

Walden School of Liberal Arts
Financial Statements and Government Reports
Year ended June 30, 2023

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT 1

MANAGEMENT DISCUSSION & ANALYSIS 3

FINANCIAL STATEMENTS:

Statement of Net Position 8

Statement of Activities 9

Reconciliation of Fund Balance to Net Position..... 10

Reconciliation of Change in Fund Balance to Change in Net Position 11

Balance Sheet—Governmental Funds 12

Statement of Revenues, Expenditures and Change in Fund Balances—Governmental Funds 13

Statement of Revenues, Expenditures and Change in Fund Balances—Budget and Actual—General Fund 14

Notes to Financial Statements..... 15

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 23

Independent Auditor's Report on Compliance and Report on Internal Control
over Compliance Required by the State Compliance Audit Guide 24

Aycock, Miles & Associates, CPAs, P.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Walden School of Liberal Arts

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the government activities, each major fund, and budget comparison schedule of Walden School of Liberal Arts, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Walden School of Liberal Arts (School), as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion with 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 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 September 1, 2023 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.

Aycock, Miles & Associates, CPAs

September 1, 2023

Roosevelt, Utah

Management's Discussion and Analysis

As management of the Walden School of Liberal Arts (the School), we offer readers of the School's financial statements an overview and analysis of financial activities of the School for the fiscal year ended June 30, 2023.

Financial Highlights

- Net position increased \$646,312 and fund balance increased \$556,842.
- The School's long-term obligations decreased \$271,496 from \$4,580,317 to \$4,308,821.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business. Government-wide financial statements can be found on pages 8-9 of this report.

The statement of net position presents information on all the School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the government's 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.

Both of the government-wide financial statements distinguish functions of the School that are principally supported by intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School include K-12 education, food services and community after-school programs. The School has no business-type or fiduciary activities.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The School does not have any proprietary funds or fiduciary funds. The basic governmental fund financial statements can be found on pages 12-14 of this report.

Governmental funds—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 a government'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 government 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of the 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. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund.

The School adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the major funds to demonstrate compliance with its budget.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 15 in this report.

Government-wide Financial Analysis

Government Net Position. As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. Assets exceeded liabilities by \$5,044,989 at the most recent fiscal year-end.

The largest portion of the School’s net position were capital assets (equipment, buildings and land) less related debt still outstanding at 32.5%. Restricted assets comprise debt reserves according to loan contracts at 7.1%. Unrestricted net position which may be used to meet the government’s ongoing obligations to citizens and creditors comprised 60.4%. The School uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the School’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay any debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate any liabilities.

Net Position	Governmental Activities		Variance
	2023	2022	
Current and other assets	\$ 3,418,509	\$ 2,901,793	\$ 516,716
Noncurrent & capital assets	5,954,408	6,136,433	(182,025)
Deferred outflows of resources	-	-	-
Total assets	9,372,917	9,038,226	334,691
Current liabilities	304,434	332,946	(28,512)
Long-term liabilities	4,023,494	4,306,603	(283,109)
Deferred inflows of resources	-	-	-
Total liabilities	4,327,928	4,639,549	(311,621)
Net position:			
Invested in capital assets, net of related debt	1,637,545	1,544,962	92,583
Restricted	358,577	326,256	32,321
Unrestricted	3,048,867	2,527,459	521,408
Total net position	\$ 5,044,989	\$ 4,398,677	\$ 646,312

The School’s net position increased \$646,312 during the current fiscal year. Typically, the School experiences only small changes to net position. The next chart will outline the changes in net position.

Government Activities. Governmental activities increased the School’s net position by \$646,312, thereby accounting for 100% of the increase in total net position. Typically, changes to net position are small. Key elements of these changes are as follows.

Change in Net Position	Governmental Activities		Variance
	2023	2022	
Program revenues:			
Charges for services	\$ 109,054	\$ 58,817	\$ 50,237
Operating grants:			
Federal	665,288	734,429	(69,141)
State	4,596,806	4,246,078	350,728
Capital grants	-	-	-
General revenues:			
Contributions	154,551	113,855	40,696
Earnings on investments	8,757	3,982	
Other	2,325	136	2,189
Total revenues	<u>5,536,781</u>	<u>5,157,297</u>	<u>374,709</u>
Expenses:			
K-12 education	4,399,910	3,886,858	513,052
Food services	150,102	170,906	(20,804)
Community	184,602	121,599	63,003
Interest & amortization	155,855	164,991	(9,136)
Total expenses	<u>4,890,469</u>	<u>4,344,354</u>	<u>546,115</u>
Change in net position	646,312	812,943	\$ (171,406)
Beginning net position	<u>4,398,677</u>	<u>3,585,734</u>	
Ending net position	<u>\$ 5,044,989</u>	<u>\$ 4,398,677</u>	

Revenues from federal and state education programs were generally higher due to inflation, budget increases in student programs, and additional funding received to offset the impacts of the COVID-19 pandemic. Overall, instruction and administration expenditures increased \$546,115 because of wage inflation and changes in student enrollment.

Financial Analysis of the Government's Funds

Governmental Funds. The School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the School's governmental funds is to provide information on near-term flows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

	General Fund		
	2023	2022	Change
Assets:			
Cash	\$ 2,707,747	\$ 2,113,006	\$ 594,741
Restricted cash	300,000	300,000	-
Receivables	410,762	488,787	(78,025)
Total assets	3,418,509	2,901,793	516,716
Current liabilities:	19,107	59,233	40,126
Total liabilities	19,107	59,233	40,126
Fund balances:			
Restricted	358,577	326,256	32,321
Assigned	-	-	-
Unassigned	3,040,825	2,516,304	524,521
Total fund balances	\$ 3,399,402	\$ 2,842,560	\$ 556,842
	General Fund		
	2023	2022	Change
Revenues:			
State	\$ 4,596,806	\$ 4,246,078	\$ 350,728
Federal	665,288	734,429	(69,141)
Local	274,687	176,790	97,897
Total revenues	5,536,781	5,157,297	379,484
Expenditures:			
Program services:			-
School instruction	2,800,375	2,604,889	195,486
Student support	337,545	288,257	49,288
Staff support	85,733	61,331	24,402
Student transportation	1,505	595	910
Facilities	333,248	257,395	75,853
Food services	150,102	170,906	(20,804)
Community	184,602	121,599	63,003
Support services	662,592	493,013	169,579
Capital outlay	-	-	-
Debt service:			-
Principal	271,496	262,359	9,137
Interest & amortization	152,741	161,878	(9,137)
Total expenditures	4,979,939	4,422,222	557,717
Net surplus (deficit)	556,842	735,075	(178,233)
Fund balances - beginning of year	2,842,560	2,107,485	735,075
Fund balances - end of year	\$ 3,399,402	\$ 2,842,560	\$ 556,842

Fund Budgetary Highlights

The School’s actual revenues were slightly more than budgeted revenues and actual expenses were less than final budgeted expenses for the recent fiscal year-end. Please refer to budget and actual comparison statement.

Capital Asset and Debt Administration

Capital Assets. The School’s investment in capital assets for its governmental activities as of June 30, 2023 and 2022 amount to \$5,946,366 and \$6,125,278 (net of accumulated depreciation), respectively. These capital assets range from office equipment to vehicles, equipment and buildings. Net capital assets decreased \$178,912 because of an increase in assets of \$0 and an increase in accumulated depreciation of \$178,912.

Net Capital Assets	Governmental Activities		Variance
	2023	2022	
Capital assets net of depreciation	\$ 4,262,856	\$ 4,441,768	\$ (178,912)
Land	1,683,510	1,683,510	-
Total	<u>\$ 5,946,366</u>	<u>\$ 6,125,278</u>	<u>\$ (178,912)</u>

Long-Term Debt. The School decreased its long-term debt \$271,496 from \$4,580,317 to \$4,308,821. The School does not maintain a debt rating. State statutes limit the amount of general obligation bond debt and do not limit the amount of revenue bond debt. In either case, an election must be held although there are some exceptions to revenue bond issuance. The School’s ending long-term debt balance of \$4,308,821 is a note payable to a local bank.

Economic Factors and Next Year’s Budgets and Rates

The amount of resources available to the School hinges on the availability of state and federal grants from year to year. The fiscal year 2024 general fund budget is similar to the fiscal year-end 2023. The School has no budgeted tax revenues.

Requests for Information

This financial report is designed to provide a general overview of the School’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Walden School of Liberal Arts, Diana West, Superintendent, 4266 North University Avenue, Provo, Utah 84604.

Walden School of Liberal Arts
STATEMENT OF NET POSITION
June 30, 2023

	Governmental Activities
ASSETS	
Current Assets:	
Cash	\$ 2,707,747
Restricted cash	300,000
Accounts receivable	410,762
Total current assets	3,418,509
Noncurrent Assets:	
Loan fees, net of accumulated amortization	8,042
Capital assets:	
Land	1,683,510
Buildings & equipment, net of accum. depreciation	4,262,856
Total noncurrent assets	5,954,408
Total assets	9,372,917
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 18,764
Payroll and related benefits payable	343
Deferred grant revenues	-
Accrued interest	-
Current portion note payable	285,327
Total current liabilities	304,434
Non Current Liabilities:	
Notes payable	4,023,494
Total noncurrent liabilities	4,023,494
Total liabilities	4,327,928
NET POSITION	
Invested in capital assets, net of related debt	1,637,545
Restricted	358,577
Unrestricted	3,048,867
Total net position	5,044,989
Total liabilities & net position	\$ 9,372,917

Walden School of Liberal Arts
STATEMENT OF ACTIVITIES
For the year ending June 30, 2023

Functions	Expenses	Program Revenues			Total Governmental Activities
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
Governmental Activities:					
K-12 education	\$ 4,399,910	\$ 68,146	\$ 4,977,127		\$ 645,363
Food services	150,102	40,908	100,501	-	(8,693)
Community	184,602	-	184,466	-	(136)
Interest & amortization	155,855	-	-	-	(155,855)
Total governmental activities	<u>\$ 4,890,469</u>	<u>\$ 109,054</u>	<u>\$ 5,262,094</u>	<u>\$ -</u>	<u>480,679</u>
		General Revenues:			
					154,551
					8,757
					<u>2,325</u>
					<u>165,633</u>
		Change in net position			646,312
					<u>4,398,677</u>
					<u>\$ 5,044,989</u>

Walden School of Liberal Arts
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2023

Total Fund Balances for Governmental Funds \$ 3,399,402

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

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of the following:

Land	1,683,510	
Buildings & equipment	6,792,848	
Accumulated depreciation	<u>(2,529,992)</u>	
		5,946,366

Long-term debt are recorded in the government-wide financial statements but not in the fund statements.

Long-term debt	(4,308,821)	
Accrued interest	-	
Unamortized loan fees	<u>8,042</u>	
		<u>(4,300,779)</u>

Total Net Position of Governmental Activities **\$ 5,044,989**

Walden School of Liberal Arts
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the year ending June 30, 2023

Net Change in Fund Balances--Total Governmental Funds \$ 556,842

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expenses.

Capital outlays	-	
Book value of assets sold	-	
Depreciation	(178,912)	
Net		(178,912)

Governmental funds report debt services as an expenditure. However, repayment of debt does not affect the statement of activities but rather is a reduction of the statement of net assets' liability.

Principal payments	271,496	
Amortization of loan fees	(3,114)	
Accrued interest change	-	
Loan proceeds	-	
		268,382

Change in Net Position of Governmental Activities **\$ 646,312**

Walden School of Liberal Arts
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2023

	General Fund
Assets	
Cash	\$ 2,707,747
Cash restricted for debt service	300,000
Accounts receivable	410,762
Total Assets	\$ 3,418,509
Liabilities and Fund Balances	
Liabilities:	
Accounts payable	\$ 18,764
Payroll and related benefits payable	343
Deferred grant revenues	-
Total liabilities	19,107
Fund Balances	
Fund balances:	
Restricted:	
Debt service & grant	358,577
Assigned	-
Unassigned	3,040,825
Total fund balances	3,399,402
Total Liabilities and Fund Balances	\$ 3,418,509

Walden School of Liberal Arts
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

For the year ending June 30, 2023

	General Fund
Revenues:	
State	\$ 4,596,806
Federal	665,288
Local:	
Food services	40,908
Registration fees	47,444
Activity fees	20,702
Contributions	154,551
Interest earnings	8,757
Other	2,325
Total revenues	5,536,781
 Expenditures:	
Program services:	
School instruction	2,800,375
Student support	337,545
Staff support	85,733
Student transportation	1,505
Facilities	333,248
Food services	150,102
Community	184,602
Support services:	
School administration	583,082
District administration	-
Central support	79,510
Capital outlay	-
Debt service:	
Principal	271,496
Interest & amortization	152,741
Total expenditures	4,979,939
Excess (deficiency) of revenues over expenditures	556,842
 Fund balances - beginning of year	 2,842,560
Fund balances - end of year	\$ 3,399,402

Walden School of Liberal Arts
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the year ending June 30, 2023

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
State	\$ 4,564,312	\$ 4,594,076	\$ 4,596,806	\$ 2,730
Federal	427,267	626,860	665,288	38,428
Local:				
Food services	31,500	40,909	40,908	(1)
Registration fees	51,800	38,789	47,444	8,655
Activity fees	85,000	22,800	20,702	(2,098)
Contributions	113,000	154,574	154,551	(23)
Interest earnings	5,145	7,864	8,757	893
Other	-	2,324	2,325	1
Total revenues	<u>5,278,024</u>	<u>5,488,196</u>	<u>5,536,781</u>	<u>48,585</u>
Expenditures:				
Program services:				
School instruction	2,845,248	2,955,338	2,800,375	154,963
Student support	332,122	347,324	337,545	9,779
Staff support	97,855	92,181	85,733	6,448
Student transportation	45,500	1,505	1,505	-
Facilities	320,866	353,412	333,248	20,164
Food services	139,543	156,902	150,102	6,800
Community	191,151	191,885	184,602	7,283
Support services:				
School administration	595,949	587,246	583,082	4,164
District administration	-	-	-	-
Central support	94,585	83,010	79,510	3,500
Capital outlay	102,500	-	-	-
Debt service:				
Principal	231,226	281,496	271,496	10,000
Interest & amortization	212,180	162,741	152,741	10,000
Total expenditures	<u>5,208,725</u>	<u>5,213,040</u>	<u>4,979,939</u>	<u>233,101</u>
Excess (deficiency) of revenues over expenditures	69,299	275,156	556,842	281,686
Fund balances - beginning of year	<u>2,842,560</u>	<u>2,842,560</u>	<u>2,842,560</u>	-
Fund balances - end of year	<u>\$ 2,911,859</u>	<u>\$ 3,117,716</u>	<u>\$ 3,399,402</u>	<u>\$ 281,686</u>

Walden School of Liberal Arts
Notes to Financial Statements

Note 1 Description of School and Summary of Significant Accounting Policies

Walden School of Liberal Arts (the School) was incorporated in the state of Utah on July 9, 2003 as a nonprofit organization involved in public education. The School operates a public charter school in Provo, Utah, and serves students from kindergarten through grade twelve. The School provides the following program services: school (instruction and related services), non-school (after school program), and food services. Supporting services include general (Board-related costs and central services) and fundraising (sponsoring special events and soliciting contributions).

Reporting Entity—The financial statements present the School and its component units (entities for which the School is considered to be financially accountable). The School has determined that there are no separately administered organizations that are controlled by or are dependent upon the School included in this report. Control or dependence is determined on the basis of financial interdependence, selection of governing authority, designation of management ability to significantly influence operations and accountability for fiscal matters.

Government-Wide—The government-wide financial statements (statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of the inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The *statement of net position* reports the financial position of the governmental and business-type activities.

The *statement of activities* reports the expenses of a given function offset by program revenues directly related connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated. All expenses are included in the applicable function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational and (3) capital contributions of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues

Fund Financial Statements—Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation—The financial statements are reported in accordance generally accepted accounting principles as applicable to governmental units. Although the School is a Utah nonprofit corporation, governmental accounting standards apply due to the Utah State Charter Board's ability to control and terminate the School's charter.

The *government-wide financial statements* are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Proprietary and any fiduciary fund financial statements are also reported using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues, if applicable, are recognized in the year for which they are levied while grants are recognized when the grantor eligibility requirements are met. Depreciation is allocated directly to functional expenses, and interest expense is categorized separately in the Statement of Activities. The School does not allocate indirect expenses; all expenses are recorded to a specific school function.

Walden School of Liberal Arts
Notes to Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The School reports the following major governmental fund. There are no other funds.

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Restricted and Committed Assets—The School often receives resources that are legally restricted, contractually limited, or committed by the governing body. When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as needed.

Resources may be required to be set aside for the repayment of such bonds, and, on occasion, for the repair and maintenance of the assets acquired with the bond proceeds. These resources are classified as restricted assets on the balance sheet because of their limited use. Most capital grant agreements mandate that grant proceeds be spent only on capital assets. Unspent resources of this nature are also classified as restricted. The limited use resources described above involve a reported restriction of both cash and net assets. Unspent proceeds of bonds issued to finance capital assets are also reported as restricted cash.

Deposits and Investments—The School's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value. Deposits are reported at cost, which approximates fair value.

Receivables and Payables—All trade and intergovernmental receivables are shown net of an allowance for uncollectible accounts. Intergovernmental receivables are considered collectible. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectible amounts. Eventual payment is received on most trade accounts receivable.

Property Taxes—The School does not collect tax revenues and is not allowed to assess a property tax.

Inventories and Prepaid Items—All inventories are valued at cost using the first-in/first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. At year-end, the School has no significant inventory. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets. Capital assets are recorded at cost, if purchased, and at estimated fair value at the date of donation, if donated. Capital assets valued at \$5,000 or more are capitalized and depreciated, using the straight-line depreciation method, over the estimated useful lives of the assets as follows: Buildings and improvements 5 to 40 years; land improvements 3 to 20 years; equipment 3 to 10 years; furniture and fixtures 5 to 10 years. Repairs and maintenance that do not significantly increase the useful life of the asset are charged to expense as incurred. Capital assets are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

Walden School of Liberal Arts
Notes to Financial Statements

Income Tax Status. The School is organized as a Utah nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3), qualify for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and (viii), and has been determined not to be private foundations under Sections 509(a)(1) and (3), respectively. The School is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the School is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The School has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The School believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The School's annual 990 filings remain open for the last three years. The School would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Revenue Recognition. Operating funds for the School are derived principally from federal and state sources. The School receives state funding based on the number of students enrolled in the School. Unrestricted support given by the state is recognized as revenue when received. The School also receives federal and state grants generally on a reimbursement basis. Accordingly, grant revenue is recognized when qualifying costs are incurred and all other grant performance requirements have been met. Federal and state grants are subject to review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions in future grant funds. Based on prior experience, the School's management believes that costs ultimately disallowed, if any, would not significantly affect the financial position of the School.

Contributions and Donated Services. Unrestricted contributions are recognized as revenue when received. Contributions of goods are recorded at fair value. Contributions of services are recorded at fair value as revenue at the time the service is rendered when specialized skills are required and when the School would otherwise purchase the services. No amounts have been reflected in the accompanying financial statements for contributed goods or services during the year being reported because items did not meet the definition above. However, many individuals volunteer their time and perform a variety of tasks that assist the School with specific programs, administration, fundraising, and Board assignments. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Compensated Absences. The School's employees do not accrue vacation, sick leave or other compensation.

Long-term Obligations—In the government-wide financial statements long-term debt obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Walden School of Liberal Arts
Notes to Financial Statements

Fund Equity—Equity is reported differently for the government-wide and fund financial statements.

Government-wide Financial Statements—equity is classified in the government-wide financial statements as net position and is displayed in three components:

Invested in capital assets, net of related debt - Capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - Net position with constraints placed on the use either by (1) external groups such as creditors, grantors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position that do not meet the definition of "restricted" or "invested" in capital assets, net of relation debt.

Fund Financial Statements—In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned or unassigned. The School's Board of Directors is the highest level of decision making. Descriptions of equity classifications follow:

Nonspendable fund balance - Amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

Restricted fund balance - Amounts restricted by enabling legislation. Also reported if, (a) externally imposed by creditors, grantors, contributors, or laws regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority.

Assigned fund balance - Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Also includes all remaining amounts that are reported in governmental funds, other than the general fund that are not classified as nonspendable, restricted nor committed or in the General Fund, that are intended to be used for specific purposes. The School's Board may assign balances.

Unassigned fund balance - Residual classification of the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgetary information— An annual operating budget is adopted by the School's board of trustees, on a basis consistent with generally accepted accounting principles, and as prescribed by state regulation. The budget is adopted prior to the beginning of the year to which it applies after a public hearing has been held. Subsequent amendments to the operating budget may be made after a public hearing. A capital budget is also adopted by the board of trustees which identifies planned capital asset addition and requirements for long-term debt service principal payments, as well as the plan for financing these items.

Walden School of Liberal Arts
Notes to Financial Statements

Deferred Outflows/Inflows of Resources—In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an outflow of resources (revenue) until that time.

Note 2 Concentration of Revenues

Revenue and Support. The majority of the School's revenue and support comes from the U.S. Department of Education (through the Utah Office of Education) and the State of Utah. Federal and state revenues were 95 percent of total revenue and support for the year ended June 30, 2023.

Note 3 Deposits and Investments

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 that relate to the deposit and investment of public funds.

Summary of Deposits and Investments

Reconciliation to the Balance Sheet			
	Balance Sheet		Deposits & Investments
Cash	\$ 2,707,747	Checking, savings & money markets	\$ 3,005,644
Restricted cash	300,000	Undeposited funds	2,103
Totals	\$ 3,007,747		\$ 3,007,747

Deposits

The School follows the requirements of the Utah Money Management Act (Utah Code, Section 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 School deposits its cash with high quality financial institutions and management believes the School is not exposed to significant credit risk on those amounts.

Custodial Credit Risk—Custodial credit risk is the risk that, in the event of a bank failure, the School's deposits may not be returned to it. The School does not have a formal deposit policy for custodial credit risk. FDIC insures customers' accounts at each bank up to \$250,000. The School utilizes numerous banks to reduce custodial risk. As of June 30, 2023, bank balances of \$88,006 was uninsured and uncollateralized.

Walden School of Liberal Arts
Notes to Financial Statements

Note 4 Property and Equipment

Capital asset activity for the year ended June 30, 2023 is summarized below. Depreciation expense of \$178,912 for the year ended June 30, 2023 was allocated to facilities supporting services.

	30-Jun-22	Additions	Reductions	30-Jun-23
Capital assets not being depreciated:				
Land	\$ 1,683,510	\$ -	\$ -	\$ 1,683,510
Construction in progress	-	-	-	-
Sub-total	1,683,510	-	-	1,683,510
Capital assets being depreciated:				
Buildings and improvements	6,570,006	-	-	6,570,006
Equipment	179,826	-	-	179,826
Furniture and fixtures	43,016	-	-	43,016
Sub-total	6,792,848	-	-	6,792,848
Accumulated depreciation:				
Buildings and improvements	(2,160,776)	(174,724)	-	(2,335,500)
Equipment	(147,455)	(4,021)	-	(151,476)
Furniture and fixtures	(42,849)	(167)	-	(43,016)
Sub-total	(2,351,080)	(178,912)	-	(2,529,992)
Total depreciable assets, net	4,441,768	(178,912)	-	4,262,856
Total capital assets, net	\$ 6,125,278	\$ (178,912)	\$ -	\$ 5,946,366

Walden School of Liberal Arts
Notes to Financial Statements

Note 5 Bonds and Notes Payable

Changes in long-term liabilities for the year-ended June 30, 2023 are summarized below.

Long-term Debt	Original			30-Jun-22	Additions	Reductions	30-Jun-23	Current Portion
	Balance	Maturity	% Rate					
Bank of American Fork	\$ 6,000,000	20-Jan-2026	3.38%	\$ 4,580,317	\$ -	\$ (271,496)	\$ 4,308,821	\$ 285,327
Total long-term debt				<u>4,580,317</u>	<u>-</u>	<u>(271,496)</u>	<u>4,308,821</u>	<u>285,327</u>
Unamortized loan fees	\$ 31,130			\$ 11,155	\$ -	\$ (3,113)	\$ 8,042	\$ 3,113

Bank of American Fork Note Payable. This original note payable of 4.29% was adjusted to 3.38% in February 2021. The note payable's monthly installments continue to be \$37,482. Payments commenced February 2016. A balloon payment of \$3,603,437 is required in January 2026. The note is secured by the School's facilities.

Unamortized Loan Fees. In conjunction with the Bank of American Fork note payable, loan fees of \$31,130 were incurred and are being amortized on a straight-line basis over the ten-year term of the note. Amortization expense relating to loan fees was \$3,113 for the year ended June 30, 2023. Accumulated amortization was \$23,088 at June 30, 2023.

Debt Covenants. The loan agreement with Banner Bank requires the School to maintain a debt service coverage ratio of 140 percent and requires the School to maintain a cash balance of \$300,000 in an account at the lender's bank. The School's buildings provide collateral for the note payable. In the event of default, late payment penalties and potential foreclosure may occur. These covenants remain in effect until the note is paid in full.

Debt service for the notes payable are summarized below.

Year ending	Principal	Interest	Total
June 30			
2024	\$ 285,327	\$ 141,127	\$ 426,454
2025	292,828	131,409	424,237
2026 (balloon)	3,730,666	61,956	3,792,622
2027	-	-	-
2028	-	-	-
Thereafter	-	-	-
Totals	<u>\$ 4,308,821</u>	<u>\$ 334,492</u>	<u>\$ 4,643,313</u>

Note 6 Risk Management

The School is exposed to various risks of loss related to torts, errors and omissions, property, employee health, workers' compensation, and unemployment for which the School carries commercial insurance. For these programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for each of the past three years.

Walden School of Liberal Arts
Notes to Financial Statements

Note 7 Restricted Net Assets

At times, there are restricted net assets related to debt service and unexpended grant proceeds at year-end. Changes to restricted assets are as follows.

Program	June 30, 2022	June 30, 2023
Debt service reserve	\$ 300,000	\$ 300,000
Utah Special Education	1,657	2,575
Grow Your Own Teacher	24,599	8,116
Public Education Capital & Technology	-	47,886
	<u>\$ 326,256</u>	<u>\$ 358,577</u>

Note 8 Retirement Plan

The School has a 403(b) retirement plan. All full-time salaried employees are eligible to receive employer contributions to the plan. Employer contributions made to the plan are determined by the Board of Trustees on an annual basis. The School made contributions to the plan on behalf of eligible employees representing 10 percent of gross wages during the year ended June 30, 2023. Employer contributions were \$206,209 and employee contributions were \$26,343 for the year ended June 30, 2023.

Note 9 Related Party Transactions

The School paid four relatives of the School's key administrators approximate wages of \$165,875. No amounts were payable to these individuals at June 30, 2023.

Note 10 Fundraising Activities

Local contributions and fundraising revenues are about 2.8 percent of total operating revenues. The School's expenses related to fundraising are considerably less than related revenues and insignificant to the financial statements.

Aycock, Miles & Associates, CPAs, P.C.

Certified Public Accountants

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Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Walden School of Liberal Arts

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 each major fund of the Walden School of Liberal Arts, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 1, 2023.

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) to determine the 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 Walden School of Liberal Arts' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Aycock, Miles & Associates, CPAs

September 1, 2023
Roosevelt, Utah

Aycock, Miles & Associates, CPAs, P.C.

Certified Public Accountants

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

Walden School of Liberal Arts

We have audited Walden School of Liberal Arts' compliance with the applicable state requirements described in the State Compliance Audit Guide, issued by the Office of the State Auditor for the year ended June 30, 2023.

State compliance requirements were tested for the year ended June 30, 2023 in the following areas: budgetary compliance, fund balance, fraud risk assessment, governmental fees, cash management, and school program procedures.

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 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 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 School's compliance with those requirements.

Opinion on Compliance

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

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance which is required to be reported in accordance with the State Compliance Audit Guide.

Report on Internal Control Over Compliance

Management of 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 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 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 School's internal control over compliance.

Aycock, Miles & Associates, CPAs, P.C.

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

Our 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.

Purpose of Report

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.

Aycock, Miles & Associates, CPAs

September 1, 2023

Roosevelt, Utah