

**CIRCUIT ENGINEERING  
DISTRICT # 7, OKLAHOMA**

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2012**

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# INTRODUCTORY SECTION

# *Circuit Engineering District #7*

*P.O. Box 337*

*Clinton, OK 73601*

*Tel. (580) 323-8685 Fax (580) 323-8680*

*Serving Beckham, Blaine, Custer, Dewey, Greer, Harmon, Jackson, Kiowa, Roger Mills, Tillman, and Washita Counties*

September 25, 2012

To the Citizens of Circuit Engineering District #7:

We are pleased to present the Circuit Engineering District #7 (the "District") annual financial statements for the year ended June 30, 2012. This report contains basic financial statements and other financial and statistical information, providing complete and full disclosure of all financial aspects of the CED for fiscal year 2012.

Responsibility for the accuracy, completeness and fairness of this report rests with the District. This report was prepared in conformity with generally accepted accounting principles set forth by the Governmental Accounting Standards Board ("GASB") and other recognized authoritative sources, and it is representative of the District's commitment to provide complete financial information.

The financial statement is divided into three sections:

1. The Introductory Section contains a letter of transmittal and organizational charts for the CED staff and Board of Directors.
2. The Financial Section contains the independent auditor's report; management's discussion and analysis; basic financial statements; and notes to the basic financial statements.
3. The Statistical Section includes selective financial, economic, and demographic information about the CED and its member counties.

## **Form of Government and Reporting Entity**

The District was created October 9, 1998 and began operations August 1, 1999, under Title 69, Section 687.1 Circuit Engineering Districts of Oklahoma Statute; and complies with Title 74, Chapter 31, Interlocal Cooperation Act. Within the statute, the board of county commissioners of any county within the state may create a circuit engineering district with any other county or counties located within its Association of County Commissioners of Oklahoma district to assist the counties in carrying out the day-to-day activities related to road maintenance, construction, engineering and inspection.

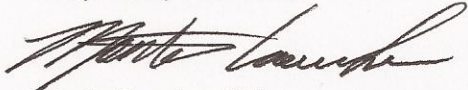
The District covers an eleven county region including: Beckham, Blaine, Custer, Dewey, Greer, Harmon, Jackson, Kiowa, Roger Mills, Tillman, and Washita counties. During fiscal year 2012, these counties participated together in bridge inspection services, bridge and roadway design and construction engineering services, construction inspection services, sign making, Force account bridge construction and training classes for the member counties.

The District also reports one blended component unit, the CED#7 County Energy District Authority (the "Authority"). The Authority was created under Title 60 on October 26, 2010 under provision of the Oklahoma Statutes by a Declaration of the Trust. The District has beneficial interest and the trustees of the District serve as Trustees of the Authority.

### **Factors Affecting Financial Condition**

The District operates from four financial sources: Oklahoma Department of Transportation bridge inspection fees, design and construction engineering fees, construction inspection fees, force account bridge construction fees and legislative grants administered by the Association of County Commissioners of Oklahoma. For additional information on the financial condition of the District, please review the Management Discussion and Analysis in Section II of the financial statement.

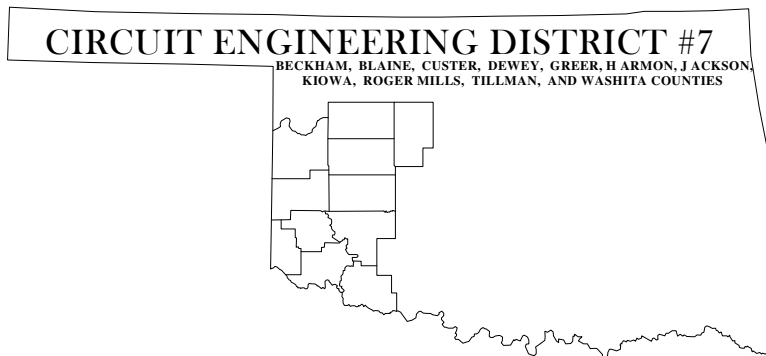
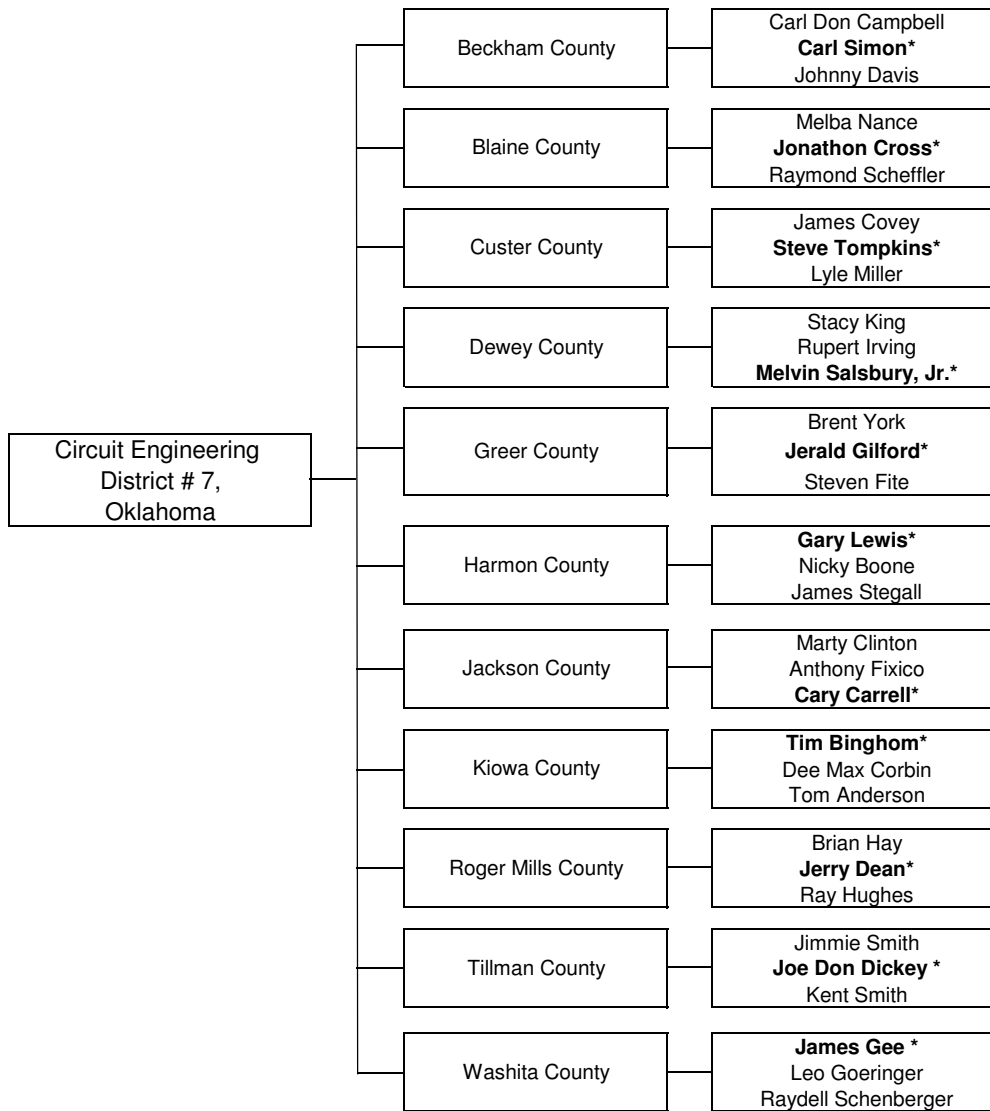
Respectfully submitted,

A handwritten signature in black ink, appearing to read "Monte Goucher", written in a cursive style.

Monte Goucher, P.E.  
Executive Director, Circuit Engineer CED #7

# Circuit Engineering District #7, Oklahoma

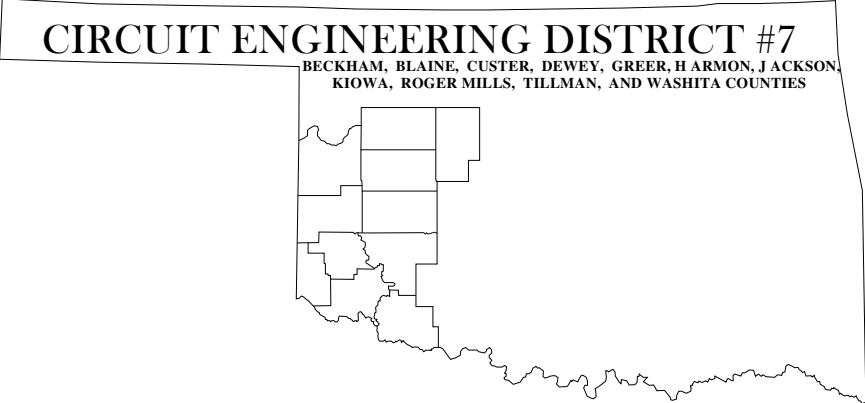
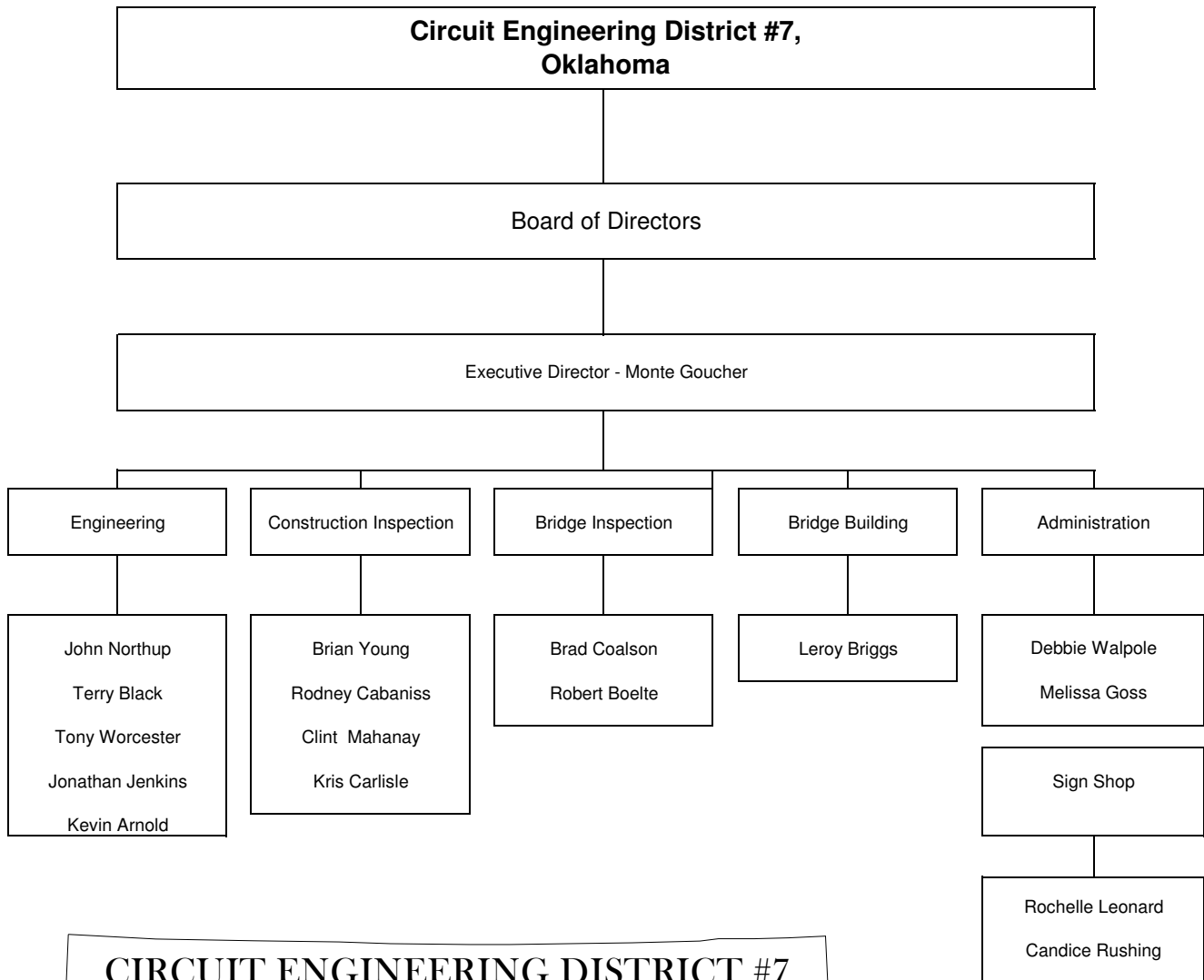
## 2011-2012 Board of Directors Organizational Chart



\* Member of the Circuit Engineering District Board of Directors

# Circuit Engineering District #7, Oklahoma

## 2011-2012 Staff Organizational Chart



# FINANCIAL SECTION



# Derrel S. White, CPA

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P.O. Box 842  
Woodward, OK 73802  
(580) 256-6830

To the Board of Directors

Circuit Engineering District #7, Oklahoma

We have audited the accompanying financial statements of the governmental activities and the major fund of the Circuit Engineering District #7, Oklahoma (the "District") as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Circuit Engineering District #7, Oklahoma, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2011 on our consideration of District'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 and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such 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. 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory and statistical sections have 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 it.



Derrel S. White, CPA  
Woodward, OK

September 20, 2012

**CIRCUIT ENGINEERING DISTRICT #7  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

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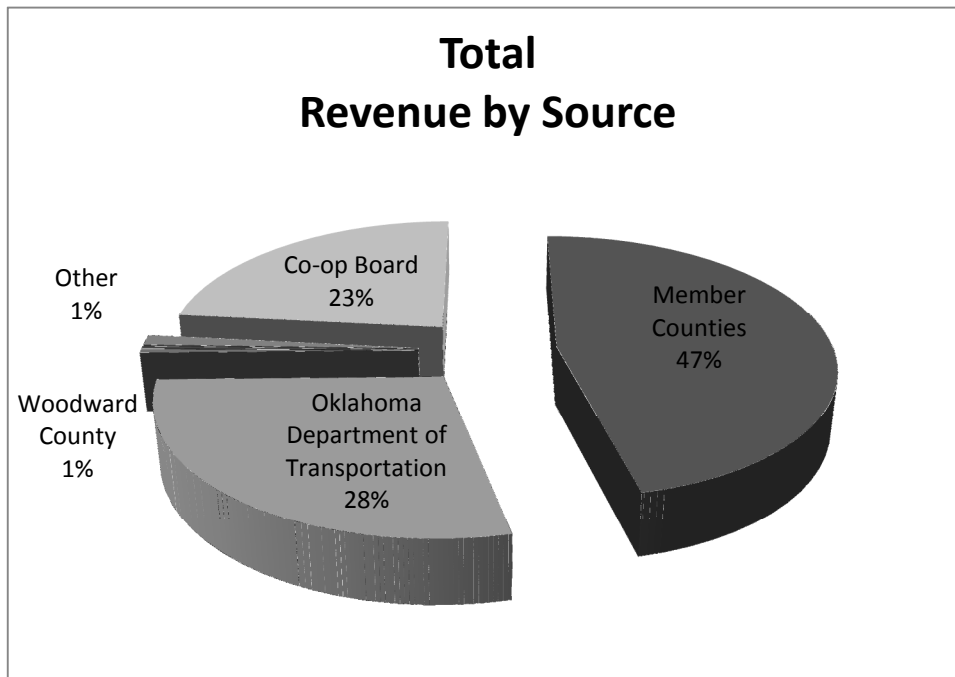
Our discussion and analysis of the Circuit Engineering District #7’s (“District”) performance provides an overview of the District’s financial activities for the fiscal year ended June 30, 2012. Please review it in conjunction with the transmittal letter and the District’s basic financial statements.

**Financial Highlights**

- The District’s assets exceeded its liabilities by \$2,645,535 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$2,079,610.
- Total net assets are comprised of the following:
  - (1) Capital assets, net of related debt, of \$687,265 include property and equipment, net of accumulated depreciation. The District had no outstanding debt related to capital assets as of June 30, 2012.
  - (2) Unrestricted net assets of \$1,958,270 represent the portion available to maintain the District’s continuing obligations to member counties and creditors. Included in unrestricted net assets is \$267,120, which the District has restricted internally for capital asset purchases.
- Total liabilities of the District increased from \$268,831 to \$287,038 during the fiscal year. The increase is attributable to compensated absences and accounts payable.
- Over \$650,000 in revenues was generated from CBRI through project management, interest earnings, and CBRI direct allocation per new statute.

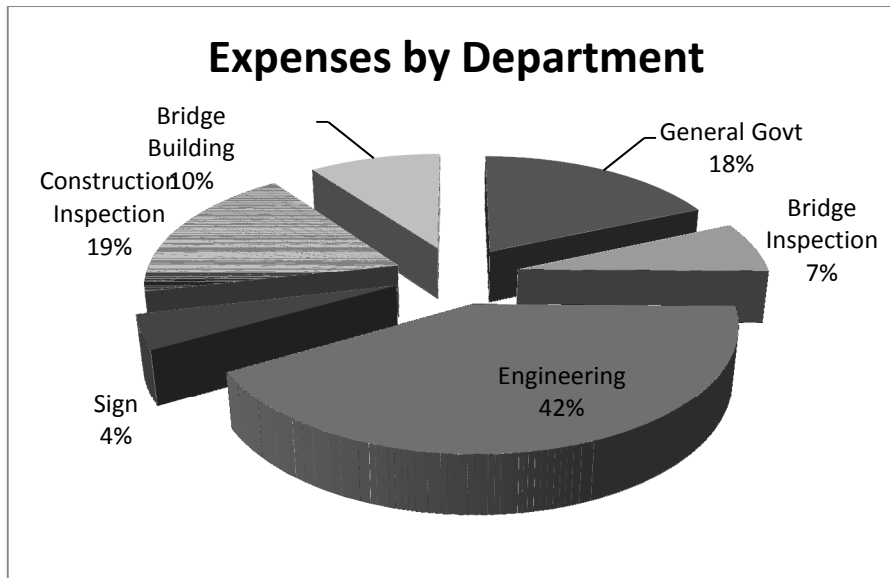
Operations for the fiscal year 2012 were mainly supported by engineering fees, OCCEDB distributions and construction inspection fees, which provided 39%, 24% and 17% of revenues for the year. Bridge inspection fees (9%), sign shop proceeds (4%), and bridge building proceeds (5%) also contributed to the operations for the year. Investment earnings, and auction proceeds provided the remainder of the support for the year.

During fiscal year 2012, the District received revenues from the following sources:



**CIRCUIT ENGINEERING DISTRICT #7  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

Expenses were allocated by the following departments as of June 30, 2012:



Operating expenses for 2012 decreased 10% over prior year. The following chart displays the change in expenses when compared to prior year.

**Expenses by department**

	2012	2011	Change	
			\$	%
General government	\$ 404,202	\$ 676,565	\$ (272,363)	-40%
Engineering	916,400	1,049,309	(132,909)	-13%
Construction inspection	412,529	357,341	55,188	15%
Bridge inspection	151,774	101,511	50,263	50%
Bridge building	219,918	206,423	13,495	7%
Signs	100,400	64,192	36,208	56%
	<b>\$ 2,205,223</b>	<b>\$ 2,455,341</b>	<b>\$ (250,118)</b>	<b>-10%</b>

The decrease in expenditures for General Government can be attributed to the building renovation completed in FY 2011. No capital improvements were scheduled to the building or property in FY 2012. The decrease in engineering expenses was due to the fewer number of subcontractor services (survey & geotechnical) needed for the fiscal year. Construction inspection expenses increased with the addition of one employee to the inspection staff due to the anticipated increase in workload for FY 2013. The Bridge Safety Inspection expenses were up significantly due to newly required "facture critical" inspections that were conducted district wide in FY 2012. The bridge building crew was re-organized this fiscal year using a selected welding subcontractor to build bridge projects throughout the district. The increase in bridge building expenses can be attributed to the construction of additional projects than what was estimated to be constructed. The significant increase in sign shop expenses was due to the fabrication of 911 signs for Roger Mills County. Also, an additional part time employee was added to the sign shop staff for this fiscal year. Capital additions during the year totaled \$207,678 and included six new vehicles.

**CIRCUIT ENGINEERING DISTRICT #7  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

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**Using This Annual Report**

The annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The Fund financial statements tell how the services were financed in the short term as well as what remains for future spending.

**Reporting the District as a Whole**

*Statement of Net Assets and Statement of Activities:*

One of the most important questions asked about the District's finances is "Is the CED as a whole better off or worse as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. You can think of the District's net assets as the difference between assets, what the District owns, and liabilities, what the District owes, as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the District's availability of capital projects and continuing local government support to assess the overall health of the District.

*Balance Sheet and Statement of Revenue Expenditures and Changes in Fund Balance:*

The District's services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances at year-end that are available for spending. This fund is reported using the modified accrual method of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Included in the financial statements is a reconciliation between the governmental activities and governmental fund financial statements.

*Notes:*

The notes to the financial statements provide additional information that is essential to a complete understanding of the data provided.

*Other Information:*

In addition to the basic financial statement and accompanying notes, this report also presents statistical information, not required to be presented in the notes, but deemed by management to be beneficial in additional analysis of the financial statements.

**CIRCUIT ENGINEERING DISTRICT #7  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

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**2012 Operations and Future Plans**

Fiscal year 2012 was a strong year for the District, building on the transportation funding received by member counties in prior years legislation and preparing for the implementation of many large road and bridge projects in need of design and construction management services. The district has continued to design and manage the construction of numerous road and bridge projects throughout the district with the bid letting assistance of the Oklahoma Department of Transportation. The highlight for the district was the partnership with the Texas Department of Transportation that led to the successful design and letting of the Red River Bridge in Harmon County, Oklahoma. The \$7.2 million bridge project is by far the largest project that the district has designed and will be constructed in FY 2013.

The district utilized, for the first time, the services of two (2) private engineering consultants to assist with the large project drafting workload. Also, the district subcontracted one (1) design project entirely to a private consulting engineering firm. The subcontracting of design services will ease the workload on the present staff and advance projects more quickly. In the last 18 months the district has added two (2) construction inspection staff to prepare for the Red River Bridge project and the numerous road projects scheduled to begin construction in the coming fiscal year. The anticipated budgeted revenues are expected at \$2,365,000 compared to the prior year budgeted amount of \$1,980,000 or a 19.4% increase. The majority of the increase in revenue will be attributed to the re-organization and activation of the bridge construction crew with the remainder of the revenue increase attributed to increased engineering output through the utilization of subcontract design services. It is anticipated that the district will experience an increase in expenses for the upcoming fiscal year estimated at 16.1%. The district has budgeted \$59,000 in capital purchases with the majority being spent on materials laboratory equipment.

**Request for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or any request for additional financial information should be addressed to the CED #7, PO Box 337, Clinton, Oklahoma 73601.

Monte Goucher, P.E.  
Executive Director, Circuit Engineer CED #7

**CIRCUIT ENGINEERING DISTRICT # 7, OKLAHOMA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 1,189,445	\$ 23,955	\$ 1,213,400
Investments	254,358	-	254,358
Restricted cash	267,120	-	267,120
Accounts receivable	318,590	330	318,920
Unbilled receivables	153,071	-	153,071
Inventory	38,439	-	38,439
<i>Total current assets</i>	<u>2,221,023</u>	<u>24,285</u>	<u>2,245,308</u>
<b>Non-current assets:</b>			
Land	50,000	-	50,000
Other capital assets, net of depreciation	637,265	-	637,265
<i>Total non-current assets</i>	<u>687,265</u>	<u>-</u>	<u>687,265</u>
<b>Total assets</b>	<u>\$ 2,908,288</u>	<u>\$ 24,285</u>	<u>\$ 2,932,573</u>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts Payable	\$ 191,262	\$ 7,847	\$ 199,109
<i>Total current liabilities</i>	<u>191,262</u>	<u>7,847</u>	<u>199,109</u>
<b>Non-current liabilities:</b>			
Compensated absences	87,929	-	87,929
<i>Total non-current liabilities</i>	<u>87,929</u>	<u>-</u>	<u>87,929</u>
<b>Total liabilities</b>	<u>279,191</u>	<u>7,847</u>	<u>287,038</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	687,265	-	687,265
Unrestricted	1,941,832	16,438	1,958,270
<i>Total net assets</i>	<u>2,629,097</u>	<u>16,438</u>	<u>2,645,535</u>
<b>Total liabilities and net assets</b>	<u>\$ 2,908,288</u>	<u>\$ 24,285</u>	<u>\$ 2,932,573</u>

See accompanying notes to the basic financial statements

**CIRCUIT ENGINEERING DISTRICT # 7, OKLAHOMA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) / Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
General government	\$ 404,202	\$ 160	\$ 656,725	\$ 252,683
Engineering	916,400	1,077,030	-	160,630
Construction inspection	412,529	464,727	-	52,198
Bridge inspection	151,774	258,680	-	106,906
Bridge building	219,918	147,320	-	(72,598)
Signs	100,400	106,984	-	6,584
Total governmental activities	<u>\$ 2,205,223</u>	<u>\$ 2,054,901</u>	<u>\$ 656,725</u>	<u>\$ 506,403</u>
Business-type activities:				
Energy District	\$ 16,598	\$ 34,290	-	\$ 17,692
Total business-type activities	<u>16,598</u>	<u>34,290</u>	<u>-</u>	<u>17,692</u>
<b>Total primary government</b>	<u><b>\$ 2,221,821</b></u>	<u><b>\$ 2,089,191</b></u>	<u><b>\$ 656,725</b></u>	<u><b>\$ 524,095</b></u>

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Changes in Net Assets:</b>			
Net (expense) / revenue	\$ 506,403	\$ 17,692	\$ 524,095
<b>General revenues:</b>			
Auction proceeds	\$ 29,370	\$ -	\$ 29,370
Gain on Sale of Assets	13,152	-	13,152
Unrestricted investment earnings	562	5	567
Total general revenues	<u>43,084</u>	<u>5</u>	<u>43,089</u>
Change in net assets	549,487	17,697	567,184
<b>Net assets-beginning</b>	2,079,610	(1,259)	2,078,351
<b>Net assets-ending</b>	<u><b>\$ 2,629,097</b></u>	<u><b>\$ 16,438</b></u>	<u><b>\$ 2,645,535</b></u>

See accompanying notes to the basic financial statements



# CIRCUIT ENGINEERING DISTRICT # 7, OKLAHOMA

## BALANCE SHEET - GOVERNMENTAL FUND

JUNE 30, 2012

		<u>General Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$	1,189,445
Investments		254,358
Restricted cash		267,120
Net receivables		318,590
Unbilled receivables, net		153,071
Inventory		38,439
<b>Total assets</b>		<u><u>\$ 2,221,023</u></u>
<b>LIABILITIES</b>		
Accounts Payable	\$	191,262
Compensated absences		87,929
<b>Total liabilities</b>		<u><u>279,191</u></u>
<b>FUND BALANCE</b>		
Unassigned		<u>1,941,832</u>
<b>Total fund balance</b>		<u><u>1,941,832</u></u>
<b>Total liabilities and fund balance</b>		<u><u>\$ 2,221,023</u></u>
 <b>Total Governmental Fund Balance</b>		 1,941,832
 <b><i>Amounts reported for governmental activities in the statement of net assets are different because:</i></b>		
Land and capital assets, net of accumulated depreciation are not financial resources and, therefore, are not reported in the funds.		
See Note 4.C for additional detail.		
Land	50,000	
Capital assets	1,139,499	
Less: Accumulated depreciation	<u>(502,234)</u>	<u>687,265</u>
 <b><i>Net assets of Governmental Activities</i></b>		 <u><u>\$ 2,629,097</u></u>

See accompanying notes to the basic financial statements

## CIRCUIT ENGINEERING DISTRICT # 7, OKLAHOMA

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUND FOR THE YEAR ENDED JUNE 30, 2012

	<b>General Fund</b>
<b>Revenues:</b>	
Engineering fees	\$ 1,063,818
Construction inspection	465,692
Bridge inspection fees	258,636
Bridge building fees	147,320
Intergovernmental	665,678
Signs	107,028
Proceeds from sale of assets	66,000
Auction proceeds	30,774
Interest income	2,612
<i>Total Revenues</i>	<b>2,807,558</b>
<b>Expenditures:</b>	
Current operations:	
Engineering	901,636
Construction Inspection	376,693
Bridge inspection	141,951
Bridge building	186,156
Signs	99,090
General government	361,910
Capital expenditures	202,054
<i>Total Expenditures</i>	<b>2,269,490</b>
Excess revenues over (under) expenditures	<b>538,068</b>
Net Change in Fund Balance	<b>538,068</b>
Fund balance at beginning of year	1,403,764
Fund balance at end of year	<b>\$ 1,941,832</b>
 <b><i>Reconciliation of the change in fund balances - total governmental funds to the change in net assets of governmental activities:</i></b>	
<b>Net change in Fund Balances - Total Governmental Funds</b>	<b>\$ 538,068</b>
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital asset purchases capitalized	202,054
Depreciation expense	(137,789)
	64,265
In the statement of activities, the loss on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale, if any, increase financial resources. The change in net assets differs from the change in fund balance by the cost of the assets disposed of \$140,599, net of related accumulated depreciation of \$87,753.	
	<b>(52,846)</b>
<b><i>Change in Net Assets of Governmental Activities</i></b>	<b>\$ 549,487</b>

See accompanying notes to the basic financial statements

**CIRCUIT ENGINEERING DISTRICT # 7, OKLAHOMA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2012**

	<b>Business-type Activities</b>
	<b>Energy District</b>
<b>ASSETS</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 23,955
Accounts receivable	330
<i>Total current assets</i>	24,285
<b>Total assets</b>	\$ 24,285
 <b>LIABILITIES</b>	
<b>Current liabilities:</b>	
Accounts Payable	\$ 7,847
<i>Total current liabilities</i>	7,847
<b>Total liabilities</b>	7,847
 <b>NET ASSETS</b>	
Unrestricted	16,438
<i>Total net assets</i>	16,438
<b>Total liabilities and net assets</b>	\$ 24,285

See accompanying notes to the basic financial statements

**CIRCUIT ENGINEERING DISTRICT # 7, OKLAHOMA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUND  
 FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Business-type Activities</u>
	<u>Energy District</u>
<b>Operating Revenues:</b>	
Road Repair	\$ 34,290
<i>Total Operating Revenues</i>	<u>34,290</u>
<b>Operating Expenses:</b>	
Current operations:	
Other services and charges	16,598
<i>Total Operating Expenses</i>	<u>16,598</u>
Net Operating Income	17,692
<b>Nonoperating Revenue (Expense):</b>	
Investment Income	5
<i>Total Nonoperating Revenue (Expense)</i>	<u>5</u>
<b>Change in Net Assets</b>	17,697
Net Assets - beginning of year	(1,259)
Net Assets - end of year	<u>\$ 16,438</u>

See accompanying notes to the basic financial statements

**CIRCUIT ENGINEERING DISTRICT # 7, OKLAHOMA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

	<b>Business-type Activities</b>
	<b>Energy District</b>
<b><u>Cash flows from operating activities:</u></b>	
Receipts from customers/patients	\$ 33,960
Payments to suppliers	(13,751)
<b>Net cash provided (used) by operating activities</b>	<b>20,209</b>
<b><u>Cash flows from investing activities:</u></b>	
Investment income	5
<b>Net cash provided (used) by investing activities</b>	<b>5</b>
Net increase (decrease) in cash and cash equivalents	20,214
Cash and cash equivalents, July 1, 2011	3,741
Cash & cash equivalents, June 30, 2012	\$ 23,955
Cash, including time deposits	\$ 23,955
Total cash and cash equivalents, end of year	\$ 23,955
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>	
Operating income (loss)	\$ 17,692
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(330)
Increase (decrease) in accounts payable	7,847
Increase (decrease) in related party payable	(5,000)
Total adjustments	2,517
<b>Net cash provided (used) by operating activities</b>	<b>\$ 20,209</b>

See accompanying notes to the basic financial statements

**CIRCUIT ENGINEERING DISTRICT #7**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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

Circuit Engineering District #7, Oklahoma (the "District") complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**1.A. FINANCIAL REPORTING ENTITY**

The District was created under Title 69, Section 687.1 Circuit Engineering Districts of Oklahoma Statute; and complies with Title 74, Chapter 31, Interlocal Cooperation Act. Within the statute, the board of county commissioners of any county within the state may create a circuit engineering district with any other county or counties located within its Association of County Commissioners of Oklahoma district to assist the counties in carrying out the day-to-day activities related to road maintenance, construction and inspection.

Individual counties may elect to participate in the District by passage of a resolution, which accepts the Bylaws of the District. Membership consists of the voting and non-voting members. Voting members are County Commissioners appointed by a member county to serve on the Board of Directors. Non-voting members are affiliate or associate members which serve on committees or represent outside business interest to the District.

The District is governed by a Board of Trustees (the "Board") that acts as the authoritative and legislative body of the entity. The Board is comprised of 11 voting members. Of the eleven, three are elected as officers of the District; President, Vice-President, and Secretary-Treasurer. Each officer serves a term of one year; there are no term limits for reappointment.

Within the District there are eleven eligible counties: Beckham, Blaine, Custer, Dewey, Greer, Harmon, Jackson, Kiowa, Roger Mills, Tillman, and Washita County. As of June 30, 2012, all eligible counties elected to participate in the District.

The accompanying general purpose financial statements comply with the provisions of GASB Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, and functions that comprise the District. Component units are legally separate entities for which the District is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the District's ability to impose its will over the organization or, (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the District. Using these criteria, the District has one component unit.

**Blended Component Unit Reported with Primary Government:**

CED #7 County Energy District Authority (the "Authority") – was created under Title 60 on October 26, 2010 under provision of the Oklahoma Statutes by a Declaration of the Trust. The District has beneficial interest and the trustees of the District serve as Trustees of the Authority. District employees carry on the activities of the Authority. The Authority provides assistance to member counties in the negotiation and preparation of Wind Farm Road Maintenance agreements and also plans to provide emulsified asphalt to member counties for use in

**CIRCUIT ENGINEERING DISTRICT #7  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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resurfacing roadways in the future. Accounts of the Authority are recorded in business-type activities.

**1.B. BASIS OF PRESENTATION**

*Government-wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

*Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The District utilized two funds, the governmental and proprietary funds. The fund of the financial reporting entity is described below:

**Governmental Funds**

*General Fund*

The General Fund is the primary operating fund of the District and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

**Proprietary Funds**

*CED #7 County Energy District Authority*

The CED#7 County Energy District Authority accounts for transactions relating to providing emulsified asphalt to member counties for use in resurfacing roadways.

Management has elected to report all funds as major in the fund financial statements. This election is in accordance with GASB reporting models.

**1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

*Measurement Focus*

On the government-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net

**CIRCUIT ENGINEERING DISTRICT #7**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported.

In the governmental fund financial statements, the “current financial resources” measurement focus is used. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

*Basis of Accounting*

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statement, the governmental fund is presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

**1.D. ASSETS, LIABILITIES, AND EQUITY**

**Cash and Investments**

For the purpose of the Statement of Net Assets, “Cash and cash equivalents” includes all unrestricted demand, savings accounts, and certificates of deposits maturing within 90 days. A formal deposit or investment policy has been developed by the District. Under common pretense, the District requires that all deposits be insured or collateralized within the financial institution maintaining custody of the deposit. Additional cash and investment disclosures are presented in Notes 2.B. and 4.A.

**Accounts Receivable**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include construction inspection and engineering fees.

In the fund financial statements, material receivables in the governmental fund include revenue accruals such as construction inspection and bridge inspection fees since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.



**CIRCUIT ENGINEERING DISTRICT #7  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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**Inventory**

Inventory consists of materials, including aluminum, film, and posts to construct regulatory signs for member counties. Amount in inventory represent new materials at cost basis. Cost of goods sold is recognized on the first in-first out basis. Reserves for obsolete inventory are recorded as considered necessary based upon the performance of an annual inventory.

**Capital Assets**

The accounting treatment over property, plant, and equipment (capital assets) depends on whether they are reported in the government-wide or fund financial statements.

*Government-wide Statements*

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

The District's capital assets are reviewed for impairment and written down to fair value whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Machinery and Equipment	3-15 years
Improvements	15 years
Buildings	30 years

*Fund Financial Statements*

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**Restricted Assets**

Restricted assets include cash from auction proceeds. Such funds are restricted by the Board of Directors for the purchase of capital assets. It the policy of the District to first apply unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**Compensated Absences**

The District's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as non-current liabilities in the government-wide statements. In the fund financial statements, the

**CIRCUIT ENGINEERING DISTRICT #7**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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governmental fund reports only the compensated absence liability payable from expendable available financial resources.

**Use of Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures at the date of the financial statements and the reports amounts of revenues and expenses during the reporting period. Estimates made by the District include accounts receivable and inventories. Actual results could differ from the estimates.

**Unbilled Receivables and Revenue Recognition**

In the past, contracts were accounted for on a percentage of completion basis, whereby revenue is recognized as the project progresses. In the prior year, we moved from a percentage of completion basis to hourly billing, whereby hours worked on a project are billed as incurred. Hourly billing is considered to be a more relevant measure of performance on the contracts.

Revenues recognized prior to invoicing the client are recorded as unbilled receivables, where the collection of the receivable is probable. Unbilled amounts will be invoiced in subsequent periods. As of June 30, 2012 the District has \$153,071 in unbilled receivables. Of this amount, \$127,033, is attributable to engineering fees and \$26,038 is attributable to construction inspection fees.

*Bridge Inspection Fees*

Bridge inspection fees are payments from the Oklahoma Department of Transportation for the inspections of bridges within the district. The district also inspects, repairs, and posts signs for a fee.

*Engineering Fees*

The District performs most required design engineering for the bridge and road construction projects within the district; the fees for the design services are estimated to be a percentage of the total estimated cost of construction for each project, however, the district is reimbursed at an agreed hourly rate for actual work performed for each project.

*Construction Inspection Fees*

The District performs most required construction inspection for bridge and road construction projects within the district; fees for the inspection services are estimated to be a percentage of the total estimated cost of construction for each project, however, the district is reimbursed at an agreed hourly rate for actual work performed for each project.

*Bridge Building Fees*

Bridge building fees are earned for the construction and repair of bridges across the district. Fees are billed at the completion of the project. These fees also include reimbursements for material and supplies used on the project.

**CIRCUIT ENGINEERING DISTRICT #7**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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*Sign Fees*

The District produces traffic signs for member counties and cities. The fees for production are based upon a standard rate charge. Fees are charged upon completion of the sign order.

*Auction Proceeds*

Auction proceeds represent the District's percentage of the sales commission generated from the yearly auctions held for surplus equipment and machinery. The District serves as host for the event and is paid accordingly.

*Contributions*

As a governmental operating entity, the District receives contributions from other political divisions including the State of Oklahoma.

**Equity Classifications**

*Government-wide Statements*

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantor, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

*Fund Statements*

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

Nonspendable

Fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted

Fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

**CIRCUIT ENGINEERING DISTRICT #7  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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Committed

Fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's Board of Directors, the District's highest level of decision-making authority,

Assigned

Fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned

Fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications

The fund balance of the District is fully unassigned.

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

By its nature as a government unit, the District and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the District's compliance with significant laws and regulations and demonstration of its stewardship over District resources follows.

**2.A. FUND ACCOUNTING REQUIREMENTS**

The District complies with all state regulations requiring the use of separate funds.

**2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS**

In accordance with state law, all uninsured deposits of funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations, or surety bonds. See Note 4.A.

**2.C. FUND EQUITY RESTRICTIONS**

**Deficit Prohibition**

Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. The District complied with this statute in all material respects for the year ended June 30, 2012.

**NOTE 3. INTERGOVERNMENTAL REVENUES AND CHARGES FOR SERVICES**

Revenues are received from member counties which are related parties of the District. Such receipts are considered charges for services and include payment for engineering fees, construction inspection, and county road signs. During the year ended June 30, 2012, the member counties contributed the following funds to the District for services provided:

**CIRCUIT ENGINEERING DISTRICT #7  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2012**

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	<b>Revenue Earned</b>
Beckham County	146,153
Blaine County	118,574
Custer County	129,270
Dewey County	58,218
Greer County	115,872
Harmon County	57,419
Jackson County	97,588
Kiowa County	114,880
Roger Mills County	59,802
Tillman County	167,790
Washita County	211,816
<b>Total Member Contributions</b>	<b>\$ 1,277,382</b>

At June 30, 2012, amounts due from related parties were as follows:

	<b>June 30, 2012</b>
Beckham County	\$ 8,350
Blaine County	37,635
Custer County	12,957
Dewey County	17,705
Greer County	3,481
Harmon County	2,440
Jackson County	66,417
Kiowa County	1,476
Roger Mills County	855
Tillman County	83,632
Washita County	6,495
<b>Total Member County Receivable</b>	<b>\$ 241,443</b>

**NOTE 4. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

**4.A. CASH AND CASH EQUIVALENTS**

Deposits

The District's policies regarding deposits of cash are discussed in Note 1.D. During the fiscal year ended June 30, 2012, the District was in compliance of the required collateral pledge for custody risk. Assets in excess of FDIC limits were secured with a line of credit in the amount of \$1,700,000 from the Federal Home Loan Bank (FHLB) of Topeka.

The District invests in certificates of deposit which are reported as Cash and cash equivalents in the Statement of Net Assets. At June 30, 2012, the District held two certificates of deposit in

**CIRCUIT ENGINEERING DISTRICT #7**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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the amount of \$254,358 with an interest rate of 0.3% and a maturity date of November 17, 2012. Cost equates to fair value of the certificate of deposit. This investment is included in Cash and cash equivalents on the Statement of Net Assets. The District holds no other investments.

**4.B. ACCOUNTS RECEIVABLE**

Accounts receivable of the governmental activities consists of engineering fees, bridge inspection fees, sign revenues, and construction inspection fees, as well as the unbilled receivable due to the District based upon hourly fees for construction inspection and engineering projects.

**4.C. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012 was as follows:

Governmental activities:

	<u>June 30, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2012</u>
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Equipment	417,863	19,558	19,287	418,134
Vehicles	156,911	157,957	121,314	193,554
Building improvements	310,771	24,540	-	335,311
Building	201,357	-	-	201,357
	<u>1,136,902</u>	<u>202,055</u>	<u>140,601</u>	<u>1,198,356</u>
Less accumulated depreciation	<u>461,056</u>	<u>137,788</u>	<u>87,753</u>	<u>511,091</u>
Net capital assets	<u>\$ 675,846</u>			<u>\$ 687,265</u>

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 42,292
Engineering	14,766
Construction inspection	35,836
Bridge inspection	9,823
Bridge building	33,762
Sign	1,309
Total governmental activities depreciation expense	<u>\$ 137,788</u>

**NOTE 5. OTHER NOTES**

**5.A. EMPLOYEE BENEFIT PLANS**

The District has a defined contribution plan (a "457 plan") which covers all of its employees. The District contributes 12% of the covered employee's payroll. Employees are 100% vested in employer contributions upon entering the plan. Total contribution expense was \$78,592 in fiscal year 2012. The plan is administered by Lincoln Life.

**CIRCUIT ENGINEERING DISTRICT #7  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2012**

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**5.B. RISK MANAGEMENT**

The District is exposed to various risk of loss as follows:

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability - Torts - Error and Omissions - Officer Liability - Vehicle	The District participates in a public entity risk pool – Association of County Commissioners of Oklahoma – Self Insured Group (ACCO-SIG)	If claims exceed pool assets, the District would have to pay its share of the pool deficit.
Physical Plant - Theft - Damages to Assets - Natural Disasters	The District participates in a public entity risk pool – ACCO-SIG.	If claims exceed pool assets, the District would have to pay its share of the pool deficit.
Worker's Compensation - Employees' Injuries	The District participated in a public entity risk pool – ACCO-SIF	If claims exceed pool assets, the District would have to pay its share of the pool deficit.
Health and Life - Medical - Disability - Dental - Life	The District carries commercial insurance for these types of risk.	None

**ACCO-SIG**

The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating member pays a deductible amount for each insured event as stated in the "Certificate of Participation." The risk pool pays legitimate claims in excess of the deductible amounts up to and including \$50,000 per insured event. The pool has acquired commercial reinsurance to cover claims in excess of \$50,000 up to \$1,000,000 limit per insured event. The pool, established in 1986, has never had to assess additional premiums to be paid by its members.

**ACCO-SIF**

The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. ACCO-SIF was set up in 1984 and pays legitimate worker's compensation claims up to \$500,000 per incident. A reinsurance policy, with no limit, pays claims that exceed \$500,000 for a particular incident. The pool has not assessed additional premiums to be paid by its members in the past three years.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the District when combined with internal cash reserves.

**CIRCUIT ENGINEERING DISTRICT #7**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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**5.C. COMMITMENTS AND CONTINGENCIES**

As of June 30, 2012, the District did not have any pending litigation or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.



REQUIRED  
SUPPLEMENTARY  
INFORMATION

**CIRCUIT ENGINEERING DISTRICT # 7, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>			<u>Actual</u>	<u>Variance with Final Budget Favorable / (Unfavorable)</u>
	<u>Original Budget</u>	<u>Amendments</u>	<u>Final Budget</u>		
<b>Revenues:</b>					
Intergovernmental	\$ 465,000	\$ -	\$ 465,000	\$ 665,678	\$ 200,678
Bridge inspection fees	180,000	-	180,000	258,636	78,636
Engineering fees	730,000	75,000	805,000	1,063,818	258,818
Signs	65,000	-	65,000	107,028	42,028
Construction inspection	515,000	58,000	573,000	465,692	(107,308)
Bridge construction fees	-	265,000	265,000	147,320	(117,680)
Auction proceeds	25,000	-	25,000	30,774	5,774
Interest income	-	-	-	2,612	2,612
<i>Total Revenues</i>	<u>1,980,000</u>	<u>398,000</u>	<u>2,378,000</u>	<u>2,741,558</u>	<u>363,558</u>
<b>Expenditures:</b>					
Current operations:					
General government					
Personal services	181,704	-	181,704	199,015	(17,311)
Maintenance and operation	145,155	75,500	220,655	154,112	66,543
Bridge inspection					
Personal services	97,974	-	97,974	130,303	(32,329)
Maintenance and operation	13,150	1,400	14,550	11,648	2,902
Engineering					
Personal services	386,620	-	386,620	378,029	8,591
Maintenance and operation	310,500	75,000	385,500	390,034	(4,534)
Signs					
Personal services	40,474	-	40,474	36,433	4,041
Maintenance and operation	22,000	-	22,000	62,657	(40,657)
Construction Inspection					
Personal services	336,920	28,525	365,445	315,910	49,535
Maintenance and operation	65,500	11,500	77,000	60,783	16,217
Bridge building					
Personal services	-	-	-	13,349	(13,349)
Maintenance and operation	-	260,000	260,000	172,807	87,193
Capital expenditures	196,000	18,100	214,100	202,054	12,046
<i>Total Expenditures</i>	<u>1,795,997</u>	<u>470,025</u>	<u>2,266,022</u>	<u>2,127,134</u>	<u>138,888</u>
Excess revenues over (under) expenditures	<u>184,003</u>	<u>(72,025)</u>	<u>111,978</u>	<u>614,424</u>	<u>502,446</u>
Fund balance, beginning (Non-GAAP budgetary basis):					
Prior period adjustment	-	-	-	1,645,999	-
Fund balance, ending (Non-GAAP budgetary basis):	<u>\$ 184,003</u>	<u>\$ (72,025)</u>	<u>\$ 111,978</u>	<u>\$ 2,260,423</u>	
<u>Adjustments to Generally Accepted Accounting Principles</u>					
Revenue and transfer accruals				(297,228)	
Expenditure and transfer accruals				(21,363)	
<b>Fund balance, ending (GAAP basis)</b>				<u>\$ 1,941,832</u>	

See accompanying notes to the basic financial statements

**CIRCUIT ENGINEERING DISTRICT #7**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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

**Budgetary Process**

Under current Oklahoma Statutes, the general fund is required to adopt a formal budget. The budget presented for the general fund included the originally approved budgeted appropriations for expenditures and the supplemental appropriations. The level of budgetary control is at the object level for the District. Any budgetary modifications at this level may only be made by approval of the Board. Supplemental appropriations were necessary during the year, which increased the original budget amounts.

1. Estimated Resources

As part of the District's budgetary process, the Board approves the official estimated resources. The official estimated resources state the projected revenue of each fund. Prior to adoptions, the Board must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available from estimated resources. The estimated resources may be further amended during the year if the Board determines that an estimate needs to be either increased or decreased.

2. Appropriations

Appropriations are required at the object level, personal services, maintenance and operations, or capital outlay, within the fund. Appropriations may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources. Allocations of appropriations among funds and objects within a fund may be modified during the year by approval of the Board.

3. Budgetary Basis of Accounting

The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major difference between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures are recorded when paid. Under GAAP, revenues and expenditures are recorded on the full accrual basis on the government-wide statements and on the modified accrual basis of accounting on the governmental fund statements.

For the year ended June 30, 2012, the District did not exceed net budgeted expenditures.

# STATISTICAL SECTION

**CIRCUIT ENGINEERING DISTRICT #7  
STATISTICAL INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2012**

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Date of Creation:	1999
Member Counties	Beckham Blaine Custer Dewey Greer Harmon Jackson Kiowa Roger Mills Tillman Washita
	The first Circuit Engineering District in Oklahoma
Number of Full-time Employees	General government – 3 Bridge inspection – 2 Engineering – 5 Bridge building - 1 Construction Inspection – 4 Sign Shop – 1

Source: Circuit Engineering District #7

**CIRCUIT ENGINEERING DISTRICT # 7**  
**MISCELLANEOUS STATISTICS**  
**June 30, 2012**

	Beckham	Blaine	Custer	Dewey	Greer	Harmon	Jackson	Kiowa	Roger Mills	Tillman	Washita	Total
<b>Miles of Roads inside the District:</b>												
State (includes Interstates)	226	162	194	138	94	70	127	215	140	134	181	1,681
County	1,153	1,321	1,398	1,148	859	779	1,210	1,574	1,258	1,437	1,681	13,818
Total Road Miles	1,379	1,483	1,592	1,286	953	849	1,337	1,789	1,398	1,571	1,862	15,499
<b>Number of Bridges inside the District:</b>												
State (includes Interstates)	133	52	124	34	28	29	54	120	50	71	82	777
County	191	247	298	148	205	82	260	356	103	225	373	2,488
Total Bridges	324	299	422	182	233	111	314	476	153	219	455	3,265
<b>Substandard Bridges inside the District:</b>												
State (includes Interstates)	13	5	13	1	-	1	1	15	4	1	9	63
County	22	70	67	31	23	8	70	87	6	48	147	579
Total Substandard Bridges	35	75	80	32	23	9	71	102	10	49	156	642
<b>Replacement Cost of All Deficient State Bridges</b>	\$ 22,721,242	\$ 9,037,824	\$ 58,309,075	\$ 644,000	\$ -	\$ 2,092,000	\$ 2,789,622	\$ 24,643,554	\$ 6,963,122	\$ 1,689,674	\$ 15,008,625	\$ 143,898,738
<b>Replacement Cost of All Deficient County Bridges</b>	\$ 6,675,000	\$ 20,562,000	\$ 19,775,000	\$ 9,907,900	\$ 11,634,628	\$ 3,341,000	\$ 23,422,000	\$ 25,952,000	\$ 1,547,000	\$ 12,565,000	\$ 43,986,000	\$ 179,367,528
<b>Total Replacement Cost of All Deficient Bridges</b>	29,396,242	29,599,824	78,084,075	10,551,900	11,634,628	5,433,000	26,211,622	50,595,554	8,510,122	14,254,674	58,994,625	323,266,266
<b>Number of Road/Bridge Projects* inside the District:</b>												
State (includes Interstates)	6	3	5	2	2	1	1	3	2	1	-	26
County	-	-	1	1	1	1	-	1	1	1	-	7
Total Projects	6	3	6	3	3	2	1	4	3	2	-	33
<b>\$'s of Road/Bridge Projects* inside the District:</b>												
State	\$ 4,850,283	\$ 7,370,284	\$ 11,217,048	\$ 2,302,942	\$ 2,522,874	\$ 946,654	\$ 506,074	\$ 10,262,468	\$ 1,629,171	\$ 743,551	\$ -	\$ 42,351,349
County	-	-	565,376	324,195	209,011	279,104	-	383,549	184,804	399,224	-	2,345,263
Total \$'s of Projects	\$ 4,850,283	\$ 7,370,284	\$ 11,782,424	\$ 2,627,137	\$ 2,731,885	\$ 1,225,758	\$ 506,074	\$ 10,646,017	\$ 1,813,975	\$ 1,142,775	\$ -	\$ 44,696,612

\*Amounts based on Oklahoma Department of Transportation contracts awarded from July 1, 2011 to June 30, 2012

Source: Circuit Engineering District #7, ODOT

See accompanying notes to the basic financial statements

# OTHER REPORTS

# Derrel S. White, CPA

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
Civil Engineering District #7, Oklahoma

We have audited the financial statements of the governmental activities and the major fund of Civil Engineering District #7 (The District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 20, 2012. 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 a 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, 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 *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Derrel S. White, CPA". The signature is fluid and cursive, with the initials "D.S.W." and "CPA" clearly visible.

Derrel S. White, CPA

Woodward, OK

September 20, 2012