated depreciation on these assets amounts to \$1,331,363. There were no capital asset additions for fiscal year 2021.

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 notes payable with the United States Department of Agriculture totaling \$2,718,924 and \$2,752,902, bearing interest at 2.88% and 2.38%, respectively. The notes mature in June 2046 and February 2047, respectively. 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 Board Chair, Ryan Taylor, at the Soldier Hollow Charter School, 3444 W 3000 S, Heber City, UT 84032, or by email at ryan.taylor@myshcs.org.

Soldier Hollow Charter School

Statement of Net Position

June 30, 2021

	<u>Governmental Activities</u>
Assets	
Cash and investments	\$ 40,131
Restricted cash and investments	228,150
State receivables	26,405
Federal receivables	96,102
Capital assets (not subject to depreciation)	1,042,128
Capital assets (net of accumulated depreciation)	<u>5,572,881</u>
Total assets	<u>7,005,797</u>
Deferred Outflows of Resources	
Pensions	<u>275,084</u>
Liabilities	
Accounts payable	15,462
Accrued liabilities	319,707
Long-term liabilities	
Net pension liability	359,818
Due within one year - notes payable	154,252
Due in more than one year - notes payable	<u>5,317,574</u>
Total liabilities	<u>6,166,813</u>
Deferred Inflows of Resources	
Pensions	<u>375,896</u>
Net Position	
Net investment in capital assets	1,143,183
Restricted for	
Special education	3,101
Debt service	228,150
Unrestricted	<u>(636,262)</u>
Total net position	<u><u>\$ 738,172</u></u>

Soldier Hollow Charter School

Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Program Revenue		Net (Expense) Revenue (Expense) and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions
<i>Governmental activities</i>			
Instructional	\$ 1,957,355	\$ -	\$ 1,561,439
Support services			
Students	90,792	-	-
Staff assistance	39,028	-	-
General	19,543	-	-
School administration	208,850	-	-
Central services	87,145	-	-
Operation and maintenance of facilities	390,020	-	-
Transportation	9,887	-	-
Interest and other costs	147,436	-	-
Total Governmental Activities	<u>\$ 2,950,056</u>	<u>\$ -</u>	<u>\$ 1,561,439</u>
General Revenue			
Grants and contributions not restricted to specific programs			
State aid			1,161,679
Local revenue			153,663
Interest earnings			471
Total general revenue			<u>1,315,813</u>
Change in Net Position			(72,804)
Net Position, Beginning of Year, As Restated			<u>810,976</u>
Net Position, End of Year			<u>\$ 738,172</u>

Soldier Hollow Charter School
Balance Sheet – Governmental Funds
June 30, 2021

	<u>General</u>
Assets	
Cash and investments	\$ 40,131
Restricted cash and investments	228,150
State receivables	26,405
Federal receivables	<u>96,102</u>
Total assets	<u><u>\$ 390,788</u></u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	\$ 15,462
Accrued liabilities	<u>319,707</u>
Total liabilities	<u>335,169</u>
Fund Balance	
Restricted for	
Special education	3,101
Debt service	228,150
Unassigned	<u>(175,632)</u>
Total fund balance	<u>55,619</u>
	<u><u>\$ 390,788</u></u>

Soldier Hollow Charter School
Reconciliation for Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021

Total Fund Balance - Governmental Funds	\$	55,619
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The cost of capital assets (land, buildings and improvements, and equipment) 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	7,946,372		
Depreciation expense to date	<u>(1,331,363)</u>		6,615,009

Pension liabilities are not financial resources or are not due in the current period and therefore are not reported.

Deferred outflow of resources	275,084		
Net pension liability	(359,818)		
Deferred inflow of resources	<u>(375,896)</u>		(460,630)

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			
Notes payable	<u>(5,471,826)</u>		<u>(5,471,826)</u>

Net Position	\$	<u><u>738,172</u></u>
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Soldier Hollow Charter School
Statement of Revenue, Expenditures, and Changes in Fund Balance – Governmental Funds
Year Ended June 30, 2021

	<u>General</u>
Revenue	
State aid	\$ 2,553,840
Federal aid	164,440
Earnings on investments	471
School fees	2,883
Other local sources	<u>155,622</u>
Total revenue	<u>2,877,256</u>
Expenditures	
Instructional	<u>2,033,260</u>
Support services	
Students	90,792
Staff assistance	40,348
General	19,543
School administration	217,235
Central services	89,203
Operation and maintenance of facilities	181,644
Transportation	<u>9,887</u>
Total support services	<u>648,652</u>
Debt service	
Principal	148,484
Interest	<u>147,439</u>
Total debt service	<u>295,923</u>
Total expenditures	<u>2,977,835</u>
Excess of Revenue Over (Under) Expenditures	(100,579)
Fund Balance, Beginning of Year, As Restated	<u>156,198</u>
Fund Balance, End of Year	<u><u>\$ 55,619</u></u>

Soldier Hollow Charter School
Reconciliation of Governmental Funds Statement of Revenue, Expenditures,
and Changes in Fund Balance to the Statement of Activities
Year Ended June 30, 2021

Total Net Change in Fund Balance - Governmental Funds \$ (100,579)

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:

Depreciation expense	(211,709)	(211,709)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Net pension expense	91,000	91,000
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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 notes payable principal	148,484	148,484
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Change in Net Position of Governmental Activities	\$ (72,804)
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Note 1 - Summary of Significant Accounting Policies

Soldier Hollow Charter School (the School) was incorporated in the state of Utah on May 6, 1999 as a nonprofit organization involved in public education. The School operates a public charter school in Charleston, Utah and serves students from kindergarten through grade eight. The School's mission is to create a school that utilizes place-based education to foster autonomous life-long learning through knowledge of and responsibility for the environment. 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 government-wide financial statements.

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 (FFS)

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 certain compensated absences 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. Salaries for July and August are accrued at June 30 as it relates to work performed prior to year-end.

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, 2021.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Significant estimates used in preparing these financial statements include those assumed in determining the actuarial assumptions made in the net pension liability. Accordingly, actual results could differ from those estimates.

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

Buildings and improvements	10-40 years
Equipment	3-10 years

The School's capitalization threshold is \$5,000. The cost of normal maintenance and repairs not adding to the value of the asset or materially extending asset lives are not capitalized.

Long-Term Liabilities

For government-wide reporting, material premiums and discounts are deferred and amortized over the life of the debt using the straight-line method, which approximates 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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 Balances of Fund Financial Statements

The governmental fund financial statements present fund balances 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 fund 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 of Directors (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 Director or his 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.

Note 2 - Cash and Investments

At June 30, 2021, the School's cash and investments consisted of the following:

Cash			
Insured		<u>\$ 172,143</u>	
	<u>Rating</u>	<u>Fair Value</u>	<u>Investment Maturities</u>
Investments			
PTIF	Unrated	<u>\$ 96,138</u>	Less than 1 year
Total cash and investments		<u>\$ 268,281</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 and corporate bond funds which are classified as Level 2. The PTIF funds use the application of the June 30, 2021 fair value as calculated by the Utah State Treasurer, to the School's average daily balance in the Fund. Corporate bond funds use the application of the June 30, 2021 fair value as calculated by the financial institution. 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:

	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
June 30, 2021				
PTIF	\$ 96,138	\$ -	\$ 96,138	\$ -

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:

	June 30, 2020	Additions	Deletions	June 30, 2021
Governmental activities				
Capital assets, not subject to depreciation				
Land	\$ 900,000	\$ -	\$ -	\$ 900,000
Construction in progress	142,128	-	-	142,128
	<u>1,042,128</u>	<u>-</u>	<u>-</u>	<u>1,042,128</u>
Capital assets				
Buildings and improvements	6,793,122	-	-	6,793,122
Equipment	111,122	-	-	111,122
	<u>6,904,244</u>	<u>-</u>	<u>-</u>	<u>6,904,244</u>
Less accumulated depreciation for				
Buildings and improvements	(1,013,850)	(210,316)	-	(1,224,165)
Equipment	(105,805)	(1,393)	-	(107,198)
	<u>(1,119,655)</u>	<u>(211,709)</u>	<u>-</u>	<u>(1,331,363)</u>
Total capital assets, subject to depreciation	<u>5,784,589</u>	<u>(211,709)</u>	<u>-</u>	<u>5,572,881</u>
Total capital assets, net	<u>\$ 6,826,717</u>	<u>\$ (211,709)</u>	<u>\$ -</u>	<u>\$ 6,615,009</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:

	Balance at June 30, 2020	Additions	Deletions	Balance at June 30, 2021	Due Within One Year
Notes payable	<u>\$ 5,620,310</u>	<u>\$ -</u>	<u>\$ (148,484)</u>	<u>\$ 5,471,826</u>	<u>\$ 154,252</u>

Soldier Hollow Charter School

Notes to Financial Statements

June 30, 2021

Long-term liabilities as of June 30, 2021, consist of the following:

Promissory note issued by the United States Department of Agriculture and had an original issue amount of \$3,000,000. The note bears interest at 2.875%. The note requires monthly payments of principal and interest of \$12,720 through June 2046. The proceeds were used to purchase a school building.

\$ 2,718,924

Promissory note issued by the United States Department of Agriculture and had an original issue amount of \$3,000,000. The note bears interest at 2.375%. The note requires monthly payments of principal and interest of \$11,940 through February 2047. The proceeds were used to purchase a school building.

2,752,902

\$ 5,471,826

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>
2022	\$ 154,252	\$ 141,668	\$ 295,920
2023	158,342	137,578	295,920
2024	162,542	133,378	295,920
2025	166,854	129,066	295,920
2026	171,281	124,639	295,920
2027-2031	927,082	552,518	1,479,600
2032-2036	1,056,984	422,616	1,479,600
2037-2041	1,205,276	274,324	1,479,600
2042-2046	1,373,434	106,166	1,479,600
2047	95,779	836	96,615
Total	<u>\$ 5,471,826</u>	<u>\$ 2,022,789</u>	<u>\$ 7,494,615</u>

Note 5 - Concentrations

The School's principal source of support is state and federal-based support revenue. For the year ended June 30, 2021, this funding source accounted for approximately 94% of all revenue.

Note 6 - Insurance

The School is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; and errors and omissions. The School purchases liability and property insurance from the Utah Division of Risk Management. The School has in effect property and casualty insurance coverage for its buildings in the amount of \$6,656,420 with a \$2,500 deductible per claim. The Utah Risk Management policy also includes crime and fidelity coverage up to \$10,000,000 per incident, which substitutes for the need to purchase an additional Public Official Bond. Worker's compensation insurance is purchased from Worker's Compensation Fund of Utah in the amount of \$100,000 per incident.

There have been no significant reductions in insurance coverage from the previous year, and no settlements in excess of insurance coverage in any of the prior three fiscal years.

Note 7 - Pension Plans

Plan Description: Eligible plan participants are provided with pensions through the Utah Retirement Systems. Utah Retirement Systems are comprised of the following Pension Trust Funds:

Defined Benefit Plans

Public Employees Noncontributory Retirement System (Noncontributory System) is a multiple employer, cost sharing, public employee retirement system.

Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) is a multiple employer cost sharing public employee retirement system;

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011 who have no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 East 200 South, Salt Lake City, Utah 84102 or by visiting the website: www.urs.org.

Benefits Provided: URS provides retirement, disability, and death benefits. Retirement benefits are as follows:

System	Final Average Salary	Years of Service	Benefit Percentage Per Year of Service	COLA**
		Required and/or Age Eligible for Benefit		
Noncontributory System	Highest 3 years	30 years any age	2.0% per year	Up to 4%
		25 years any age*	all years	
		20 years age 60*		
		10 years age 62*		
		4 years age 65		
Tier 2 Public Employees System	Highest 5 years	35 years any age	1.5% per year	Up to 2.5%
		20 years age 60*	all years	
		10 years age 62*		
		4 years age 65		

* Actuarial reductions are applied.

** All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

Contribution Rate Summary

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability.

Contributions rates as of June 30, 2021, are as follows:

	Employee Paid	Employer Contribution Rates	Employer Rate for 401(k) Plan
Contributory System			
112 - State and School Division			
Tier 2	N/A	19.13%	0.89%
Noncontributory System			
16 - State and School Division			
Tier 1	N/A	22.19%	1.50%
Tier 2 DC Only			
212 - State and School	N/A	10.02%	10.00%

Tier 2 rates include a statutory required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.

For the year ended June 30, 2021, the employer and employee contributions to the Systems were as follows:

<u>System</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 109,224	N/A
Tier 2 Public Employees System	130,011	\$ -
Tier 2 DC Only System	<u>13,630</u>	<u>N/A</u>
Total Contributions	<u>\$ 252,865</u>	<u>\$ -</u>

Contributions reported are the URS Board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

Combined Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflow of Resources Related to Pensions

At June 30, 2021, the School reported a net pension liability of \$359,818.

	<u>Measurement Date: December, 31, 2020</u>			
	<u>Net Pension Liability</u>	<u>Proportionate Share</u>	<u>Proportionate Share 12/31/2019</u>	<u>Change Increase (Decrease)</u>
Noncontributory System	\$ 354,129	0.0265639%	0.0260247%	0.0005392%
Tier 2 Public Employees System	<u>5,689</u>	<u>0.0395509%</u>	<u>0.0039542%</u>	<u>0.0355967%</u>
	<u>\$ 359,818</u>			

The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2021, the School recognized pension expense of \$162,330.

Soldier Hollow Charter School

Notes to Financial Statements

June 30, 2021

At June 30, 2021, the School had the following deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 44,074	\$ 2,605
Changes in assumptions	40,599	207
Net difference between projected and actual earnings on pension plan investments	-	373,084
Changes in proportion and differences between contributions and proportionate share of contributions	50,275	-
Contributions subsequent to the measurement date	140,136	-
Total	<u>\$ 275,084</u>	<u>\$ 375,896</u>

The amount of \$140,136 is reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2020.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources
2021	\$ (54,827)
2022	(15,229)
2023	(122,564)
2024	(60,198)
2025	1,995
Thereafter	9,876

Noncontributory System Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2021, the School recognized pension expense of \$106,582.

At June 30, 2021, the School reported deferred outflow of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 38,838	\$ -
Changes in assumptions	33,404	-
Net difference between projected and actual earnings on pension plan investments	-	356,456
Changes in proportion and differences between contributions and proportionate share of contributions	40,674	-
Contributions subsequent to the measurement date	<u>57,037</u>	-
Total	<u>\$ 169,953</u>	<u>\$ 356,456</u>

The amount of \$57,037 is reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2020.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources
2021	\$ (52,042)
2022	(13,614)
2023	(118,757)
2024	(59,127)
2025	-
Thereafter	-

Tier 2 Public Employees System Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2021, the School recognized pension expense of \$55,748.

Soldier Hollow Charter School

Notes to Financial Statements

June 30, 2021

At June 30, 2021, the School reported deferred outflow of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,236	\$ 2,605
Changes in assumptions	7,195	207
Net difference between projected and actual earnings on pension plan investments	-	16,628
Changes in proportion and differences between contributions and proportionate share of contributions	9,600	-
Contributions subsequent to the measurement date	83,100	-
Total	<u>\$ 105,131</u>	<u>\$ 19,440</u>

The amount of \$83,100 is reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2020.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources
2021	\$ (2,784)
2022	(1,615)
2023	(3,807)
2024	(1,071)
2025	1,995
Thereafter	9,876

Actuarial Assumptions: The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25 – 9.75 %, average, including inflation
Investment rate of return	6.95 %, net of pension plan investment expenses, including inflation.

Mortality rates were developed from actual experience and mortality tables based on gender, occupation and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2020, valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2019.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class and is applied consistently to each defined benefit pension plan. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity securities	37%	6.30%	2.33%
Debt securities	20%	0.00%	0.00%
Real assets	15%	6.19%	0.93%
Private equity	12%	9.50%	1.14%
Absolute return	16%	2.75%	0.44%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		4.84%
Inflation			2.50%
Expected arithmetic nominal return			7.34%

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.50% and a real return of 4.45% that is net of investment expense.

Discount Rate

The discount rate used to measure the total pension liability was 6.95%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate remained unchanged at 6.95%.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.95%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.95%) or 1-percentage-point higher (7.95%) than the current rate:

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 1,135,258	\$ 354,129	\$ (299,001)
Tier 2 Public Employees System	95,721	5,689	(63,184)
Totals	<u>\$ 1,230,979</u>	<u>\$ 359,818</u>	<u>\$ (362,185)</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

Defined Contribution Savings Plans

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b) and 408 of the Internal Revenue Code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

The School participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

- 401(k) Plan
- Roth IRA Plan

Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plans for fiscal year ended June 30th were as follows:

	2021	2020	2019
401(k) Plan			
Employer Contributions	\$ 26,630	\$ 23,679	\$ 23,644
Employee Contributions	38,807	33,484	32,030
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 7,320	\$ 5,790	\$ 12,600

Note 8 - Change in Accounting Framework

Utah House Bill 242 (H.B. 242) was passed in 2020 and requires Utah charter schools to report under the Governmental Accounting Standards Board (GASB) framework. As a result of implementing the financial reporting requirements of H.B. 242, the School has converted the financial statement presentation of the School financial statements and related disclosures to be presented in accordance with the GASB financial reporting framework. Previously, the School prepared financial statements under the Financial Accounting Standards Board (FASB) framework.

As a result of implementing the financial reporting requirements within H.B. 242, the School has converted the financial statement presentation of the School's financial statements and related disclosures to be presented in accordance with the GASB financial reporting framework. See Note 1 for the Summary of Significant Accounting Policies which describe the measurement focus, basis of accounting and basis of presentation in accordance with the GASB financial reporting framework. The following table provides a detailed reconciliation for the conversion of the beginning fund balance and net position as of July 1, 2020:

	General Fund	Government Wide
Net deficit (FASB) at July 1, 2020, as previously reported	\$ 1,362,356	\$ 1,362,356
Recognize capital assets as capital outlay	(6,826,717)	-
Unearned revenue	250	250
Debt issuance costs, net	-	-
Deferred revenue recognized as restricted fund balance	-	-
Deferred revenue recognized as restricted net position	-	-
Recognize notes payable as proceeds from notes payable issuance	5,620,309	-
Recognize line of credit as proceeds from line of credit issuance	-	-
GASB 68 entries	-	(551,630)
	<u>\$ 156,198</u>	<u>\$ 810,976</u>
Fund balance, July 1, 2020, as restated	<u>\$ 156,198</u>	
Net position, July 1, 2020, as restated		<u>\$ 810,976</u>

Note 9 - Risk and Uncertainties

The School has been impacted by the effects and continuation of the world-wide coronavirus pandemic. The School is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the School's financial position is not known.



Required Supplementary Information
June 30, 2021

Soldier Hollow Charter School

Soldier Hollow Charter School

Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Positive (Negative)
Revenue				
State aid	\$ 2,511,070	\$ 2,563,009	\$ 2,553,840	\$ (9,169)
Federal aid	81,100	190,056	164,440	(25,616)
Earnings on investments	3,200	470	471	1
School fees	2,000	2,740	2,883	143
School lunch sales	5,000	100	-	(100)
Other local sources	263,633	142,018	155,622	13,604
Total revenue	2,866,003	2,898,393	2,877,256	(21,137)
Expenditures				
Instructional	1,840,520	2,046,130	2,033,260	12,870
Support services				
Students	90,000	82,646	90,792	(8,146)
Staff assistance	8,515	38,616	40,348	(1,732)
General	38,650	20,752	19,543	1,209
School administration	219,420	223,217	217,235	5,982
Central services	70,390	88,834	89,203	(369)
Operation and maintenance of facilities	182,855	190,736	181,644	9,092
Transportation	60,000	9,700	9,887	(187)
Total support services	669,830	654,501	648,652	5,849
Debt service				
Principal	148,484	148,484	148,484	-
Interest	147,408	147,408	147,439	31
Total debt service	295,892	295,892	295,923	31
Total expenditures	2,806,242	2,996,523	2,977,835	18,750
Excess (Deficiency) of Revenue Over (Under) Expenditures	\$ 59,761	\$ (98,130)	\$ (100,579)	\$ (2,387)

Soldier Hollow Charter School
Schedule of the Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

	As of calendar year ended December 31	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total plan liability
Noncontributory Retirement System	2020	0.0265639%	\$ 354,129	\$ 472,360	74.97%	94.30%
	2019	0.0260247%	578,191	482,900	119.73%	90.10%
	2018	0.0218185%	811,761	469,052	173.06%	84.10%
	2017	0.0206798%	505,696	442,045	114.40%	89.20%
	2016	0.0211673%	686,015	483,752	141.81%	84.90%
	2015	0.0241961%	760,069	611,835	124.23%	84.50%
	2014	0.0274887%	690,661	752,766	91.70%	87.20%
Tier 2 Public Employees Retirement System	2020	0.0395509%	\$ 5,689	\$ 634,709	0.90%	98.30%
	2019	0.0395418%	8,893	550,705	1.61%	96.50%
	2018	3.0066200%	12,877	353,050	3.65%	90.80%
	2017	0.0312724%	2,757	307,781	0.90%	97.40%
	2016	0.0334146%	3,727	274,026	1.36%	95.10%
	2015	0.0234555%	(51)	151,526	-0.03%	100.20%
	2014	0.0119381%	(362)	58,548	-6.00%	103.50%

GASB Statement No. 68 requires 10 years of information to be presented in this table. However, until a full 10-year trend is compiled, the School will present information for those years for which information is available.

Soldier Hollow Charter School
Schedule of Contributions
Year Ended June 30, 2021

	As of Fiscal Year Ended June 30,	Actuarial Determined Contributions	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Noncontributory System	2021	\$ 109,224	\$ 109,224	\$ -	\$ 492,222	22.19%
	2020	101,084	101,084	-	455,540	22.19%
	2019	112,326	112,326	-	518,467	21.67%
	2018	98,284	98,284	-	443,138	22.18%
	2017	100,989	100,989	-	456,881	22.10%
	2016	116,702	116,702	-	525,920	22.19%
	2015	148,153	148,153	-	677,703	21.86%
	2014	164,259	164,259	-	813,691	20.19%
Tier 2 Public Employees System [*]	2021	\$ 130,011	\$ 130,011	\$ -	\$ 680,473	19.11%
	2020	120,115	120,115	-	633,063	18.97%
	2019	86,138	86,138	-	457,608	18.82%
	2018	55,520	55,520	-	301,643	18.41%
	2017	58,452	58,452	-	314,489	18.59%
	2016	39,116	39,116	-	214,418	18.24%
	2015	16,724	16,724	-	92,083	18.16%
	2014	10,803	10,803	-	66,310	16.29%
Tier 2 Public Employees DC Only System [*]	2021	\$ 13,630	\$ 13,630	\$ -	\$ 133,182	10.23%
	2020	9,896	9,896	-	98,766	10.02%
	2019	9,019	9,019	-	90,009	10.02%
	2018	8,724	8,724	-	87,067	10.02%
	2017	5,946	5,946	-	59,576	9.98%
	2016	4,166	4,166	-	41,555	10.03%
	2015	4,016	4,016	-	41,127	9.76%
	2014	2,886	2,886	-	34,603	8.34%

*Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems. Tier 2 systems were created effective July 1, 2011.

GASB Statement No. 68 requires 10 years of information to be presented in this table. However, until a full 10-year trend is compiled, the School will present information for those years for which information is available. Contributions as a percentage of covered-payroll may be different than the board-certified rate due to rounding and other administrative issues.

Note 1 - Basis of Budgeting

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

1. The School's Principal 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 Principal 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 of Directors will file a copy of the adopted budget with the state auditor and the State Board of Education.



Compliance Reports
June 30, 2021

Soldier Hollow Charter 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
Soldier Hollow Charter School
Charleston, 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 Soldier Hollow Charter School (the School), as of and for the year ended June 30, 2021, 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 November 29, 2021.

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.

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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Ogden, Utah
November 29, 2021



**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
Soldier Hollow Charter School
Charleston, Utah

Report on Compliance

We have audited Soldier Hollow Charter 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, 2021.

State compliance requirements were tested for the year ended June 30, 2021, in the following areas:

- Budgetary Compliance
- Fraud Risk Assessment
- School Fees
- Minimum School Program - Unrestricted Programs
- Minimum School Program - Restricted Programs: Special Education and Teacher and Student Success Act
- Utah Retirement Systems

Management's Responsibility

Management is responsible for compliance with the state requirements referred to above.

Auditor's Responsibility

Our responsibility is to express an opinion on the School's compliance based on our audit of the state compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state compliance requirement referred to above. However, our audit does not provide a legal determination of the School's compliance with those requirements.

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, 2021.

Other Matters

The results of the auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the State Compliance Audit Guide and which is described in the accompanying schedule of findings and recommendations as item 2021-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 recommendations. The School's response was not subjected to auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the state compliance requirements referred to above as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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

We noted a matter involving internal control over compliance which we are submitting for your consideration. The matter is described in the accompanying schedule of findings and recommendations as item 2021-A.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Ogden, Utah
November 29, 2021

2021-A School Fees

Criteria: The School is required to provide documentation to demonstrate that school fees charged are not more than the maximum fee established for the activity.

Condition: For a sample of three transactions selected for testing as part of our compliance testing, we noted there was not sufficient documentation for deposits made, such as what student the fees were associated with.

Cause: Misunderstanding about required documentation.

Effect: We could not determine which students certain deposits were associated with as part of our testing.

Recommendations: We recommend that management ensures proper documentation is maintained through training of personnel.

Management Response: Management agrees with this finding and plans to implement additional control procedures and training of personnel to ensure that proper documentation is maintained.