

MOSCOW CHARTER SCHOOL, INC.
Moscow, Idaho

Audited Financial Statements

For the Years Ended June 30, 2011 and 2010

MOSCOW CHARTER SCHOOL, INC.
Moscow, Idaho

Audited Financial Statements

For the Years Ended June 30, 2011 and 2010

HAYDEN & ROSS, P.A.
Certified Public Accountants
Moscow, Idaho

MOSCOW CHARTER SCHOOL, INC.
Moscow, Idaho

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FINANCIAL SECTION

HAYDEN & ROSS, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

SINCE 1938

Jim Pilcher, CPA/PFS • Dave Jones, CPA/PFS • Brad Lewis, CPA/PFS • Cade Konen, CPA/PFS • Nathan Strong, CPA/PFS • Mark Watson, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Moscow Charter School, Inc.
Moscow, Idaho 83843

We have audited the accompanying statements of financial position of the Moscow Charter School, Inc. as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Moscow Charter School, Inc. as of June 30, 2011 and 2010, and the results of its operations for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Hayden & Ross, P.A.

Moscow, Idaho
September 28, 2011

MOSCOW CHARTER SCHOOL, INC.
Moscow, Idaho

STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets		
Cash	121,455	41,680
Investments	197,760	155,034
State support receivable	32,083	18,786
Other receivables	18,887	32,377
Total Current Assets	<u>370,185</u>	<u>247,877</u>
Fixed Assets		
Land and buildings	1,068,025	1,068,025
Fixtures and equipment	103,622	103,622
Less accumulated depreciation	<u>(333,535)</u>	<u>(305,898)</u>
Net Fixed Assets	<u>838,112</u>	<u>865,749</u>
Other Assets		
Loan fees	29,558	29,558
Less accumulated amortization	<u>(16,258)</u>	<u>(13,302)</u>
Net Other Assets	<u>13,300</u>	<u>16,256</u>
Total Assets	<u>\$ 1,221,597</u>	<u>1,129,882</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	1,143	7,548
Salaries and benefits payable	38,771	39,558
Interest payable	16	1,341
Current portion of long-term debt	26,426	28,164
Total Current Liabilities	<u>66,356</u>	<u>76,611</u>
Long-term liabilities, less current portion	<u>581,297</u>	<u>614,924</u>
Net Assets		
Unrestricted	<u>573,944</u>	<u>438,347</u>
Total Liabilities and Net Assets	<u>\$ 1,221,597</u>	<u>1,129,882</u>

The accompanying notes are an integral part of these financial statements.

MOSCOW CHARTER SCHOOL, INC.

Moscow, Idaho

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenue, Grants, and Other Support		
Contributions	109,762	12,275
Federal support	169,433	127,295
State support	575,589	650,492
Interest	837	799
Other	64,810	56,043
Total Revenue, Grants and Other Support	<u>920,431</u>	<u>846,904</u>
Expense		
Program (instructional)	510,024	595,225
Administrative (support)	241,592	238,303
Fundraising	2,625	7,740
Depreciation and amortization	30,593	30,430
Total Expense	<u>784,834</u>	<u>871,698</u>
Change in net assets - unrestricted	135,597	(24,794)
Net assets - beginning of year	<u>438,347</u>	<u>463,141</u>
Net assets - end of year	<u>\$ 573,944</u>	<u>438,347</u>

The accompanying notes are an integral part of these financial statements.

MOSCOW CHARTER SCHOOL, INC.
Moscow, Idaho

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities		
Cash received from contributors	109,762	12,275
Cash received from state support	543,405	611,647
Cash received from federal support	169,433	127,295
Cash received from interest	837	799
Other cash received	64,810	56,043
Cash paid for interest	(27,720)	(33,137)
Cash paid to suppliers and employees	(702,662)	(799,096)
Net Cash Provided By (Used In) Operating Activities	<u>157,865</u>	<u>(24,174)</u>
Cash Flows from Investing Activities		
Cash paid for capital outlay		(7,439)
Net Cash Used In Investing Activities	<u>0</u>	<u>(7,439)</u>
Cash Flows from Financing Activities		
Payment on long-term debt and fees	(35,364)	(26,263)
Net Cash Used In Financing Activities	<u>(35,364)</u>	<u>(26,263)</u>
Net Increase (Decrease) In Cash	122,501	(57,876)
Cash - Beginning of Year	<u>196,714</u>	<u>254,590</u>
Cash - End of Year	<u>\$ 319,215</u>	<u>196,714</u>
Reconciliation of Change in Net Assets to Net		
Cash Provided By (Used In) Operating Activities:		
Change in net assets	135,597	(24,794)
Adjustments to reconcile change in net assets		
to net cash provided by (used in) operating activities:		
Depreciation and amortization	30,593	30,430
Decrease (increase) in state support receivable	(13,297)	(6,468)
Decrease (increase) in other receivables	13,490	(21,101)
Increase (decrease) in interest payable	(1,325)	(1,435)
Increase (decrease) in accounts payable	(6,405)	(5,574)
Increase (decrease) in salaries and benefits payable	(787)	4,768
Net Cash Provided by (Used In) Operating Activities	<u>\$ 157,866</u>	<u>(24,174)</u>

The accompanying notes are an integral part of these financial statements.

MOSCOW CHARTER SCHOOL, INC.
Moscow, Idaho

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 1 - ORGANIZATION

The Moscow Charter School (the School) is a non-profit state-funded public school. The School serves elementary school aged children (K-6th) in the Latah County area. The School was approved in August 1998 by the Moscow Board of Education. The purpose of the school is to create innovative educational curriculums that can be studied and used in public education.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Restricted Support - The School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, either when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The School reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Basis of Accounting - The School uses the accrual basis of accounting. Revenues are recognized as earned, and expenses are recognized when incurred.

Cash - The School has no requirement to hold cash in separate accounts. All deposits during the year were under the federally insured limit.

Accounts Receivable - No allowance for uncollectible accounts is calculated by the School since all receivables were deemed to be collectible.

Income Tax Status - The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code except for income, if any, derived from unrelated business.

Fixed Assets - The cost of fixed assets is depreciated over the estimated useful lives of the assets. The School has a capitalization threshold policy of \$1,000. Depreciation is computed on the straight-line method for financial reporting purposes. The useful lives of fixed assets for purposes of computing depreciation are 5 to 7 years for office furniture and equipment and 39 years for buildings. Depreciation expense for the years ending June 30, 2011 and 2010 was \$27,874 and \$27,873, respectively.

Use of Estimates - The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses, and actual results may differ from estimated amounts.

Statement of Cash Flows - For purposes of the Statement of Cash Flows, the School considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

Reports Required by the State - The income statements required by the State included in the supplemental information report the unrestricted activity. The General Fund accounts for activities for general operations. The Special Revenue Funds account for the activities from the grants the School received. The School Plant Facility Fund accounts for activities related to the building facilities used by the School.

Subsequent Events - Subsequent events have been evaluated through September 28, 2011. This is the date the financial statements were available to be issued. The School has determined that no subsequent events have occurred.

NOTE 3 - INVESTMENTS

The School has an account with the Local Government Investment Pool sponsored by the Idaho Legislature. The School carries the balance at fair market value, which also represents cost. The investment account is subject to market risk and is uninsured. At June 30, 2011 and 2010, the balance was \$197,760 and \$155,034, respectively.

NOTE 4 - LONG-TERM DEBT

Long-term debt for the School as of June 30, 2011 and 2010 consists of the following:

	<u>2011</u>	<u>2010</u>
US Bank loan secured by land and building, payable at \$4,954.56 per month including interest at 3.5%. Interest rate will remain at 3.5% until December 15, 2015, when the loan will mature.	607,723	643,088
Total Long-term Debt	607,723	643,088
Less Current Portion	<u>(26,426)</u>	<u>(28,164)</u>
Net Long-term Debt	<u>\$581,297</u>	<u>614,924</u>

Future debt service is as follows:

Fiscal Year-end	
June 30,	
2012	26,426
2013	31,192
2014	32,692
2015	34,357
2016	29,655
2015 at maturity	<u>453,401</u>
Total	<u>\$607,723</u>

NOTE 5 – MAJOR FUNDING SOURCE

The School received a majority of its revenue from the Idaho Department of Education.

	<u>2011</u>	<u>% of Total Revenue</u>
Idaho Department of Education	\$575,589	62.5%
	<u>2010</u>	<u>% of Total Revenue</u>
Idaho Department of Education	\$650,492	77%

NOTE 6 - EMPLOYEE’S RETIREMENT SYSTEM

Public Employee Retirement System of Idaho (PERSI), The PERSI Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The Plan provides benefits based on members’ years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% of the average monthly salary for the highest consecutive 42 months.

PERSI issues publicly available stand alone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI’s website www.persi.idaho.gov.

The actuarially determined contribution requirements of the School and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2011, the required contribution rate as a percentage of covered payroll for members was 6.23%. The employer rate as a percentage of covered payroll was 10.39%. The School’s contributions required and paid were \$41,987, \$43,185, and \$40,965, for the three years ended June 30, 2011, 2010, and 2009, respectively.

NOTE 7 – DESIGNATED FUND BALANCE

For the year ending June 30, 2011, the Idaho State Legislature levied a requirement for all school districts in the State of Idaho to spend a certain amount of funds on capital outlay and maintenance on student-occupied buildings. Per the State of Idaho’s Department of Education, the School was required to spend \$15,065 in expenses relating to student-occupied buildings. The School spent \$12,987. Therefore, as of June 30, 2011, fund balance of \$23,439 will be designated for future capital outlay and repairs and maintenance on student-occupied buildings.

SUPPLEMENTARY INFORMATION

HAYDEN & ROSS, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

SINCE 1938

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INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To the Board of Directors
Moscow Charter School, Inc.
Moscow, Idaho 83843

Our report on our audit of the basic financial statements of the Moscow Charter School, Inc. for the years ended June 30, 2011 and 2010 appears on Page 1. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The other additional information presented on pages 9 through 15 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hayden & Ross, P.A.

Moscow, Idaho
September 28, 2011

MOSCOW CHARTER SCHOOL, INC.
Moscow, Idaho

STATEMENT OF FUNCTIONAL EXPENSE
For the Year Ended June 30, 2011

	<u>Program (Instructional)</u>	<u>Administrative (Support)</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	356,488	110,926		467,414
Benefits	90,235	18,094		108,329
Purchased services	26,325	96,157		122,482
Supply-materials	8,382	10,774	2,625	21,781
Capital objects	874			874
Insurance		5,641		5,641
Interest	27,720			27,720
Depreciation and amortization	30,593			30,593
Total Expense	<u>\$ 540,617</u>	<u>241,592</u>	<u>2,625</u>	<u>784,834</u>

MOSCOW CHARTER SCHOOL, INC.
Moscow, Idaho

STATEMENT OF FUNCTIONAL EXPENSE
For the Year Ended June 30, 2010

	<u>Program (Instructional)</u>	<u>Administrative (Support)</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	376,695	118,039		494,734
Benefits	93,321	23,725		117,046
Purchased services	53,515	85,447		138,962
Supply-materials	19,128	5,276	7,740	32,144
Capital objects	19,429			19,429
Insurance		5,816		5,816
Interest	33,137			33,137
Depreciation and amortization	30,430			30,430
Total Expense	<u>\$ 625,655</u>	<u>238,303</u>	<u>7,740</u>	<u>871,698</u>

MOSCOW CHARTER SCHOOL, INC.
 Moscow, Idaho

SCHEDULE OF ASSETS, LIABILITIES, AND NET ASSETS
 June 30, 2011

	<u>General</u>	<u>Special Revenue</u>	<u>Totals</u>
ASSETS			
Assets:			
Cash	121,455		121,455
Investments	197,760		197,760
State support program receivable	32,083		32,083
Other receivables	6,107	12,780	18,887
Due from other funds	<u>12,780</u>		<u>12,780</u>
Total assets	<u>\$ 370,185</u>	<u>12,780</u>	<u>382,965</u>
LIABILITIES			
Accounts payable	1,143		1,143
Accrued payroll and benefits	38,771		38,771
Interest payable	16		16
Due to other funds		<u>12,780</u>	<u>12,780</u>
Total liabilities	<u>39,930</u>	<u>12,780</u>	<u>52,710</u>
NET ASSETS			
Net Assets:			
Designated for student-occupied building maintenance	23,439		23,439
Unreserved-undesignated	<u>306,816</u>		<u>306,816</u>
Total net assets	<u>330,255</u>	<u>0</u>	<u>330,255</u>
Total liabilities and net assets	<u>\$ 370,185</u>	<u>12,780</u>	<u>382,965</u>

MOSCOW CHARTER SCHOOL, INC.
Moscow, Idaho

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET
ASSETS - BUDGET AND ACTUAL
For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Local:			
Interest	837	4,500	(3,663)
Other	161,057	51,548	109,509
Total local	<u>161,894</u>	<u>56,048</u>	<u>105,846</u>
Federal:			
Other	127,194	34,719	92,475
Total federal	<u>127,194</u>	<u>34,719</u>	<u>92,475</u>
State:			
Base support	487,379	603,565	(116,186)
Benefit support	73,178	76,642	(3,464)
Other state support	6,424		6,424
Total state	<u>566,981</u>	<u>680,207</u>	<u>(113,226)</u>
Total revenues	<u>856,069</u>	<u>770,974</u>	<u>85,095</u>
EXPENDITURES			
Current:			
Instruction:			
Salaries	356,488	424,845	68,357
Benefits	90,235	76,642	(13,593)
Supply-materials	11,007		(11,007)
Capital objects	874		(874)
Total instruction	<u>458,604</u>	<u>501,487</u>	<u>42,883</u>
Support:			
Salaries	104,578	55,125	(49,453)
Benefits	17,608	14,048	(3,560)
Purchased services	70,701	58,217	(12,484)
Supply-materials	10,160	20,376	10,216
Insurance	5,641		(5,641)
Total support	<u>208,688</u>	<u>147,766</u>	<u>(60,922)</u>
Total expenditures	<u>667,292</u>	<u>649,253</u>	<u>(18,039)</u>
Excess (deficiency) of revenues over expenditures	<u>188,777</u>	<u>121,721</u>	<u>67,056</u>
Other financing sources (uses):			
Operating transfer in		15,065	(15,065)
Operating transfer out	(57,952)		(57,952)
Total other financing sources (uses)	<u>(57,952)</u>	<u>15,065</u>	<u>(73,017)</u>
Excess (deficiency) of revenues and other sources over expenditures	130,825	<u>136,786</u>	<u>(5,961)</u>
Net Assets - Beginning of year	<u>199,430</u>		
Net Assets - End of year (Budget Basis)	330,255		
Adjustments to conform with GAAP:			
Capitalize capital objects	68,064		
Depreciation expense	<u>(68,064)</u>		
Net Assets - End of year (GAAP)	<u>\$ 330,255</u>		

MOSCOW CHARTER SCHOOL, INC.
Moscow, Idaho

GENERAL FUND
SCHEDULE OF EXPENDITURES BY FUNCTION - BUDGET AND ACTUAL
For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
INSTRUCTION:			
Kindergarten/elementary			
Salaries	323,658	424,845	101,187
Benefits	83,474	76,642	(6,832)
Supply-materials	10,970		(10,970)
Capital objects	874		(874)
Total kindergarten/elementary	<u>418,976</u>	<u>501,487</u>	<u>82,511</u>
Exceptional child			
Salaries	32,830		(32,830)
Benefits	6,761		(6,761)
Supply-materials	37		(37)
Total exceptional child	<u>39,628</u>	<u>0</u>	<u>(39,628)</u>
TOTAL INSTRUCTION:			
Salaries	356,488	424,845	68,357
Benefits	90,235	76,642	(13,593)
Supply-materials	11,007		(11,007)
Capital objects	874		(874)
Total Instruction	<u>\$ 458,604</u>	<u>501,487</u>	<u>42,883</u>
SUPPORT:			
School administration			
Salaries	51,731	55,125	3,394
Benefits	9,759	14,048	4,289
Total school administration	<u>61,490</u>	<u>69,173</u>	<u>7,683</u>
Business operation			
Salaries	38,949		(38,949)
Benefits	6,786		(6,786)
Purchased services	46,410	58,217	11,807
Supply-materials	6,534	20,376	13,842
Total business operation	<u>98,679</u>	<u>78,593</u>	<u>(20,086)</u>
Custodial			
Salaries	9,219		(9,219)
Benefits	705		(705)
Supply-materials	3,626		(3,626)
Insurance	5,641		(5,641)
Total custodial	<u>19,191</u>	<u>0</u>	<u>(19,191)</u>
Maintenance - Bldgs and Equipment			
Salaries	4,679		(4,679)
Benefits	358		(358)
Purchased services	7,950		(7,950)
Total maintenance - bldgs and equipment	<u>12,987</u>	<u>0</u>	<u>(12,987)</u>
Maintenance - Grounds			
Purchased services	4,421		(4,421)
Total maintenance - grounds	<u>4,421</u>	<u>0</u>	<u>(4,421)</u>
Pupil Transportation			
Purchased services	11,920		(11,920)
Total pupil transportation	<u>11,920</u>	<u>0</u>	<u>(11,920)</u>
TOTAL SUPPORT:			
Salaries	104,578	55,125	(49,453)
Benefits	17,608	14,048	(3,560)
Purchased services	70,701	58,217	(12,484)
Supply-materials	10,160	20,376	10,216
Insurance	5,641		(5,641)
Total Support	<u>\$ 208,688</u>	<u>147,766</u>	<u>(60,922)</u>

MOSCOW CHARTER SCHOOL, INC.
Moscow, Idaho

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - ALL SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2011

	<u>Child Nutrition</u>	<u>Title VI-B School Age</u>	<u>State Technology Grant</u>	<u>Title I-A ESEA</u>	<u>Charter School Grant</u>	<u>Total</u>
REVENUES						
Local:						
Lunch sales	12,346					12,346
Total local	12,346	0	0	0	0	12,346
Federal:						
Restricted	15,914	26,325				42,239
Total revenues	28,260	26,325	0	0	0	54,585
EXPENDITURES						
Instruction:						
Purchased services		26,325				26,325
Total instruction	0	26,325	0	0	0	26,325
Support:						
Salaries	6,348					6,348
Benefits	486					486
Purchased services	25,456					25,456
Supply-materials	614					614
Total support	32,904	0	0	0	0	32,904
Total expenditures	32,904	26,325	0	0	0	59,229
Excess (deficiency) of revenues over expenditures	(4,644)	0	0	0	0	(4,644)
Other financing sources (uses):						
Operating transfer in	4,644					4,644
Total other financing sources (uses)	4,644	0	0	0	0	4,644
Excess (deficiency) of revenues and other sources over expenditures	0	0	0	0	0	0
Net Assets-Beginning of year	0	0	0	0	0	0
Net Assets-End of year	0	0	0	0	0	0
Adjustments to conform with GAAP:						
Capitalize capital objects					28,119	28,119
Depreciation expense					(24,472)	(24,472)
Net Assets - End of year (GAAP)	\$ 0	0	0	0	3,647	3,647

MOSCOW CHARTER SCHOOL, INC.
Moscow, Idaho

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
NET ASSETS - SCHOOL PLANT FACILITY FUND**
For the Year Ended June 30, 2011

REVENUES

Local:		
Donations	<u>1,167</u>	
Total local		1,167
State:		
Lottery	<u>8,609</u>	
Total state		<u>8,609</u>
Total revenues		<u>9,776</u>

EXPENDITURES

Debt service principal	35,364	
Debt service interest	<u>27,720</u>	
Total expenditures		<u>63,084</u>
Excess (deficiency) of revenues over expenditures		(53,308)
Other financing sources:		
Operating transfer in	<u>53,308</u>	
Total other financing sources		<u>53,308</u>
Excess of revenues and other sources over expenditures		0
Net Assets-Beginning of year		<u>0</u>
Net Assets-End of year		0
Adjustments to conform with GAAP:		
Capitalize capital objects		1,075,464
Capitalize loan fees		29,558
Loan proceeds		(752,000)
Principal payments		144,277
Amortization expense		(16,258)
Depreciation expense		<u>(240,999)</u>
Net Assets - End of year (GAAP)		<u>\$ 240,042</u>