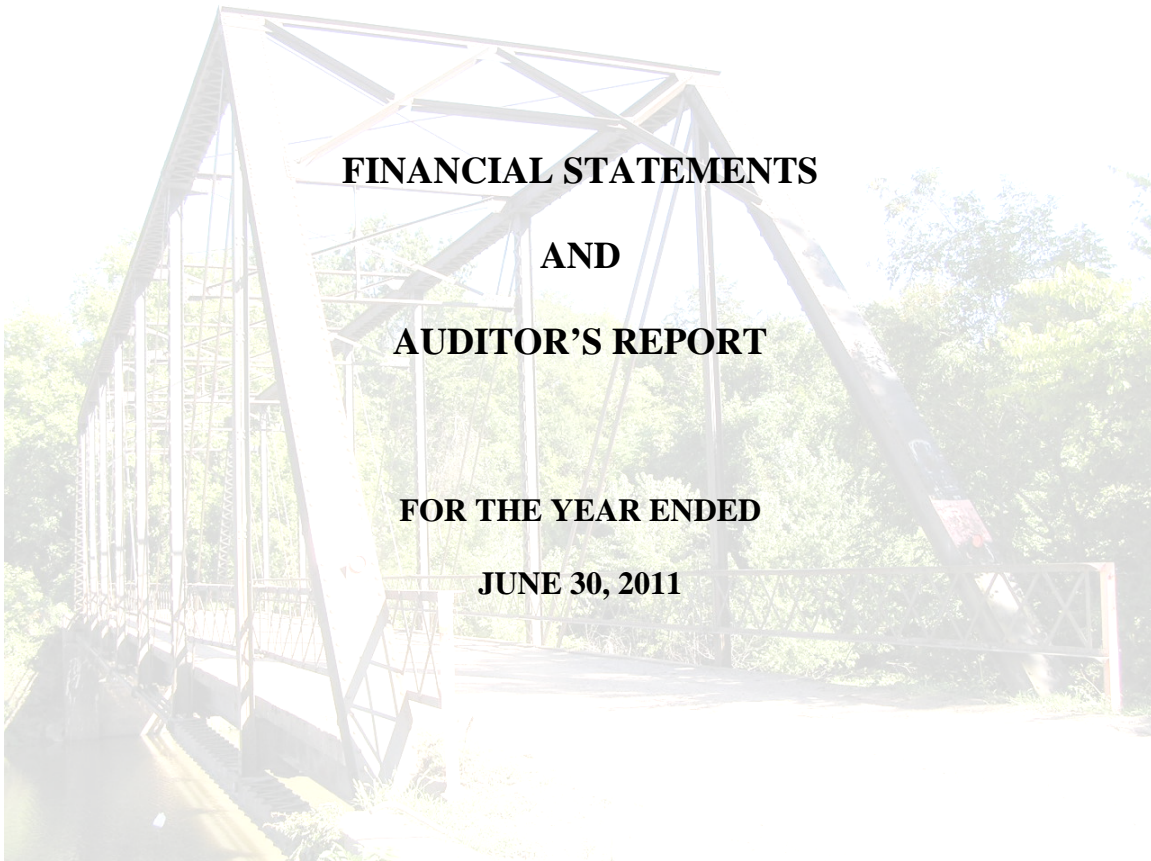


Eastern Oklahoma Circuit Engineering District #2



FINANCIAL STATEMENTS

AND

AUDITOR'S REPORT

FOR THE YEAR ENDED

JUNE 30, 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Eastern Oklahoma Circuit Engineering
District #2
Muskogee, Oklahoma

We have audited the accompanying financial statements of Eastern Oklahoma Circuit Engineering District #2, of the county of Wagoner, Oklahoma, as of and for the year ended June 30, 2011. These financial statements are the responsibility of Eastern Oklahoma Circuit Engineering District #2'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 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eastern Oklahoma Circuit Engineering District #2 as of June 30, 2011, and the changes in its net assets and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2011 on our consideration of the Eastern Oklahoma Circuit Engineering District #2'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.

Eastern Oklahoma Circuit Engineering District #2 has not presented the management's discussion and analysis information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements of Eastern Oklahoma Circuit Engineering district #2 basic financial statements. The budgetary comparison is presented for purposes of additional analysis and is not a required part of the basic financial statements. The budgetary comparison has not been subjected to the auditing procedures applied in the audit of the basic financial statements. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Clothier & Company CPA's". The signature is written in black ink and is positioned above the printed name of the firm.

Clothier & Company, CPA's, P.C.
November 3, 2011

Eastern Oklahoma Circuit Engineering 2
Statement of Net Assets
As of June 30, 2011

ASSETS

CURRENT ASSETS

Cash and Cash Equivalants	\$ 369,404
Prepaid Insurance	2,860
Accounts Receivable	25,650
Sign Shop Inventory	<u>18,595</u>

Total Current Assets 416,509

PROPERTY AND EQUIPMENT

Property & Equipment	88,654
Furniture & Fixtures	4,243
Building	200,280
Vehicles	66,544
Land	100,988
Less: Accumulated Depreciation	<u>(51,323)</u>

Net Property and Equipment 409,386

OTHER ASSETS

Deposits	<u>350</u>
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Total Other Assets 350

TOTAL ASSETS \$ 826,245

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 25,088
Payroll Liabilities	7,497
Retirement Payable	<u>4,788</u>

Total Current Liabilities 37,373

Total Liabilities 37,373

NET ASSETS

Invested in Fixed Assets	409,386
Unrestricted Net Assets	<u>379,486</u>

Total Net Assets 788,872

TOTAL LIABILITIES AND NET ASSETS \$ 826,245

Eastern Oklahoma Circuit Engineering 2
Statement of Revenues, Expenditures and Change in Net Assets
June 30, 2011

Revenues	
Oklahoma Coop CED	\$ 464,339
Bridge Inspection Income	1,172
Consulting Engineering Income	14,953
Sign Shop Income	8,896
Other Income	147,930
Less Returns & Allowances	<u>0</u>
Total Revenues	<u>637,290</u>
 Expenditures	
Wages	207,996
Retirement Expense	30,429
Accounting/Auditing Fees	6,400
Interest Expense	10
Auto/Truck Expenses	13,241
Depreciation Expense	26,204
Insurance	2,651
Employee Medical Insurance	21,226
Worker's Comp. Insurance	688
Bridge Inspection Expense	486
Payroll Taxes	16,734
Engineering Services Expense	20,239
Office Supplies	6,713
Dues/Subscriptions/Fees	1,035
Travel/Meals/Training Expense	4,558
Surveying Expense	147,930
Miscellaneous Expenses	170
Sign Shop Materials	7,316
Advertising	1,210
Maintenance & Repairs	617
Safety & Medical Expense	1,206
Telephone/Internet Expense	3,257
Utilities	5,557
Gain/Loss on Sale of Assets	<u>2,274</u>
Total Expenditures	<u>528,147</u>
Change in Net Assets	109,143
Beginning Net Assets	<u>679,729</u>
Ending Net Assets	<u><u>\$ 788,872</u></u>

See accompanying footnotes and auditors' report.

Eastern Oklahoma Circuit Engineering 2
STATEMENT OF CASH FLOWS
As of June 30, 2011

Cash Flows From Operating Activities:

Cash received from funding sources	\$442,189
Cash received from other sources	172,951
Cash paid to employees	(207,996)
Cash paid to suppliers	(268,641)
Net Cash Flows from Operating Activities	138,503

Cash Flows from Capital and Related Financing Activities:

Purchase of capital assets	(57,336)
Net cash Used for Capital and Related Financing Activities	(57,336)

Cash Flows from Investing Activities:

Net Cash Provided by Investing Activities	0
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Net increase in cash and cash equivalents 81,167

Cash and cash equivalents at beginning of year 288,237

Cash and cash equivalents at end of year \$369,404

Interest expense \$ 0

Reconciliation of Operating Income to Net Cash Flows from Operating Activities:

Net income (loss)	\$109,143
Add Depreciation expense	26,204
(Increases)/Decreases in Current Assets:	
Accounts receivable	(22,150)
Inventory	(4,250)
Other assets	(2,860)
Increases/(Decreases) in Current Liabilities:	
Accounts payable	20,132
Accrued expenses	12,284
Net Cash Flows from Operating Activities	\$138,503

See accompanying footnotes and auditors' report.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

1- NATURE OF THE ORGANIZATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Eastern Oklahoma Circuit Engineering District #2 is a voluntary association of county governments of Oklahoma. The objective of this Circuit Engineering District is to allow county governments to make the most efficient use of their powers by enabling them to cooperate with each other and other units of governments on a basis of mutual advantage and thereby to provide services and facilities in a manner and pursuant to forms of governmental organizations that will accord best with geographic, economic, population and other factors influencing the needs of development of county government.

Basis of Accounting

The accompanying financial statements of Eastern Oklahoma Circuit Engineering District #2 have been prepared on an accrual basis of accounting.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Deposits not covered by FDIC insured are to be collateralized.

Restricted and Unrestricted Revenue and Support

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost when purchased or constructed. Donated property or equipment is recorded at fair value at the date of donation.

Eastern Oklahoma Circuit Engineering District #2

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets are capitalized when construction is completed.

Depreciation is recorded on a straight-line basis over the useful lives of the assets. Equipment is depreciated over 5 to 7 years and buildings are depreciated for 40 years. Assets having a value of \$250 or greater are capitalized.

Inventory

The sign shop inventory is recorded at cost when purchased. The inventory was counted June 30, 2011.

2 – CUSTODIAL CREDIT RISK - DEPOSITS

Custodial Credit Risk is the risk that in the event of a bank failure, the Districts deposits may not be returned. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. The District maintains deposits in Armstrong Bank in Muskogee, Oklahoma.

A public unit is insured through its official custodian. If the same individual or individuals are official custodian for more than one public unit, they are treated as one official custodian if action or consent by all of these individuals is required for the exercise of control over the funds of a single public unit. Deposits insured by the Federal Deposit Insurance Corporation up to \$250,000 for each public unit or \$250,000 total as of June 30, 2011. The FDIC's Transaction Account Guarantee Program that Armstrong Bank participates in covers the remaining \$119,404. The District has also obtained pledged securities in the amount of \$300,000. There were no uninsured or unsecured receipts as of June 30, 2011.

3 – PROPERTY, PLANT & EQUIPMENT

	Beginning Balance	Additions/ Deletions	Accumulatd Depreciatio n	Book Balance
Vehicles	43,571	22,972	(22,843)	43,700
Furniture/Fixtures	2,256	1,987	(900)	3,343
Equipment	57,718	30,936	(16,881)	71,773
Building	199,015	1,266	(10,699)	189,582
Land	100,988	0	0	100,988
	<u>403,548</u>	<u>57,161</u>	<u>(51,323)</u>	<u>409,386</u>

Eastern Oklahoma Circuit Engineering District #2

Depreciation expense for the year ending June 30, 2011 was \$26,204.

4 – SOURCE OF INCOME

The District receives revenue from the Statewide Circuit Engineering District Revolving Fund created by the state treasury of the State of Oklahoma from gasoline excise taxes. The fund receives one-third of one percent of the total tax. The state treasurer allocates the fund to the districts to use for county bridge and road improvements. The districts do not have to file any forms to receive the funds.

The District also started a sign shop that makes street and highway type signs in 2010 and has consulting and surveying income. The surveying income is through the Oklahoma Department of Transportation (ODOT). The District contracts out the surveying to Harden & Associates for the same amount as the income from ODOT. At June 30, 2011 the District had a receivable and payable for the same amount.

5 – ACCOUNTS RECEIVABLE

At June 30, 2011 the District's receivables were all current. Since the majority of the receivable is with Oklahoma Department of Transportation there is no allowance for doubtful accounts on the financial statements.



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**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**

To the Board of Directors
Eastern Oklahoma Circuit Engineering
District #2
Muskogee, Oklahoma

We have audited the financial statements of Eastern Oklahoma Circuit Engineering District #2 as of and for the year ended June 30, 2011, and have issued our report thereon dated November 3, 2011. 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

Management of Eastern Oklahoma Circuit engineering District #2 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Eastern Oklahoma Circuit Engineering District #2'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, but not for the purpose of expressing an opinion on the effectiveness of Eastern Oklahoma Circuit Engineering District #2 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Eastern Oklahoma Circuit Engineering District #2'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 entity'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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eastern Oklahoma Circuit Engineering District #2'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 statements 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*.

This report is intended solely for the information and use of management, the Board of Directors, other within the entity, and the Office of the State Auditor and Inspector and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Clothier & Company CPA's".

Clothier & Company, CPA's, P.C.
November 3, 2011

Eastern Oklahoma Circuit Engineering 2
Budgetary Comparison
June 30, 2011

	Original	Final	Actual	Variance
Revenue:				
CED Allowance	\$354,000	\$354,000	\$464,339	(\$110,339)
Surveying Income	0	0	147,930	(147,930)
Other Income	0	0	25,021	(25,021)
Total Revenue	354,000	354,000	637,290	(283,290)
Personnel:				
Employee Cost/Benefits	\$223,200	\$318,672	\$277,073	\$41,599
Total Personnel	223,200	318,672	277,073	41,599
Operating:				
Insurance	24,176	0	2,651	(2,651)
Vehicle expense	13,200	19,200	13,340	5,860
Telephone/Internet	3,900	3,900	3,257	643
Utilities	4,125	4,126	5,377	(1,251)
Office Exp/Postage/Dues	5,760	5,760	7,754	(1,994)
Travel/Meals/Training	10,600	10,600	4,558	6,042
Retirement Expense	26,646	0	0	0
Bridge/Engineering Exp	0	0	20,725	(20,725)
Surveying Exp	0	0	147,930	(147,930)
Other Expenses	0	0	10,703	(10,703)
Accountant/Audit	4,500	4,500	6,400	(1,900)
Cap Outlay-Equip/Fix/Bld	12,000	12,000	32,389	(20,389)
Cap Outlay-Vehicle	25,000	25,000	22,873	2,127
Total Operating	129,907	85,086	277,957	(192,871)
Total Expenses	353,107	403,758	555,030	(151,272)
Revenue Over Expenses	\$893	(\$49,758)	\$82,260	(\$132,018)

See accompanying footnotes and auditors' report.