

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

Financial Statements and Reports of Independent Auditors  
For The Years Ended  
June 30, 2012 and 2011

Audited by

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

Broken Arrow, Oklahoma

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

Board of Directors  
June 30, 2012

Board of Directors

President	Johnny D. Ward
Vice-President	Gary Starns
Secretary	Melissa Dennis
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, 2012, 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, 2012, 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 November 1, 2012, 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  
November 1, 2012



**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, 2012, and have issued our report thereon dated November 1, 2012. 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  
November 1, 2012

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

November 1, 2012

**Circuit Engineering District No. 4  
Schedule of Findings and Responses  
For the Year Ended June 30, 2012**

None

**Circuit Engineering District No. 4  
Disposition of Prior Year's Findings  
For the Year Ended June 30, 2011**

None



**Circuit Engineering District No. 4**

**Balance Sheets**

June 30, 2012 and 2011

	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
<b><u>ASSETS</u></b>		
Current Assets:		
Cash in bank	\$ 492,261	644,641
Inventory	14,457	9,632
Accounts receivable	228,198	193,863
Prepaid expenses	8,017	-
Total current assets	<u>742,933</u>	<u>848,136</u>
Fixed Assets		
Property, plant and equipment	444,930	153,533
Less: accumulated depreciation	<u>(114,357)</u>	<u>(77,613)</u>
Total fixed assets (net)	<u>330,573</u>	<u>75,920</u>
Total Assets	<u>\$ 1,073,506</u>	<u>924,056</u>
 <b><u>LIABILITIES AND EQUITY</u></b>		
Current Liabilities		
Accounts payable	\$ 13,324	12,588
Payroll	<u>9,064</u>	<u>-</u>
Total current liabilities	<u>22,388</u>	<u>12,588</u>
Member Equity		
Retained earnings	<u>1,051,118</u>	<u>911,468</u>
Total Liabilities and Member Equity	<u>\$ 1,073,506</u>	<u>924,056</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, 2012 and 2011

	2012	2011
<b>Revenue from Operations:</b>		
Intergovernmental revenue	\$ 515,717	593,676
Service revenue	657,951	371,126
Other income	32,537	4,851
Sign shop sales	92,494	53,359
Total revenues from operations	1,298,699	1,023,012
<b>Expenses from Operations:</b>		
Dues and subscriptions	650	-
Interest	45	-
Service expense	28,740	-
Bank charges	207	53
Business meeting expenses	4,673	4,593
Salaries, payroll taxes and retirement	633,572	584,895
Engineering fees	-	65,798
Insurance	11,991	7,300
Rent and lease of equipment and other	184,086	-
Repairs and maintenance	2,772	765
Travel expense	26,009	18,587
Telephone	53	731
Office supplies	8,934	3,448
Field and A-team supplies	46,191	31,893
Sign shop supplies	86,734	45,986
Depreciation	36,744	18,480
Miscellaneous	243	2,177
Professional fees	15,912	19,190
Training and education	6,320	4,251
Auto expense	24,292	11,015
Postage and delivery	940	810
Printing and reproduction	356	433
Contract labor	9,485	27,532
Licenses and permits	10,737	478
Total expenses from maintenance and operations	1,139,686	848,415
<b>Net Income (Loss) from Operations</b>	159,013	174,597
<b>Other Income</b>	-	7
<b>Net Income (Loss)</b>	159,013	174,604
<b>Retained Earnings, Beginning of Year</b>	911,468	733,998
<b>Prior Period Adjustment</b>	(19,363)	2,866
<b>Retained Earnings, End of Year</b>	\$ 1,051,118	911,468

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, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Cash received from customers & service users	\$ 657,951	652,045
Cash payments for goods, services & employees	498,938	579,625
Net cash provided by operating activities	159,013	72,420
Cash flows train investing activities:		
Prior period adjustment	(19,996)	2,866
Purchase of capital assets	(291,397)	(52,148)
Total cash flows from investing activities	(311,393)	(49,282)
Net Increase (Decrease) in Cash	(152,380)	23,138
Cash and cash equivalents, beginning of period	644,641	621,503
Cash and cash equivalents, end of period	\$ 492,261	\$ 644,641
Cash flows from Operating Activities:		
Income (loss)	\$ 159,013	\$ 174,604
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	36,744	18,480
(Increase) decrease in accounts receivable	(34,335)	(107,732)
(Increase) decrease in prepaid expense	(8,017)	
(Increase) decrease in inventory	(4,825)	(461)
Increase (decrease) in accounts payable	9,800	(12,469)
Total cash flows from operating activities	\$ 158,380	72,422

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, 2012

**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, 2012.

*Investments*

The District had no investments at June 30, 2012.

*Accounts Receivable*

Billings for accounts receivable at June 30, 2012, and 2011, are \$228,198, and \$193,863, 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>2012</u>	<u>2011</u>
00-30	\$ 168,741	143,352
31-60	17,479	-0-
61-90	32,982	34,384
>90	<u>8,996</u>	<u>16,127</u>
Total	<u>\$ 228,198</u>	<u>193,863</u>

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

Notes to the Financial Statements  
June 30, 2012

**Fixed Assets**

Fixed assets are valued at cost, depreciation is computed by use of the straight line 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.

Note 1

The Management Discussion and Analysis required by the Government Auditing Standards Board was omitted.