

Circuit Engineering
District No. 4
Shawnee, Oklahoma

Financial Statements and Reports of Independent Auditors
For The Years Ended
June 30, 2013 and 2012

Audited by

SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP

Broken Arrow, Oklahoma

Circuit Engineering District No. 4
Shawnee, Oklahoma
Board of Directors
June 30, 2013

Board of Directors

President	Johnny D. Ward
Vice-President	Gary Starns
Secretary	Melissa Dennis
Treasurer	Gary Gray
Member	Bruce Smith
Member	Ricky Taylor
Member	Cliff Taylor
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, 2013, 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, 2013, 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
December 3, 2013



SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE 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, 2013, and have issued our report thereon dated December 3, 2013. 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 3, 2013


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 3, 2013

**Circuit Engineering District No. 4
Schedule of Findings and Responses
For the Year Ended June 30, 2013**

None

**Circuit Engineering District No. 4
Disposition of Prior Year's Findings
For the Year Ended June 30, 2012**

None

Circuit Engineering District No. 4
Balance Sheets
June 30, 2013 and 2012

	June 30,	
<u>ASSETS</u>	2013	2012
Current Assets:		
Cash in bank	\$ 357,548	492,261
Inventory	23,852	14,457
Accounts receivable	158,203	228,198
Prepaid expenses	8,581	8,017
Total current assets	548,184	742,933
 Fixed Assets		
Property, plant and equipment	535,995	444,930
Less: accumulated depreciation	(178,074)	(114,357)
Total fixed assets (net)	357,921	330,573
 Total Assets	\$ 906,105	1,073,506
<u>LIABILITIES AND EQUITY</u>		
Current Liabilities		
Accounts payable	\$ 85,455	13,324
Payroll	31,818	9,064
Total current liabilities	117,273	22,388
 Member Equity		
Retained earnings	788,832	1,051,118
 Total Liabilities and Member Equity	\$ 906,105	1,073,506

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, 2013 and 2012

	2013	2012
Revenue from Operations:		
Intergovernmental revenue	\$ 403,171	515,717
Service revenue	849,186	657,951
Other income	17,418	32,537
Graphics and sign income	115,793	92,494
Total revenues from operations	1,385,568	1,298,699
Expenses from Operations:		
Dues and subscriptions	699	650
Interest	-	45
Service expense	119,257	28,740
Bank charges	286	207
Business meeting expenses	7,932	4,673
Salaries, payroll taxes and retirement	771,733	633,572
Insurance	8,154	11,991
Rent and lease of equipment and other	100,616	184,086
Repairs and maintenance	11,832	2,772
Travel expense	13,070	26,009
Telecommunications	53	53
Office supplies	5,963	8,934
A-team, field & construction supplies	145,084	46,191
Sign shop supplies	78,960	86,734
Depreciation	63,717	36,744
Miscellaneous	116	243
Professional fees	21,633	15,912
Training and education	1,562	6,320
Auto expense	37,474	24,292
Postage and delivery	523	940
Printing and reproduction	434	356
Contract labor	255,935	9,485
Licenses and permits	1,575	10,737
Utilities	1,246	-
Total expenses from maintenance and operations	1,647,854	1,139,686
Net Income (Loss) from Operations	(262,286)	159,013
Other Income	-	-
Net Income (Loss)	(262,286)	159,013
Retained Earnings, Beginning of Year	1,051,118	911,468
Prior Period Adjustment	-	(19,363)
Retained Earnings, End of Year	\$ 788,832	1,051,118

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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from customers & service users	\$ 849,186	657,951
Cash payments for goods, services & employees	<u>(892,834)</u>	<u>498,938</u>
Net cash provided by operating activities	<u>(43,648)</u>	<u>159,013</u>
Cash flows train investing activities:		
Prior period adjustment	-	(19,996)
Purchase of capital assets	<u>(91,065)</u>	<u>(291,397)</u>
Total cash flows from investing activities	<u>(91,065)</u>	<u>(311,393)</u>
Net Increase (Decrease) in Cash	(134,713)	(152,380)
Cash and cash equivalents, beginning of period	<u>492,261</u>	<u>644,641</u>
Cash and cash equivalents, end of period	<u>\$ 357,548</u>	<u>492,261</u>
Cash flows from Operating Activities:		
Income (loss)	\$ (262,286)	159,013
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	63,717	36,744
(Increase) decrease in accounts receivable	69,995	(34,335)
(Increase) decrease in prepaid expense	(564)	(8,017)
(Increase) decrease in inventory	(9,395)	(4,825)
Increase (decrease) in accounts payable	<u>94,885</u>	<u>9,800</u>
Total cash flows from operating activities	<u>\$ (43,648)</u>	<u>158,380</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, 2013

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, 2013.

Investments

The District had no investments at June 30, 2013.

Accounts Receivable

Billings for accounts receivable at June 30, 2013, and 2012, are \$158,203, and \$228,198, 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>2013</u>	<u>2012</u>
00-30	\$ 112,780	168,741
31-60	11,387	17,479
61-90	29,223	32,982
>90	<u>4,813</u>	<u>8,996</u>
Total	<u>\$ 158,203</u>	<u>228,198</u>

Circuit Engineering District No. 4
Shawnee, Oklahoma
Notes to the Financial Statements
June 30, 2013

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.