

Independent Auditor's Report

Circuit Engineering District No. 6

Duncan, Oklahoma

Year Ending June 30, 2011

FILED

OCT 06 2011

State Auditor & Inspector

CIRCUIT ENGINEERING DISTRICT NO. 6 OF OKLAHOMA
Duncan, Oklahoma
June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Circuit Engineering District No. 6 of Oklahoma
Duncan, Oklahoma

We have audited the accompanying financial statements of the governmental activities and major fund of the **Circuit Engineering District No. 6 of Oklahoma**, as of and for the year ended June 30, 2011, 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 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 the standards applicable to the 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.

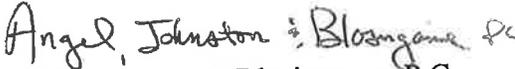
As discussed in Note 1, the District prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the governmental activities and major fund of Circuit Engineering District No. 6 of Oklahoma as of June 30, 2011, and the respective changes in financial position-modified cash basis, thereof for the year then ended in conformity with the modified cash basis of accounting described in Note 1.

Circuit Engineering District No. 6 of Oklahoma
October 4, 2011

In accordance with *Government Auditing Standards*, we have also issued a report dated October 4, 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 considered in assessing the results of our audit.

The Circuit Engineering District No. 6 of Oklahoma has not presented the Management's Discussion and Analysis and budgetary information which the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be a part of the basic financial statements.


Angel, Johnston & Blasingame, P.C.
Certified Public Accountants

Chickasha, Oklahoma
October 4, 2011

CIRCUIT ENGINEERING DISTRICT NO. 6 OF OKLAHOMA
Duncan, Oklahoma
Statement of Net Assets - Modified Cash Basis
June 30, 2011

	Governmental Activities
<u>Assets</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 557,327
<i>Total Current Assets</i>	557,327
Noncurrent Assets:	
Other capital assets, net	7,505
<i>Total Noncurrent Assets</i>	7,505
<i>Total Assets</i>	564,832
<u>Liabilities</u>	
Employee Withholdings	1,807
<i>Total Liabilities</i>	1,807
<u>Net Assets</u>	
Invested in Capital Assets, net of related debt	7,505
Unrestricted	555,520
<i>Total Net Assets</i>	\$ 563,025

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

CIRCUIT ENGINEERING DISTRICT NO. 6 OF OKLAHOMA
Duncan, Oklahoma
Statement of Activities - Modified Cash Basis
For the Year Ending June 30, 2011

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expenses) Revenue and Changes in Net Assets</u>
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>		
Primary Government:					
Governmental Activities:					
General Government	\$ 104,439	\$ -	\$ 560,640	\$ -	\$ 456,201
	104,439	-	560,640	-	456,201
<i>Total Governmental Activities</i>					
	104,439	-	560,640	-	456,201
<i>Total Primary Government</i>	104,439	-	560,640	-	456,201
					251
					251
					456,452
					106,573
					-
					\$ 563,025

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

CIRCUIT ENGINEERING DISTRICT NO. 6 OF OKLAHOMA
Duncan, Oklahoma
Balance Sheet - Modified Cash Basis
Governmental Funds
June 30, 2011

	General
Assets	
Cash and Cash Equivalents	\$ 557,327
<i>Total Assets</i>	557,327
Liabilities	
Employee Withholdings	1,807
<i>Total Liabilities</i>	1,807
Fund Balances	
Unreserved	555,520
<i>Total Fund Equity</i>	555,520
<i>Total Liabilities and Fund Equity</i>	\$ 557,327

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

CIRCUIT ENGINEERING DISTRICT NO. 6 OF OKLAHOMA
Duncan, Oklahoma
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 1 – Summary of Significant Accounting Policies, (continued)

B. Basis of Presentation, (continued)

The various funds are grouped, in the financial statements in this report, into one fund type and one generic fund category as follows:

Governmental Fund Types

1. **General Fund** – This is the only fund of the District. It accounts for all the operations of the public transportation development.

C. Measurement Focus and Basis of Accounting

Measurement Focus

Measurement focus refers to how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

In the fund financial statement, the “current financial resources: measurement focus of the “economic resources” measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

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

Basis of Accounting

The government-wide financial statements and the fund financial statements, are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements, proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

CIRCUIT ENGINEERING DISTRICT NO. 6 OF OKLAHOMA

Duncan, Oklahoma

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1 – Summary of Significant Accounting Policies, (continued)

C. Measurement Focus and Basis of Accounting, (continued)

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities except as noted above) *are not recorded* in these financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Assets, Liabilities and Equity

Cash & Cash Equivalents

The District considers all cash on hand, demand deposits, interest bearing checking accounts, time deposit accounts and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Capital Assets

Fixed assets acquired by governmental funds are reported as capital assets within the General Fund. Capital assets are stated at cost. Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds. Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	10 to 40 years
Improvements	10 to 40 years
Vehicles and Equipment	5 to 15 years
Office Equipment	5 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation expense recorded for the fiscal year ended June 30, 2011 equaled \$4,739.80.

CIRCUIT ENGINEERING DISTRICT NO. 6 OF OKLAHOMA
Duncan, Oklahoma
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 1 – Summary of Significant Accounting Policies, (continued)

D. Assets, Liabilities and Equity, (continued)

Equity Classifications

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

Invested in Capital Assets, net of any related debt
Unrestricted Net Assets

E. Revenues, Expenditures and Expenses

In the Statement of Activities, modified cash basis revenues that are derived directly from each activity or from parties outside the District are reported as program revenues. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the District, with certain limited exceptions.

The expenses of the governmental fund are those that result from charges for services and the expenses of management of the District. These can include expenses that are related to capital and noncapital related financing, or investing activities and County Auction Allocations.

Note 2 – Detailed Notes on Transactions, Classes/Accounts

A. Investments, Deposits and Collateral

Deposits

Deposits and Investments - Collateral is required for all uninsured deposits of funds in financial institutions. Currently the district does not have any investments.

Custodial Credit Risk - Deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a written deposit policy for custodial credit risk, but *Oklahoma Statutes* requires collateral for all uninsured deposits of public trust funds in financial institutions. As of June 30, 2011, the District's bank balances of \$561,618 were not exposed to custodial credit risk.

CIRCUIT ENGINEERING DISTRICT NO. 6 OF OKLAHOMA

Duncan, Oklahoma

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 2 – Other Notes

A. Income Taxes

The District as a governmental entity is exempt for income taxes under Section 501(C)(12) of the Internal Revenue Code.

B. Payroll

Compensation

The District has one employee. All payroll preparation and calculations are prepared by the District's accountant.

Employee Pension Plans

Oklahoma Public Employees Retirement – The District participates in the Oklahoma Public Employees Retirement System's (OPERS) deferred compensation-defined benefit plan. The District has no responsibility or authority for the operation and administration of the pension program. Information regarding the Oklahoma Public Employees Retirement System can be obtained online at www.opers.ok.gov or by calling 405-858-6737.

The contribution rate for the District is established by Statute. The District is required to contribute 11.5% - 16.5% and the employee is required to contribute 3.5% - 8.5%. The total employer and employee contribution must equal 20% for the year ended June 30, 2011. The District is responsible for determining how much the employer and employee pays within the given range.

The District's employee also participates in the 2.5% Step-Up program. This program allows members to take advantage of a 2.5% computation factor instead of the traditional 2% factor.

As of June 30, 2011, the District contributed 16.4% and the employee contributed 6.4%, which included the step up percentage.

C. Compensated Absences

As a result of the District's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (accumulated but unused vacation leave and compensatory time earned but unpaid at year-end, and any employer-related costs earned and unpaid) are not reflected in the financial statements. However, because of the limited number of people employed by the organization, any liability for compensated absences at June 30, 2011 would not be material to the financial statements taken as a whole.

CIRCUIT ENGINEERING DISTRICT NO. 6 OF OKLAHOMA

Duncan, Oklahoma

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 2 – Other Notes, (continued)

D. Estimates

In preparing the District's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statement, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Capital Assets

Capital assets purchased or acquired are recorded at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Vehicles 5 years

The following is a summary of the capital assets of the Governmental Activities at June 30, 2011:

<u>Governmental-type Activities</u>	Beginning Balance	Additions	Deductions	Ending Balance
Depreciable Assets:				
Vehicles	23,699	0	0	23,699
Total Depreciable Assets	23,699	0	0	23,699
Less: Accumulated Depreciation				
Vehicles	(11,455)	(4,740)	0	(16,195)
Total Accumulated Depreciation	(11,455)	(4,740)	0	(16,195)
Net Depreciable Assets	12,244	(4,740)	0	7,504

CERTIFIED PUBLIC ACCOUNTANTS

**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**

Board of Directors
Circuit Engineering District No. 6 of Oklahoma
Duncan, Oklahoma

We have audited the accompanying modified cash basis financial statements of the governmental activities and major fund of **Circuit Engineering District No. 6 of Oklahoma** as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 4, 2011. The report was a special report on the District's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Management Discussion and Analysis is not presented as required by the Governmental Accounting Standards Board. 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 Circuit Engineering District No. 6 of Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, and 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. 11-01 and 11-02. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Circuit Engineering District No. 6 of Oklahoma'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*.

Circuit Engineering District No. 6 of Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board, management, 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.


Angel, Johnston & Blasingame, P.C.
Certified Public Accountants

Chickasha, Oklahoma
October 4, 2011

CIRCUIT ENGINEERING DISTRICT NO. 6
Duncan, Oklahoma
Disposition of Prior Year Audit Exceptions
June 30, 2011

* The District had no findings for the year ended June 30, 2010

