

**CIRCUIT ENGINEERING DISTRICT #1**  
**FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED JUNE 30, 2011**  
**WITH INDEPENDENT AUDITOR'S REPORT**

CIRCUIT ENGINEERING DISTRICT #1  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2011 and 2010

	June 30,	
	<u>2011</u>	<u>2010</u>
<u>ASSETS:</u>		
Current Assets:		
Cash and cash equivalents (Note 2)	\$ <u>139,148</u>	\$ <u>180,432</u>
Total Current Assets	<u>139,148</u>	<u>180,432</u>
TOTAL ASSETS	<u>\$ 139,148</u>	<u>\$ 180,432</u>
<u>LIABILITIES AND FUND BALANCE:</u>		
Current Liabilities:		
Accounts Payable	\$ <u>-0-</u>	\$ <u>-0-</u>
Total Current Liabilities	<u>-0-</u>	<u>-0-</u>
Total Liabilities	<u>-0-</u>	<u>-0-</u>
Fund Balance:		
Unrestricted Fund Balance	<u>139,148</u>	<u>180,432</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 139,148</u>	<u>\$ 180,432</u>

See accompanying notes and auditor's report.

CIRCUIT ENGINEERING DISTRICT #1  
 COMBINED STATEMENT OF ACTIVITY  
 AND CHANGES IN FUND BALANCE  
 FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	June 30,	
	<u>2011</u>	<u>2010</u>
<b><u>REVENUES:</u></b>		
OCCEDB Income	\$ 603,458	\$ 290,293
Interest Income	<u>261</u>	<u>2,253</u>
<b>TOTAL REVENUES</b>	<u><b>603,719</b></u>	<u><b>292,546</b></u>
<b><u>EXPENSES:</u></b>		
Bank Charges	0	6
Audit Fee	1,800	1,800
Construction Costs	500,000	150,000
Office Expense	63	157
Project Management Services	132,420	160,803
Supplies	1,285	7,458
Travel and Meetings	<u>9,435</u>	<u>6,007</u>
<b>TOTAL EXPENSES</b>	<u><b>645,003</b></u>	<u><b>326,231</b></u>
 Net Income (Loss)	 <u><b>(41,284)</b></u>	 <u><b>(33,685)</b></u>
 FUND BALANCE - BEGINNING OF PERIOD	 <u><b>180,432</b></u>	 <u><b>214,117</b></u>
 FUND BALANCE - END OF PERIOD	 <u><b>\$ 139,148</b></u>	 <u><b>\$ 180,432</b></u>

See accompanying notes and auditor's report.

CIRCUIT ENGINEERING DISTRICT #1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 1: ORGANIZATION:

The Circuit Engineering District #1 (hereinafter referred to as "The District") was organized on August 9, 1999 under the laws of the State of Oklahoma. The authority of The District is to comply with and carry out the provisions of Title 74, Chapter 31, Interlocal Cooperation Act, and Title 69, Section 687.1 Circuit Engineering Districts of Oklahoma Statutes. 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. To prepare such programs of research as may be necessary and advisable in carrying out its purposes. To contract for services with persons, firms or units of governments to carry out the purposes of the Circuit Engineering District. To provide periodic reports for the Circuit Engineering District or for its Members as may be required by Federal or State legislation or regulations pertaining thereto, and are within the scope and range of the purpose of the Circuit Engineering District. To acquire and hold property for its use and to incur expenses to carry out its functions. To receive gifts, contributions and donations to carry out the purposes for which it is formed. To assess its members for the services in carrying out its functions. To apply for, contract for, administer, receive and expend funds or grants from any participating member, the State of Oklahoma, the Federal Government, or any other source. To publish studies in connection with its work which may be of benefit to its members or other agencies within and outside of the Circuit Engineering District.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES:

Cash and Cash Equivalents:

The District considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Basis Of Accounting:

The accompanying financial statements have been prepared on the modified accrual basis of accounting in accordance with generally accepted accounting principles.

Concentration Of Credit:

The District maintains its cash in bank deposit accounts which, at times during the month, may exceed the federally insured limits of \$250,000. The District has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

CIRCUIT ENGINEERING DISTRICT #1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 3: FAIR VALUE OF FINANCIAL INSTRUMENTS:

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents: Fair value approximates carrying value due to the initial maturities of the instruments being three months or less.

The estimated fair values of the District's financial instruments at June 30, 2011 are as follows:

	<u>Amount</u>	<u>Value</u>
Financial assets:		
Cash and cash equivalents	<u>\$ 139,148</u>	<u>\$ 139,148</u>

KEVIN C. DUKE  
*Certified Public Accountant*  
*A Professional Corporation*

Kevin C. Duke \*  
\* Board Certified in Oklahoma and Texas

7134 South Yale, Suite 410  
Tulsa, Oklahoma 74136  
(918) 492-2264 Fax (918) 492-2270

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  
Circuit Engineering District #1  
Skiatook, Oklahoma

We have audited the financial statements of Circuit Engineering District #1 as of and for the year ended June 30, 2011, as listed in the table of contents, and have issued our report thereon dated October 14, 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

In planning and performing our audit, we considered Circuit Engineering District #1'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 the Circuit Engineering District #1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the company'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 company's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the company's financial statements that is more than inconsequential will not be prevented or detected by the company's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the company's internal control.

To the Board of Directors  
Circuit Engineering District #1

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control 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 Circuit Engineering District #1's financial statements are free of material misstatements, we performed tests on its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which we 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 for the information of the District's Board of Directors and management. However, this report is a matter of public record, and its distribution is not limited.

*Kevin C. Duke, CPA, PC*

Tulsa, Oklahoma  
October 14, 2011