

**Circuit Engineering
District No. 4
Shawnee, Oklahoma**

Financial Statements and Reports of Independent Auditors
For The Years Ended
June 30, 2011 and 2010

Audited by

**SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP**

Broken Arrow, Oklahoma

**Circuit Engineering District No. 4
Shawnee, Oklahoma**

Board of Directors
June 30, 2011

Board of Directors

President	Gary Starns
Vice-President	Johnny D. Ward
Secretary	Buck Day
Treasurer	Gary Gray
Member	Bruce Smith
Member	Ricky Taylor
Member	Fred Combs
Member	Mike Thompson

District Manager

Matt Goodson

Circuit Engineering District No. 4
Shawnee, Oklahoma
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SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

Independent Auditor's Report

The Board of Trustees
Circuit Engineering District No. 4
Shawnee, Oklahoma

We have audited the accompanying balance sheet of Circuit Engineering District No. 4, Shawnee, Oklahoma, for the year ended June 30, 2011, and the related statements of revenues, expenses and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 *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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2011, and the related statements of revenues, expenses, changes in retained earnings and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The District elected to omit the Management Discussion and Analysis which is required by the *Government Auditing Standards Board*, as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 1, 2011, on our consideration of the District's, internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP
December 1, 2011



SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLAINTS AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STANDARDS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors
Circuit Engineering District No. 4
Shawnee, Oklahoma

We have audited the financial statements of the Circuit Engineering District No. 4, Shawnee, Oklahoma, (the District) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 1, 2011. The District has elected to omit the Management Discussion and Analysis, which is required by the Governmental Accounting Standards Board, as described in Note 1. 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 in order to determine 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepting accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

Circuit Engineering District No. 4
December 1, 2011

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be 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 that are required to be reported under *Government Auditing Standards*.

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



Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

December 1, 2011

**Circuit Engineering District No. 4
Schedule of Findings and Responses
For the Year Ended June 30, 2011**

None

**Circuit Engineering District No. 4
Disposition of Prior Year's Findings
For the Year Ended June 30, 2010**

None

Circuit Engineering District No. 4

Balance Sheets

June 30, 2011 and 2010

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Current Assets:		
Cash in bank	\$ 644,641	621,503
Inventory	9,632	9,245
Accounts receivable	193,863	88,922
	<u>848,136</u>	<u>719,670</u>
Fixed Assets		
Property, plant and equipment	153,533	101,384
Less: accumulated depreciation	<u>(77,613)</u>	<u>(59,133)</u>
Total fixed assets (net)	<u>75,920</u>	<u>42,251</u>
Total Assets	<u>\$ 924,056</u>	<u>761,921</u>
 <u>LIABILITIES AND EQUITY</u>		
Current Liabilities	<u>\$ 12,588</u>	<u>25,057</u>
Member Equity		
Retained earnings	<u>911,468</u>	<u>736,864</u>
Total Liabilities and Member Equity	<u>\$ 924,056</u>	<u>761,921</u>

The accompanying notes are an integral part of the financial statements

Circuit Engineering District No. 4
Statement of Revenues, Expenses, and Changes in Retained Earnings
For the Years Ended June 30, 2011 and 2010

	2011	2010
Revenue from Operations:		
Intergovernmental revenue	\$ 593,676	426,063
Service revenue	371,126	217,778
Other income	4,851	3,622
Sign shop sales	53,359	40,645
Total revenues from operations	1,023,012	688,108
Expenses from Operations:		
Bank charges	53	87
Business meeting expenses	4,593	4,821
Salaries	584,895	439,947
Engineering fees	65,798	74,840
Insurance	7,300	7,593
Repairs and maintenance	765	1,153
Travel expense	18,587	7,923
Telephone	731	976
Office supplies	3,448	4,339
Field supplies	31,893	78
Depreciation	18,480	13,077
Miscellaneous	2,177	1,596
Professional fees	19,190	36,500
Sign shop supplies	45,986	28,801
Training and education	4,251	155
Auto expense	11,015	4,367
Postage and delivery	810	616
Printing and reproduction	433	955
Contract labor	27,532	24,000
Licenses and permits	478	736
Total expenses from maintenance and operations	848,415	652,560
Net Income (Loss) from Operations	174,597	35,548
Other Income	7	-
Net Income (Loss)	174,604	35,548
Retained Earnings, Beginning of Year	733,998	599,078
Prior Period Adjustment	2,866	102,238
Retained Earnings, End of Year	\$ 911,468	736,864

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

Circuit Engineering District No. 4
Statement of Cash Flows
For The Years Ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Cash received from customers & service users	\$ 652,045	621,087
Cash payments for goods, services & employees	579,625	585,846
Net cash provided by operating activities	72,420	35,241
Cash flows from investing activities:		
Prior period adjustment	2,866	-
Purchase of capital assets	(52,148)	(5,752)
Total cash flows from investing activities	(49,282)	(5,752)
Net Increase (Decrease) in Cash	23,138	29,489
Cash and cash equivalents, beginning of period	621,503	592,014
Cash and cash equivalents, end of period	\$ 644,641	621,503
Cash flows from Operating Activities:	\$ 174,604	35,548
Income (loss)		
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	18,480	13,077
(Increase) decrease in accounts receivable	(107,732)	(67,021)
(Increase) decrease in inventory	(461)	2,280
(Increase) decrease in accounts payable	(12,469)	51,357
Total cash flows from operating activities	\$ 72,422	35,241

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

**Circuit Engineering District No. 4
Shawnee, Oklahoma**

Notes to the Financial Statements
June 30, 2011

Note A – Significant Accounting Policies

Organization

The District was established in April, 1999, by authority of Title 74, Chapter 31, Interlocal Cooperation Act and Title 69, Section 687.1 Circuit Engineering Districts of Oklahoma Statutes. The District became operational in December 2002. The purposes of the district are to advise and assist its members with how to implement and make an effective transportation plan for the best interest of each member of the Circuit Engineering District. The members of the District are Coal county, Hughes County, Johnston County, Lincoln County, Okfuskee County, Pontotoc County, Pottawatomie County and Seminole County

Basis of Accounting

The accrual basis of accounting is followed for all accounts. Revenues are recorded when earned and accrued liabilities are recognized when incurred. This policy is in accordance with accounting principles generally accepted in the United States and Government Accounting Standards (GASB) principles. However, the principles established by GASB require that a management’s discussion and analysis, which the District has elected to omit.

Cash

The District’s accounts are all adequately covered by FDIC coverage or collateral pledged at June 30, 2011.

Investments

The District had no investments at June 30, 2011.

Accounts Receivable

Billings for accounts receivable at June 30, 2011 and 2010 are \$193,863, and \$88,922, respectively. No allowance for doubtful accounts was computed which is not considered to be material to the financial statements. The aging of these accounts is detailed as follows:

	<u>2011</u>	<u>2010</u>
00-30	\$ 143,352	23,802
31-60	-0-	2,792
61-90	34,384	19,600
>90	<u>16,127</u>	<u>42,728</u>
Total	<u>\$ 193,863</u>	<u>88,922</u>

Circuit Engineering District No. 4
Shawnee, Oklahoma

Notes to the Financial Statements
June 30, 2011

Fixed Assets

Fixed assets are valued at cost, depreciation is computed by use of the straight lien method. Estimated useful life of these assets is as follows:

Office equipment	5 years
Machinery & equipment	7 years
Vehicles	5 years

Federal Income Tax

The District is exempt from federal and state income taxes.

Prior Period Adjustment

The prior period adjustment of \$2,866 reflects a correction to retained earnings reported in the prior year's financial statements. Accounts receivable were understated for a net increase to retained earnings of \$2,866.