



Office of Capital Writs

ANNUAL FINANCIAL REPORT

For The Year Ended August 31, 2012

BRAD D. LEVENSON
DIRECTOR

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Office of Capital Writs

Brad D. Levenson
Director

November 16, 2012

Honorable Rick Perry, Governor
Honorable Susan Combs, Texas Comptroller
John O'Brien, Director, Legislative Budget Board
John Keel, CPA, State Auditor

Dear Ladies and Gentlemen:

We are pleased to submit the Annual Financial Report of the Office of Capital Writs for the fiscal year which ended August 31, 2012, in compliance with Texas Government Code Annotated, Section 2101.011, and in accordance with the requirements established by the Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the state auditor as part of the audit of the State of Texas *Comprehensive Annual Financial Report (CAFR)*; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact our Senior Accountant, Daniel Limas, at (512) 463-8520.

Sincerely,

Brad D. Levenson
Director

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UNAUDITED
OFFICE OF CAPITAL WRITS (215)

Office of Capital Writs
Exhibit I — Combined Balance Sheet/Statement of Net Assets — Governmental Funds
August 31, 2012

	Governmental Fund 5073 U/F (5073)	Governmental Funds Total	Capital Assets Adjustments
ASSETS			
Current Assets:			
Cash in State Treasury			
Legislative Appropriations			
Due From Other Agencies	58,127.27	58,127.27	
Consumable Inventories	1,767.03	1,767.03	
Total Current Assets	59,894.30	59,894.30	
Non-Current Assets:			
Capital Assets			
Depreciable			
Furniture and Equipment			8,693.27
Less Accumulated Depreciation			(2,897.52)
Total Non-Current Assets			5,795.75
TOTAL ASSETS	\$ 59,894.30	\$ 59,894.30	\$ 5,795.75
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities			
Current Liabilities:			
Payables from:			
Accounts Payable	6.00	6.00	
Payroll Payable	58,121.27	58,121.27	
Employees' Compensable Leave (Note 5)			
Other Non-Current Liabilities			
TOTAL LIABILITIES	58,127.27	58,127.27	0
Fund Financial Statement			
Fund Balances (Deficits):			
Nonspendable	1,767.03	1,767.03	
Committed			
Assigned			
Unassigned			
TOTAL FUND BALANCES	1,767.03	1,767.03	0
TOTAL LIABILITIES AND FUND BALANCES	\$ 59,894.30	\$ 59,894.30	\$ 0
Government-Wide Statement of Net Assets			
Net Assets			
Invested in Capital Assets, Net of Related Debt			5,795.75
Unrestricted			
Total Net Assets			\$ 5,795.75

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

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Long-Term Liabilities Adjustments	Other Adjustments	Statement of Net Assets
		58,127.27
		1,767.03
0	0	59,894.30
		8,693.27
		(2,897.52)
		5,795.75
\$ 0	\$ 0	\$ 65,690.05
		6.00
		58,121.27
27,749.98		27,749.98
15,144.07		15,144.07
42,894.05	0	101,021.32
		1,767.03
\$ 42,894.05	\$ 0	\$ 102,788.35
		5,795.75
(42,894.05)		(42,894.05)
\$ (42,894.05)	\$ 0	\$ (35,331.27)
		\$ 65,690.05

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Office of Capital Writs
Exhibit II — Combined Statement of Revenues, Expenditures and Changes in Fund
Balances/Statement of Activities — Governmental Funds
For the Fiscal Year Ended August 31, 2012

	General Funds (Exh A-2)	Capital Assets Adjustments
REVENUES*		
Legislative Appropriations	0	
Original Appropriations (GR)	0	
Additional Appropriations (GR)		
Total Revenues	\$ 0	0
EXPENDITURES		
Salaries and Wages	595,743.35	
Payroll Related Costs	130,975.75	
Professional Fees and Services	105,079.13	
Travel	40,355.44	
Materials and Supplies	28,460.13	
Communication and Utilities	15,747.23	
Rentals and Leases	2,904.85	
Printing and Reproduction	251.71	
Other Expenditures	(10,631.88)	
Capital Outlay		
Depreciation and Amortization Expense		1,448.76
Total Expenditures/Expenses	909,562.29	1,448.76
Excess (Deficiency) of Revenues over Expenditures	(909,562.29)	(1,448.76)
OTHER FINANCING SOURCES (USES)		
Transfer In	890,002.56	
Transfer Out		
Legislative Transfer In		
Legislative Transfer Out		
Total Other Financing Sources (Uses)	890,002.56	0
Net Change in Fund Balances/Net Assets	(19,559.73)	(1,448.76)
Fund Financial Statement - Fund Balances		
Fund Balances, Beginning	31,262.46	
Restatements		
Appropriations Lapsed	(9,935.70)	
Fund Balances, August 31, 2012	\$ 1,767.03	
Government-Wide Statement of Net Assets		
Net Assets/Net Change in Net Assets		(1,448.76)
Net Assets, Beginning		7,244.51
Restatements		
Net Assets, Beginning as Restated and Adjusted		7,244.51
Net Assets, August 31, 2012		\$ 5,795.75

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

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Long-Term Liabilities Adjustments	Statement of Activities
\$ 0	\$ 0
14,347.28	610,090.63
	130,975.75
	105,079.13
	40,282.02
	28,460.13
	15,757.23
	2,904.85
	251.71
	(10,631.88)
	0
	1,448.76
14,347.28	925,358.33
(14,347.28)	(925,358.33)
	890,002.56
0	890,002.56
(14,347.28)	(35,355.77)
	31,262.46
	(9,935.70)
(14,347.28)	
(28,546.77)	(21,302.26)
(28,546.77)	(21,302.26)
\$ (42,894.05)	\$ (35,331.27)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ENTITY

The Office of Capital Writs is an agency of the state of Texas and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' *Reporting Requirements for Annual Financial Reports of State Agencies*.

The Office of Capital Writs was created by the Eighty-first Texas Legislature. The agency, which began operation on September 1, 2010, is a post-conviction office charged with representing death sentenced persons in state post-conviction habeas corpus and related proceedings. The mission of the Office of Capital Writs is to advocate on behalf of its clients and to safeguard their rights through high quality legal representation.

Due to the significant changes related to Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to be in compliance with generally accepted accounting principles (GAAP). The financial report will be considered for audit by the State Auditor as part of the audit of the state of *Texas Comprehensive Annual Financial Report*; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

Blended Component Units

No component units have been identified which should have been blended in an appropriate fund.

B. FUND STRUCTURE

The accompanying financial statements are presented on the basis of funds and account group, each of which is considered a separate accounting entity.

GOVERNMENTAL FUND TYPES AND GOVERNMENT-WIDE ADJUSTMENT FUND TYPES

General Fund - The general fund is used to account for all financial resources of the state except those required to be accounted for in another fund.

Capital Asset Adjustment Fund Type – Capital Assets Adjustment Fund Type will be used to convert governmental fund types' capital assets from modified accrual to full accrual.

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Long-Term Liabilities Adjustment Fund Type – The long-term liabilities adjustment fund will be used to convert governmental fund types' debt from modified accrual to full accrual.

FIDUCIARY FUND TYPES

Agency Funds – Agency funds are used to account for assets the government holds on behalf of others in a purely custodial capacity. Agency funds involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

C. BASIS OF ACCOUNTING

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Governmental fund types that build the fund financial statements are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year-end. The state of Texas considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year for fund financial statements prepared on the modified accrual basis. Expenditures and other uses of financial resources are recognized when the related liability is incurred.

Governmental adjustment fund types that will build the government-wide financial statements are accounted for using the full accrual basis of accounting. This includes unpaid Employee Compensable leave, the unmatured debt service (principal and interest) on general long-term liabilities, long-term capital leases, long-term claims and judgments. The activity will be recognized in these fund types.

D. BUDGET AND BUDGETARY ACCOUNTING

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the governor (the General Appropriations Act).

Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

E. ASSETS, LIABILITIES, AND FUND BALANCES/NET ASSETS

ASSETS

Cash and Cash Equivalents – Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents.

Restricted Assets – Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds of enterprise fund general obligation and revenue bonds and revenues set aside for statutory or contractual requirements.

Inventories – Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost, generally using the last-in, first-out method. Inventories for governmental fund types used the purchase method of accounting. The consumption method of accounting is used to account for inventories that appear in the proprietary fund types and the government-wide statements. The cost of these items is expensed when the items are consumed.

Capital Assets – Assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year should be capitalized. These assets are capitalized at cost or, if any purchased, at appraised fair value as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all “exhaustible” assets. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

All capital assets acquired by proprietary funds or trust funds are reported at cost or estimated historical cost, if actual historical cost is not available. Donated assets are reported at fair value on the acquisition date. Depreciation is charged to operations over the estimated useful life of each asset, using the straight-line method.

LIABILITIES

Accounts Payable – Accounts payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

Employees' Compensable Leave Balances – Employees' compensable leave balances represent the liability that becomes “due” upon the occurrence of relevant events such as resignations, retirements and uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent in the statement of net assets.

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FUND BALANCES/NET ASSETS

The difference between fund assets and liabilities is “net assets” on the government-wide, proprietary and fiduciary fund statements, and the “fund balance” is the difference between fund assets and liabilities on the governmental fund statements.

Fund Balance Components – Fund balances for governmental funds are classified as nonspendable, restricted, committed, assigned or unassigned in the fund financial statements.

- Nonspendable fund balance includes amounts not available to be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
- Restricted fund balance includes those resources that have constraints placed on their use through external parties or by law through constitutional provisions.
- Committed fund balance can be used only for specific purposes pursuant to constraints imposed by a formal action of the Texas Legislature, the state’s highest level of decision making authority.
- Assigned fund balance includes amounts constrained by the state’s intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (1) the Texas Legislature or (2) a body (for example, a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.
- Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that was not assigned to other funds and was not restricted, committed or assigned to specific purposes within the general fund.

Invested In Capital Assets, Net Of Related Debt – Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bond, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.

Restricted Net Assets – Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors and the like or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets

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often have constraints on resources, which are imposed by management but can be removed or modified.

F. INTERFUND TRANSACTIONS AND BALANCES

The agency has the following types of transactions between funds:

1. Transfers: Legally required transfers that are reported when incurred as “transfers in” by the recipient fund and as “transfers out” by the disbursing fund.
2. Reimbursements: Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.
3. Interfund receivables and payables: Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter, the balance is classified as “Current ”, repayment for two (or more) years are classified as “Non-Current.”
4. Interfund Sales and Purchases: Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund. The composition of the agency’s Interfund receivables and payables at August 31, 2012, if any, is presented in Note 12.

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NOTE 2: CAPITAL ASSETS

A summary of changes in Capital Assets for the year ended August 31, 2012, is presented below:

	Balance 9/1/11	Adjustments	Reclassifications Completed CIP	Reclassifications Inc-Int'agy Trans
GOVERNMENTAL ACTIVITIES				
Non-depreciable or Non-amortizable Assets				
Other Capital Assets				
Total Non-depreciable or Non-amortizable Assets	0	0	0	0
Depreciable Assets				
Furniture and Equipment	8,693.27			
Other Capital Assets				
Total Depreciable Assets at Historical Cost	8,693.27	0	0	0
Less Accumulated Depreciation for:				
Furniture and Equipment	(1,448.76)			
Other Capital Assets				
Total Accumulated Depreciation	(1,448.76)	0	0	0
Depreciable Assets, Net	7,244.51	0	0	0

Continued

	Reclassifications Dec-Int'agy Trans	Additions	Deletions	Balance 8/31/12
GOVERNMENTAL ACTIVITIES				
Non-depreciable or Non-amortizable Assets				
Other Capital Assets				0
Total Non-depreciable or Non-amortizable Assets	0	0	0	0
Depreciable Assets				
Furniture and Equipment				8,693.27
Other Capital Assets				
Total Depreciable Assets at Historical Cost	0		0	8,693.27
Less Accumulated Depreciation for:				
Furniture and Equipment		(1,448.76)		(2,897.52)
Other Capital Assets				0
Total Accumulated Depreciation	0	(1,448.76)	0	(2,897.52)
Depreciable Assets, Net	0	(1,448.76)	0	5,795.75

NOTE 3: DEPOSITS, INVESTMENTS & REPURCHASE AGREEMENTS

Not applicable

NOTE 4: SHORT-TERM DEBT

Not applicable

NOTE 5: SUMMARY OF LONG-TERM LIABILITIES

NOTES AND LOANS PAYABLE:

The agency did not have any notes or loans payables as of August 31, 2012.

CHANGES IN LONG-TERM LIABILITIES

During the year ended August 31, 2012, the following changes occurred in liabilities:

GOVERNMENTAL ACTIVITIES	Balance 09/01/10	Additions	Deductions	Balance 08/31/12	Amount Due within One Year
Compensable Leave	\$ 28,546.77	\$ 48,581.32	\$ (34,234.04)	\$ 42,894.05	\$ 27,749.98
Total	<u>\$ 28,546.77</u>	<u>\$ 48,581.32</u>	<u>\$ (34,234.04)</u>	<u>\$ 42,894.05</u>	<u>\$ 27,749.98</u>

Employees' Compensable Leave – A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Assets. Both an expense and liability for business-type activities are recorded in the proprietary funds as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

NOTE 6: BONDED INDEBTEDNESS

Not applicable

NOTE 7: DERIVATIVE INSTRUMENTS

Not Applicable

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NOTE 8: LEASES

Included in the expenditures reported in the financial statements are the following amounts of rent paid or due under operating leases:

Fund Type		
General Fund	\$	2,904.85

Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year are as follows:

Year Ended August 31,		
2013	\$	3,714.36
2014	\$	3,714.36
2015	\$	0.00
2016	\$	0.00
2017 & Beyond	\$	<u>0.00</u>
Total Minimum Future Lease Rental Payments	\$	<u>7,428.72</u>

NOTE 9: PENSION PLANS

Not applicable

NOTE 10: DEFERRED COMPENSATION

Not applicable

NOTE 11: POST-EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Not applicable

NOTE 12: INTERFUND BALANCES/ACTIVITIES

As explained in Note 1 on Interfund Transactions and Balances, there are numerous types of transactions between funds and agencies. At year-end, amounts to be received or paid are reported as:

- Interfund Receivables or Interfund Payables
- Due from Other Agencies or Due to Other Agencies
- Advances From or Advances To

Individual Balances and activity at August 31, 2012, follows:

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Due To/From Other Agencies			
	DUE TO OTHER AGENCIES	DUE FROM OTHER AGENCIES	PURPOSE
GENERAL REVENUE (01) Appd Fund 5073, D23 Fund 5073 Agy 212, D23 Fund 5073	-0-	\$ 58,127.27	Shared Fund Activity
TOTAL DUE TO/FROM OTHER AGENCIES	-0-	\$ 58,127.27	

Operating Transfers In/ Out			
	TRANSFER IN	TRANSFER OUT	PURPOSE
GENERAL REVENUE (01) Appd Fund 5073, D23 Fund 5073 Agy 212, D23 Fund 5073	\$ 890,002.56	-0-	Shared Fund Activity
TOTAL OPERATING TRANSFERS IN/OUT	\$ 890,002.56	-0-	

NOTE 13: CONTINUANCE SUBJECT TO REVIEW

The Office of Capital Writs is not subject to Sunset review.

NOTE 14: ADJUSTMENTS TO FUND BALANCES/NET ASSETS

Not applicable.

NOTE 15: CONTINGENCIES AND COMMITMENTS

Not applicable.

NOTE 16: SUBSEQUENT EVENTS

Not applicable

NOTE 17: RISK MANAGEMENT

Not applicable.

NOTE 18: MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

Not applicable

NOTE 19: THE FINANCIAL REPORTING ENTITY

Not applicable

NOTE 20: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Not applicable

NOTE 21: N/A

NOTE 22: DONOR-RESTRICTED ENDOWMENTS

Not applicable

NOTE 23: EXTRAORDINARY AND SPECIAL ITEMS

Not applicable

NOTE 24: DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

Not applicable

NOTE 25: TERMINATION BENEFITS

Not applicable

NOTE 26: SEGMENT INFORMATION

Not applicable

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Office of Capital Writs
Exhibit A-2 — Combined Statement of Revenues, Expenditures and Changes in Fund
Balances/Statement of Activities — General and Consolidated Funds
For the Fiscal Year Ended August 31, 2012

	General Revenue Funds 0001 U/F (0001)	Fair Defense Fund 5073 U/F (5073)	Totals Exhibit II 2012
REVENUES*			0
Legislative Appropriations	0	0	0
Original Appropriations (GR)	0	0	0
Additional Appropriations (GR)			0
Total Revenues	\$ 0	\$ 0	\$ 0
EXPENDITURES			
Salaries and Wages		595,743.35	595,743.35
Payroll Related Costs		130,975.75	130,975.75
Professional Fees and Services	750.00	105,079.13	105,829.13
Travel	(73.42)	40,355.44	40,282.02
Materials and Supplies	5,043.80	23,416.33	28,460.13
Communication and Utilities	8,751.55	6,995.68	15,747.23
Rentals and Leases		2,904.85	2,904.85
Printing and Reproduction	113.62	138.09	251.71
Other Expenditures	(5,419.97)	(5,211.91)	(10,631.88)
Capital Outlay			
Depreciation and Amortization Expense			
Total Expenditures/Expenses	9,165.58	900,396.71	909,562.29
EXCESS JOF REVENUES OVER EXPENDITURES	(9165.58)	(900,396.71)	(909,562.29)
OTHER FINANCING SOURCES (USES)			
Transfer In (Agy 212, Fd 5073)		890,002.56	890,002.56
Transfer Out			
Legislative Transfer In			
Legislative Transfer Out			
Total Other Financing Sources (Uses)	0	890,002.56	890,002.56
EXCESS OF REVENUE & OTHER FINANCING SOURCES OVER EXPENDITURES & OTHER FINANCING USES	(9,165.58)	(10,394.15)	(19,559.73)
FUND BALANCES - Beginning	19,101.28	12,161.18	31,262.46
Lapsed Appropriations	(9,935.70)		(9,935.70)
Restatements			
FUND BALANCES - Ending	\$ 0	\$ 1,767.03	\$ 1,767.03

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