

FORESTHILL
FIRE PROTECTION DISTRICT

REPORT ON ACCOUNTING CONTROLS
AND PROCEDURES
for the year ended June 30, 2019

ROBERT W. JOHNSON
Certified Public Accountant



Robert W. Johnson
an accountancy corporation

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December 12, 2019

To the Board of Directors
Foresthill Fire Protection District
Foresthill, California

We have audited the financial statements of Foresthill Fire Protection District as of and for the year ended June 30, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts.

In planning and performing our audit of the financial statements of Foresthill Fire Protection District as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Foresthill Fire Protection District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the effectiveness of the District's internal controls. Accordingly, we do not express an opinion on the effectiveness of the District's internal controls.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we have enclosed other recommendations for your consideration.

This communication is intended solely for the information and use of management and Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Robert W. Johnson, An Accountancy Corporation

Robert W. Johnson, An Accountancy Corporation

1. Comparison of Operating Results:

	Statement of Activities		Favorable (Unfavorable)
	June 30, <u>2019</u>	June 30, <u>2018</u>	<u>Variance</u>
Revenues	\$1,285,452	\$1,465,928	\$(180,476)
Expenses	<u>1,416,590</u>	<u>1,346,445</u>	(<u>70,145</u>)
Net income (loss)	\$(<u>131,138</u>)	\$ <u>119,483</u>	\$(<u>250,621</u>)
Cash	\$ <u>653,474</u>	\$ <u>758,304</u>	\$(<u>104,830</u>)

Observation:

- In 2018-19 the District had \$100,000 less ambulance income and \$83,000 less strike team income.
- In 2018-19 expenditures included the first \$51,462 lease payment on the new Spartan engine and \$40,942 in capital equipment purchases (new roof for Station 88 and a Lifepak).

**FORESTHILL
FIRE PROTECTION DISTRICT**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
for the year ended June 30, 2019**

ROBERT W. JOHNSON
Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Foresthill Fire Protection District
Foresthill, California

Report on the Financial Statements

We have audited the accompanying financial statements of Foresthill Fire Protection District, as of and for the year ended June 30, 2019, as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foresthill Fire Protection District as of June 30, 2019, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Robert W. Johnson, An Accountancy Corporation

Citrus Heights, California
December 12, 2019

FORESTHILL FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
June 30, 2019

ASSETS	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Cash and investments (Note 3)	\$ 653,474	\$ -	\$ 653,474
Accounts receivable – ambulance billing	220,262	-	220,262
Accounts receivable – other	34,192	-	34,192
Prepaid expenses	15,648	-	15,648
Capital assets (Note 4)	-	2,599,383	2,599,383
Less, accumulated depreciation	<u>-</u>	<u>(1,963,686)</u>	<u>(1,963,686)</u>
Total assets	<u>\$ 923,576</u>	<u>\$ 635,697</u>	<u>\$ 1,559,273</u>
 LIABILITIES			
Accounts payable and accrued liabilities	\$ 69,177	\$ -	\$ 69,177
Compensated absences	<u>27,080</u>	<u>-</u>	<u>27,080</u>
Total liabilities	<u>96,257</u>	<u>-</u>	<u>96,257</u>
 FUND BALANCES/NET POSITION			
Fund balances (Note 6):			
Restricted	179,075	(179,075)	-
Committed	353,810	(353,810)	-
Unassigned	<u>294,434</u>	<u>(294,434)</u>	<u>-</u>
Total fund balances	<u>827,319</u>	<u>(827,319)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 923,576</u>		
Net position (Note 6):			
Net investment in capital assets		635,697	635,697
Restricted		179,075	179,075
Unrestricted		<u>648,244</u>	<u>648,244</u>
Total net position		<u>\$ 1,463,016</u>	<u>\$ 1,463,016</u>

See notes to financial statements

FORESTHILL FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
for the year ended June 30, 2019

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Program expenditures/expenses:			
Public protection	\$1,326,586	\$ -	\$1,326,586
Support services	17,218	-	17,218
Capital outlay	40,942	(40,942)	-
Depreciation	<u>-</u>	<u>72,786</u>	<u>72,786</u>
Total program expenditures/expenses	<u>1,384,746</u>	<u>31,844</u>	<u>1,416,590</u>
Program revenues:			
Charge for services			
Strike team revenue	183,725	-	183,725
Ambulance	207,970	-	207,970
Grants	<u>-</u>	<u>-</u>	<u>-</u>
	<u>391,695</u>	<u>-</u>	<u>391,695</u>
General revenues:			
Taxes	487,182	-	487,182
Special assessment	329,209	-	329,209
Development fees	56,951	-	56,951
Interest	9,147	-	9,147
Donations	3,364	-	3,364
Other	<u>7,904</u>	<u>-</u>	<u>7,904</u>
Total general revenues	<u>893,757</u>	<u>-</u>	<u>893,757</u>
Excess of revenues (expenditures)/ change in net position	(99,294)	(31,844)	(131,138)
Beginning fund balances/ net position	<u>926,613</u>	<u>667,541</u>	<u>1,594,154</u>
Ending fund balances/net position	<u>\$ 827,319</u>	<u>\$ 635,697</u>	<u>\$ 1,463,016</u>

See notes to financial statements

FORESTHILL FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES
COMPARED TO BUDGET
for the year ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenues:			
General tax revenue	\$ 481,782	\$ 487,182	\$ 5,400
Special assessment	329,203	329,209	6
Ambulance revenue	237,908	207,970	(29,938)
Strike team pay	100,000	183,725	83,725
Development fees	60,000	56,951	(3,049)
Grants	18,000	-	(18,000)
Donations	1,000	3,364	2,364
Other	5,400	7,904	2,504
Interest	<u>5,000</u>	<u>9,147</u>	<u>4,147</u>
 Total revenues	 <u>1,238,293</u>	 <u>1,285,452</u>	 <u>47,159</u>
Expenditures:			
Wages and benefits	937,468	945,743	(8,275)
WC	65,000	65,608	(908)
Service and supplies	39,500	41,869	(2,369)
Insurance	18,500	17,937	563
Fleet maintenance	41,800	67,508	(25,708)
Building maintenance	7,000	13,376	(6,376)
Professional dues	2,260	360	1,900
County charges	3,500	4,091	(591)
Election	5,000	5,568	(568)
SB-2557 costs	8,514	8,514	-
Office supplies	9,325	8,346	979
Professional services	138,253	52,670	85,583
Fuel – equipment	25,000	20,952	4,048
Safety clothing	10,000	8,086	1,914
Training	4,500	1,646	2,854
Strike team travel	500	-	500
Utilities	30,800	27,303	3,497
LAFCO	900	-	900
Grant expenses	-	-	-

See notes to financial statements

FORESTHILL FIRE PROTECTION DISTRICT
 STATEMENT OF REVENUES AND EXPENDITURES, continued
 COMPARED TO BUDGET
 for the year ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable) <u>Variance</u>
Capital purchases	\$ 60,000	\$ 43,407	\$ 16,593
LT Debt repayment	<u>-</u>	<u>51,462</u>	<u>(51,462)</u>
Total expenditures	<u>1,407,820</u>	<u>1,384,746</u>	<u>23,074</u>
Excess of revenues/ (expenditures)	<u>\$ (169,527)</u>	<u>\$ (99,294)</u>	<u>\$ 70,233</u>

See notes to financial statements

FORESTHILL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. Organization:

Foresthill Fire Protection District (the "District") exists in order to provide Local Services relating to the Protection of Lives and Property which are critical to the Public Peace, Health and Safety of the Community and Visitors of Foresthill.

The Board of Directors has continuously provided Fire Protection Services, First-Responder Emergency Medical Services, Rescue Services, Hazardous Material Emergency Response Services, and Other Services relating to the Protection of Life and Property to the best of their ability given their budgetary restraints.

Foresthill Fire Protection District is located in Placer County, East of Interstate 80 and includes an unincorporated area that serves as residence for approximately 6,000 persons. The District covers an area of about 81 square miles and is also responsible for 500 square miles covered by our Ambulance contract with Sierra Sacramento Valley EMS. The District consists of scattered semi-urban residential clusters and forested lands. The District is semi-rural, semi-urban with low density development.

The District has an Administrative Office housing the Fire Chief, Operations Battalion Chief, Human Resources/District Manager and Training Room. The fiscal management of the District is run through this location.

The District has Three Fire Stations. Station 88 equipped with one Type I Engine, one Type III Brush Engine and 1 ALS Ambulance was closed in February, 2018 due to staffing and budgetary issues. Station 90 equipped with one Type I Engine, one Type III Brush Engine 1 ALS Ambulance and Rescue Unit continues to operate 24 hours a day, 7 days per week. It is staffed by 9 Full Time employees. Station 89 equipped with one Water Tender, is unmanned. The Station 90 Ambulance and Engines are covered by three Full Time ALS or BLS employees, one Captain, one Engineer and one Firefighter.

Our current ISO rating is, residence living in the Foresthill Fire Protection District boundaries, within 5 miles of a fire station and within 1000 feet of a fire hydrant will now have an ISO rating of class 3, beyond 1000 feet of a hydrant but within 5 miles of a fire station would be a special 3Y classification and beyond 5 road miles of a fire station will be rated a class 10. This is on a scale of 1 to 10 where "1" is the best.

The District averages 650-670 calls per year. Seventy-five percent of which are Medical aides.

FORESTHILL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies:

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing GAAP for state and local government organizations. The District's significant accounting policies are described below.

Measurement Focus and Basis of Accounting

The District reports a *General Fund* that is used to account for all financial resources except those required or designated by the Board of Directors to be accounted for in another fund.

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 at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers revenues to be available if they are collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues that are accrued include property taxes, interest income, and charges for current services. Revenues that are not accrued include permits and fines, forfeitures, and penalties, if applicable. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital assets are reported as expenditures in governmental funds. Proceeds of general long-term and capital assets are reported as other financing sources.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

FORESTHILL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies (continued):

Capital Assets

Capital assets are recorded at historical cost if purchased or constructed. Amortization of assets acquired under capital lease and purchased goodwill is included in depreciation. Structures and equipment and goodwill are depreciated using the straight-line method over their estimated useful lives.

Budgets

In accordance with the provisions of Sections 13901 through 13906 of the California Health & Safety Code and other statutory provisions, commonly known as the Budget Act, the District prepares and legally adopts a final budget for each fiscal year.

Investments

The District maintains cash balances with the Treasurer of Placer County in an interest-bearing pooled investment account.

Compensated Absences

Vested or accumulated vacation and sick pay that are expected to be liquidated with expendable available financial resources are reported as an expense and as a current liability.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

FORESTHILL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies (continued):

Property Taxes

The District receives property taxes from Placer County. Property taxes receivable are recorded in the fiscal year for which the tax is levied based on the assessed value as of September 1 of the preceding fiscal year. They become a lien on the first day of the year they are levied. Secured property tax is levied on September 1 and due in two installments, on November 1 and March 1. They become delinquent on December 10 and April 10, respectively. Unsecured property taxes are levied on July 1, and become delinquent on August 31. The District elected to receive the property taxes from the County under the Teeter Bill Program. Under this Program, the District receives 100% of the levied property taxes in periodic payments, with the County assuming responsibility for delinquencies.

Net Position

Net position is classified in the following categories:

Net Investment in capital assets – groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

Restricted – presents external restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted – represents the net position of the District, which are not restricted or invested in capital assets net of related debt.

FORESTHILL FIRE PROTECTION DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies (continued):

Fund Balance

Fund balance is classified in the following categories:

Restricted – includes fund balance amounts that are subject to externally enforceable legal restrictions or constrained for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed – includes fund balance amount that can only be used for specific purposes pursuant to constraints imposed by the formal actions of the District’s Board of Directors.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed.

Unassigned – includes fund balance which has not been classified within the above mentioned categories.

3. Cash and Investments:

The District maintains certain portions of its funds with Placer County. The County is authorized to deposit cash and invest excess funds by the California Government code Section 53648 et. seq. The funds maintained by the County are secured by federal depository insurance.

At year-end the carrying amount of the District’s deposits was \$13,206 and the bank balance was \$21,117.

	Balance June 30 <u>2019</u>
Checking (2 accounts)	\$ 13,026
Cash with County - General Fund	427,784
Cash with County - Capital Fund	179,075
Cash with County - GEMT	<u>33,589</u>
	<u>\$ 653,474</u>

FORESTHILL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

4. Changes in Capital Assets:

	<u>Balance, beginning of year</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance, end of year</u>
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Structures and improvements	441,658	16,650	-	458,308
Fleet – fire	1,150,789	-	-	1,150,789
Equipment - other	407,716	24,292	-	432,008
Fleet – ambulance	399,339	-	-	399,339
Goodwill - ambulance	<u>58,939</u>	<u>-</u>	<u>-</u>	<u>58,939</u>
	<u>\$2,558,441</u>	<u>\$ 40,942</u>	<u>\$ -</u>	<u>\$2,599,383</u>

5. Fire Engine Purchase and Financing:

On April 11, 2019 the Board of Directors passed Resolution No. 2019-04 approving the municipal lease/purchase of a Spartan ER 2017 Type 1 Fire Engine. The total purchase price of the engine is \$399,994 to be reduced by \$160,000 in grant funding received in November 2019. The remaining balance of the purchase, \$239,994 was financed through a five-year municipal lease. Delivery and financing of the engine took place in the 2019-20 fiscal year; as such the District's books and records will record the capital expenditure and lease financing at that time. The District was required to make the first annual payment of \$51,462 in April 2019, prior to delivery of the engine. The remaining four payments of \$51,462 are due annually on April 30 through 2023, to be paid with mitigation fees.

FORESTHILL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

6. Equity:

General fund:

Total fund balances consist of:

Restricted for:

Capital improvement reserve (mitigation fees)	\$ 179,075
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Committed for:

General reserve	\$ 328,810	
Contingency reserve	<u>25,000</u>	353,810

Unassigned:

<u>294,434</u>
<u>\$ 827,319</u>

Statement of net position:

Total net position consist of:

Net investment in capital assets	\$ 635,697
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Restricted:

Capital improvement reserve (mitigation fees)	179,075
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Unrestricted:

Board designated:

General reserve	\$ 328,810
Contingency reserve	<u>25,000</u>
	353,810

Undesignated:

<u>294,434</u>	<u>648,244</u>
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\$1,463,016

FORESTHILL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

7. Employee Retirement Plan:

In 2013 the District implemented an Internal Revenue Code Section 457(b) deferred compensation retirement for the benefit of its eligible employees. The Plan allows for elective contributions by employees. The maximum amount the District will contribute toward each employee's account per month is \$475.

8. Subsequent Events:

Management has evaluated subsequent events through December 12, 2019, the date these June 30, 2019 financial statements were available to be issued.

9. Management Agreement:

In 2014 the District contracted with another fire district for the purchase of Fire Chief and administrative services. The District subsequently renewed this annual agreement through June 30, 2019. The District paid \$111,772 in 2018-19 on this shared services contract. In addition there is a provision for reimbursement of direct expenses.

At a November 22, 2019 special meeting of the Foresthill Fire Protection District Board of Directors, the Board terminated the shared services agreement, effective November 25, 2019. The District entered into three employment agreements for the positions of Fire Chief and Assistant Fire Chief. The term of both contracts is December 1, 2019 to June 30, 2020 at an annual base salary of \$60,000 (Chief) and \$25,000 (Assistant Chief). Both positions are part time; average 20 hours per week for the Chief and 10 hours per week for the assistant Chief.

FORESTHILL FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued

10. Passage of Measure B:

On May 7, 2019 the voters of the District passed Measure B, a special property tax of \$240.38 per year per parcel, raising approximately \$750,000 annually. Special tax is effective on the July 1, 2019 – June 30, 2020 property tax roll.

11. Risk of Loss:

Foresthill Fire Protection District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; and injuries to employees. During the 2019 fiscal year, the District purchased certain commercial insurance coverages to provide for these risks.

SUPPLEMENTAL DATA

FORESTHILL FIRE PROTECTION DISTRICT
PRINCIPAL OFFICIALS

Board of Directors:

John Michelini	Chairman
Troy Simonick	Vice Chairman
Chris Reams	Director
Tyler Harkness	Director
Ray Miller	Director

Operations:

Kirk Kushen	Fire Chief
Patrice Metz	District Manager

FORESTHILL FIRE PROTECTION DISTRICT
SCHEDULE OF CASH FLOWS
for the year ending June 30, 2019

Cash flows from operating activities:

Change in net position (net income/loss)		\$(131,138)
Adjustments to reconcile change in net position to net cash provided by operating activities		
Depreciation	\$ 72,786	
(Increase) decrease in:		
Accounts receivable	(19,837)	
Prepaid expenses	(15,648)	
(Decrease) increase in:		
Accounts payable and accrued liabilities	34,532	
Compensated absences	(4,583)	
		<u>67,250</u>
Net cash provided by operating activities		(63,888)
Cash flows from investing activities:		
Purchase of equipment	(40,942)	
Net cash used to investing activities		(40,942)
Net increase in cash		(104,830)
Cash at beginning of year		<u>758,304</u>
Cash at end of year		<u>\$ 653,474</u>