

REAL SALT LAKE ACADEMY HIGH SCHOOL

Financial Statements

Year Ended June 30, 2021

REAL SALT LAKE ACADEMY HIGH SCHOOL

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Year Ended June 30, 2021

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Independent Auditor's Report

Board of Directors
Real Salt Lake Academy High School

Report on the Basic Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of Real Salt Lake Academy High School (the School) as of and for the year ended June 30, 2021, 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.

Management's Responsibility for the Basic 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of Real Salt Lake Academy High School as of June 30, 2021, and the respective changes in financial position and the respective budgetary comparison for the *general fund* for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 22, 2021 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.

Squire & Company, PC

Orem, Utah
November 22, 2021

Management's Discussion and Analysis

This section of the financial report of Real Salt Lake Academy High School (the School) presents management's discussion and analysis of the School's financial performance during the year ended June 30, 2021.

Financial Highlights

- The School's assets exceeded its liabilities at the close of the most recent fiscal year by \$6,095,182 (net position). Of this amount \$229,103 (unrestricted net position) may be used to meet the School's ongoing obligations to students, employees, and creditors.
- During the year, expenses were \$3,764,548 less than the \$7,737,393 generated in revenues for governmental activities.
- The School receives most of its revenue from state and federal funding based on the number of students enrolled during the year. State and federal revenues totaled \$3,500,743 in 2021. This year, the School recognized revenue of \$4,097,667, representing the difference between the fair value and the price of the land, building, and equipment purchased as a donation. Instruction expenses totaled \$2,764,778 in 2021.

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 and 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, and interest on long-term liabilities. 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

REAL SALT LAKE ACADEMY HIGH SCHOOL

Governmental Activities - Net Position

June 30, 2021

Current and other assets	\$ 559,727
Capital assets, net	<u>15,305,863</u>
Total assets	15,865,590
Current and other liabilities	330,624
Long-term liabilities	<u>9,439,784</u>
Total liabilities	9,770,408
Net position:	
Net investment in capital assets	5,866,079
Unrestricted	<u>229,103</u>
Total net position	<u>\$ 6,095,182</u>

As noted earlier, net position may serve over time as a useful indicator of a school's financial position. In the School's case, assets exceeded liabilities by \$6,095,182 at the close of the most recent fiscal year.

- A portion of the School's net position (\$5,866,079) reflects the School's investment in capital assets (e.g., land, buildings and improvements, and equipment, net of accumulated depreciation), less any related debt (note payable and obligation under capital lease) 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.

- The remaining net position (\$229,103) is unrestricted.

The School's net position increased by \$3,764,548 during the current year from activities. The following discussion and analysis on governmental activities focuses on this increase.

REAL SALT LAKE ACADEMY HIGH SCHOOL

Governmental Activities - Changes in Net Position

Year Ended June 30, 2021

Revenues:

Program revenues:

Charges for services	\$ 138,983
Operating grants and contributions	1,707,684
General revenues:	
Federal and state revenue not restricted to specific purposes	1,793,059
Other	<u>4,097,667</u>
Total revenues	7,737,393

Expenses:

Instruction	2,764,778
Supporting services	942,686
Interest on long-term debt	<u>265,381</u>
Total expenses	<u>3,972,845</u>
Change in net position	3,764,548
 Net position - beginning, as restated	 2,330,634
 Net position - ending	 <u>\$ 6,095,182</u>

- Revenues totaled \$7,737,393 for the year ended June 30, 2021. Of this amount, \$3,500,743 was from state and federal sources. Also, total expenses were \$3,972,845 during the same period. Of this amount \$2,764,778 was spent on instruction and \$942,686 was spent on supporting services.
- State aid is based primarily on weighted pupil units (WPUs) 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 1.8% during the year ended June 30, 2021 (\$3,596 during 2021 as compared to \$3,532 in 2020).
- The School recognized a donation of \$4,097,667 since the purchase price was less than the fair value of the land, building, and equipment.

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 \$236,977, a decrease of \$2,126,069 compared to the previous year. In addition, the following other changes in fund balances should be noted:

- Expenditures for the *general fund* totaled \$15,405,795. Instruction represents 16% of *general fund* expenditures.
- *General fund* salaries totaled \$1,840,934 while the associated employee benefits of retirement, social security, and insurance (health and accident, industrial, and unemployment) added \$454,317 to arrive at 15% 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, 2021, the *general fund* balance is \$236,977 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 \$16,051,823 in total *general fund* expenditures to reflect anticipated increases in salaries and related benefits along with an increase in capital expenditures and interest on debt. During the year, final budgeted revenues increased by \$462,162 to reflect anticipated increases in state and federal revenues.

Even with these adjustments, actual expenditures were \$3,689,631 less 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, 2021 amounts to \$15,305,863 (net of accumulated depreciation). This includes land, buildings and improvements, and equipment.

Capital assets at June 30, 2021 are outlined below:

**REAL SALT LAKE ACADEMY
HIGH SCHOOL'S Capital Assets
June 30, 2021**
(net of accumulated depreciation)

	Governmental Activities
Land	\$ 2,596,576
Buildings and improvements	12,127,376
Equipment	<u>581,911</u>
Total capital assets	<u><u>\$ 15,305,863</u></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 note payable debt outstanding of \$9,437,261.

**REAL SALT LAKE ACADEMY
HIGH SCHOOL'S Long-term Debt
June 30, 2021**

	Governmental Activities
Note payable from direct borrowing	\$ 9,437,261
Obligation under capital lease	<u>2,523</u>
Total long-term debt	<u><u>\$ 9,439,784</u></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:

Year Ended June 30,	October 1 Enrollment
2022	410
2021	406
2020	308
2019	268
2018	138

Contacting the School's Management

This financial report is designed to provide citizens, taxpayers, students, and investors and creditors with a general overview of Real Salt Lake Academy High School'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 14750 South 3600 West Herriman, Utah 84096.

Basic Financial Statements

REAL SALT LAKE ACADEMY HIGH SCHOOL
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets:	
Cash	\$ 531,134
Receivables:	
Local	41
State	7,498
Federal	21,054
Capital assets:	
Land	2,596,576
Depreciable buildings and other	<u>12,709,287</u>
Total assets	15,865,590
Liabilities:	
Accounts payable	22,991
Payroll and benefits payable	242,752
Accrued interest	7,874
Unearned revenue:	
Local	1,455
State	55,552
Long-term liabilities:	
Portion due or payable within one year	270,937
Portion due or payable after one year	<u>9,168,847</u>
Total liabilities	9,770,408
Net position:	
Net investment in capital assets	5,866,079
Unrestricted	<u>229,103</u>
Total net position	<u>\$ 6,095,182</u>

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

REAL SALT LAKE ACADEMY HIGH SCHOOL

Statement of Activities

Year Ended June 30, 2021

Activities and Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 2,764,778	\$ 138,983	\$ 1,396,062	\$ (1,229,733)
Supporting services:				
Student	61,234	-	2,586	(58,648)
General administration	285,298	-	26,427	(258,871)
School administration	234,001	-	12,010	(221,991)
Central	86,000	-	51,648	(34,352)
Operation and maintenance of facilities	246,494	-	218,951	(27,543)
Student transportation	29,659	-	-	(29,659)
Interest on long-term debt	265,381	-	-	(265,381)
	\$ 3,972,845	\$ 138,983	\$ 1,707,684	(2,126,178)
General revenues:				
Federal and state revenue not restricted to specific purposes				1,793,059
Other				4,097,667
Total general revenues				5,890,726
Change in net position				3,764,548
Net position - beginning, as restated				2,330,634
Net position - ending				\$ 6,095,182

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

REAL SALT LAKE ACADEMY HIGH SCHOOL
Balance Sheet – Governmental Fund
June 30, 2021

	<u>General Fund</u>
Assets:	
Cash	\$ 531,134
Receivables:	
Local	41
State	7,498
Federal	<u>21,054</u>
Total assets	<u>\$ 559,727</u>
Liabilities:	
Accounts payable	\$ 22,991
Payroll and benefits payable	242,752
Unearned revenue:	
Local	1,455
State	<u>55,552</u>
Total liabilities	322,750
Fund balances:	
Unassigned	<u>236,977</u>
Total liabilities and fund balances	<u>\$ 559,727</u>

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

REAL SALT LAKE ACADEMY HIGH SCHOOL
Reconciliation of the Balance Sheet of the Governmental Fund to the
Statement of Net Position
June 30, 2021

Total fund balances for the governmental fund \$ 236,977

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, in the statement of net position. 15,305,863

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.

Accrued interest	\$ (7,874)
Note payable from direct borrowing	(9,437,261)
Obligation under capital lease	<u>(2,523)</u>
	<u>(9,447,658)</u>
Total net position of governmental activities	<u>\$ 6,095,182</u>

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

REAL SALT LAKE ACADEMY HIGH SCHOOL
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Fund
Year Ended June 30, 2021

	<u>General Fund</u>
Revenues:	
Local:	
Tuition and fees	\$ 125,763
Other	13,220
State	3,457,823
Federal	<u>42,920</u>
Total revenues	3,639,726
Expenditures:	
Current:	
Instruction	2,434,393
Supporting services:	
Students	61,234
General administration	21,257
School administration	234,001
Central	86,000
Operation and maintenance of facilities	340,741
Student transportation	25,576
Facilities acquisition and construction services	11,496,645
Debt service:	
Principal	202,739
Interest and fiscal charges	257,361
Note issuance costs	<u>245,848</u>
Total expenditures	<u>15,405,795</u>
Deficiency of revenues under expenditures	(11,766,069)
Other financing sources and uses:	
Note payable proceeds	<u>9,640,000</u>
Net change in fund balances	(2,126,069)
Fund balances - beginning	<u>2,363,046</u>
Fund balances - ending	<u>\$ 236,977</u>

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

REAL SALT LAKE ACADEMY HIGH SCHOOL
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, 2021

Net change in fund balances for the governmental fund \$ (2,126,069)

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 expense.

Capital outlays	\$ 11,644,328
Depreciation expense	(408,320)
Donated value of capital assets	<u>4,097,667</u> 15,333,675

Debt proceeds provide current financial resources to governmental funds; issuing debt increases long-term liabilities in the statement of activities. Repayment of debt is an expenditure in the governmental fund; the repayment of debt reduces long-term liabilities in the statement of net position.

Issuance of note payable	(9,640,000)
Principal retirement of note payable	202,739
Accrued interest	(7,857)
Principal payment on obligation under capital lease	<u>2,060</u> (9,443,058)
Change in net position of governmental activities	<u>\$ 3,764,548</u>

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

REAL SALT LAKE ACADEMY HIGH SCHOOL
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual – General Fund
Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Local:				
Tuition	\$ 130,000	\$ 465,000	\$ 125,763	(339,237)
Other	300,000	450,000	13,220	(436,780)
State	2,733,373	2,697,535	3,457,823	760,288
Federal	37,000	50,000	42,920	(7,080)
Total revenues	3,200,373	3,662,535	3,639,726	(22,809)
Expenditures:				
Current:				
Instruction	1,543,053	2,064,360	2,434,393	(370,033)
Supporting services:				
Students	224,820	207,420	61,234	146,186
Instructional staff	5,000	5,000	-	5,000
General administration	18,000	18,000	21,257	(3,257)
School administration	286,230	247,918	234,001	13,917
Central	140,500	124,500	86,000	38,500
Operation and maintenance of facilities	826,000	1,029,826	340,741	689,085
Student transportation	-	-	25,576	(25,576)
Facilities acquisition and construction services	-	15,398,402	11,496,645	3,901,757
Debt service:				
Principal	-	-	202,739	(202,739)
Interest and fiscal charges	-	-	257,361	(257,361)
Note issuance costs	-	-	245,848	(245,848)
Total expenditures	3,043,603	19,095,426	15,405,795	3,689,631
Excess (deficiency) of revenues over (under) expenditures	156,770	(15,432,891)	(11,766,069)	3,666,822
Other financing sources and uses:				
Note payable proceeds	-	15,000,000	9,640,000	(5,360,000)
Net change in fund balances	156,770	(432,891)	(2,126,069)	(1,693,178)
Fund balances - beginning	2,363,046	2,363,046	2,363,046	-
Fund balances - ending	\$ 2,519,816	\$ 1,930,155	\$ 236,977	\$ (1,693,178)

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

REAL SALT LAKE ACADEMY HIGH SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Real Salt Lake Academy High School (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

Real Salt Lake Academy High School (the School) was incorporated in the state of Utah on September 28, 2016 as a nonprofit organization involved in public education. The School operates a public charter school in Herriman, Utah. The School serves students in grades nine 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 government.

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

REAL SALT LAKE ACADEMY HIGH SCHOOL

NOTES TO THE BASIC FINANCIAL STATEMENTS

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.

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 land, construction in progress, buildings and improvements, and equipment and buses, are reported in the government-wide financial statements. The School defines capital assets as assets with an initial, individual cost of more than \$2,000 for land, buildings and improvements, and equipment. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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 are depreciated using the straight-line method over the estimated useful lives as indicated in the chart below:

Asset Class	Depreciable Lives (Years)
Buildings and improvements	15 to 40
Equipment	5

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.

REAL SALT LAKE ACADEMY HIGH SCHOOL

NOTES TO THE BASIC FINANCIAL STATEMENTS

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. The School classifies all fund balances as unassigned.

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

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, 2021 is \$531,134. The bank balance is \$566,484, of which \$250,000 is covered by federal depository insurance.

REAL SALT LAKE ACADEMY HIGH SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS

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, 2021, the uninsured amount of bank deposits was uncollateralized nor is it required by state law.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ -	\$ 2,596,576	\$ -	\$ 2,596,576
Capital assets being depreciated and amortized:				
Buildings and improvements	-	12,409,921	-	12,409,921
Equipment	<u>23,047</u>	<u>694,600</u>	<u>-</u>	<u>717,647</u>
Total capital assets being depreciated	<u>23,047</u>	<u>13,104,521</u>	<u>-</u>	<u>13,127,568</u>
Accumulated depreciation for:				
Buildings and improvements	-	(282,545)	-	(282,545)
Equipment	<u>(9,961)</u>	<u>(125,775)</u>	<u>-</u>	<u>(135,736)</u>
Total accumulated depreciation	<u>(9,961)</u>	<u>(408,320)</u>	<u>-</u>	<u>(418,281)</u>
Total capital assets being depreciated, net	<u>13,086</u>	<u>12,696,201</u>	<u>-</u>	<u>12,709,287</u>
Total capital assets, net	<u><u>\$ 13,086</u></u>	<u><u>\$ 15,292,777</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 15,305,863</u></u>

For the year ended June 30, 2021, depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 371,571
Supporting services:	
School administration	20,416
Operation and maintenance of facilities	12,250
Student transportation	<u>4,083</u>
Total depreciation expense, governmental activities	<u><u>\$ 408,320</u></u>

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 \$155,401 for the year ended June 30, 2021. Plan assets are held by a third-party administrator.

REAL SALT LAKE ACADEMY HIGH SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 5 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2021 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Note payable from direct borrowing	-	9,640,000	(202,739)	9,437,261	268,783
Obligation under capital lease	4,583	-	(2,060)	2,523	2,154
Total long-term liabilities	<u>\$ 4,583</u>	<u>\$ 9,640,000</u>	<u>\$ (204,799)</u>	<u>\$ 9,439,784</u>	<u>\$ 270,937</u>

Note Payable from Direct Borrowing

On July 22, 2020, the School entered into a \$9,640,000 note payable to finance the purchase of a building and land. The note bears an interest rate of 3.00% and matures July 2025 and is collateralized by the assets.

The future debt service of the note payable is summarized as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 268,783	\$ 283,337	\$ 552,120
2023	277,074	275,046	552,120
2024	284,889	267,231	552,120
2025	294,407	257,713	552,120
2026	<u>8,312,108</u>	<u>28,953</u>	<u>8,341,061</u>
	<u>\$ 9,437,261</u>	<u>\$ 1,112,280</u>	<u>\$ 10,549,541</u>

The note agreement requires the School to maintain a debt service coverage ratio of 110 percent. This covenant remains in effect until the note payable is retired. The note agreement also contains a provision that in an event of default, the interest rate increases to 6.00% and the lender may declare the entire balance, principal and interest, due and payable in full.

Obligation under Capital Lease

The School has entered into a lease agreement for the right to use certain equipment. The lease expires August 2022. Lease payments totaled \$2,223 for the year ended June 30, 2021.

Amortization of equipment held under lease is included with depreciation expense. Amortization is calculated using the straight-line method over the 5-year estimated useful life of the equipment. Amortization expense for the equipment totaled \$1,994 for the year ended June 30, 2021.

The following is a summary of leased capital assets at June 30, 2021:

Equipment	\$ 9,972
Accumulated amortization	<u>(7,645)</u>
	<u>\$ 2,327</u>

REAL SALT LAKE ACADEMY HIGH SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS

Future minimum payments under capital lease obligations, together with their present values as of June 30, 2021, are summarized as follows:

Year Ending June 30,
2022 \$ 2,223
2023 371
<hr/>
Total minimum lease payments 2,594
Amount representing interest (71)
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Present value of minimum lease payments \$ 2,523
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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 – 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, 2021.

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.

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
Real Salt Lake Academy High School

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 Real Salt Lake Academy High 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 have issued our report thereon dated November 22, 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 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 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 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 22, 2021



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

Board of Directors
Real Salt Lake Academy High School

Report on Compliance

We have audited Real Salt Lake Academy High School's (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, 2021:

Budgetary Compliance
Fund Balance
Fraud Risk Assessment
Cash Management
Minimum School Program – Unrestricted Programs
Minimum School Program – Restricted Programs: Special Education and Teacher and Student Success Act
School Fees

Management's Responsibility

Compliance with the state compliance requirements referred to above is the responsibility of the School's management.

Auditor's Responsibility

Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State 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 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 the applicable state compliance requirement referred to above. Our audit does not provide a legal determination of the School's compliance with those requirements.

Opinion on Compliance

In our opinion, Real Salt Lake Academy High 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 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.

Cash Management – The School has not maintained the requirement of depositing cash or checks within three days of receipt. We recommend the School coordinate with those responsible for depositing cash to ensure deposits are being made timely.

Views of Responsible Officials – The School will review its policies and internal controls and ensure timely action is taken when noncompliance is identified.

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

Report on Internal Control over Compliance

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, we considered the School's internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance with those applicable state compliance requirements, 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 deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

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.

Squire & Company, PC

Orem, Utah
November 22, 2021