

The Perrine-DuPont  
Medical Monitoring  
Qualified Settlement Fund

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION-  
MODIFIED CASH BASIS  
(Including Independent Auditors'  
Report Thereon)

December 31, 2013 and 2012

***The Perrine-DuPont Medical Monitoring Qualified Settlement Fund***

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**DIXON HUGHES GOODMAN** LLP  
Certified Public Accountants and Advisors

## INDEPENDENT AUDITORS' REPORT

The Honorable Thomas A. Bedell  
Circuit Judge of Harrison County

Edgar C. Gentle, III, Esq.  
Claims Administrator

James S. Arnold, Esq.  
David B. Thomas, Esq.  
DuPont Representatives on the Settlement Finance Committee

Virginia Buchanan, Esq.  
Plaintiff Class Representative on the Settlement Finance Committee

Meredith McCarthy, Esq.  
Guardian Ad Litem for Children

We have audited the accompanying financial statements of the Perrine-DuPont Medical Monitoring Qualified Settlement Fund (the "Fund"), which comprise the statements of assets, liabilities, and fund balance-modified cash basis as of December 31, 2013 and 2012, and the related statements of revenue collected, claims and expenses paid, and changes in fund balance-modified cash basis for the years then ended, 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 the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. Except as discussed in the following paragraphs, we conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 Fund'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 Fund'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 qualified audit opinion.

***Basis for Qualified Opinion***

We were not engaged to and did not assess the ability of DuPont De Nemours and Company, et al. (the “Defendants”) to meet their financial obligations to contribute to the Fund. Accordingly, we were unable to determine the adequacy of disclosures included in the footnotes to the accompanying financial statements regarding risks and uncertainties involving the Defendants’ ability to contribute to the Fund as required by the Court.

We were not engaged to and did not test the validity of claimant benefits paid by the Claims Administrator. Such payments are made by the Claims Administrator upon Court approval or oversight. Accordingly, we were unable to determine the appropriateness of the claims and the accuracy of the claimant benefit payments made by the Claims Administrator.

***Qualified Opinion***

In our opinion, except for the effects of such adjustments or disclosures, if any, as might have been determined to be necessary had we been able to examine evidence regarding the uncertainty of the Defendants’ ability to meet their financial obligations as required by the Court and had we been able to examine evidence regarding the validity of claimant benefits paid by the Claims Administrator, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balance of the Perrine-DuPont Medical Monitoring Qualified Settlement Fund as of December 31, 2013 and 2012, and the related revenue collected, claims and expenses paid, and changes in fund balance for the years then ended, on the modified cash basis of accounting as described in Note 2.

***Basis of Accounting***

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of cash receipts and disbursements, modified to recognize changes in the fair value of investments, accrued investment income, certain receivables, accounts payable, and certain accrued liabilities (modified cash basis), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the modified cash basis financial statements as a whole. The supplementary schedules of Pre-Implementation Date Funding and Post-Implementation Date Funding Statements of Assets, Liabilities, and Fund Balance-Modified Cash Basis and Statements of Revenue Collected, Claims and Expenses Paid, and Changes in Fund Balance-Modified Cash Basis are presented for purposes of additional analysis and are not a required part of the modified cash basis 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 modified cash basis financial statements. The information has been subjected to the auditing procedures applied in the audit of the modified cash basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the modified cash basis financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the modified cash basis financial statements as a whole.

This report is intended solely for the information and use of the Claims Administrator, the addressees, and the Circuit Court of Harrison County, West Virginia to distribute as it deems appropriate. It is not to be referred to or distributed for any purposes to anyone who is not designated by the Circuit Court of Harrison County, West Virginia or the Claims Administrator.

*Dixon Hughes Goodman LLP*

**Charleston, West Virginia**  
**June 23, 2014**

**THE PERRINE-DUPONT MEDICAL MONITORING QUALIFIED SETTLEMENT FUND**  
**STATEMENTS OF ASSETS, LIABILITIES, AND FUND BALANCE-MODIFIED CASH BASIS OF**  
**ACCOUNTING**  
**December 31, 2013 and 2012**

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	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash	\$ 998,098	\$ 2,057,214
Investments, at fair value (Note 3)	714,997	-
Other receivables	198	-
	<u>1,713,293</u>	<u>2,057,214</u>
Total current assets	1,713,293	2,057,214
Property and equipment, net	9,592	13,094
	<u>9,592</u>	<u>13,094</u>
Total assets	<u>\$ 1,722,885</u>	<u>\$ 2,070,308</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Accounts payable	\$ 104,196	\$ 90,542
Fund Balance	1,618,689	1,979,766
	<u>1,618,689</u>	<u>1,979,766</u>
Total liabilities and fund balance	<u>\$ 1,722,885</u>	<u>\$ 2,070,308</u>

**THE PERRINE-DUPONT MEDICAL MONITORING QUALIFIED SETTLEMENT FUND**  
**STATEMENTS OF REVENUE COLLECTED, CLAIMS AND EXPENSES PAID AND CHANGES IN FUND**  
**BALANCE-MODIFIED CASH BASIS OF ACCOUNTING**  
**PAID, AND CHANGES IN FUND BALANCE**  
**For the years ended December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>REVENUE COLLECTED</b>		
Investment income	\$ 4,562	\$ 6,866
Other Income	1,053	-
	<u>5,615</u>	<u>6,866</u>
<b>CLAIMS AND EXPENSES PAID OR ACCRUED</b>		
Expenses and claims pre-implementation		
Cash (refunds from) payments to claimants	(9,830)	391,093
Claims Administrator and Special Master fees	7,050	99,540
Administrative expenses	33	46,513
Expenses and claims post-implementation		
Cash payments to medical providers on behalf of claimants	20,030	278,457
General and office expenses	4,517	20,120
Travel expenses	575	5,424
Claims administrator fees	86,689	116,620
Guardian Ad Litem fees and expenses	-	3,875
Administrative expenses	254,126	291,321
	<u>363,190</u>	<u>1,252,963</u>
Deficiency of revenue collected over claims and expenses paid or accrued	(357,575)	(1,246,097)
<b>NONCASH ITEMS</b>		
Depreciation expense	3,502	3,502
	<u>3,502</u>	<u>3,502</u>
Decrease in fund balance	(361,077)	(1,249,599)
<b>FUND BALANCE</b>		
Beginning of period	1,979,766	3,229,365
End of period	<u>\$ 1,618,689</u>	<u>\$ 1,979,766</u>

**THE PERRINE-DUPONT MEDICAL MONITORING QUALIFIED SETTLEMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended December 31, 2013 and 2012**

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**NOTE 1. DESCRIPTION OF THE FUND**

On December 23, 2010, the Honorable Thomas Bedell, Circuit Judge for the Circuit Court of Harrison County, West Virginia, entered an Order Establishing Qualified Settlement Funds in *Perrine, et al. v. E.I. DuPont Nemours and Company, et al.*, ordering the establishment of The Perrine-DuPont Property Medical Monitoring Qualified Settlement Fund (the "Fund") under Internal Revenue Code of 1986 as amended Section 468B. This fund was formed to administer a class action settlement wherein it was alleged that the Defendants released hazardous substances from the Spelter Smelter facility onto private real property in the class area and that these substances have health risks, with the Defendants strenuously denying those allegations.

Under the terms of the November 19, 2010 Memorandum of Understanding, which led to the settlement above, the Pre-Implementation Date Funding, which was received by the Fund on January 4, 2011, in the amount of \$4 million is to be used for Fund fees and expenses incurred before Medical Monitoring was implemented (with implementation occurring on November 1, 2011) and to make cash payments to claimants. This contribution is called the Pre-Implementation Date Funding. DuPont is required to deposit additional monies annually, or as needed, into the Fund to cover the implementation costs of the medical monitoring program, with DuPont making its first Post-Implementation Date Funding on October 31, 2011 in the amount of approximately \$2.8 million.

By Order dated February 10, 2011, the Court approved an initial cash payment of \$200 to the Perrine Medical Monitoring Class Members who registered and had their membership in the Class verified (the "Verified Registrants") with the Court, subsequently increasing the Verified Registrant cash payment to \$400 by Order dated April 28, 2011. The final count of Verified Registrants is 5,890, with 4,169 Verified Registrants electing to participate in medical monitoring. After all Pre-Implementation Date expenses had been accrued, the Court, by Order dated June 28, 2012, authorized the Claims Administrator to issue a final Pre-Implementation Date funding dividend payment of \$55 to all Verified Registrants, representing the balance of the Pre-Implementation Date Funding, less a small administrative reserve. For the year ended December 31, 2013, the Medical Monitoring Pre-Implementation Date Fund fund balance has increased by \$9,980 due to the cancellation of stale dividend payments to claimants. From inception through December 31, 2013, dividend payments to claimants totaled \$318,065.

The Post-Implementation Date Funding is used to pay for the settlement medical monitoring program, which began on November 1, 2011, the first round of testing. There will be a total of 15 rounds of testing, to be done every two years. During the first round of testing, approximately half of the claimants who signed up for medical monitoring were tested. The second round of testing began on November 1, 2013, and third round is scheduled to begin on November 1, 2015.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The Fund's financial statements are prepared using the modified cash basis of accounting, whereby cash receipts and disbursements are recorded as cash is received or paid, except for the recognition of changes in the fair value of investments, accrued investment income, certain receivables, accounts payable, and certain accrued liabilities. Settlement fund receivables, estimated claims liabilities and claim receivables arising from claim overpayments, if any, which



**THE PERRINE-DUPONT MEDICAL MONITORING QUALIFIED SETTLEMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended December 31, 2013 and 2012**

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are material to the determination of financial position and results of operations, in conformity with accounting principles generally accepted in the United States of America, have not been estimated and are not recorded in the accounts of the Fund. Accordingly, the financial statements do not and are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with the basis of accounting described above requires the Claims Administrator to make various estimates that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, as well as the reported amounts of revenues collected and claims and expenses paid. Actual results could differ from those estimates.

Cash

Cash and cash equivalents include short-term, highly liquid investments both readily convertible to known amounts of cash or so near maturity at acquisition (three months or less) that there is an insignificant risk of change in value because of change in interest rates. Cash equivalents are stated at cost, which approximates fair value. At December 31, 2013, \$26,984 and \$971,114 are the cash and cash equivalents balances for the Pre-Implementation and Post-Implementation Date funding, respectively.

Investments

Investments are recorded at fair value as determined by quoted market prices. All investments are considered trading securities. Unrealized gains and losses, if any, are shown as noncash items in the statement of revenue collected, claims and expenses paid, and changes in fund balance. Realized gains and losses are computed under the specific identification method. Gains and losses on investments for the year ended December 31, 2013 and 2012 resulted in a net gain of \$152 and \$216, respectively, which is included in investment income in the accompanying statements of revenue collected, claims and expenses paid, and changes in fund balance – modified cash of accounting.

Property and Equipment

Property and equipment additions are recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Property and equipment, net consisted of the following at December 31:

	2013	2012
Automobiles	\$ 10,771	\$ 10,771
Office Furniture and Equipment	9,327	9,327
Less Accumulated Depreciation	(10,506)	(7,004)
Total	<u>\$ 9,592</u>	<u>\$ 13,094</u>

At December 31, 2013 and 2012, all property and equipment was owned by the Pre-Implementation Date Funding.

**THE PERRINE-DUPONT MEDICAL MONITORING QUALIFIED SETTLEMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended December 31, 2013 and 2012**

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Accounts Payable

Accounts payable consist of certain claims administrator fees and claims of claimants charged to the Fund during the year and paid after year-end.

Tax Status

The Fund maintains that, for federal income tax purposes, it is a Qualified Settlement Fund under Section 468B of the Internal Revenue Code of 1986, as amended (the "Code"), due to its having been established pursuant to a Court Order to satisfy certain legal claims, with all of its assets having been segregated from the assets of the Defendants to whom these claims relate. As provided by Treasury Regulations promulgated under Section 468B of the Code, the "modified gross income" of the Fund is subject to federal income tax at the maximum trust rate in effect under Section 1 (e) of the Code, which was 39.6% and 35% for the 2013 and 2012 tax years, respectively. Modified gross income is gross income computed with several modifications. Amounts transferred to the Fund by, or on behalf of, a Defendant are generally excluded from Fund income. In addition, payments of Plaintiff attorney fees or claimant claims made against the Fund and expenses incurred by, or on behalf of, specific claimants or defendants are generally not deductible in computing modified gross income for federal income tax purposes. The fund is required to operate on a calendar year basis and under the accrual method of accounting for federal income tax purposes. At December 31, 2013 and 2012, the Fund had net operating loss carryforwards approximating \$2,178,000 and \$1,806,000, respectively, for federal income tax purposes. Net operating loss carryforwards will begin to expire in 2031.

The Fund has adopted authoritative guidance on accounting for uncertainty in income taxes. The guidance clarifies the accounting for the recognition and measurement of the benefits of individual tax positions in the financial statements. Tax positions must meet a recognition threshold of more likely than not in order for the benefit of those tax positions to be recognized in the Fund's financial statements. The Fund has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2013. The Fund has identified its federal tax return and its state tax return in West Virginia as major tax jurisdictions, as defined. Fiscal years ending on or after December 31, 2010 remain subject to examination by these tax jurisdictions.

Subsequent Events

The Fund has evaluated subsequent events through June 23, 2014 which represents the date the financial statements were available to be issued.

**NOTE 3. FAIR VALUE MEASUREMENTS**

Authoritative guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under authoritative guidance as follows:

**Level 1** - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access at the measurement date;

**THE PERRINE-DUPONT MEDICAL MONITORING QUALIFIED SETTLEMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended December 31, 2013 and 2012**

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**Level 2** - Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;

**Level 3** - Inputs that are unobservable.

In accordance with the requirements of authoritative guidance, the Fund has categorized its financial instruments based on the priority of the inputs to the valuation technique based on the three-level hierarchy.

The following presents the financial assets carried on the Statement of Assets, Liabilities, and Fund Balance by level within the valuation hierarchy as of December 31, 2013:

	Financial Assets at Fair Value at Reporting Date Using			
	Level 1	Level 2	Level 3	Total
U.S. Treasury Securities	\$ 714,997	\$ -	\$ -	\$ 714,997

**NOTE 4. COMMITMENTS AND CONTINGENCIES**

Cash Balances in Excess of FDIC Insurance

The Fund maintains cash in demand deposit accounts with federally insured banks. At times, the balances in these accounts may be in excess of federally insured limits.

**SUPPLEMENTARY SCHEDULES**

**THE PERRINE-DUPONT MEDICAL MONITORING QUALIFIED SETTLEMENT FUND**  
**SUPPLEMENTARY SCHEDULE OF PRE-IMPLEMENTATION DATE FUNDING AND POST-IMPLEMENTATION DATE FUNDING STATEMENT OF**  
**ASSETS, LIABILITIES, AND FUND BALANCE-MODIFIED CASH BASIS**  
**December 31, 2013**

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	<b>Pre- Implementation Date Funding</b>	<b>Post- Implementation Date Funding</b>	<b>Total</b>
<b>ASSETS</b>			
Cash	\$ 26,984	\$ 971,114	\$ 998,098
Investments, at fair value (Note 3)	-	714,997	714,997
Other Receivable	198	-	198
	<hr/>	<hr/>	<hr/>
Total current assets	27,182	1,686,111	1,713,293
Property and equipment, net	9,592	-	9,592
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 36,774</u>	<u>\$ 1,686,111</u>	<u>\$ 1,722,885</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Accounts payable	\$ 525	\$ 103,671	\$ 104,196
Fund Balance	36,249	1,582,440	1,618,689
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balance	<u>\$ 36,774</u>	<u>\$ 1,686,111</u>	<u>\$ 1,722,885</u>

**THE PERRINE-DUPONT MEDICAL MONITORING QUALIFIED SETTLEMENT FUND**  
**SUPPLEMENTARY SCHEDULE OF PRE-IMPLEMENTATION DATE FUNDING AND POST-IMPLEMENTATION DATE FUNDING STATEMENT OF**  
**ASSETS, LIABILITIES, AND FUND BALANCE-MODIFIED CASH BASIS**  
**December 31, 2012**

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	<u>Pre- Implementation Date Funding</u>	<u>Post- Implementation Date Funding</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 26,558	\$ 2,030,656	\$ 2,057,214
Total current assets	26,558	2,030,656	2,057,214
Property and equipment, net	13,094	-	13,094
Total assets	<u>\$ 39,652</u>	<u>\$ 2,030,656</u>	<u>\$ 2,070,308</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Accounts payable	\$ 2,650	\$ 87,892	\$ 90,542
Fund Balance	37,002	1,942,764	1,979,766
Total liabilities and fund balance	<u>\$ 39,652</u>	<u>\$ 2,030,656</u>	<u>\$ 2,070,308</u>

**THE PERRINE-DUPONT MEDICAL MONITORING QUALIFIED SETTLEMENT FUND**  
**SUPPLEMENTARY SCHEDULE OF PRE-IMPLEMENTATION DATE FUNDING AND POST-IMPLEMENTATION DATE FUNDING STATEMENT OF**  
**REVENUE COLLECTED, CLAIMS AND EXPENSES PAID, AND CHANGES IN FUND BALANCE-MODIFIED CASH BASIS**  
**For the year ended December 31, 2013**

	Pre- Implementation Date Funding	Post- Implementation Date Funding	Total
<b>REVENUE COLLECTED</b>			
Investment income	\$ 2	\$ 4,560	\$ 4,562
Other Income	-	1,053	1,053
Total revenue collected	<u>2</u>	<u>5,613</u>	<u>5,615</u>
<b>CLAIMS AND EXPENSES PAID OR ACCRUED</b>			
Cash (refunds from) payments to claimants	(9,830)	-	(9,830)
Cash payments to medical providers on behalf of claimants	-	20,030	20,030
General and office expenses	-	4,517	4,517
Travel expenses	-	575	575
Claims Administrator fees and Special Master fees	7,050	86,689	93,739
Administrative expenses	33	254,126	254,159
Total claims and expenses (refunded) or paid or accrued	<u>(2,747)</u>	<u>365,937</u>	<u>363,190</u>
(Deficiency) excess of revenue collected over claims and expenses paid or accrued	2,749	(360,324)	(357,575)
<b>NONCASH ITEMS</b>			
Depreciation expense	3,502	-	3,502
Total noncash items	<u>3,502</u>	<u>-</u>	<u>3,502</u>
Decrease in fund balance	(753)	(360,324)	(361,077)
<b>FUND BALANCE</b>			
Beginning of period	\$ 37,002	\$ 1,942,764	\$ 1,979,766
End of period	<u>\$ 36,249</u>	<u>\$ 1,582,440</u>	<u>\$ 1,618,689</u>

**THE PERRINE-DUPONT MEDICAL MONITORING QUALIFIED SETTLEMENT FUND**  
**SUPPLEMENTARY SCHEDULE OF PRE-IMPLEMENTATION DATE FUNDING AND POST-IMPLEMENTATION DATE FUNDING STATEMENT OF**  
**REVENUE COLLECTED, CLAIMS AND EXPENSES PAID, AND CHANGES IN FUND BALANCE-MODIFIED CASH BASIS**  
**For the year ended December 31, 2012**

	Pre- Implementation Date Funding	Post- Implementation Date Funding	Total
<b>REVENUE COLLECTED</b>			
Investment income	\$ 463	\$ 6,403	\$ 6,866
Total revenue collected	<u>463</u>	<u>6,403</u>	<u>6,866</u>
<b>CLAIMS AND EXPENSES PAID OR ACCRUED</b>			
Cash payments to claimants	391,093	-	391,093
Cash payments to medical providers on behalf of claimants	-	278,457	278,457
General and office expenses	-	20,120	20,120
Travel expenses	-	5,424	5,424
Claims Administrator fees and Special Master fees	99,540	116,620	216,160
Guardian Ad Litem fees and expenses	-	3,875	3,875
Administrative expenses	46,517	291,317	337,834
Total claims and expenses paid or accrued	<u>537,150</u>	<u>715,813</u>	<u>1,252,963</u>
Deficiency of revenue collected over claims and expenses paid or accrued	(536,687)	(709,410)	(1,246,097)
<b>NONCASH ITEMS</b>			
Depreciation expense	<u>3,502</u>	-	<u>3,502</u>
Total noncash items	<u>3,502</u>	-	<u>3,502</u>
Decrease in fund balance	(540,189)	(709,410)	(1,249,599)
<b>FUND BALANCE</b>			
Beginning of period	\$ 577,191	\$ 2,652,174	\$ 3,229,365
End of period	<u>\$ 37,002</u>	<u>\$ 1,942,764</u>	<u>\$ 1,979,766</u>



