



Financial Statements
June 30, 2024

Pacific Heritage Academy dba Pacific
Heritage School

Pacific Heritage Academy dba Pacific Heritage School

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Independent Auditor's Report

The Board of Directors
Pacific Heritage Academy dba Pacific Heritage School
Salt Lake City, Utah

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the major fund of Pacific Heritage Academy dba Pacific Heritage School (the School) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the School, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of revenue, expenditures, and changes in fund balance – budget and actual – general fund and notes to the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2024, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Ogden, Utah
November 26, 2024

The discussion and analysis of the Pacific Heritage Academy dba Pacific Heritage School's (the School) financial performance provides an overall review of financial activities for the fiscal year.

FINANCIAL HIGHLIGHTS

Over the course of the year, revenue decreased by 1% while expenses increased by 4%. The increase in expenses was primarily due to instructional expenses and central services. Revenues primarily decreased due to a decrease in revenue recognized from state programs. Due to the uncertainty surrounding state and federal funding, creating a conservative budget was an emphasis going into the current fiscal year. The School was able to navigate unique circumstances while only increasing total expenses by 4% from the prior fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-Wide Financial Statements (GWFS)

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

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

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

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

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

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

Fund Financial Statements

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

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

Governmental Funds

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

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

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

Notes

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

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

Government-Wide Financial Analysis

Net position may serve as a useful indicator of an organization's financial position. With a decrease in funding and an increase in expenditures during the current fiscal year, the School experienced a decrease in its net position from the prior fiscal year.

	<u>2024</u>	<u>2023</u>
Assets		
Current and other assets	\$ 1,869,363	\$ 2,032,567
Capital assets	<u>5,762,763</u>	<u>5,925,351</u>
Total assets	<u>\$ 7,632,126</u>	<u>\$ 7,957,918</u>
Liabilities		
Current and other liabilities	\$ 417,169	\$ 334,877
Long-term liabilities	<u>7,168,838</u>	<u>7,325,514</u>
Total liabilities	<u>7,586,007</u>	<u>7,660,391</u>
Net Position		
Net investment in capital assets	(1,406,076)	(1,400,163)
Restricted	1,343,077	1,263,588
Unrestricted	<u>109,118</u>	<u>434,102</u>
Total net position	<u>\$ 46,119</u>	<u>\$ 297,527</u>

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

Governmental Activities

Changes in Net Position – The table below shows the changes in net position for the fiscal years 2024 and 2023. The School relies on state and federal support for 97% of its governmental activities for the year ended June 30, 2024. The School had total revenue of \$4,041,016 and total expenses of \$4,292,424, during the year ended June 30, 2024. The School had a decrease in net position of \$251,408 during the year ended June 30, 2024. This was in large part due a decrease in funding and an increase in expenditures during the current fiscal year.

Pacific Heritage Academy dba Pacific Heritage School

Management's Discussion and Analysis

June 30, 2024

	2024	2023	Change
Revenue			
Program revenue			
State and federal aid	\$ 3,939,113	\$ 3,731,930	\$ 207,183
Charges for services	3,476	14,286	(10,810)
Operating grants and contributions	13,753	38,000	(24,247)
COVID-19 economic relief	-	234,704	(234,704)
Other local revenue	84,674	74,534	10,140
Total revenue	4,041,016	4,093,454	(52,438)
Expenses			
Instructional	2,233,860	2,089,684	144,176
Support services			
Students	258,056	185,320	72,736
Staff assistance	26,216	50,858	(24,642)
General	46,312	52,113	(5,801)
School administration	426,060	432,246	(6,186)
Central services	176,487	77,682	98,805
Operation and maintenance of facilities	485,979	551,166	(65,187)
Transportation	12,782	7,364	5,418
School food services	240,357	274,881	(34,524)
Interest and other costs	386,315	387,660	(1,345)
Total expenses	4,292,424	4,108,974	183,450
Change in Net Position	\$ (251,408)	\$ (15,520)	\$ (235,888)

Governmental Funds

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

General Fund – The general fund is the general operating fund for the School. At the end of the current fiscal year, the general fund balance is \$1,561,177, which is a decrease of \$247,722 from the prior fiscal year. The decrease was due to a decrease in funding from federal funding and an increase in expenditures.

Expenditures for general School purposes totaled \$4,288,738, which is an increase of \$141,790 from the prior fiscal year. The increase in expenditures is due to additional personnel hired to help staff work with smaller groups to promote academic growth in core subjects.

General fund salaries totaled \$2,470,186, while the associated fringe benefits of retirement, social security, unemployment, workers compensation, health, dental, and vision added \$479,148 to arrive at 69% of the School's general fund expenditures.

Budgetary Highlights

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

Actual expenditures in the general fund were \$154,908 less than the amended budget. The School's budget vs actual difference is in compliance with local and state requirements of budgetary thresholds. In addition, this difference allows for compliance in the event of unforeseen circumstances that may arise at the end of the operating year.

Capital Assets

The School has invested \$7,434,151 in a wide range of capital assets, but primarily in land, buildings and improvements, and equipment. The total accumulated depreciation and amortization on these assets amounts to \$1,671,388. There were capital asset additions of \$63,977 for fiscal year 2024. Additional information regarding the School's capital assets can be found in Note 3 to the basic financial statements.

Long-Term Debt

Long-term debt consists of an outstanding bond totaling \$7,100,000 bearing interest at 5.30% and matures in September 2047. The School also has a lease liability totaling \$68,838. The lease bears interest based on an implied interest rate of 8.25% and matures in October 2028. The School is required to meet certain covenants, including debt coverage and cash available, as defined by their bond payable agreement. See Notes 4 and 5 to the basic financial statements for more information about the lease liability and long term debt.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Pacific Heritage Academy dba Pacific Heritage School, 1755 W 1100 N, Salt Lake City, Utah 84116, or by phone at (801) 363-1892.

Pacific Heritage Academy dba Pacific Heritage School

Statement of Net Position

June 30, 2024

	<u>Governmental Activities</u>
Assets	
Cash and investments	\$ 479,134
Restricted cash and investments	1,052,259
State receivables	56,505
Federal receivables	281,465
Capital assets (not subject to depreciation)	991,808
Capital assets (net of accumulated depreciation and amortization)	<u>4,770,955</u>
 Total assets	 <u>7,632,126</u>
Liabilities	
Accounts payable	121,267
Accrued liabilities	186,919
Accrued interest	108,983
Long-term liabilities	
Due within one year - bonds payable and lease liability	163,782
Due in more than one year - bonds payable and lease liability	<u>7,005,056</u>
 Total liabilities	 <u>7,586,007</u>
Net Position	
Net investment in capital assets	(1,406,076)
Restricted for	
Special education	8,613
Math science teacher recruitment	5,108
Educator professional time	40,531
Public education capital and tech	44,933
Educator salary adjustment	33,112
Food service	158,521
Debt service	1,052,259
Unrestricted	<u>109,118</u>
 Total net position	 <u>\$ 46,119</u>

Pacific Heritage Academy dba Pacific Heritage School

Statement of Activities
Year Ended June 30, 2024

Functions/Programs	Program Revenue			Net Revenue (Expense) and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
<i>Governmental activities</i>				
Instructional	\$ 2,233,860	\$ -	\$ 2,282,669	\$ 48,809
Support services				
Students	258,056	-	-	(258,056)
Staff assistance	26,216	-	-	(26,216)
General	46,312	-	-	(46,312)
School administration	426,060	-	-	(426,060)
Central services	176,487	-	-	(176,487)
Operation and maintenance of facilities	485,979	-	-	(485,979)
Transportation	12,782	-	-	(12,782)
School food services	240,357	3,476	265,383	28,502
Interest and other costs	386,315	-	-	(386,315)
Total Governmental Activities	\$ 4,292,424	\$ 3,476	\$ 2,548,052	(1,740,896)
General Revenue				
Grants and contributions not restricted to specific programs				
				1,404,814
				32,651
				52,023
				<u>1,489,488</u>
				(251,408)
				<u>297,527</u>
				<u>\$ 46,119</u>

Pacific Heritage Academy dba Pacific Heritage School

Balance Sheet – Governmental Funds

June 30, 2024

	<u>General</u>
Assets	
Cash and investments	\$ 479,134
Restricted cash and investments	1,052,259
State receivables	56,505
Federal receivables	<u>281,465</u>
Total assets	<u>\$ 1,869,363</u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	\$ 121,267
Accrued liabilities	<u>186,919</u>
Total liabilities	<u>308,186</u>
Fund Balance	
Restricted for	
Special education	8,613
Math science teacher recruitment	5,108
Educator professional time	40,531
Public education capital and tech	44,933
Educator salary adjustment	33,112
Food service	158,521
Debt service	1,052,259
Unassigned	<u>218,100</u>
Total fund balance	<u>1,561,177</u>
	<u>\$ 1,869,363</u>

Pacific Heritage Academy dba Pacific Heritage School
 Reconciliation for Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2024

Total Fund Balance - Governmental Funds \$ 1,561,177

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

Costs of capital assets	7,434,151	
Depreciation and amortization expense to date	<u>(1,671,388)</u>	
		5,762,763

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

Long-term liabilities		
Bonds payable	(7,100,000)	
Lease liability	(68,838)	
Accrued interest	<u>(108,983)</u>	
		<u>(7,277,821)</u>

Net Position		\$ <u><u>46,119</u></u>
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Pacific Heritage Academy dba Pacific Heritage School
Statement of Revenue, Expenditures, and Changes in Fund Balance – Governmental Funds
Year Ended June 30, 2024

	General
Revenue	
State aid	\$ 3,257,730
Federal aid	681,383
Earnings on investments	52,023
School fees	10,560
School lunch sales	3,476
Other local sources	35,844
Total revenue	4,041,016
Expenditures	
Instructional	2,233,860
Support services	
Students	258,056
Staff assistance	26,216
General	46,312
School administration	426,060
Central services	176,487
Operation and maintenance of facilities	259,415
Transportation	12,782
Total support services	1,205,328
Non-instructional	
School food services program	240,357
Capital outlay	63,977
Total non-instructional	304,334
Debt service	
Principal	156,676
Interest and other costs	388,540
Total debt service	545,216
Total expenditures	4,288,738
Net Change in Fund Balance	(247,722)
Fund Balance, Beginning of Year	1,808,899
Fund Balance, End of Year	\$ 1,561,177

Pacific Heritage Academy dba Pacific Heritage School
 Reconciliation of Governmental Funds Statement of Revenue, Expenditures,
 and Changes in Fund Balance to the Statement of Activities
 Year Ended June 30, 2024

Total Net Change in Fund Balance - Governmental Funds \$ (247,722)

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

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

Capital outlay	63,977	
Depreciation and amortization expense	(226,564)	
	(162,587)	(162,587)

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

Repayment of bond payable and lease liability principal	156,676	
Change in accrued interest	2,225	
	158,901	158,901

Change in Net Position of Governmental Activities \$ (251,408)

Note 1 - Summary of Significant Accounting Policies

Pacific Heritage Academy dba Pacific Heritage School (the School) was formed in 2012 and is a nonprofit institution organized under the nonprofit corporation laws of the State of Utah. The School operates one charter school in Salt Lake City, Utah, for students from kindergarten to eighth grade. The School uses the power of education, the endurance of language and culture, and the virtue of relationships and community to help young people on voyages of discovery. Through thoughtful inquiry, challenging curricula, rigorous requirements, and compassionate service students learn who they are and what they can become. The School creates learning experiences, and students find their roots and their wings. The School provides the following activities: education, encompassing instruction, student and staff support activities, and facilities maintenance and operation. Supporting services include management and general services which are overall entity-related administrative activities.

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

Financial Reporting Entity

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

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

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

Governmental Funds

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

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

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

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements (GWFS)

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

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

Program Revenue

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

Allocation of Indirect Expenses

The School reports all direct expenses by function in the statement of activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the statement of activities. Depreciation expense is not specifically identified by function and is considered an allocated indirect expense. Interest on general long-term debt is considered an indirect expense and is reported separately on the statement of activities.

Fund Financial Statements

Governmental Funds

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

Revenue

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

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

Expenditures

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

Restricted Cash and Investments

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

Investments

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

Receivables

All receivables are shown net of any allowance for uncollectible amounts. No allowances for uncollectible items have been recorded as of June 30, 2024.

Estimates

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

Capital Assets

Capital assets are recorded at historical cost and depreciated/amortized over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated acquisition value at the date of donation. Estimated useful lives are management's estimate of how long the asset is expected to meet service demands. The School's capitalization threshold is \$5,000. The cost of normal maintenance and repairs not adding to the value of the asset or materially extending asset lives are not capitalized. Straight-line depreciation is used based on the following estimated useful lives:

Buildings and improvements	10-30 years
Equipment	3-5 years

Right-to-use leased assets are recognized at the lease commencement date and represent the School's right to use an underlying asset for the lease term. Right-to-use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right-to-use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period is 13-48 months.

Leases

The School is a lessee for a noncancellable lease of a copier machine. The School recognizes a lease liability and a right-to-use asset in the GWFS. The School recognizes lease liabilities with an initial individual value of \$5,000 or more.

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

Key estimates and judgements related to leases include how the School determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

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

The School monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. The lease asset is reported with capital assets, and the lease liability is reported with long-term liabilities on the statement of net position.

Long-Term Liabilities

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

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

Restricted Net Position

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

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

Imposed by law through constitutional provisions or enabling legislation.

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

Fund Balances of Fund Financial Statements

The governmental fund financial statements present a fund balance based on classifications that comprise a hierarchy based primarily on the extent to which the School is bound to honor constraints on the specific

purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

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

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

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

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

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

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

Grants and Other Intergovernmental Revenue

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

Note 2 - Cash and Investments

At June 30, 2024, the School's cash and investments consisted of the following:

Cash			
Insured		\$	250,000
Uninsured and not collateralized			<u>275,203</u>
Total balance of deposits		\$	<u><u>525,203</u></u>
Investments	<u>Rating</u>	<u>Fair Value</u>	<u>Investment Maturities</u>
PTIF	Unrated	\$ <u>1,006,190</u>	Less than 1 year
Total cash and investments		\$ <u><u>1,531,393</u></u>	

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

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

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

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

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

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

Fair Value of Investments

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

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

The investments consist only of PTIF funds which are classified as Level 2. The PTIF funds use the application of the June 30, 2024, fair value as calculated by the Utah State Treasurer to the School's average daily balance in the Fund. The School currently has no assets that qualify for Level 1 or 3 investments.

The following table illustrates the investments by the appropriate levels for the School:

	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
June 30, 2024 PTIF	\$ 1,006,190	\$ -	\$ 1,006,190	\$ -
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Custodial Credit Risk

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

Credit Risk

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

Concentration of Credit Risk

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

Interest Rate Risk

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

Note 3 - Capital Assets

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

	<u>June 30, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2024</u>
Capital assets, not subject to depreciation				
Land	\$ 850,000	\$ -	\$ -	\$ 850,000
Construction in progress	104,855	36,954	-	141,808
Total capital assets, not subject to depreciation	<u>954,855</u>	<u>36,954</u>	<u>-</u>	<u>991,808</u>
Capital assets being depreciated				
Buildings and improvements	6,047,550	-	-	6,047,550
Equipment	287,256	27,023	-	314,279
Right-to-use leased copier	80,514	-	-	80,514
Total capital assets being depreciated	<u>6,415,320</u>	<u>27,023</u>	<u>-</u>	<u>6,442,343</u>
Less accumulated depreciation and amortization for				
Buildings and improvements	(1,163,390)	(202,383)	-	(1,365,773)
Equipment	(281,434)	(8,845)	-	(290,279)
Right-to-use leased copier	-	(15,336)	-	(15,336)
Total accumulated depreciation and amortization	<u>(1,444,824)</u>	<u>(226,564)</u>	<u>-</u>	<u>(1,671,388)</u>
Total capital assets, subject to depreciation and amortization	<u>4,970,496</u>	<u>(199,541)</u>	<u>-</u>	<u>4,770,955</u>
Total capital assets, net	<u>\$ 5,925,351</u>	<u>\$ (162,587)</u>	<u>\$ -</u>	<u>\$ 5,762,763</u>

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

Pacific Heritage Academy dba Pacific Heritage School

Notes to Financial Statements

June 30, 2024

Note 4 - Long-Term Liabilities

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

	Balance at June 30, 2023	Additions	Retirements	Balance at June 30, 2024	Due Within One Year
Bond payable	\$ 7,245,000	\$ -	\$ (145,000)	\$ 7,100,000	\$ 150,000
Lease liability	80,514	-	(11,676)	68,838	13,782
	<u>\$ 7,325,514</u>	<u>\$ -</u>	<u>\$ (156,676)</u>	<u>\$ 7,168,838</u>	<u>\$ 163,782</u>

Long-term liabilities as of June 30, 2024, consist of the following:

Series 2017A Revenue Bond is a bond issued at 5.30% during fiscal year 2018 for \$7,565,000. Semi-annual interest payments commencing March 2018 and annual principal payments commencing September 2018 are required through September of 2047. The proceeds were used to purchase a school building. The School is required to meet certain covenants including debt coverage and cash available as defined by their bond payable agreement. Bond is secured by the building.

\$ 7,100,000

Lease liability - See Note 5

68,838

\$ 7,168,838

The annual requirements to pay principal and interest on the outstanding long-term liabilities is below. See Note 5 for future payments requirements for the lease liability.

Years Ending	Principal	Interest	Total
2025	\$ 150,000	\$ 372,325	\$ 522,325
2026	160,000	364,110	524,110
2027	165,000	355,498	520,498
2028	175,000	346,487	521,487
2029	185,000	336,948	521,948
2030-2034	1,095,000	1,521,763	2,616,763
2035-2039	1,425,000	1,189,188	2,614,188
2040-2044	1,855,000	756,708	2,611,708
2045-2048	1,890,000	206,965	2,096,965
Total	<u>\$ 7,100,000</u>	<u>\$ 5,449,992</u>	<u>\$ 12,549,992</u>

As of June 30, 2024, the School failed to comply with the net income available for debt service coverage ratio covenant. The School obtained a waiver of the violation of the covenant from the bondholder representative dated October 11, 2024.

Note 5 - Leases

The School entered into an agreement to lease a copier in May 2023 for 63 months. Initial lease liability was recorded in the amount of \$80,514 for the lease entered into. As of June 30, 2024, the value of the lease liability totaled \$68,838. Under the terms of the lease, the School pays monthly base fees of \$1,579. The value of the right-to-use asset as of June 30, 2024, is \$80,514, and the accumulated amortization totaled \$15,336. The School used a discount rate of 8.25% based on an estimated incremental borrowing rate. Remaining obligations associated with this lease are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
2025	\$ 13,782	\$ 5,166	\$ 18,948
2026	14,963	3,985	18,948
2027	16,246	2,702	18,948
2028	17,638	1,310	18,948
2029	6,209	107	6,316
	\$ 68,838	\$ 13,270	\$ 82,108
Total			

Note 6 - Concentrations

The School's principal source of support is state and federal-based support revenue. For the year ended June 30, 2024, this funding source accounted for approximately 97% of all revenue.

Note 7 - Benefit Plan

The School sponsors a 401(k) retirement plan (the Plan). The Plan provides that employees who have completed 30 days of service can voluntarily contribute up to the maximum contribution allowed by the IRS. The School matched employee contributions up to 4.0% of eligible salaries. The School's contribution expense for the year ended June 30, 2024, was \$45,273.



Required Supplementary Information
June 30, 2024

Pacific Heritage Academy dba Pacific
Heritage School

Pacific Heritage Academy dba Pacific Heritage School

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

Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenue				
State aid	\$ 3,436,656	\$ 3,359,659	\$ 3,257,730	\$ (101,929)
Federal aid	720,429	802,607	681,383	(121,224)
Earnings on investments	29,500	51,500	52,023	523
School fees	32,485	19,985	10,560	(9,425)
School lunch sales	-	-	3,476	3,476
Other local sources	57,450	37,010	35,844	(1,166)
Total revenue	4,276,520	4,270,761	4,041,016	(229,745)
Expenditures				
Instructional	2,318,090	2,439,702	2,233,860	205,842
Support services				
Students	144,710	238,162	258,056	(19,894)
Staff assistance	37,200	27,080	26,216	864
General	46,500	44,675	46,312	(1,637)
School administration	386,951	368,081	426,060	(57,979)
Central services	129,194	223,824	176,487	47,337
Operation and maintenance of facilities	302,740	279,720	259,415	20,305
Transportation	7,700	16,851	12,782	4,069
Total support services	1,054,995	1,198,393	1,205,328	(6,935)
Non-instructional				
School food services program	300,491	260,551	240,357	20,194
Capital outlay	-	-	63,977	(63,977)
Total non-instructional	300,491	260,551	304,334	(43,783)
Debt service				
Principal	145,000	160,000	156,676	3,324
Interest	380,142	385,000	388,540	(3,540)
Total debt service	525,142	545,000	545,216	(216)
Total expenditures	4,198,718	4,443,646	4,288,738	154,908
Net Change in Fund Balance	\$ 77,802	\$ (172,885)	\$ (247,722)	\$ (74,837)

Note 1 - Basis of Budgeting

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

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



Supplementary Report in Compliance with
Government Auditing Standards, Federal
Awards Reports in Accordance with Uniform
Guidance, State of Utah Legal Compliance
Report as Required by the *State Compliance
Audit Guide*

June 30, 2024

Pacific Heritage Academy dba Pacific
Heritage School



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Pacific Heritage Academy dba Pacific Heritage School
Salt Lake City, Utah

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities and the major fund of Pacific Heritage Academy dba Pacific Heritage School (the School), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements and have issued our report thereon dated November 26, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Sallee LLP

Ogden, Utah
November 26, 2024



Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Directors
Pacific Heritage Academy dba Pacific Heritage School
Salt Lake City, Utah

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Pacific Heritage Academy dba Pacific Heritage School's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Pacific Heritage Academy dba Pacific Heritage School's major federal program for the year ended June 30, 2024. Pacific Heritage Academy dba Pacific Heritage School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Pacific Heritage Academy dba Pacific Heritage School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Pacific Heritage Academy dba Pacific Heritage School's federal program.

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Pacific Heritage Academy dba Pacific Heritage School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Pacific Heritage Academy dba Pacific Heritage School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Pacific Heritage Academy dba Pacific Heritage School's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

Eide Bailly LLP

Ogden, Utah
November 26, 2024

Pacific Heritage Academy dba Pacific Heritage School
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Expenditures
<u>U.S. Department of Education</u>			
Passed Through the Utah State Office of Education:			
Special Education Cluster			
Special Education Grants to States	84.027	H027A220059, H027A230059	\$ 108,117
Total Special Education Cluster			<u>108,117</u>
Title I Grants to Local Educational Agencies	84.010	S010A210044	82,707
Title IIA Supporting Effective Instruction	84.367	S367A210042	19,621
Title IIIA English Language Acquisition	84.365	S424A180046	46,332
Education Stabilization Fund			
COVID-19 Elementary and Secondary School Education Relief II	84.425D	S425D210032	7,042
COVID-19 Elementary and Secondary School Education Relief III American Rescue Plan	84.425U	S425U210032	201,208
Total Education Stabilization Fund			<u>208,250</u>
Total U.S. Department of Education			<u>465,027</u>
<u>U.S. Department of the Treasury</u>			
Passed Through the Confederated Tribes of Grand Ronde			
COVID Local Assistance	21.032	N/A	63,499
Total U.S. Department of the Treasury			<u>63,499</u>
<u>U.S. Department of Agriculture</u>			
Passed Through Utah State Office of Education:			
Child Nutrition Cluster			
National School Lunch Program	10.555	226UT311N1099	246,380
Total Child Nutrition Cluster			<u>246,380</u>
Total U.S. Department of Agriculture			<u>246,380</u>
Total Federal Financial Assistance			<u>\$ 774,906</u>

Note 1- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Pacific Heritage Academy dba Pacific Heritage School (the School) under programs of the federal government for the year ended June 30, 2024. The information is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net position, or changes in fund balance of Pacific Heritage Academy dba Pacific Heritage School.

Note 2- Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3- Indirect Cost Rate

The School has not elected to use the 10% de minimis cost rate.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a):	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing</u>
COVID-19 Education Stabilization Funds	84.425D, 84.425U
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None



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

The Board of Directors
Pacific Heritage Academy dba Pacific Heritage School
Salt Lake City, Utah

Report on Compliance

We have audited Pacific Heritage Academy dba Pacific Heritage School's (the School) compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, for the year ended June 30, 2024.

State compliance requirements were tested for the year ended June 30, 2024, in the following areas:

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

Opinion on Compliance

In our opinion, the School complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2024.

Basis for Opinion

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide* but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Guide and which is described in the accompanying schedule of findings and questioned costs as item 2024-A. Our opinion on compliance is not modified with respect to this matter.

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

Report on Internal Control over Compliance

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

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

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

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



Ogden, Utah
November 26, 2024

2024-A Open and Public Meetings

Criteria: The Open and Public Meetings Act guidelines require the School to complete annual training on the requirements of open and public meetings.

Condition: The School did not complete training on the requirements of open and public meetings.

Cause: Oversight.

Effect: The School failed to comply with the guidelines of the Open and Public Meetings Act.

Recommendation: We recommend that the School establish policies and procedures to ensure annual training on the requirements of open and public meetings is completed and presented at a Board meeting during the fiscal year.

Management Response: Management Response – The School will establish policies and procedures to ensure annual training on the requirements of open and public meetings is completed and presented at the next Board meeting.