

THE STEAD SCHOOL

FINANCIAL STATEMENTS
With Independent Auditors' Report

For the Year Ended June 30, 2023

**THE STEAD SCHOOL
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JUNE 30, 2023**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The STEAD School

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the The STEAD School, a component unit of Adams County Colorado School District 27J, as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the The STEAD School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the The STEAD School, as of 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 The STEAD 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 The STEAD School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a

guarantee that an audit conducted in accordance with generally accepted auditing standards 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 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 The STEAD 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 The STEAD 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 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 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.

Hoelting & Company, Inc.

Colorado Springs, Colorado
October 4, 2023

Management’s Discussion and Analysis

As management of The STEAD School, we offer readers of The STEAD School’s financial statements our narrative overview and analysis of the financial activities of The STEAD School for the fiscal year ended June 30, 2023.

Financial Highlights

As of June 30, 2023, net position increased to \$8,057,920 which was a change of \$5,222,417 from \$2,835,503 on June 30, 2022.

At the close of the fiscal year The STEAD School’s governmental funds reported a combined ending fund balance of \$537,795 which was an increase of \$36,262 in the General Fund. The Building Corp Fund reported an ending balance of \$365,821 which was an increase of \$2,049,234.

The Building Corp was formed to assist in the financing and construction of the School’s facilities. Cash in the amount of \$558,206 has been restricted in the Building Corp Fund for payment of the debt service expenses.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to The STEAD School’s basic financial statements. The STEAD School’s basic financial statements are comprised of three components: 1) government-wide financial statements. 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of The STEAD School’s finances, in a manner like a private-sector business.

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

The statement of activities presents information showing how the School’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected grant expenses and earned but unpaid salary and benefits).

The government-wide statement of activities distinguishes functions/programs of The STEAD School supported primarily by Per Pupil Operating Revenue or other revenues passed through from the District (27J). The governmental activities of The STEAD School include instruction and

supporting services. The government-wide financial statements can be found on pages 1-2 of the basic financial statement section of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The STEAD School, like other governmental units or schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of The STEAD School are governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The STEAD School maintains two individual governmental funds, the General Fund and the Building Corp Fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, because it is a major fund.

The STEAD School adopts an annual appropriated budget for its funds. Budgetary comparison statements have been provided for the funds to demonstrate compliance with the budget.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 7-18.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. In the case of The STEAD School, assets exceeded liabilities resulting in a Net Position of \$8,057,920 in Fiscal year 2023.

**The STEAD School
Net Position
Governmental Activities**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Current and other Assets	\$ 820,374	\$ 671,762
Receivables	872,043	171,133
Capital Assets	22,516,051	13,593,960
Prepaid Expenses	68,474	4,325
	-----	-----
Total Assets	\$24,276,942	\$ 14,441,180
Long-term Liabilities	\$ 14,795,444	\$ 9,105,922
Other Liabilities	1,423,578	2,499,785
	-----	-----
Total Liabilities	\$ 16,219,022	\$ 11,605,707
Restricted for		
Net Investment in capital assets	\$ 7,720,607	\$ 4,488,038
Debt Service	165,339	0
Emergency, TABOR	110,000	50,000
Unrestricted	61,974	(1,702,535)
	-----	-----
Total Net Position	\$ 8,057,920	\$ 2,835,503
	=====	=====

The largest portion of The STEAD School’s assets is made up of 92.7% capital assets and 3.37% cash and investments in fiscal year 2023. The School’s net position increased in 2023 by \$5,222,417.

**The STEAD School
Statement of Activities
Governmental Funds**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Revenue		
Per Pupil Revenue	\$ 2,417,604	\$ 1,359,411
District Mill Levy	221,757	5,966
Tuition & Fees	757,935	55,202
Capital Construction	55,948	46,446
Operating Grants	6,046,574	2,291,586
Other	381,761	433,412
	-----	-----
Total Revenue	\$ 9,851,579	\$ 4,192,023
Expenses		
Instruction	\$ 1,921,625	\$ 1,146,120
Supporting Services	1,890,587	1,095,751
Interest & debt issuance	514,662	365,413
Facilities Construction	302,288	118,846
	-----	-----
Total Expenses	\$ 4,629,162	\$ 2,726,130
Changes in Net Position	\$ 5,222,417	\$ 1,465,893
Net Position, Beginning	\$ 2,835,503	\$ 1,369,610
	-----	-----
Net Position, Ending	\$ 8,057,920	\$ 2,835,503
	=====	=====

The largest portion of The STEAD School’s revenues come from operating grants of 69%, followed by per pupil funding, with 25%. Fiscal year 2023, was the STEAD School’s second year in operation with 257 students, reimbursed at \$9,371.77 per student equivalent.

Financial Analysis of the Government’s Funds

As noted earlier, The STEAD School uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds The focus of The STEAD School’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing The STEAD School’s financing requirements. In particular, the unassigned fund balance may serve as a useful measure of the School’s net resources available for spending at the end of the fiscal year.

The STEAD School's enrollment for the second year of operation was 257. Current estimates for the 2023-2024 school year shows a significant increase due to adding a 3rd grade to the high school enrollment for 375 students.

As of the end of the current fiscal year, the School's General Fund reported an ending fund balance of \$171,974 which was an increase of \$36,262.

General Fund Budgetary Highlights

The School approved a proposed budget in May 2022 based on enrollment projections for the following school year. In December, after enrollment count was finalized, a revised budget was approved. At year-end, a final supplemental budget was approved, and the school had small variances between its budgeted and actual activities. Expenses remained within budget to remain compliant with Statute.

Capital Asset and Debt Administration

Capital Assets The STEAD School has capital assets in the amount of \$22,516,051 as of June 30, 2023. The Building Corporation holds restricted cash in the amount of \$558,206 project.

Long-Term Debt The STEAD School has long-term debt in the amount of \$14,795,444 as of June 30, 2023.

Economic Factors and Next Year's Budget

During 2022-2023, the School had a funded FTE pupil count of 257 and initially approved a budget based on 390 FTE funded pupils for 2023-2024. As of the audit date, the actual student count is 271 and the school has begun the necessary budget revisions.

Requests for Information

This financial report is designed to provide a general overview of The STEAD School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: The STEAD School, 18251 Homestead Trail, Commerce City, CO 80022.

BASIC FINANCIAL STATEMENTS

THE STEAD SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities
ASSETS	
Cash and investments	\$ 262,168
Restricted cash and investments	558,206
Intergovernmental receivables	855,590
Other receivables	16,453
Prepays	68,474
Capital assets not being depreciated	22,495,398
Capital assets, net of accumulated depreciation	20,653
Total Assets	24,276,942
LIABILITIES	
Accounts payable and other accrued liabilities	950,253
Accrued salaries and benefits	272,843
Accrued interest payable	200,482
Long-term liabilities:	
Due within one year	5,855,618
Due in more than one year	8,939,826
Total Liabilities	16,219,022
NET POSITION	
Net investment in capital assets	7,720,607
Restricted for:	
Debt Service	165,339
Emergencies	110,000
Unrestricted	61,974
Total Net Position	\$ 8,057,920

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

**THE STEAD SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<u>Governmental Activities</u>				<u>Governmental Activities</u>	
Governmental activities:					
Instruction	\$ 1,921,625	\$ 152,526	\$ 6,044,004	\$ -	\$ 4,274,905
Supporting services	1,890,587	575,409	2,570	55,948	(1,256,660)
Interest	514,662	-	-	-	(514,662)
Facilities acquisition & construction	302,288	-	-	-	(302,288)
 Total governmental activities	 <u>\$ 4,629,162</u>	 <u>\$ 727,935</u>	 <u>\$ 6,046,574</u>	 <u>\$ 55,948</u>	 <u>2,201,295</u>
General revenues:					
Per pupil revenue					2,417,604
District mill levy					221,757
Grants and contributions not restricted to specific programs					363,248
Miscellaneous					18,513
					<u>3,021,122</u>
Total general revenues					3,021,122
Change in net position					5,222,417
Net position - beginning, as restated					<u>2,835,503</u>
Net position - ending					<u>\$ 8,057,920</u>

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

**THE STEAD SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023**

	General Fund	Building Corp Fund	Total
ASSETS			
Cash and investments	\$ 262,168	\$ -	\$ 262,168
Restricted cash and investments	-	558,206	558,206
Intergovernmental receivables	242,812	612,778	855,590
Other receivables	16,453	-	16,453
Due from other funds	-	26,777	26,777
Prepaid items	7,600	60,874	68,474
	<u>7,600</u>	<u>60,874</u>	<u>68,474</u>
Total Assets	<u>\$ 529,033</u>	<u>\$ 1,258,635</u>	<u>\$ 1,787,668</u>
LIABILITIES			
Accounts payable and other accrued liabilities	\$ 57,439	\$ 892,814	\$ 950,253
Due to other funds	26,777	-	26,777
Accrued salaries and benefits	272,843	-	272,843
	<u>272,843</u>	<u>-</u>	<u>272,843</u>
Total Liabilities	<u>357,059</u>	<u>892,814</u>	<u>1,249,873</u>
FUND BALANCE			
Non-spendable	7,600	60,874	68,474
Restricted for:			
Debt service	-	304,947	304,947
Emergencies	110,000	-	110,000
Unassigned	54,374	-	54,374
	<u>54,374</u>	<u>-</u>	<u>54,374</u>
Total Fund Balance	<u>171,974</u>	<u>365,821</u>	<u>537,795</u>
Total Liabilities and Fund Balance	<u>\$ 529,033</u>	<u>\$ 1,258,635</u>	<u>\$ 1,787,668</u>

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

THE STEAD SCHOOL
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance of Governmental Funds	\$	537,795
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Capital assets not being depreciated	\$	22,495,398
Capital assets, net of accumulated depreciation		22,516,051
		<u>20,653</u>
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in government funds:		
Long-term debt payable	\$	(14,795,444)
Accrued interest		(14,995,926)
		<u>(200,482)</u>
		<u>(14,995,926)</u>
Total Net Position of Governmental Activities	\$	<u><u>8,057,920</u></u>

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

THE STEAD SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Building Corp Fund	Total
REVENUES			
Local sources	\$ 881,042	\$ 6,159,914	\$ 7,040,956
State sources	2,531,862	-	2,531,862
Federal sources	278,761	-	278,761
	<hr/>	<hr/>	<hr/>
Total revenues	3,691,665	6,159,914	9,851,579
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Instruction	1,764,816	152,504	1,917,320
Supporting services	1,890,587	-	1,890,587
Debt service:			
Interest	-	419,014	419,014
Principal	-	144,368	144,368
Facilities acquisition and construction	-	9,228,684	9,228,684
	<hr/>	<hr/>	<hr/>
Total expenditures	3,655,403	9,944,570	13,599,973
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	36,262	(3,784,656)	(3,748,394)
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt	-	5,833,890	5,833,890
	<hr/>	<hr/>	<hr/>
Net change in fund balance	36,262	2,049,234	2,085,496
	<hr/>	<hr/>	<hr/>
Fund balance - beginning (deficit)	135,712	(1,683,413)	(1,547,701)
	<hr/>	<hr/>	<hr/>
Fund balance, ending	\$ 171,974	\$ 365,821	\$ 537,795
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

THE STEAD SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net Change in Fund Balance of Governmental Funds	\$	2,085,496
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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.

Depreciation/amortization expense	\$	(4,305)	
Capital outlays		8,926,396	8,922,091

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Loan principal payments	\$	144,368	
Loan proceeds		(5,833,890)	(5,689,522)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Accrued interest on long-term debt		(95,648)
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Change in Net Position of Governmental Activities	\$	5,222,417
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The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

THE STEAD SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of The STEAD School (the School) have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the School are discussed below.

A. REPORTING ENTITY

The School is a state nonprofit corporation that began operations in 2021, pursuant to the Colorado Charter Schools Act, to form and operate a charter school within Adams County School District No. 27J (the District).

The accompanying financial statements present the School and its component units, entities for which the School is considered to be financially accountable. Blended component units are, in substance, part of the School's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the School.

Blended component unit. Stead School Building Corporation (the Building Corp) was organized for the purpose of acquiring, leasing, constructing, improving, equipping and financing various facilities, land, equipment and other improvements in connection with property intended to be leased to the School. The Building Corp is reported as a special revenue fund and does not issue separate financial statements.

The School is a component unit of the District. The School's charter was authorized by the District and the majority of the School's funding is provided by the District.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the School and its component units. Any fiduciary activities are reported only in the fund financial statements. *Governmental activities* are supported by per pupil revenue and intergovernmental revenues.

The statement of activities demonstrates the degree to which direct expenses of given functions or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to students or other service users who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as *general revenues* rather than as program revenues.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges for interfund services provided and used, the elimination of which would distort the direct costs and program revenues reported for the various functions.

THE STEAD SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

The emphasis of fund financial statements is on major funds. Major individual funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds.

The School reports the following major governmental funds:

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

The *Building Corp Fund* is used to account for the financial activities of the STEAD School Building Corporation, including facilities acquisition and construction and the accumulation of resources for the related debt service.

During the course of operations, the School has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

THE STEAD SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due. General capital asset acquisitions, including entering into contracts giving the School the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Interest and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 120 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the School.

*D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/
FUND BALANCE*

Cash and cash equivalents

Cash and cash equivalents include cash on hand and in the bank and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

Local government investment pools in Colorado must be organized under Colorado Revised Statutes, which allows certain types of governments within the state to pool their funds for investment purposes. Investments in such pools are reported at net asset value.

Receivables

All receivables are reported at their gross values and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

THE STEAD SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/
FUND BALANCE (CONTINUED)*

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital assets

Capital assets include tangible and intangible assets that are reported in the governmental activities column in the government-wide financial statements. Capital assets, except for lease assets, are defined by the School as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. For lease assets, only those intangible lease assets that cost more than \$15,000 are reported as capital assets.

As the School constructs or acquires capital assets each period they are capitalized and reported at historical cost (except for intangible right-to-use lease assets, the measurement of which is discussed in Note 1 D. *Leases* below). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. The other tangible and intangible assets of the School are depreciated/amortized using the straight-line method over the following estimated useful lives:

Furniture and equipment	5 to 10 years
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Accrued Salaries and Benefits

Salaries and benefits of teachers and other contracted personnel are paid over a twelve-month period, but are earned during a school year of approximately nine months. The salaries and benefits earned, but unpaid, are reported as a liability in the respective funds and have been fully funded as of the fiscal year end.

Unearned Revenue

Unearned revenue includes resources received by the School before the related revenue can be recognized because the earnings process is not complete.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

THE STEAD SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/
FUND BALANCE (CONTINUED)*

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Leases

Lessee: The School recognizes a lease liability and an intangible right-to-use lease assets in the government-wide financial statements. The School recognizes lease liabilities with an initial, individual value of \$15,000 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 judgments 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.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Long-term liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. Bonds payable are reported net of the applicable premium or discount.

THE STEAD SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/
FUND BALANCE (CONTINUED)*

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

Net position

For government-wide reporting, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the School will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund balance classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is 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 available to be 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.

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.

THE STEAD SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/
FUND BALANCE (CONTINUED)*

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal resolution of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the School’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Education or through the Board of Directors delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The School would typically use Restricted fund balances first, followed by Committed resources, and then 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.

E. REVENUES AND EXPENDITURES/EXPENSES

Compensated Absences

Vacation—The School’s policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from employment. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Sick Leave—Accumulated sick leave lapses when employees leave the employ of the School and, upon separation from service, no monetary obligation exists.

F. ESTIMATES

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

THE STEAD SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Budgets are required by State law for all funds, except fiduciary funds. The Head of School submits a proposed budget to the Board of Directors for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. It also includes a statement describing the major objectives of the educational program to be undertaken by the School and the manner in which the budget proposes to fulfill such objectives. Public hearings are conducted by the Board of Directors to obtain public comments.

On or before June 30, the budget is adopted by formal resolution. After the adoption of the budget, the board may review and change the budget at any time prior to January 31 of the fiscal year for which the budget was adopted. After January 31, the board may not review or change the budget except where money for a specific purpose from other than ad valorem taxes becomes available which could not have been reasonable foreseen at the time of the adoption of the budget. Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between line items within any fund rests with the Head of School. Revisions that alter the total expenditures in any fund must be approved by the Board of Directors. Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances as established by the Board of Directors.

Budgets for all fund types are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). GAAP-basis accounting requires that expenditures of salaries and related benefits be recorded in the fiscal year earned. Thus, the School budgets for all accrued salaries and related benefits earned but unpaid at June 30. Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the Head of School and/or Board of Directors throughout the year. All appropriations lapse at the end of each fiscal year.

**THE STEAD SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 – DEPOSITS AND INVESTMENTS

A summary of deposits and investments as of June 30, 2023 is as follows:

Deposits	\$ <u>820,374</u>
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Deposits and investments are reported in the financial statements as follows:

Cash and investments	\$ 262,168
Restricted cash and investments	<u>558,206</u>
Total	<u>\$ 820,374</u>

Cash deposits with financial institutions

Custodial Credit Risk—deposits: Custodial credit risk is the risk that, in the event of a bank failure, the School's deposits might not be recovered. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The carrying amount of the School's deposits at June 30, 2023 was \$820,374 and the bank balances were \$1,975,808. Of the bank balances, \$250,000 were covered by federal deposit insurance, and the remaining balance was uninsured but collateralized in accordance with the provisions of the PDPA.

THE STEAD SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

The School is authorized by Colorado statutes to invest in the following:

- Obligations of the United States and certain U.S. government agencies' securities;
- Certain international agencies' securities;
- General obligation and revenue bonds of U.S. local government entities;
- Bankers' acceptances of certain banks;
- Certain commercial paper;
- Local government investment pools;
- Written repurchase agreements collateralized by certain authorized securities;
- Certain money market fund;
- Guaranteed investment contracts.

As of June 30, 2023 the School had no investments.

NOTE 4 - CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Governmental activities</i>				
Capital assets not being depreciated:				
Construction in progress	\$ 13,569,002	\$ 8,926,396	\$ -	\$ 22,495,398
Total capital assets not being depreciated	<u>13,569,002</u>	<u>8,926,396</u>	<u>-</u>	<u>22,495,398</u>
Capital assets being depreciated:				
Furniture and equipment	28,026	-	-	28,026
Total capital assets being depreciated	<u>28,026</u>	<u>-</u>	<u>-</u>	<u>28,026</u>
Less accumulated depreciation for:				
Furniture and equipment	(3,068)	(4,305)	-	(7,373)
Total accumulated depreciation	<u>(3,068)</u>	<u>(4,305)</u>	<u>-</u>	<u>(7,373)</u>
Capital assets, net of accumulated depreciation/amortization	<u>24,958</u>	<u>(4,305)</u>	<u>-</u>	<u>20,653</u>
Total governmental activities capital assets	<u>\$ 13,593,960</u>	<u>\$ 8,922,091</u>	<u>\$ -</u>	<u>\$ 22,516,051</u>

Depreciation/amortization expense was charged to the functions/programs of the governmental activities of the School as follows:

Governmental Activities

Instruction	<u>\$ 4,305</u>
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**THE STEAD SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 – LONG-TERM LIABILITIES

Vectra Construction Loan

On January 15, 2021, the Building Corp entered into a construction loan agreement with Zions Bancorporation, N.A. dba Vectra Bank Colorado in the amount of \$14,503,148. The construction loan consists collectively of the Phase 1 Loan and Phase 2 Loan. Proceeds were loaned to the Building Corp to provide funding to construct the School’s educational facilities. As of June 30, 2023 all \$4,808,000 of Phase Loans 1 and \$5,672,000 of \$7,125,148 Phase 2 loans were issued. Interest accrues a rate of 3.50% for the Phase 1 Loans and 5.4% of Phase 2 Loans. Principal and Interest payments are due monthly with an initial maturity of January 15, 2026.

Clayton Loan

On January 15, 2021 the Building Corp entered into a loan agreement with Clayton Properties Group II, Inc. in the amount of \$2,243,757. Interest accrues a rate of 3.50% and is due monthly.

CCFS Construction Loan

On January 15, 2021, the Building Corp entered into a construction loan agreement with CCFS SPE 2, LLC in the amount of \$2,800,000. The construction loan consists collectively of the Phase 1 Loan, and Phase 2 Loan. Loans were loaned to the Building Corp to provide funding to construct the School’s educational facilities. As of June 30, 2023 all \$1,021,700 Phase Loans 1 and \$1,205,300 of \$1,778,300 Phase 2 loans were issued. Interest accrues a rate of 3.50%. Principal and Interest payments are due monthly with an initial maturity of January 15, 2026.

Annual debt service requirements to maturity for loan payable is as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 5,855,618	\$ 319,328
2025	190,666	312,065
2026	<u>8,749,161</u>	<u>182,330</u>
Total	<u>\$ 14,795,445</u>	<u>\$ 813,722</u>

Changes in the School’s long-term liabilities for the year ended June 30, 2023, are as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Debt Issued</u> <u>And Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One year</u>
<i>Governmental Activities</i>					
Loan payable	<u>\$ 9,105,922</u>	<u>\$ 5,833,890</u>	<u>\$ (144,368)</u>	<u>\$ 14,795,445</u>	<u>\$ 5,855,618</u>

Loans are liquidated in the Building Corp fund.

THE STEAD SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School carries commercial insurance for these risks of loss, including worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the last three fiscal years.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Grants

The School has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursement to grantor agencies for expenditures disallowed under terms of the grant. However, in the opinion of the School, any such adjustments will not have a material adverse effect on the financial position of the School.

NOTE 8 - TAX, SPENDING, AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities and other specific requirements of state and local governments.

The amendment requires emergency reserves be established. These reserves must be at least 3% of fiscal year spending. The School is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary and benefit increases. At June 30, 2023 there is a \$110,000 reservation of fund balance in the General Fund for the amendment.

The Amendment is complex and subject to judicial interpretation. The School believes it is in compliance with the requirements of the amendment. However, the School has made certain interpretations of the amendment's language in order to determine its compliance.

NOTE 9 – PRIOR PERIOD ADJUSTMENT

Correction of Accrued Interest Balances

Net position as of June 30, 2022 has been restated to correct prior year accrued interest. The School had under-reported accrued interest at June 30, 2022.

Governmental Activities

Net Position, June 30, 2022, as originally stated	\$ 2,937,388
Correction of accrued interest balances	<u>(101,885)</u>
Net Position, June 30, 2022, as restated	<u>\$ 2,835,503</u>

REQUIRED SUPPLEMENTARY INFORMATION

THE STEAD SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Local sources:				
Pupil Activities	\$ 157,759	\$ 151,205	\$ 158,497	7,292
Donations and grants	395,398	378,971	397,248	18,277
Other local revenue	103,058	98,776	103,540	4,764
	<u>656,215</u>	<u>628,952</u>	<u>881,042</u>	<u>252,090</u>
State sources:				
Per pupil revenue	2,714,925	2,408,545	2,417,604	9,059
Operating grants	330,054	543,307	58,310	(484,997)
Capital grants	87,533	55,948	55,948	-
	<u>3,132,512</u>	<u>3,007,800</u>	<u>2,531,862</u>	<u>(475,938)</u>
Federal sources:				
Operating grants	37,398	27,602	278,761	251,159
Total revenues	<u>3,826,125</u>	<u>3,664,354</u>	<u>3,691,665</u>	<u>27,311</u>
EXPENDITURES				
Instruction	1,809,101	1,765,594	1,764,816	778
Supporting services	1,938,027	1,891,421	1,890,587	834
Total expenditures	<u>3,747,128</u>	<u>3,657,015</u>	<u>3,655,403</u>	<u>1,612</u>
Net change in fund balances	78,997	7,339	36,262	28,923
Fund balances - beginning	135,712	135,712	135,712	-
Fund balance - ending	<u>\$ 214,709</u>	<u>\$ 143,051</u>	<u>\$ 171,974</u>	<u>\$ 28,923</u>

See the accompanying Independent Auditors' Report.

THE STEAD SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
BUILDING CORP FUND
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources	\$ 5,948,413	\$ 5,948,413	\$ 6,159,914	\$ 211,501
Total revenues	<u>5,948,413</u>	<u>5,948,413</u>	<u>6,159,914</u>	<u>211,501</u>
EXPENDITURES				
Instruction	153,664	153,664	152,504	1,160
Debt service:				
Interest	498,434	498,434	419,014	79,420
Principal	135,469	135,469	144,368	(8,899)
Facilities acquisition and construction	9,228,684	9,228,684	9,228,684	-
Appropriated reserves	83,749	83,749	-	83,749
Total expenditures	<u>10,100,000</u>	<u>10,100,000</u>	<u>9,944,570</u>	<u>155,430</u>
Excess (deficiency) of revenues over expenditures	(4,151,587)	(4,151,587)	(3,784,656)	366,931
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	<u>5,835,000</u>	<u>5,835,000</u>	<u>5,833,890</u>	<u>(1,110)</u>
Net change in fund balances	1,683,413	1,683,413	2,049,234	365,821
Fund balances - beginning	<u>(1,683,413)</u>	<u>(1,683,413)</u>	<u>(1,683,413)</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 365,821</u>	<u>\$ 365,821</u>

See the accompanying Independent Auditors' Report