

Independent Auditor's Report

Circuit Engineering District #6

Year Ended June 30, 2018

**CIRCUIT ENGINEERING DISTRICT #6
OKLAHOMA CITY, OKLAHOMA
June 30, 2018**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Circuit Engineering District #6
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities and major fund of Circuit Engineering District #6, Oklahoma City, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also

includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

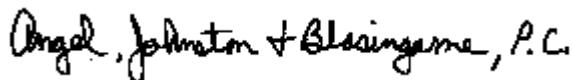
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and major fund of the Circuit Engineering District #6, Oklahoma City, Oklahoma as of June 30, 2018, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated, January 17, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Angel, Johnston & Blasingame, P.C.

Chickasha, Oklahoma

January 17, 2019

CIRCUIT ENGINEERING DISTRICT #6
Statement of Net Position - Modified Cash Basis
June 30, 2018

	Governmental Activities
<u>Assets</u>	
Cash and cash equivalents	\$ 465,104
Capital assets, net of accumulated depreciation	19,780
<i>Total Assets</i>	<u>484,884</u>
<u>Liabilities</u>	<u>-</u>
<i>Total Liabilities</i>	<u>-</u>
<u>Net Position</u>	
Net investment in capital assets	19,780
Unrestricted	465,104
<i>Total Net Position</i>	<u><u>\$ 484,884</u></u>

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

CIRCUIT ENGINEERING DISTRICT #6
Statement of Activities - Modified Cash Basis
For the Year Ending June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government:					
Governmental Activities:					
General government	\$ 157,004	\$ -	\$ 393,804	\$ -	\$ 236,800
					-
<i>Total Governmental Activities</i>	<u>157,004</u>	<u>-</u>	<u>393,804</u>	<u>-</u>	<u>236,800</u>
<i>Total Primary Government</i>	<u>\$ 157,004</u>	<u>\$ -</u>	<u>\$ 393,804</u>	<u>\$ -</u>	<u>236,800</u>
		General Revenues:			
		Investment income			-
		<i>Total General Revenues and Transfers</i>			<u>-</u>
		<i>Change in Net Position</i>			236,800
		<i>Net Position - Beginning</i>			<u>248,084</u>
		<i>Net Position - Ending</i>			<u>\$ 484,884</u>

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

CIRCUIT ENGINEERING DISTRICT #6
Statement of Assets, Liabilities and Fund Balance
Governmental Fund - Modified Cash Basis
June 30, 2018

	<u>General</u>
Assets	
Cash and cash equivalents	\$ 465,104
<i>Total Assets</i>	<u>465,104</u>
 Liabilities	 -
<i>Total Liabilities</i>	 <u>-</u>
 Fund Balance	
Unassigned	465,104
<i>Total Fund Balance</i>	<u>465,104</u>
 <i>Total Liabilities and Fund Balance</i>	 <u>\$ 465,104</u>
 Reconciliation to Statement of Net Position:	
 Fund Balance of Governmental Fund	 \$ 465,104
 Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the fund	<u>19,780</u>
 Net Position of Governmental Activities	 <u>\$ 484,884</u>

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

CIRCUIT ENGINEERING DISTRICT #6
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund - Modified Cash Basis
For the Year Ending June 30, 2018

	<u>General</u>
Revenues	
County auction revenues	\$ 29,443
OCCEDB revenues	364,361
<i>Total Revenues</i>	<u>393,804</u>
Expenditures	
Current:	
Advertising	411
Auto expense	2,555
Insurance-general	8,526
Insurance-employee health	8,537
Meetings and conferences	135
Meals	3,293
Professional/outside services	20,308
Rent	1,800
Retirement plan	13,475
Salaries-manager	81,667
Supplies	3,038
Payroll taxes	6,589
Travel	1,527
Miscellaneous	70
Capital Outlay	1,199
<i>Total Expenditures</i>	<u>153,130</u>
Excess (Deficiency) of Revenues over Expenditures	<u>240,674</u>
Net Change in Fund Balance	240,674
Fund Balance - Beginning	<u>224,430</u>
Fund Balance - Ending	<u>\$ 465,104</u>
Reconciliation of the change in fund balance-total governmental fund to change in net position of governmental activities:	
Net change in Fund Balance of Governmental Fund	\$ 240,674
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	1,199
Capital asset disposals	(63)
Depreciation expense	<u>(5,010)</u>
Change in Net Position of Governmental Activities	<u>\$ 236,800</u>

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

CIRCUIT ENGINEERING DISTRICT #6
Notes to Basic Financial Statements
June 30, 2018

Note 1 – Summary of Significant Accounting Policies

1.A. Reporting Entity

Circuit Engineering District #6 (the “District”) was created under Title 69, Section 687.1 Oklahoma Statutes; and complies with Title 74, Section 1001 et seq, Interlocal Cooperation Act. Within the statute, the board of county commissioners of any county within the state may create a circuit engineering district with any other county of counties located within its Association of County Commissioners of Oklahoma district to assist the counties in carrying out the day to day activities related to road maintenance, construction and inspection.

Individual counties may elect to participate in the District by passage of a resolution, which accepts the Bylaws of the District. Membership consists of voting and non-voting members. Voting members are County Commissioners appointed by a member county to serve on the Board of Directors. Non-voting members are affiliate or associate members which serve on committees or represent outside business interest to the District.

The District is governed by a Board of Directors (the “Board”) that acts as the authoritative and legislative body of the entity. The Board is comprised of 9 voting members. Of the nine, three are elected as officers of the District; President, Vice-President, and Secretary-Treasurer. Each officer serves a term of one year; there are no term limits for reappointment.

The members of the District are Caddo, Carter, Comanche, Cotton, Grady, Jefferson, Love, Murray, and Stephens County.

1.B. Basis of Presentation Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Net Position-Modified Cash Basis and Statement of Activities-Modified Cash Basis display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. However, all the activities of the District are governmental activities.

The Statement of Activities-Modified Cash Basis demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges for services, grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CIRCUIT ENGINEERING DISTRICT #6
Notes to Basic Financial Statements
June 30, 2018

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

1.B. Basis of Presentation Government-Wide and Fund Financial Statements, (continued)

Fund Financial Statements

Fund Financial Statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which are comprised of each fund's assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are grouped, in the financial statements in this report, into one fund type and one fund category as follows:

Governmental Fund Types

1. **General Fund** – This is the primary operating fund of the District and is always classified as a major fund. It accounts for all the activities except those legally or administratively required to be accounted for in other funds.

1.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 recognized and recorded in the financial statements regardless of the measurement focus applied.

The District's government-wide financial statements use the economic resources measurement focus and are presented on a modified cash basis of accounting. Revenues are recognized when they are received and expenses are recorded when paid with the following modifications:

- Capital assets are recorded when purchased and related depreciation is recorded.

This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. If the District utilized the basis of accounting recognized as generally accepted, the government-wide financial statements would use the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred.

1.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.

CIRCUIT ENGINEERING DISTRICT #6
Notes to Basic Financial Statements
June 30, 2018

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

1.D. Assets, Liabilities and Equity, (continued)

Capital Assets

The District's assets are capitalized and stated at cost. If an expenditure results in an asset having an estimated useful life which extends substantially beyond the year of acquisition and exceeds \$1,000, then the cost of the expenditure is capitalized and depreciated over the estimated useful life of the asset utilizing the straight-line method. 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 expensed in the current year.

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.

Equity

Government-Wide Financial Statements

Equity is classified as Net Position and displayed in three components:

- a. *Net Investment in Capital Assets* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributed to the acquisition, construction, or improvements of those assets.
- b. *Restricted Net Position* – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted Net Position* – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

It is the District's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

CIRCUIT ENGINEERING DISTRICT #6
Notes to Basic Financial Statements
June 30, 2018

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

1.D. Assets, Liabilities and Equity, (continued)

Fund Financial Statements

In the governmental fund financial statements, fund balance is classified as follows:

Nonspendable fund balance represents amounts that cannot be spent either because they are in non-spendable form or because they are legally required to be maintained intact.

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

Committed fund balance represents amounts that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment.

Assigned fund balance represents amounts that are intended to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds other than the general fund, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

Resource Use Policy

It is the District's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the District considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the District's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the District considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

CIRCUIT ENGINEERING DISTRICT #6
Notes to Basic Financial Statements
June 30, 2018

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

1.E. Source of Revenue

The District receives revenue from the Oklahoma Cooperative Circuit Engineering Districts Board (“OCCEDB”). OCCEDB manages the Statewide Circuit Engineering District Revolving Fund created under Title 69, Section 687.2 Oklahoma Statutes. The Revolving Fund’s sources of revenue are the gasoline and diesel tax, special fuel tax and gross production tax on oil. The District decides how and where to spend these allocations.

1.F. Use of Estimates

Certain estimates are made in the preparation of these modified cash basis financial statements. Estimates are based on management’s best judgements and may vary from actual results.

Note 2 – Deposits, Investments and Collateral

Deposits and Investments - 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 policy for custodial credit risk, but *Oklahoma Statutes* requires collateral for all uninsured deposits of public funds in financial institutions. At June 30, 2018, the District was not exposed to custodial credit risk.

Note 3 - Capital Assets

Capital assets as of June 30, 2018, consist of the following:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Vehicles	\$ 23,822	\$ -	\$ -	\$ 23,822
Equipment	<u>48,639</u>	<u>1,199</u>	<u>(951)</u>	<u>48,887</u>
Total capital assets, being depreciated	72,461	-	-	72,709
Less: accumulated depreciation	<u>(48,807)</u>	<u>(5,010)</u>	<u>888</u>	<u>(52,929)</u>
Total capital assets, being depreciated, net	<u>\$ 23,654</u>	<u>\$ (3,811)</u>	<u>\$ (63)</u>	<u>\$ 19,780</u>

Depreciation expense of \$5,010 was charged to the District’s general government activity.

CIRCUIT ENGINEERING DISTRICT #6
Notes to Basic Financial Statements
June 30, 2018

Note 4 – Pension Plan

Plan Description – The Circuit Engineering District #6, as the employer, participates in the Oklahoma Public Employees Retirement Plan - a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Title 74 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the OPERS. OPERS issues a publicly available financial report that can be obtained at www.opers.ok.gov.

Benefit Provisions – OPERS provides retirement, disability, and death benefits to members of the plan. Members qualify for full retirement benefits at their specified normal retirement age or, for any person who became a member prior to July 1, 1992, when the sum of the member's age and years of credited service equals or exceeds 80 (Rule of 80), and for any person who became a member after June 30, 1992, when the member's age and years of credited service equals 90 (Rule of 90).

Normal retirement date is further qualified to require that all members employed on or after January 1, 1983 must have six or more years of full-time equivalent employment with a participating employer before being eligible to receive benefits. Credited service is the sum of participating and prior service. Prior service includes nonparticipating service before January 1, 1975, or the entry date of the employer and active wartime military service.

A member with a minimum of ten years of participating service may elect to early retirement with reduced benefits beginning at age 55 if the participant became a member prior to November 1, 2011, or age 60 if the participant became a member on or after November 1, 2011.

Benefits are calculated for each member category as follows:

Employees

Benefits are determined at 2% of the average annual salary received during the highest thirty-six months of the last ten years of participating service, but not to exceed the applicable annual salary cap, multiplied by the number of years of credited service. Members who join OPERS on or after July 1, 2013, will have their salary averaged over the highest 60 months of the last ten years. Normal retirement age under the Plan is 62 or Rule of 80/90 if the participant became a member prior to November 1, 2011, or age 65 or Rule of 90 if the participant became a member on or after November 1, 2011.

Members who elect to pay the additional contribution rate, which became available in January 2004, will receive benefits using a 2.5% computation factor for each full year the additional contributions are made. In 2004, legislation was enacted to provide an increased benefit to retiring members who were not yet eligible for Medicare. The Medicare Gap benefit option became available to members under age 65 who retired on or after May 1, 2006. Members may elect to receive a temporary increased benefit to cover the cost of health insurance premiums until the member is eligible to receive Medicare. After the member becomes eligible for Medicare, the retirement benefit will be permanently reduced

CIRCUIT ENGINEERING DISTRICT #6
Notes to Basic Financial Statements
June 30, 2018

Note 4 – Pension Plan, (continued)

by an actuarially determined amount. The option is irrevocable, must be chosen prior to retirement, and is structured to have a neutral actuarial cost to the Plan.

Members become eligible to vest fully upon termination of employment after attaining eight years of credited service, or the members' contributions may be withdrawn upon termination of employment.

Disability retirement benefits are available for members having eight years of credited service whose disability status has been certified as being within one year of the last day on the job by the Social Security Administration. Disability retirement benefits are determined in the same manner as retirement benefits, but payable immediately without an actuarial reduction.

Upon the death of an active member, the accumulated contributions of the member are paid to the member's named beneficiary(ies) in a single lump sum payment. If a retired member elected a joint annuitant survivor option or an active member was eligible to retire with either reduced or unreduced benefits or eligible to vest the retirement benefit at the time of death, benefits can be paid in monthly payments over the life of the spouse if the spouse so elects.

Upon the death of a retired member, the Plan will pay \$5,000 death benefit to the member's beneficiary or estate of the member if there is no living beneficiary. The death benefit will be paid in addition to any excess employee contributions or survivor benefits due to the beneficiary.

Funding Policy - The contribution rates for each member category of the Plan are established by the Oklahoma Legislature after recommendation by the Board based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates. Employees are required to contribute 3.5% of their annual pay. Participating entities are required to contribute 16.5% of the employees' annual pay.

The District's contributions to the Plan for the year ending June 30, 2018 were \$13,475.

Note 5 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District participates in a risk pool to cover these risks, including general and auto liability, property damage, public officials' liability and blanket bond coverage. The risk pool is the Association of County Commissioners of Oklahoma-Self Insured Group (ACCO-SIG) that operates as a common risk management and insurance program and is to be self-sustaining through member premiums. If claims exceed pool assets, the District would have to pay its share of the pool deficit. The lines of coverage and limits of liability afforded by ACCO-SIG are subject to a \$10,000 deductible and are as follows: Blanket Bond Coverage \$100,000, Comprehensive General Liability \$1,000,000, and Public Officials Wrongful Acts, \$2,000,000. The pool has not assessed additional premiums to be paid by its members in the past three years.

CIRCUIT ENGINEERING DISTRICT #6
Notes to Basic Financial Statements
June 30, 2018

Note 5 – Risk Management, (continued)

The District also participates in a risk pool for Workers' Compensation coverage. The risk pool is the Association of County Commissioners of Oklahoma-Self Insured Fund that operates as a common risk management and insurance program and is to be self-sustaining through member premiums. If claims exceed pool assets, the District would have to pay its share of the pool deficit. The pool has not assessed additional premiums to be paid by its members in the past three years.

Note 6 – Subsequent Events

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

***REPORT ON INTERNAL CONTROL
AND COMPLIANCE***

**INDEPENDENT AUDITOR'S 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 #6
Oklahoma City, Oklahoma

We have audited, in accordance with the 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, the modified cash basis financial statements of the governmental activities and major fund of the Circuit Engineering District #6, Oklahoma City, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated, January 17, 2019. Our report on the financial statements disclosed, that, as described in Note 1 to the financial statements, the District prepares its financial statements on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Circuit Engineering District #6's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 a 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. 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.

Our consideration of internal control 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 material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. 2018-001.

Compliance and Other Matters

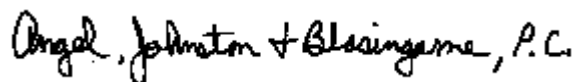
As part of obtaining reasonable assurance about whether Circuit Engineering District #6's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2018-001.

Circuit Engineering District #6's Response to Findings

Circuit Engineering District #6's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Angel, Johnston & Blasingame, P.C.
Chickasha, Oklahoma
January 17, 2019

CIRCUIT ENGINEERING DISTRICT #6
Schedule of Findings and Responses
For the Year Ended June 30, 2018

2018-001 *Criteria* – Proper purchasing procedures indicate that the signature of the person receiving the goods or services should be denoted on the face of the invoice or packing slip.

Condition – During our testing of the expenditures program, we noted that 6 of the 25 transactions tested did not have a signature denoting receipt of goods or services.

Cause – Employees are not always following purchasing procedures.

Effect or Potential Effect – Failure to provide acknowledgement of receipt of goods or services could lead to fraudulent or incorrect invoices being paid.

Recommendation – We recommend that all invoices be signed to denote receipt of goods or services prior to payment being made.

Management Response – Management is aware of the issue and will correct.