

# ***THE CITY OF WAGONER ECONOMIC DEVELOPMENT AUTHORITY***

**Financial Statements**

**For the Year Ended**

**JUNE 30, 2016**



***Clothier & Company CPA's P.C.***

P.O. Box 1495\* Muskogee, OK 74402

(918)687-0189 FAX (918)687-3594

[cccpa@yahoo.com](mailto:cccpa@yahoo.com)

**THE CITY OF WAGONER ECONOMIC DEVELOPMENT AUTHORITY**  
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**FOR THE YEAR ENDED JUNE 30, 2016**

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Muskogee, Oklahoma 74402  
FAX 918-687-3594 918-687-0189

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
The City of Wagoner Economic Development Authority  
Wagoner, OK 74477

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of The City of Wagoner Economic Development Authority, Wagoner, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which comprise the Authority's basic financial statements as listed in the table of contents.

### ***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.

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of The City of Wagoner Economic Development Authority, Wagoner, Oklahoma as of June 30, 2016, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages I through III be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise The City of Wagoner Economic Development Authority's basic financial statements. The budgetary comparison information is presented for purposes of additional analysis and is not a required part of the financial statements.

The budgetary comparison information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2016 on our consideration of The City of Wagoner Economic Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering The City of Wagoner Economic Development Authority's internal control over financial reporting and compliance.

*Clothier + Company CPA's*

Clothier and Company CPA's

October 25, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of The City of Wagoner Economic Development Authority's (CWED) financial performance provides an overview of the Authority's financial activities for the year ended June 30, 2016. Please read it in conjunction with the financial statements, which begin on page 4.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Balance Sheet (on page 4) and the Statement of Revenues, Expenditures and Changes in Fund Balances (page 5) provide information about the activities of the CWED as a whole and present a longer-term view of the CWED's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.

### REPORTING ON THE AUTHORITY AS A WHOLE

#### **The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance**

Our analysis of the CWED as a whole begins on page I. One of the most important questions asked about the CWED's finances is "Is the CWED as a whole better off or worse off as a result of the year's activities?" The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance report information about the CWED as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the modified accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

#### **Reporting the Authority's Most Significant Funds**

##### **Fund Financial Statements**

The proprietary fund financial statements begin on page 4 and provide detailed information about CWED as a whole. The CWED board may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

- Governmental funds – The Authority has no governmental funds.
- Proprietary funds - All the Authority's business-type activities are reported here, including the rents, loans and promotional activities. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The proprietary fund statements provide a detailed view of the CWED's general operations and the basic services it provides. Proprietary fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance CWED's programs.

## THE AUTHORITY AS A WHOLE

The Authority's assets and liabilities for June 30, 2016 were:

	Current Year	Increase (Decrease)	Percent of Increase (Decrease)
Current Assets	\$ 416,659	17,523	4.21%
Capital Assets	799,475	9,004	1.13%
Total Assets	<u>\$ 1,216,134</u>		
Current Liabilities	\$ 0	0	0.00%
Non-Current Liabilities	0	0	0.00%
Total Liabilities	<u>\$ 0</u>		

For the year ended June 30, 2016 net assets changed as follows:

Fund Balance July 1, 2015	\$ 1,189,607
Add excess revenue over expenditures	26,527
Fund Balance June 30, 2016	<u>\$ 1,216,134</u>

The Fund Balance for June 30, 2016 that was reserved as Invested in Net Assets is \$799,475, whereas the Unrestricted Fund Balance is \$416,659.

## THE AUTHORITY'S REVENUE AND EXPENDITURES

The following schedule presents a summary of revenue and expenditures for the fiscal year ended June 30, 2016, and the amount and percentage of increase in relation to the prior year.

	FYE Amount	Percent of Total	Increase (Decrease) From PY	Percent Increase (Decrease)
<b>Revenues:</b>				
Lease/Rental	\$ 12,494	16.39%	(3,554)	-28.44%
Transfer from City				
EDF	60,000	78.72%	0	0.00%
Miscellaneous/Other	2,194	2.88%	(2,630)	-119.88%
Interest	1,533	2.01%	(470)	-30.69%
Total Revenues	<u>\$ 76,221</u>	<u>100.00%</u>	<u>(6,654)</u>	<u>-8.73%</u>
<b>Expenditures:</b>				
Total Expenditures	<u>\$ 49,693</u>	<u>100.00%</u>	<u>29,362</u>	<u>59.09%</u>

## **BUDGETARY COMMENTS**

The future of CWED is very exciting due to a great working relationship of the CWED board, City Council and County Commissioners. We now have in place a system that can track income and expenses and be used for all future budgets.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of June 30, 2016, the CWED had \$779,925 invested in land at an industrial park, \$800 invested in a billboard, and \$21,640 in street lights for Park I and 1,250 invested in a computer. Total capital assets are \$803,615. The value of these assets at June 30, 2016 after depreciation is \$799,475.

### **Debt**

At the end of June 30, 2016 CWED did not have any outstanding debt.

## **CONDITIONS EXPECTED TO EFFECT NEXT YEAR**

The CWED Park I has approximately .7 of an acre left in the park, this is where the cell tower is located.

The future of Park II is very bright. We have 59 acres ready for development, 19 of these acres have been approved for a railroad spur in the future. At the present time we are renting one residence and a diesel repair garage. We are going to be developing the remaining 40 acres. Currently we are looking for, and will hire, an Industrial Park Engineer to lay out the infrastructure to maximize the full 40 acres. We have the possibility, in the future, to acquire an additional 80-120 acres to be a part of Park II.

## **CONTACTING THE CWED'S FINANCIAL MANAGEMENT**

This financial report is designed to provide users with a general overview of the CWED's finances and to show the CWED's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Charles Burns, Chairman of CWED at 918-906-8906.



**Wagoner Economic Development Authority  
Balance Sheet  
June 30, 2016**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$	414,159.00
Prepaid Expenses		<u>2,500.00</u>

<b>Total Current Assets</b>		\$ 416,659.00
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**Fixed Assets**

Fixed assets		803,615.00
Accumulated depreciation		<u>(4,140.00)</u>

<b>Total Fixed Assets</b>		799,475.00
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**Other Assets**

<b>Total Assets</b>		\$ <u><u>1,216,134.00</u></u>
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**LIABILITIES AND EQUITY**

**Current Liabilities**

**Long Term Liabilities**

**Equity**

Unrestricted net assets		1,189,607.00
Current Income (Loss)		<u>26,527.00</u>

<b>Total Equity</b>		<u>1,216,134.00</u>
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<b>Total Liabilities &amp; Equity</b>		\$ <u><u>1,216,134.00</u></u>
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**Wagoner Economic Development Authority**  
**Income Statement**  
**For the Period Ended June 30, 2016**

<b>Revenue</b>	
Lease income	\$ 4,994.00
Miscellaneous income	2,193.00
Rental income	<u>7,500.00</u>
<b>Total Revenue</b>	14,687.00
<b>Operating Expenses</b>	
Materials and supplies	833.00
Other expenses	10,488.00
Depreciation expense	1,746.00
Contract Labor-Marketing	35,947.00
Park 1 expenses	<u>679.00</u>
<b>Total Operating Expenses</b>	<u>49,693.00</u>
<b>Operating Income</b>	(35,006.00)
Interest income	1,533.00
Transfers in	<u>60,000.00</u>
<b>Total Other Income</b>	<u>61,533.00</u>
<b>Net Change in Fund Balance</b>	\$ 26,527.00
Fund Balances – Beginning	<u>1,189,607.00</u>
Fund Balances - Ending	<u><u>1,216,134.00</u></u>

See accompanying notes and independent auditors'

**The City of Wagoner Economic Development Authority**  
**Statement of Cash Flows**  
**June 30, 2016**

<b>Net Cash Flow From Operating Activities:</b>	
Receipts from Customers	21,080
Receipts from Operations	2,193
Payments to Suppliers	(50,447)
	(27,174)
<b>Net Cash Provided by Operating Activities</b>	
<b>Cash Flows From Financing Activities:</b>	
Proceeds From Issuance of Debt	0
Principal Paid on Debt	0
Interest Paid on Debt	0
	0
<b>Net Cash Provided (Used) by Financing Activities</b>	
<b>Cash Flows From Capital and Investing Activities:</b>	
Interest Received on Cash Deposits	1,533
Proceeds from Sell of Property	0
Purchase of Fixed Assets	(10,750)
	(9,217)
<b>Net Cash Used for Capital and Investing Activities</b>	
<b>Cash Flows From Non-capital Financing Activities:</b>	
Transfers In/(Out)	60,000
	60,000
<b>Net Cash Provided for Non-capital Financing Activities</b>	
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	
	23,609
Cash and Cash Equivalents July 1, 2016	390,550
	414,159
<b>Cash and Cash Equivalents June 30, 2016</b>	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>	
Operating Income	(35,006)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Prepaid expenses	(2,500)
Depreciation expense	1,746
(Increase)/decrease in accounts receivable	8,586
	(27,174)
<b>Net Cash Provided (Used) by Operating Activities</b>	

See accompanying footnotes and auditors' report.

**THE CITY OF WAGONER ECONOMIC DEVELOPMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Wagoner Economic Development Authority is a trust created for the purpose of promoting and encouraging the development of industry and commerce, to further industrial, commercial, manufacturing, cultural, research and educational activities, and to promote and encourage the protection and preservation of the environment. The Authority will do this by instituting, furnishing, providing and supplying physical facilities, improvements and services to the beneficiary and to agencies, instrumentalities and subdivisions thereof and to inhabitants, owners and occupants of property and to governmental, industrial, commercial and mercantile entities, establishments and enterprises within the territorial limits of the City of Wagoner.

The Authority is governed by a board of five trustees who are residents of the State of Oklahoma and are appointed by the Mayor of the City of Wagoner, as authorized by the resolution of the governing body of the beneficiary.

The financial statements of the Authority have been prepared in conformity with U.S. generally accepted accounting principles as applicable to governmental units. The financial statements include all organizations, activities, and functions that comprise the Authority. The Authority has no component units.

**Basic of Accounting**

The Authority uses a flow of economic resources measurement focus. With this focus, all assets and all liabilities associated with the activities of the Authority are included on the balance sheet. Total fund balances are segregated into amounts invested in fixed assets, net of related debt, restricted and unrestricted. The statement of revenues, expenditures, and changes in fund balances present increases (e.g. revenues) and decreases (e.g. expenses) in net fund balances. The financial statements are presented on a modified accrual basis of accounting which measures cash and all other financial assets that can be readily be converted to cash.

**Use of Estimates**

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

**NOTE 2 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents represent all investments, which are short term, highly liquid, and readily convertible to a specified cash value. Cash equivalents consist of cash in bank, cash on hand, and certificates of deposits.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. Deposits are exposed to custodial credit risk if they are not covered by depository insurance.

**THE CITY OF WAGONER ECONOMIC DEVELOPMENT AUTHORITY**

At June 30, 2016 the Authority had \$111,134 in deposits in the First Bank and Trust Co. of Wagoner, Oklahoma in two accounts. This balance, together with all the certificates of deposit, is protected from loss by the Federal Depository Insurance Corporation (FDIC). The certificates of deposits have a twelve month term.

**NOTE 3 – LEASE RECEVABLES**

On June 17, 2011 the Authority signed an electric service agreement with Lake Region Electric Cooperative, Inc. (LREC) to upgrade electrical service to Elastomer Specialties. The Authority paid LREC \$41,000 of the estimated \$75,000 project cost. LREC agreed to refund 10% of the annual electric bill for the facility for a period of 5 years or a total of \$41,000, whichever comes first. The refund period started January 1, 2012. LREC will issue a check no later than February of each year for the previous calendar year’s electric revenue. The years check was received on January 8, 2016 for \$8,369 leaving a balance of \$0.

No allowance for doubtful accounts considered necessary.

**NOTE 4 – FIXED ASSETS**

Capital assets purchased or acquired are carried at historical costs or estimated historical cost. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

Building and improvements.....	40 Years
Equipment.....	5-15 Years

A summary of general fixed assets for the year ended June 30, 2016, follows:

	Balance 6/30/15	Additions (Deletions)	Accum. Depreciation	Balance 6/30/16
Land	770,425	0	0	770,425
Depreciable Assets	<u>22,440</u>	<u>10,750</u>	<u>(4,140)</u>	<u>29,050</u>
	<u>792,865</u>	<u>10,750</u>	<u>(4,140)</u>	<u>799,475</u>

**NOTE 5 – SUBSEQUENT EVENTS**

The City of Wagoner Economic Development Authority has approved a \$250,000 gift to the Wagoner Hospital Authority and plans to do so by cashing out CD’s.



*Clothier & Company CPA's P.C.*  
[cccpa@yahoo.com](mailto:cccpa@yahoo.com)

P.O. Box 1495  
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees  
The City of Wagoner Economic Development Authority  
Wagoner, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of The City of Wagoner Economic Development Authority as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated October 25, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion of the effectiveness of the Authority's internal control.

*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. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Clothier & Company CPA's". The signature is written in a cursive, flowing style.

Clothier & Company CPA's  
October 25, 2016

**SUPPLEMENTAL INFORMATION**



**THE CITY OF WAGONER ECONOMIC DEVELOPMENT AUTHORITY  
BUDGET TO ACTUAL COMPARISON  
FOR THE YEAR JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Y - T - D Actual</u>	<u>Variance</u>
<b><u>Revenue</u></b>				
Park II House Rental	7,800	7,800	3,650	4,150
Elastomer Lease	4,200	4,200	3,850	350
T-Mobile Lease	4,900	4,900	4,994	(94)
Miscellaneous Income	1,000	1,000	2,193	(1,193)
Transfer From City EDF	60,000	60,000	60,000	0
Transfer From EDF-Adver.	6,000	6,000	0	6,000
Interest Income	1,000	1,000	1,533	(533)
Cash on hand to make budget	387,090	387,090	414,159	(27,069)
Total Revenue	<u>471,990</u>	<u>471,990</u>	<u>490,379</u>	<u>(18,389)</u>
<b><u>General Expenses</u></b>				
Office Supplies	1,000	1,000	833	167
Personel	1,000	1,000	0	1,000
Advertising	6,000	6,000	120	5,880
Repairs & Maintenance	3,000	3,000	115	2,885
Telephone/Utilities	1,200	1,200	1,280	(80)
Auditing	2,500	2,500	0	2,500
Membership Dues	1,600	1,600	0	1,600
Marketing Representative	4,000	4,000	35,947	(31,947)
Mileage	2,000	2,000	0	2,000
Miscellaneous	2,000	2,000	7,945	(5,945)
Promo. Meals	400	400	428	(28)
Wagoner Christmas Shows	0	0	600	(600)
Depreciation Expense	0	0	1,746	(1,746)
Total General Expenses	<u>24,700</u>	<u>24,700</u>	<u>49,014</u>	<u>(24,314)</u>
<b><u>Capital Outlay</u></b>				
Capital Outlay	<u>0</u>	<u>0</u>	<u>10,750</u>	<u>(10,750)</u>
<b><u>Industrial Park I</u></b>				
Repairs/Upkeep	250	250	0	250
Insurance	0	0	0	0
Appraisals/Certifications	0	0	0	0
Street Lighting	22,000	22,000	0	22,000
Legal Fees	500	500	679	(179)
Utilities	0	0	0	0
Industrial Park I	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Industrial Park I	<u>22,750</u>	<u>22,750</u>	<u>679</u>	<u>22,071</u>
<b><u>Industrial Park II</u></b>				
Repairs/Upkeep	4,500	4,500	0	4,500
Insurance	2,400	2,400	0	2,400
Appraisals/Certifications	1,500	1,500	0	1,500
Utilities	900	900	0	900
Engineering fees	10,000	10,000	0	10,000
Consulting fees	5,000	5,000	0	5,000
Legal Fees	6,500	6,500	0	6,500
Land Purchase	0	0	0	0
Industrial Park II	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Industrial Park II	<u>30,800</u>	<u>30,800</u>	<u>0</u>	<u>30,800</u>
Total Expenses	<u>78,250</u>	<u>78,250</u>	<u>60,443</u>	<u>17,807</u>

See accompanying footnotes and auditors' report.