

Circuit Engineering
District No. 4
Shawnee, Oklahoma

Financial Statements and Reports of Independent Auditors
For The Years Ended
June 30, 2015 and 2014

Audited by

SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP

Broken Arrow, Oklahoma

Circuit Engineering District No. 4
Shawnee, Oklahoma
Board of Directors
June 30, 2015

Board of Directors

President	Johnny D. Ward -Coal County
Vice-President	Gary Starns -Pontotoc County
Secretary	Melissa Dennis -Pottawatomie County
Treasurer	Gary Gray -Hughes County
Member	Bruce Smith -Okfuskee County
Member	Ricky Taylor -Lincoln County
Member	Tommy Monks -Seminole County
Member	Mike Thompson -Johnston County

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 years ended June 30, 2015 and 2014, 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, 2015 and 2014, and the related statements of revenues, expenses, changes in retained earnings and cash flows for the years 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 18, 2015, 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 18, 2015



SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLAINE 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 years ended June 30, 2015, and 2014, and have issued our report thereon dated November 18, 2015. 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 18, 2015


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 18, 2015

**Circuit Engineering District No. 4
Schedule of Findings and Responses
For the Year Ended June 30, 2015**

None

**Circuit Engineering District No. 4
Disposition of Prior Year's Findings
For the Year Ended June 30, 2015**

None

Circuit Engineering District No. 4

Balance Sheets

June 30, 2015 and 2014

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Current Assets:		
Cash in bank	\$ 502,334	487,516
Inventory	15,854	13,594
Accounts receivable	93,249	63,231
Prepaid expenses	-	101,894
Total current assets	<u>611,437</u>	<u>666,235</u>
Fixed Assets		
Property, plant and equipment	651,593	550,071
Less: accumulated depreciation	<u>(300,666)</u>	<u>(240,706)</u>
Total fixed assets (net)	<u>350,927</u>	<u>309,365</u>
Total Assets	<u>\$ 962,364</u>	<u>975,600</u>
 <u>LIABILITIES AND EQUITY</u>		
Current Liabilities		
Accounts payable	\$ 74,581	175,607
Payroll	<u>495</u>	<u>7,462</u>
Total current liabilities	<u>75,076</u>	<u>183,069</u>
Member Equity		
Retained earnings	<u>887,288</u>	<u>792,531</u>
Total Liabilities and Member Equity	<u>\$ 962,364</u>	<u>975,600</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, 2015 and 2014

	2015	2014
Revenue from Operations:		
Intergovernmental revenue	\$ 370,321	436,753
Service revenue	1,338,966	1,223,802
Bridge inspections	189,327	238,406
Other income	11,470	95,499
Graphics and sign income	97,801	84,736
Total revenues from operations	2,007,885	2,079,196
Expenses from Operations:		
Dues and subscriptions	2,435	342
Service expense	330,612	353,969
Bank charges	95	102
Business meeting expenses	3,950	6,923
Salaries, payroll taxes and retirement	759,381	737,477
Insurance	9,248	9,831
Rent and lease of equipment and other	42,840	119,270
Repairs and maintenance	7,762	32,300
Travel expense	9,456	10,479
Telecommunications	3,332	3,420
Office supplies	9,023	9,188
A-team, field & construction supplies	5,621	57,977
Sign shop supplies	73,120	76,341
Depreciation	59,960	62,632
Miscellaneous	363	98
Professional fees	21,853	18,685
Training and education	3,790	-
Auto expense	24,914	29,737
Postage and delivery	844	775
Printing and reproduction	886	1,191
Contract labor	533,589	532,389
Licenses and permits	1,722	1,972
Utilities	9,166	10,399
Total expenses from maintenance and operations	1,913,962	2,075,497
Net Income (Loss) from Operations	93,923	3,699
Other Income	834	-
Net Income (Loss)	94,757	3,699
Retained Earnings, Beginning of Year	792,531	788,832
Retained Earnings, End of Year	\$ 887,288	792,531

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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash received from customers & service users	\$ 1,898,614	1,462,208
Cash payments for goods, services & employees	<u>(1,782,274)</u>	<u>(1,318,164)</u>
Net cash provided by operating activities	<u>116,340</u>	<u>144,044</u>
Cash flows train investing activities:		
Purchase of capital assets	<u>(101,522)</u>	<u>(14,076)</u>
Total cash flows from investing activities	<u>(101,522)</u>	<u>(14,076)</u>
Net Increase (Decrease) in Cash	14,818	129,968
Cash and cash equivalents, beginning of period	<u>487,516</u>	<u>357,548</u>
Cash and cash equivalents, end of period	<u><u>\$ 502,334</u></u>	<u><u>487,516</u></u>
Cash flows from Operating Activities:		
Income (loss)	\$ 94,757	3,699
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	59,960	62,632
(Increase) decrease in accounts receivable	(30,018)	94,972
(Increase) decrease in prepaid expense	101,894	(93,313)
(Increase) decrease in inventory	(2,260)	10,258
Increase (decrease) in accounts payable	<u>(107,993)</u>	<u>65,796</u>
Total cash flows from operating activities	<u><u>\$ 116,340</u></u>	<u><u>144,044</u></u>

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, 2015

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 and additional collateral pledged at June 30, 2015.

Investments

The District had no investments at June 30, 2015.

Accounts Receivable

Billings for accounts receivable at June 30, 2015, and 2014, are \$93,249, and \$63,231, 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>2015</u>	<u>2014</u>
00-30	\$ 87,848	50,397
31-60	5,367	12,834
61-90	34	-
>90	<u>-</u>	<u>-</u>
Total	<u>\$ 93,249</u>	<u>63,231</u>

Circuit Engineering District No. 4
Shawnee, Oklahoma
Notes to the Financial Statements
June 30, 2015

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.

Management Discussion and Analysis

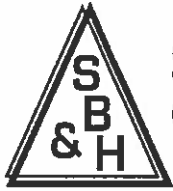
The Management Discussion and Analysis required by the Government Auditing Standards Board was omitted.

Subsequent Events

Management has evaluated subsequent events through November 18, 2015, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

Circuit Engineering District No. 4
Statement of Revenues and Expenses - Budget to Actual
For the Year Ended June 30, 2015

	Budget	Actual	Vaiance Favorable (Unfavorable)
Revenue from Operations:			
Intergovernmental revenue	\$ 400,000	370,321	(29,679)
Service revenue	1,356,000	1,338,966	(17,034)
Bridge inspections	211,327	189,327	(22,000)
Other income	10,000	11,470	1,470
Graphics and sign income	145,000	97,801	(47,199)
Total revenues from operations	<u>2,122,327</u>	<u>2,007,885</u>	<u>(114,442)</u>
Expenses from Operations:			
Dues and subscriptions	1,000	2,435	(1,435)
Service expense	315,000	330,612	(15,612)
Business meeting expenses	6,000	3,950	2,050
Salaries, payroll taxes and retirement	836,731	759,381	77,350
Insurance	8,970	9,248	(278)
Rent and lease of equipment and other	54,500	42,840	11,660
Repairs and maintenance	6,500	7,762	(1,262)
Travel expense	20,000	9,456	10,544
Telecommunications	4,200	3,332	868
Office supplies	15,000	9,023	5,977
A-team, field & construction supplies	21,500	5,621	15,879
Sign shop supplies	79,500	73,120	6,380
Capital expenditures	125,000	101,522	23,478
Miscellaneous	10,000	3,014	6,986
Professional fees	20,550	21,853	(1,303)
Training and education	5,000	3,790	1,210
Auto expense	45,000	24,914	20,086
Postage and delivery	1,000	844	156
Printing and reproduction	2,000	886	1,114
Contract labor	550,000	533,589	16,411
Utilities	9,100	9,166	(66)
Total expenses from maintenance and operations	<u>2,136,551</u>	<u>1,956,358</u>	<u>180,193</u>
Net Income (Loss) from Operations	(14,224)	51,527	65,751
Other Income (actual capital expenses - depreciation)	<u>-</u>	<u>41,562</u>	<u>41,562</u>
Net Income (Loss)	(14,224)	93,089	107,313
Carryover and Cash Equivalents	<u>554,709</u>	<u>792,531</u>	<u>237,822</u>
Expected Year-End Carryover	<u>\$ 540,485</u>	<u>885,620</u>	<u>345,135</u>



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November 18, 2015

Mr. Matt Goodson, Manager
Circuit Engineering District No. 4
40002 Benson Park Road
Shawnee, Oklahoma 74801

Dear Mr. Goodson:

The following section contains the observations relayed to management that are control deficiencies, which we feel need to be communicated to you so appropriate action may be taken to correct these deficiencies. These items are not included in your audit report, as they are not considered material or immaterial in nature. They are simply observations of some minor findings that could evolve into immaterial or material findings if not addressed or corrected.

Travel expenses

We noted during our audit that a few travel reimbursements did not have itemized receipts. We recommend that all amounts reimbursed for travel have proper supporting documentation, which would include the purpose of the trip, the names of all employees attending the event/meal, and a detailed receipt indicating all items that are claimed for reimbursement. This would include a purpose for every trip where mileage is claimed and paid by the District.

Debit Card

We observed that a District debit card is used to make several purchases each month. The supporting documentation for these charges appears to be adequate, with an itemized receipt included for each charge made. However, we could not locate any policy or procedure for the proper use of this charge card. In fact, the last time the 'Accounting and Finance Policies and Procedures' was approved was July 25, 2007. We recommend that this document be reviewed and updated to include charge card procedures, governing the use of and maintaining security over the card.

We take this opportunity to thank you and your professional staff for the outstanding cooperation and invaluable assistance you gave us during our recent onsite audit work.

Sincerely,

A handwritten signature in black ink, appearing to read 'Eric M. Bledsoe', with a stylized, cursive script.

Eric M. Bledsoe

For

Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP