

Treasure Coast Classical Academy, Inc.
A Charter School and Component Unit of the
District School Board of Martin County, Florida
Financial Statements
with Independent Auditor's Reports Thereon
June 30, 2023

DRAFT



McCrary & Associates
CERTIFIED PUBLIC ACCOUNTANTS

CONTENTS

	<u>Page</u>
Management’s Discussion and Analysis	1 – 6
Independent Auditor’s Report	7 – 9
Basic Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Balance Sheet – Governmental Funds	12
Reconciliation of the Governmental Fund’s Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Notes to Financial Statements	16 – 27
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund	28
Budgetary Comparison Schedule – Special Revenue Fund	29
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 <i>Government Auditing Standards</i>	30 – 31
Additional Information Required by Rules of the Florida Auditor General, Chapter 10.850, <i>Audits of Charter Schools and Similar Entities:</i>	
Management Letter	32 – 34

TREASURE COAST CLASSICAL ACADEMY, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Treasure Coast Classical Academy, Inc. (the "School"), offers the following narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2023. Readers are encouraged to use this information in conjunction with information furnished in the School's financial statements. This summary should not be taken as a replacement for the audit, which consists of the basic financial statements and other supplemental information.

FINANCIAL HIGHLIGHTS

- ❖ For the fiscal year ended June 30, 2023, the School's total revenues exceeded expenses by approximately \$498,000.
- ❖ For the fiscal year ended June 30, 2023, the School ended with a general fund balance of approximately \$2,832,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to School's basic financial statements. The School's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. The basic financial statements present two different views of the School through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information to enhance the reader's understanding of the financial condition of School. This document also includes the 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*, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850, Audits of Charter Schools and Similar Entities.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the School's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the School's financial status as a whole.

The two government-wide statements report the School's net position and the current year changes. The net position is the difference between the School's total assets and total liabilities. Measuring the net position is one way to evaluate the School's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities and 3) component units. The governmental activities include the School's basic services. The business-type activities are those that the School charges for certain services. For the year ended June 30, 2023, the School had no business-type activities or component units.

Fund Financial Statements

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a group of related accounts used to maintain control over resources segregated for specific activities or objectives. All of the operations of the School are presented in governmental funds only.

Governmental Funds

Governmental funds are used to account for those functions reported as governmental activities. The School's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what money left at year-end is available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements provide a detailed short-term view of the financial resources available to finance the School's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The School adopts an annual budget for its general fund, as required by the Florida Statutes. The budget is legally adopted by management of the School and its Board. The budgetary comparison schedule has been included as part of the required supplementary information. The budgetary comparison schedule shows four columns: 1) the original budget as adopted by the Board, 2) the final budget as amended by the Board, 3) the actual resources, charges and ending balances in the general fund, and 4) the variance between the final budget and the actual resources and charges.

Notes to Financial Statements

The notes to financial statements provide additional information essential to the full understanding of the information reported in the government-wide and fund financial statements. The notes to the financial statements start on page 15 of this report.

This report also includes the 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*, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850, *Audits of Charter Schools and Similar Entities*.

GOVERNMENT-WIDE ANALYSIS OF THE SCHOOL

The School's combined net position as of June 30, 2023 and 2022, respectively, is summarized as follows:

	Governmental Activities		
Assets:	2023	2022	Change
Current assets	\$ 3,351,129	\$ 3,400,424	\$ (49,295)
Capital assets, net	17,017,060	16,818,595	198,465
Total Assets	<u>20,368,189</u>	<u>20,219,019</u>	<u>149,170</u>
 Liabilities:			
Current liabilities	704,384	749,053	(44,669)
Long-term liabilities	19,395,000	19,700,000	(305,000)
Total Liabilities	<u>20,099,384</u>	<u>20,449,053</u>	<u>(349,669)</u>
 Net position:			
Invested in capital assets, net of related debt	(2,562,940)	(2,881,405)	318,465
Restricted for:			
Capital projects	200,000	100,000	100,000
Debt projects	139,794	137,175	2,619
Unrestricted	2,491,951	2,414,196	77,755
Total Net Position	<u>\$ 268,805</u>	<u>\$ (230,034)</u>	<u>\$ 498,839</u>

The increase in current assets is due to investments in capital asset additions. The increase in capital assets is a result of current year additions exceeding current year depreciation. Current liabilities decreased due to the timing of payments. Long-term liabilities decreased due to payments on the note payable in fiscal year 2023. The changes within net position occurred due to the current year operating surplus.

Change in Net Position

The School's total revenues exceeded expenses by approximately \$499,000 in fiscal 2023—see table below.

	Governmental Activities		
	<u>2023</u>	<u>2022</u>	<u>Change</u>
Revenue:			
Federal sources passed through local school district	\$ 897,657	\$ 849,034	\$ 48,623
State and local sources	10,948,690	11,247,450	(298,760)
Contributions and other revenues	602,002	642,731	(40,729)
Total revenues	<u>12,448,349</u>	<u>12,739,215</u>	<u>(290,866)</u>
Expenses:			
Instruction	5,412,145	5,079,150	332,995
Pupil personnel services	224,633	152,664	71,969
Instructional staff training	13,217	4,445	8,772
Instructional technology	150,670	1,894	148,776
Board	76,459	13,952	62,507
General administration	1,262,805	1,162,511	100,294
School administration	1,743,482	1,839,749	(96,267)
Fiscal services	25,575	19,575	6,000
Food services	225,004	433,166	(208,162)
Community services	278,111	140,982	137,129
Operation of plant	1,144,367	1,134,403	9,964
Maintenance of plant	5,087	2,016	3,071
Interest	1,387,955	1,390,258	(2,303)
Total expenses	<u>11,949,510</u>	<u>11,374,765</u>	<u>574,745</u>
Net position	<u>\$ 498,839</u>	<u>\$ 1,364,450</u>	<u>\$ (865,611)</u>

The change in State and local sources revenue was due to a county discretionary millage decrease in the current year. The increase in instruction, general and school administration is due to an increase in student enrollment and adjustments in salaries.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

The focus of the School's governmental funds is to provide information on near term inflows, outflows, and balances of usable resources. Such information is useful in assessing School's financing requirements. Specifically, unassigned fund balance is a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the School completed the year, its governmental funds reported a combined fund balance of approximately \$2,832,000.

General Fund Budgetary Highlights

During the fiscal year, the School made no amendments to its budget. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget once exact information is available; 2) amendments made to recognize changes in funding amounts; and 3) changes in appropriations that become necessary to maintain services.

In the general fund, actual revenues exceeded budgeted amounts by approximately \$190,000. Expenditures were approximately \$93,000 more than budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of fiscal 2023, the School had invested approximately \$17,017,000 in capital assets, net of accumulated depreciation of approximately \$1,743,000.

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Building	\$ 15,094,488	\$ 15,094,488	\$ -
Construction in Progress	676,544	-	676,544
Furniture, fixtures and equipment	890,158	874,206	15,952
Land	2,099,084	2,099,084	-
Less - accumulated depreciation	<u>(1,743,210)</u>	<u>(1,249,183)</u>	<u>(494,027)</u>
Total capital assets	<u>\$ 17,017,064</u>	<u>\$ 16,818,595</u>	<u>\$ 198,469</u>

More detailed information about the School's capital assets is presented in Note 3 to the financial statements.

Long-term Liabilities

Long-term liabilities decreased approximately \$120,000 due to payments on the note payable. The school paid interest of approximately \$1,390,000 during fiscal year June 30, 2023. More detailed information about the School's long-term liabilities is presented in Note 4 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Budget Highlights for the Fiscal Year Ended June 30, 2024

Amounts available for appropriation in the general fund are approximately \$12.1 million, an decrease of approximately \$330,000 over the actual 2023 amount. The change is due to a budgeted decrease in Federal funds in fiscal 2024.

Budgeted expenditures in the general fund are approximately \$12,670,000 for 2024. The increase is primarily due to increased expenses related to an increase in students.

If these estimates are realized, the School's general fund balance is expected to increase in fiscal year ending June 30, 2024.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at 1400 SE Cove Road Stuart FL, 34997.



McCRAZY & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors of Treasure Coast Classical Academy
a Charter School and Component Unit of the District
School Board of Martin County, Florida

Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund of the of the Treasure Coast Classical Academy (the "School"), a Charter School and Component Unit of the District School Board of Martin, Florida as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund, and the Treasure Coast Classical Academy and Component Unit of the District School Board of Martin County, Florida as of and for the year ended June 30, 2023, 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. 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 Schools' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for

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 generally accepted 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, budgetary comparison information and pension liability 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2022, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not

to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

McCrary & Associates, PLLC

Altamonte Springs, Florida
September 22, 2022

DRAFT

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TREASURE COAST CLASSICAL ACADEMY, INC

A Charter School and Component Unit of the
District School Board of Martin County, Florida

Statement of Net Position

June 30, 2023

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 2,651,327
Restricted cash	239,794
Due from other agencies	291,998
Other receivables	100,000
Other current assets	68,010
Capital assets:	
Land	2,099,084
Buildings	15,771,028
Furniture, fixtures and equipment	890,158
Less accumulated depreciation	<u>(1,743,210)</u>
Total capital assets, net	<u>17,017,060</u>
Total assets	<u><u>\$ 20,368,189</u></u>
Liabilities	
Accounts payable and accrued expenses	\$ 519,384
Long-term liabilities:	
Portion due or payable within one year:	
Note payable	185,000
Portion due or payable after one year:	
Note payable	<u>19,395,000</u>
Total liabilities	<u>20,099,384</u>
Net Position	
Invested in capital assets, net of related debt	(2,562,940)
Restricted for:	
Capital projects	200,000
Debt service	139,794
Unrestricted	<u>2,491,951</u>
Total net position	<u>268,805</u>
Total liabilities and net position	<u><u>\$ 20,368,189</u></u>

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

TREASURE COAST CLASSICAL ACADEMY, INC

A Charter School and Component Unit of the
District School Board of Martin County, Florida

Statement of Activities

For the Year Ended June 30, 2023

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental Activities:						
Instruction	\$ 5,412,145	\$ -	\$ 624,608	\$ -	\$ (4,787,537)	\$ (4,787,537)
Pupil personnel services	224,633	-	-	-	(224,633)	(224,633)
Instructional staff training	13,217	-	-	-	(13,217)	(13,217)
Instructional technology	150,670	-	-	-	(150,670)	(150,670)
Board	76,459	-	-	-	(76,459)	(76,459)
General administration	1,262,805	-	-	-	(1,262,805)	(1,262,805)
School administration	1,743,482	-	56,654	-	(1,686,828)	(1,686,828)
Fiscal services	25,575	-	-	-	(25,575)	(25,575)
Food services	225,004	150,961	216,395	-	142,352	142,352
Operation of plant	1,144,367	-	-	-	(1,144,367)	(1,144,367)
Maintenance of plant	5,087	-	-	-	(5,087)	(5,087)
Community services	278,111	173,614	-	-	(104,497)	(104,497)
Interest	1,387,955	-	-	-	(1,387,955)	(1,387,955)
Total primary government	<u>\$ 11,949,510</u>	<u>\$ 324,575</u>	<u>\$ 897,657</u>	<u>\$ -</u>	<u>(10,727,278)</u>	<u>(10,727,278)</u>
General revenues:						
State and local sources					10,948,690	10,948,690
Contributions and other revenues					<u>277,427</u>	<u>277,427</u>
Total general revenues					<u>11,226,117</u>	<u>11,226,117</u>
Changes in net position					498,839	498,839
Net position at beginning of year					<u>(230,034)</u>	<u>(230,034)</u>
Net position at end of year					<u>\$ 268,805</u>	<u>\$ 268,805</u>

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

TREASURE COAST CLASSICAL ACADEMY, INC

**A Charter School and Component Unit of the
District School Board of Martin County, Florida**

Balance Sheet - Governmental Funds

June 30, 2023

	General Fund	Special Revenue Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 2,651,327	\$ -	\$ 2,651,327
Restricted cash	239,794	-	239,794
Due from other agencies	-	291,998	291,998
Other receivables	100,000	-	100,000
Other assets	68,010	-	68,010
Due from other fund	291,998	-	291,998
Total assets	<u>\$ 3,351,129</u>	<u>\$ 291,998</u>	<u>\$ 3,643,127</u>
Liabilities			
Accounts payable and accrued expenses	\$ 519,384	\$ -	\$ 519,384
Due to general fund	-	291,998	291,998
Total liabilities	<u>519,384</u>	<u>291,998</u>	<u>811,382</u>
Fund Balance			
Restricted:			
Capital projects	200,000	-	200,000
Debt service	139,794	-	139,794
Nonspendable:			
Other assets	68,010	-	68,010
Spendable:			
Unassigned	2,423,941	-	2,423,941
Total fund balance	<u>2,831,745</u>	<u>-</u>	<u>2,831,745</u>
Total liabilities and fund balances	<u>\$ 3,351,129</u>	<u>\$ 291,998</u>	<u>\$ 3,643,127</u>

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

TREASURE COAST CLASSICAL ACADEMY, INC

**A Charter School and Component Unit of the
District School Board of Martin County, Florida**

**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Position**

June 30, 2023

Total fund balances - governmental funds \$ 2,831,745

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets at year end consisted of:

Capital assets	18,760,270
Accumulated depreciation	(1,743,210)

Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

Notes payable	<u>(19,580,000)</u>
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Total net position - governmental activities \$ 268,805

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

TREASURE COAST CLASSICAL ACADEMY, INC

**A Charter School and Component Unit of the
District School Board of Martin County, Florida**

**Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds**

For the Year Ended June 30, 2023

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues					
Federal sources passed through local school district	\$ -	\$ -	\$ 897,657	\$ -	\$ 897,657
State and local sources	10,322,611	626,079	-	-	10,948,690
Contributions and other revenues	451,041	-	150,961	-	602,002
Total revenues	<u>10,773,652</u>	<u>626,079</u>	<u>1,048,618</u>	<u>-</u>	<u>12,448,349</u>
Expenditures					
Current:					
Instruction	4,756,583	-	576,526	-	5,333,109
Pupil personnel services	176,551	-	48,082	-	224,633
Instructional staff training	13,217	-	-	-	13,217
Instructional technology	150,670	-	-	-	150,670
Board	76,459	-	-	-	76,459
General administration	1,262,805	-	-	-	1,262,805
School administration	1,677,691	-	56,654	-	1,734,345
Fiscal services	25,575	-	-	-	25,575
Food services	-	-	205,606	-	205,606
Operation of plant	757,911	-	-	-	757,911
Maintenance of plant	5,087	-	-	-	5,087
Community services	278,111	-	-	-	278,111
Debt service:					
Principal	-	-	-	120,000	120,000
Interest	-	-	-	1,387,955	1,387,955
Capital outlay	66,413	626,079	-	-	692,492
Total expenditures	<u>9,247,073</u>	<u>626,079</u>	<u>886,868</u>	<u>1,507,955</u>	<u>12,267,975</u>
Excess (deficiencies) of revenue over expenditures	<u>1,526,579</u>	<u>-</u>	<u>161,750</u>	<u>(1,507,955)</u>	<u>180,374</u>
Other Financing Sources (Uses)					
Operating transfer in	272,210	-	-	1,507,955	1,780,165
Operating transfer out	(1,507,955)	-	(272,210)	-	(1,780,165)
Total other financing sources	<u>(1,235,745)</u>	<u>-</u>	<u>(272,210)</u>	<u>1,507,955</u>	<u>-</u>
Net changes in fund balance	290,834	-	(110,460)	-	180,374
Fund balances at beginning of year	2,540,911	-	110,460	-	2,651,371
Fund balances at end of year	<u>\$ 2,831,745</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,831,745</u>

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

TREASURE COAST CLASSICAL ACADEMY, INC

**A Charter School and Component Unit of the
District School Board of Martin County, Florida**

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities**

For the Year Ended June 30, 2023

Net changes in fund balances - governmental funds \$ 180,374

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount incurred in the current period:

Capital outlay	692,492
Depreciation expense	(494,027)

Principal payments on long-term debt are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position.

120,000

Change in net position of governmental activities

\$ 498,839

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

TREASURE COAST CLASSICAL ACADEMY

A Charter School and Component Unit of the District School Board of Martin County, Florida

Notes to Financial Statements

For the Year Ended June 30, 2022

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Treasure Coast Classical Academy (the "School"), is a not-for-profit corporation that operates under a charter approved by the sponsoring district, the District School Board of Martin County Florida (the "School Board"). The governing body of the School is the Board of Directors of School, which is composed of at least three members.

Charter Contract

The School operates under a charter effective July 1, 2019 which had an expiration date of June 24, 2024. Upon the expiration of the charter, the School Board may elect not to renew the charter under grounds specified in the charter. In this case, the School Board is required to notify the School in writing at least 90 days prior to the charter's expiration. However, the School Board may terminate the current charter at any time if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds revert to the School Board.

Basis of Presentation

Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide – *Audits for States and Local Governments* and provisions in the Florida Statutes, the School is considered as a governmental organization for financial statement reporting purposes. The School is required by its agreement with the School Board to use the governmental reporting model and follow the fund and accounting structure provided in the "Financial and Program Cost Accounting and Reporting for Florida Schools – The Red Book" issued by the FDOE.

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the School in a manner similar to those of a private-sector business. The statement of net position and statement of activities are designed to provide financial information as a whole about the School on an accrual basis of accounting. The statement of net position provides information about the School's financial position, its assets and liabilities, using an economic resources measurement focus.

The statement of activities presents a comparison between direct expenses and program revenue for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a program or function, therefore, are clearly identifiable to a particular function.

TREASURE COAST CLASSICAL ACADEMY

A Charter School and Component Unit of the District School Board of Martin County, Florida

Notes to Financial Statements (continued)

Program revenues include charges paid by the recipient for goods and services offered by the program, grants and contributions restricted for meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenue.

Fund Financial Statements

The governmental fund financial statements report detailed information about the School's most significant funds, not the School as a whole. A fund is a group of related accounts used to maintain control over resources segregated for specific activities or objectives. The School uses fund accounting to ensure and demonstrate compliance with finance related requirements. Certain funds are established by law while others are created by grant agreements. The following are major individual governmental funds reported in the fund financial statements:

- General Fund – is the School's primary operating fund that accounts for all financial resources of the school, except those required to be accounted for in another fund.
- Capital Projects Fund – to account for all resources for the acquisition of capital items by the School purchased with capital outlay funds.
- Debt Service Fund – to account for the accumulation of resources for, and payment of general long-term debt principal, interest, and related costs.
- Special Revenue Fund – to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for a specific purpose.

For the purpose of these statements, the general, special revenue, capital projects fund and debt service funds are considered major funds.

Basis of Accounting

Basis of accounting refers to when revenues and expenses/expenditures are recognized in the accounts and reports in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recognized when earned and expenses/expenditures are recognized when a liability is incurred, regardless of the timing the related cash flows take place.

Governmental fund financial statements are reported using the modified accrual basis of accounting. Under this method, revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectable within a current period. The School considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenues are recognized at the time the expenditure is made. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due.

TREASURE COAST CLASSICAL ACADEMY

**A Charter School and Component Unit of the
District School Board of Martin County, Florida**

**Notes to Financial Statements
(continued)**

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisition of capital leases are reported as other financing sources.

Budgetary Basis Accounting

Budgets are prepared using the modified accrual basis of accounting and the governing board must approve all budgets and amendments. During the fiscal year, expenditures were controlled at the object level. Budgets may be amended by resolution of the Board prior to the date of the annual report.

Cash and Cash Equivalents

The School's cash and cash equivalents consist primarily of demand deposits with financial institutions.

For the year ended June 30, 2023, the School had restricted cash of approximately \$240,000 which includes amounts that have been received but not yet expended for which there are donor imposed restrictions.

The School maintains its cash with primarily one financial institution. This account totals approximately \$2,744,000 of which approximately \$2,494,000 of these deposits are in excess of the FDIC insurance limits of \$250,000. The School has not experienced any losses associated with these accounts.

Capital Assets and Depreciation

The School's capital assets with useful lives of more than one year are stated at historical cost and reported in the statement of net position in the government-wide financial statements. Donated capital assets are recorded at their estimated fair value on the date of donation. The School capitalizes assets with a cost of \$750 or more. Expenditures of normal maintenance and repair that do not add to the assets value or extend the useful lives are not capitalized. Depreciation is computed using the straight-line method. Estimated useful lives of the assets are as follows:

	<u>Years</u>
Building	40
Leasehold improvements	10
Furniture, fixtures and equipment	3-7

Interfund Transfers

The School reports its general fund, capital projects fund, special revenue fund and debt service fund as major funds. For the year ended June 30, 2023, the general fund and capital projects fund transferred approximately \$1,508,000 to the debt service fund for principal and interest payments. The special revenue fund transferred approximately \$272,000 to the general fund.

TREASURE COAST CLASSICAL ACADEMY

**A Charter School and Component Unit of the
District School Board of Martin County, Florida**

**Notes to Financial Statements
(continued)**

Net Position and Fund Balance Classifications

Government-Wide financial statements

Net Position is classified and reported in three components:

- Investment in capital assets, net of related debt – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributed to the acquisition or improvement of those assets.
- Restricted – consists of amounts with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments.
- Unrestricted – all other amounts that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund financial statements

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). All nonspendable fund balances at year end relate to assets that are in not spendable form.
- Restricted – fund balance category includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School’s Board of Governance.
- Assigned – fund balance classification includes amounts that are intended to be used by the School’s management for specific purposes but do not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the School’s general fund and includes all spendable amounts not contained in the other classifications.

This statement also clarifies the definition of the special revenue fund to denote that the special revenue may be used to account for the proceeds of specific revenue sources (other than trust for individual, private organizations or other governmental or for major capital projects) legally restricted to expenditures for specified purposes.

TREASURE COAST CLASSICAL ACADEMY

**A Charter School and Component Unit of the
District School Board of Martin County, Florida**

**Notes to Financial Statements
(continued)**

Order of Fund Balance Spending Policy

The School's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for non-general funds to be classified as restricted fund balance. It is also possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

Revenue Sources

Revenues for operations are provided primarily from the District School Board of Martin County, Florida pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.22, Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the School District. The School Board receives a 5% administrative fee from the School, which is withheld from the respective Florida Education Finance Program (FEFP) payments. The administrative expense is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds. The administrative fee is calculated on the FEFP revenue up to 250 students.

Under provisions of Section 1011.62, Florida Statutes, the District reports the number of students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey period. The FDOE may also adjust subsequent fiscal period allocations based on an audit of the School's compliance in determining and reporting FTE and related data. Generally, such adjustments are treated as reductions or additions of revenues in the year when the adjustments are made.

The basic amount of funding through the FEFP under Section 1011.62 is calculated based on (1) unweighted FTE, multiplied by (2) the cost factor for each program multiplied by (3) the base student allocation established by the Florida legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the year ended June 30, 2023, the School reported 1,158 unweighted FTE.

The School received additional funding under other federal and state grants. This assistance is generally received based on applications submitted to various granting agencies. For federal and state grants in which funding is awarded based on incurring eligible expenditures, revenue is recognized as the amount of eligible expenditures have been incurred.

TREASURE COAST CLASSICAL ACADEMY

**A Charter School and Component Unit of the
District School Board of Martin County, Florida**

**Notes to Financial Statements
(continued)**

Use of Estimates

In preparing the financial statements in conformity with accounting principles generally accepted in the United States, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses/expenditures for the period presented. Actual results could differ significantly from those estimates.

Recently Issued Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*. This pronouncement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this pronouncement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, thereby enhancing the relevance and consistency of information about a school's leasing activities. The cumulative effect of any changes implemented to conform to this pronouncement would be reported as a restatement of beginning net position and fund balance. The original effective implementation date was June 30, 2021. However, GASB Statement No. 95 postponed the implementation of this statement to be effective for reporting periods beginning after June 15, 2021. Therefore, management's adoption of this Statement did not result in any adjustments to the prior year's financial statements as the School is not currently engaged in leasing activities.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement would now require interest costs incurred before the end of construction period to be recognized as an expense in the period in which the cost is incurred under the economic resource measurement focus. The effective implementation date is June 30, 2022. Currently, the School is not engaged in any construction projects but is aware of the effect of the adoption of this Statement for future projects.

2 FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States (GAAP) define fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, GAAP recognizes a hierarchy of "inputs" an organization may use in determining or estimating fair value. The inputs are categorized into "levels" that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical items (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

TREASURE COAST CLASSICAL ACADEMY

**A Charter School and Component Unit of the
District School Board of Martin County, Florida**

**Notes to Financial Statements
(continued)**

The fair value hierarchy distinguishes between independent observable inputs and unobservable inputs used to measure fair value as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs other than quoted market prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for an asset or liability. Level 3 inputs should be used to measure fair value to the extent that observable level 1 or 2 inputs are not available.

This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The School's significant financial instruments are cash, accounts receivable, accounts payable, short term borrowings, and other short term assets and liabilities. For these financial instruments (level 1), carrying values approximate fair value because of the short maturity of these instruments.

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TREASURE COAST CLASSICAL ACADEMY

**A Charter School and Component Unit of the
District School Board of Martin County, Florida**

**Notes to Financial Statements
(continued)**

3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets:				
Land	\$ 2,099,084	\$ -	\$ -	\$ 2,099,084
Buildings	15,094,488	-	-	15,094,488
Construction in progress	-	676,544	-	676,544
Furniture, fixtures and equipment	874,206	15,952	-	890,158
Total capital assets	<u>18,067,778</u>	<u>692,496</u>	<u>-</u>	<u>18,760,274</u>
Accumulated depreciation:				
Buildings	(832,522)	(377,667)	-	(1,210,189)
Furniture, fixtures and equipment	(416,661)	(116,360)	-	(533,021)
Total accumulated depreciation	<u>(1,249,183)</u>	<u>(494,027)</u>	<u>-</u>	<u>(1,743,210)</u>
Capital assets, net	<u>\$ 16,818,595</u>	<u>\$ (198,469)</u>	<u>\$ -</u>	<u>\$ 17,017,064</u>
Depreciation expense:				
Instruction		\$ 79,035		
Administration		9,138		
Food service		19,398		
Operation of plant		386,456		
Total governmental activities depreciation expense		<u>\$ 494,027</u>		

TREASURE COAST CLASSICAL ACADEMY

**A Charter School and Component Unit of the
District School Board of Martin County, Florida**

**Notes to Financial Statements
(continued)**

4 LONG-TERM LIABILITIES

The School's long-term note payables as described below:

In June 2019, the School entered into a loan agreement with Capital Trust Agency, ("Agency"). The Agency has agreed to issue bonds, ("Series 2019A and Series 2019B") in the aggregate amount of \$19,700,000 for the Treasure Coast Classical Academy, Inc. Project, ("The Project"). The Series 2019 project consist of the construction of an educational facility to be used by the School. The loan agreement was funded by the issuance of:

Series 2019A Bonds - principal amount of \$18,575,000, accrues interest at 7% and matures June 2049. Principal redemption payments commence June 2028 at \$120,000 with principal escalation every 6 months through maturity. The Bond has a balloon payment of approximately \$7.5 million on its maturity date.

Series 2019B Bond - principal balance of \$1,125,000, accrues interest at 8% and matures December 2027. Monthly principal redemption payments commence December 2022 at \$55,000 with principal escalation every 6 months through maturity.

\$ 19,580,000

The following is a summary of changes in the note payable for the year ended June 30, 2023

Balance outstanding at the beginning of the year	\$ 19,700,000
Additions	-
Reductions	<u>(120,000)</u>
Balance outstanding at the end of the year	<u>\$ 19,580,000</u>

TREASURE COAST CLASSICAL ACADEMY

**A Charter School and Component Unit of the
District School Board of Martin County, Florida**

**Notes to Financial Statements
(continued)**

Future debt service related to the long-term liabilities is as follows as of June 30, 2022:

Year ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 185,000	\$ 1,376,850	\$ 1,561,850
2025	205,000	1,361,850	1,566,850
2026	225,000	1,345,050	1,570,050
2027	245,000	1,326,450	1,571,450
2028	265,000	1,306,050	1,571,050
2029-2033	1,450,000	6,246,275	7,696,275
2034-2038	2,050,000	5,648,475	7,698,475
2039-2043	2,895,000	4,807,775	7,702,775
2044-2048	4,085,000	3,618,125	7,703,125
2049	7,975,000	541,275	8,516,275
Total	<u>\$ 19,580,00</u>	<u>\$ 27,578,175</u>	<u>\$ 47,158,175</u>

5 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

District School Board of Martin County, Florida:

Florida Education Finance Program	\$ 5,668,870
Class size reduction	1,152,947
Discretionary local effort	1,285,139
Additional Voter Millage	922,283
Capital Outlay	626,079
Supplemental academic instruction	249,400
Teacher salary increase allocation	304,671
ESE guaranteed allocation	221,993
School Recognition Funds	216,329
Instructional materials	85,409
Safe schools	84,875
Reading allocation	67,534
Mental health assistance	57,772
Compression Adjustment	5,389
Total	<u>\$ 10,948,690</u>

The administrative fee paid to the School Board during the year ended June 30, 2023 totaled approximately \$106,000, which is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund – governmental funds. In the current year, there was a millage adjustment relating to prior years. In the current year, Martin County millage analysis determined that adjustment to prior year millage funds were due to the school. The adjustment amounts were indeterminable in prior years.

TREASURE COAST CLASSICAL ACADEMY

**A Charter School and Component Unit of the
District School Board of Martin County, Florida**

**Notes to Financial Statements
(continued)**

6 RISK MANAGEMENT PROGRAM

Workers' compensation coverage, health and hospitalization, general liability, professional liability and property coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not historically exceeded commercial coverage.

7 COMMITMENTS AND CONTINGENT LIABILITIES

Grants

The School participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at year end may be impaired.

Management believes there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Legal matters

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. If necessary, the School retains legal representation to address any such legal matters or proceedings. In the opinion of management and the School, if there are ongoing legal actions or proceedings, the ultimate resolution of such legal matters should not have a significant adverse effect on the accompanying financial statements.

8 INCOME TAXES

The School qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is therefore, exempt from income taxes. Accordingly, no tax provision has been made in the accompanying financial statements. Additionally, no uncertain tax positions have been made requiring disclosure in the related notes to the financial statements. The School's income tax returns for the past three years are subject to examination by tax authorities.

9 SUBSEQUENT EVENTS

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through September 19, 2023 which is the date the financial statements were available to be issued. In September, subsequent to the year end, the Board elected to terminate the current management services agreement with The Optima Foundation as of December 31, 2023.

TREASURE COAST CLASSICAL ACADEMY, INC

**A Charter School and Component Unit of the
District School Board of Martin County, Florida**

Required Supplementary Information

Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
State and local sources	\$ 11,006,898	\$ 11,006,898	\$ 10,322,611	\$ (684,287)
Contributions and other revenue	251,970	251,970	451,041	199,071
Total revenues	<u>11,258,868</u>	<u>11,258,868</u>	<u>10,773,652</u>	<u>(485,216)</u>
EXPENDITURES				
Current:				
Instruction	5,273,634	5,273,634	4,756,583	(517,051)
Pupil personnel services	174,389	174,389	176,551	2,162
Instructional staff training	36,550	36,550	13,217	(23,333)
Instructional technology	167,256	167,256	150,670	(16,586)
Board	26,136	26,136	76,459	50,323
General administration	1,293,317	1,293,317	1,262,805	(30,512)
School administration	1,507,590	1,507,590	1,677,691	170,101
Fiscal services	24,000	24,000	25,575	1,575
Operation of plant	848,350	848,350	757,911	(90,439)
Maintenance of plant	6,988	6,988	5,087	(1,901)
Community services	221,487	221,487	278,111	56,624
Capital outlay	2,688	2,688	66,413	63,725
Total expenditures	<u>9,582,385</u>	<u>9,582,385</u>	<u>9,247,073</u>	<u>(335,312)</u>
Excess (deficiency) of revenue over expenditures	<u>1,676,483</u>	<u>1,676,483</u>	<u>1,526,579</u>	<u>(149,904)</u>
Other Financing Sources (Uses)				
Operating transfer in	-	-	272,210	272,210
Operating transfer out	(1,745,239)	(1,745,239)	(1,507,955)	237,284
Total other financing sources	<u>(1,745,239)</u>	<u>(1,745,239)</u>	<u>(1,235,745)</u>	<u>509,494</u>
Net change in fund balance	(68,756)	(68,756)	290,834	359,590
Fund balance at beginning of year	<u>2,540,911</u>	<u>2,540,911</u>	<u>2,540,911</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,472,155</u>	<u>\$ 2,472,155</u>	<u>\$ 2,831,745</u>	<u>\$ 359,590</u>

See report of independent auditors.

TREASURE COAST CLASSICAL ACADEMY, INC

**A Charter School and Component Unit of the
District School Board of Martin County, Florida**

Required Supplementary Information

Budgetary Comparison Schedule - Special Revenue Fund

For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Federal sources passed through local school district	\$ 727,398	\$ 727,398	\$ 897,657	\$ 170,259
Contributions and other revenue	132,050	132,050	150,961	18,911
Total revenues	<u>859,448</u>	<u>859,448</u>	<u>1,048,618</u>	<u>189,170</u>
EXPENDITURES				
Current:				
Instruction	320,000	320,000	576,526	256,526
Pupil personnel services	25,000	25,000	48,082	23,082
School administration	155,000	155,000	56,654	(98,346)
Food services	293,380	293,380	205,606	(87,774)
Total expenditures	<u>793,380</u>	<u>793,380</u>	<u>886,868</u>	<u>93,488</u>
Excess of revenue over expenditures	<u>66,068</u>	<u>66,068</u>	<u>161,750</u>	<u>95,682</u>
Other Financing Sources (Uses)				
Operating transfer out	(66,068)	(66,068)	(272,210)	(206,142)
Total other financing sources	<u>(66,068)</u>	<u>(66,068)</u>	<u>(272,210)</u>	<u>(206,142)</u>
Net change in fund balance	-	-	(110,460)	(110,460)
Fund balance at beginning of year	-	-	110,460	110,460
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See report of independent auditors.