

CIRCUIT ENGINEERING DISTRICT # 8, OKLAHOMA

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016**



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INTRODUCTORY SECTION

Circuit Engineering District #8
909 West Lakes Drive
Alva, Oklahoma 73717
Tel. (580) 323-8685 Fax (580) 323-8680

November 9, 2016

To the Citizens of Circuit Engineering District #8:

We are pleased to present the Circuit Engineering District #8 (the “District”) annual financial statements for the year ended June 30, 2016. This report contains basic financial statements and other financial and statistical information, providing complete and full disclosure of all financial aspects of the CED for fiscal year 2016.

Responsibility for the accuracy, completeness and fairness of this report rests with the District. This report was prepared in conformity with generally accepted accounting principles set forth by the Governmental Accounting Standards Board (“GASB”) and other recognized authoritative sources, and it is representative of the District’s commitment to provide complete financial information.

The financial statement is divided into three sections:

1. The Introductory Section contains a letter of transmittal and organizational charts for the CED staff and Board of Directors.
2. The Financial Section contains the independent auditor’s report; management’s discussion and analysis; basic financial statements; and notes to the basic financial statements.
3. The Statistical Section includes selective financial, economic, and demographic information about the CED and its member counties.

Form of Government and Reporting Entity

The District was created during 1997 and began operations 2004, under Title 69, Section 687.1 Circuit Engineering Districts of Oklahoma Statute; and complies with Title 74, Chapter 31, 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 or 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, engineering and inspection.

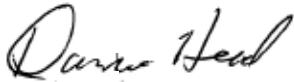
The District covers a fifteen county region including: Alfalfa, Beaver, Canadian, Cimarron, Ellis, Grant, Garfield, Harper, Kay, Kingfisher, Major, Noble, Texas, Woods, and Woodward counties. During fiscal year 2016, these counties participated together in bridge inspection services, bridge and roadway design and construction engineering services, construction inspection services, sign making, Force account bridge construction and training classes for the member counties.

The District also reports one blended component unit, the CED #8 County Energy District Authority (the “Authority”). The Authority was created under Title 60 on November 1, 2011 under provision of the Oklahoma Statutes by a Declaration of the Trust. The District has beneficial interest and the Trustees of the District serve as Trustees of the Authority.

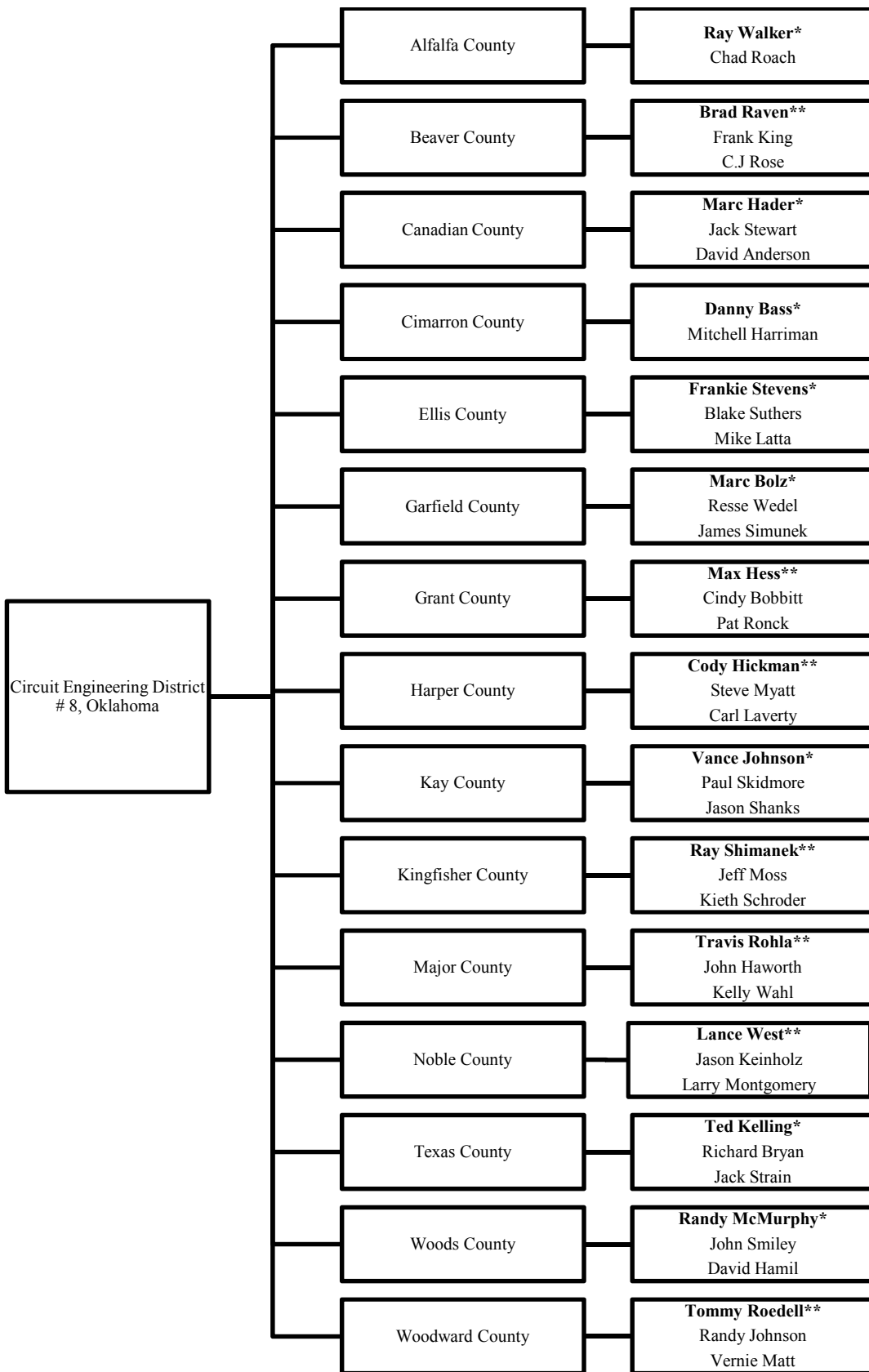
Factors Affecting Financial Condition

The District operates from five financial sources: Oklahoma Department of Transportation bridge inspection fees, design and construction engineering fees, construction inspection fees, sign revenue and legislative grants administered by the Oklahoma Cooperative Circuit Engineering District Board (OCCEDB). For additional information on the financial condition of the District, please review the Management Discussion and Analysis in Section II of the financial statement.

Respectfully submitted,

A handwritten signature in cursive script that reads "Donnie Head".

Donnie Head
Program Manager, Circuit Engineer CED #8



*Member of the Circuit Engineering District Board of Directors

** Member of the Circuit Engineering District Board of Directors and Advisory Board Members

Circuit Engineering District # 8, Oklahoma

Board of Directors

Program Manager, Donnie Head

Assistant Manager,
Jimmy Watson

Engineering

Tyler Schroder
Jason Brinley

Utility Coordinator:
Steve Cilberg

Lab:
Royce White
Melissa White

Construction
Inspection

Gbemi Agbetusin
Royce White
Bill Peetoom
Greg Johnson
Clay Robinson

Bridge
Inspection

Stephen Reese
Jeremy Hull
Ryan Cameron

Drafting

Savannah Smith
Jennifer Rich
Danielle Bowling

Administration

Alesi Streich

Sign Shop

Zane Padilla

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Circuit Engineering District # 8, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Circuit Engineering District # 8, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City'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 accounting principles generally accepted in the United States of America; this includes 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 opinions 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 entity'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 entity'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major of the Circuit Engineering District # 8, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–5 and 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Circuit Engineering District # 8's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2016, on our consideration of the Circuit Engineering District # 8'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 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 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 Circuit Engineering District # 8's internal control over financial reporting and compliance.

FSW&B CPAs-PLLC

FSW&B CPAs-PLLC
Woodward, Oklahoma
November 9, 2016

**CIRCUIT ENGINEERING DISTRICT #8
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

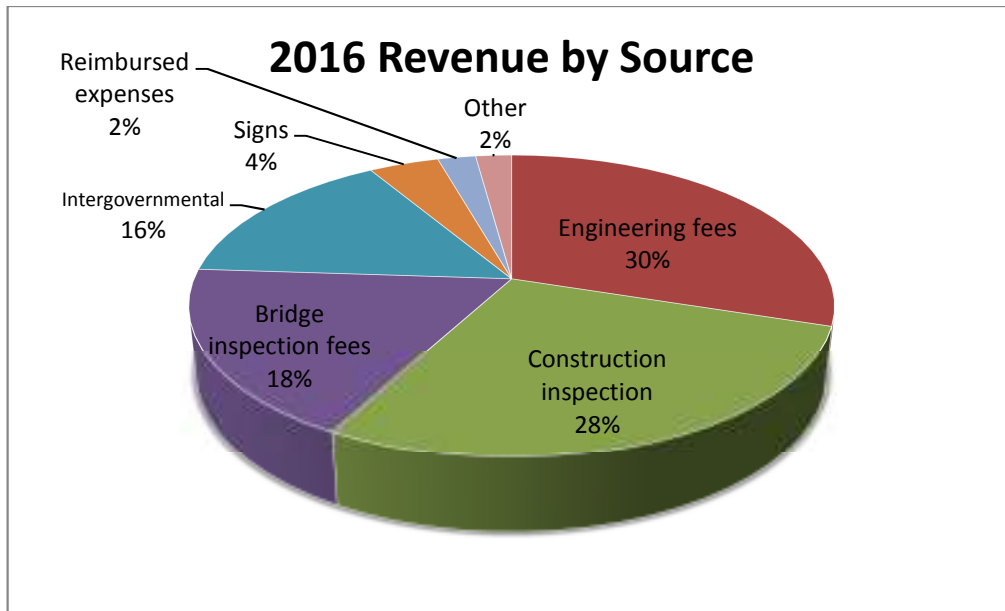
Our discussion and analysis of the Circuit Engineering District #8’s (“District”) performance provides an overview of the District’s financial activities for the fiscal year ended June 30, 2016. Please review it in conjunction with the transmittal letter and the District’s basic financial statements.

Financial Highlights

- The District’s assets exceeded its liabilities by \$2,494,765 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$2,740,179 (restated).
- Total net position is comprised of the following:
 - (1) Capital assets, net of related debt, of \$866,603 include property and equipment, net of accumulated depreciation. The District has no outstanding debt related to capital assets as of June 30, 2016.
 - (2) Unrestricted net assets of \$1,628,162 represent the portion available to maintain the District’s continuing obligations to member counties and creditors.
- Total liabilities of the District increased from \$127,945 to \$136,213 during the fiscal year.
- Over \$402,000 in revenues was generated from CRBI through project management, interest earnings, and CRBI direct allocation per state statute.

Operations for the fiscal year 2016 were mainly supported by engineering fees and construction inspection fees, which provided 30% and 28% of revenues, respectfully. Bridge inspection fees (18%), CBRI allocations (16%) and sign shop proceeds (4%), also contributed to the operations for the year. Investment earnings, and auction proceeds provided the remainder of the support for the year.

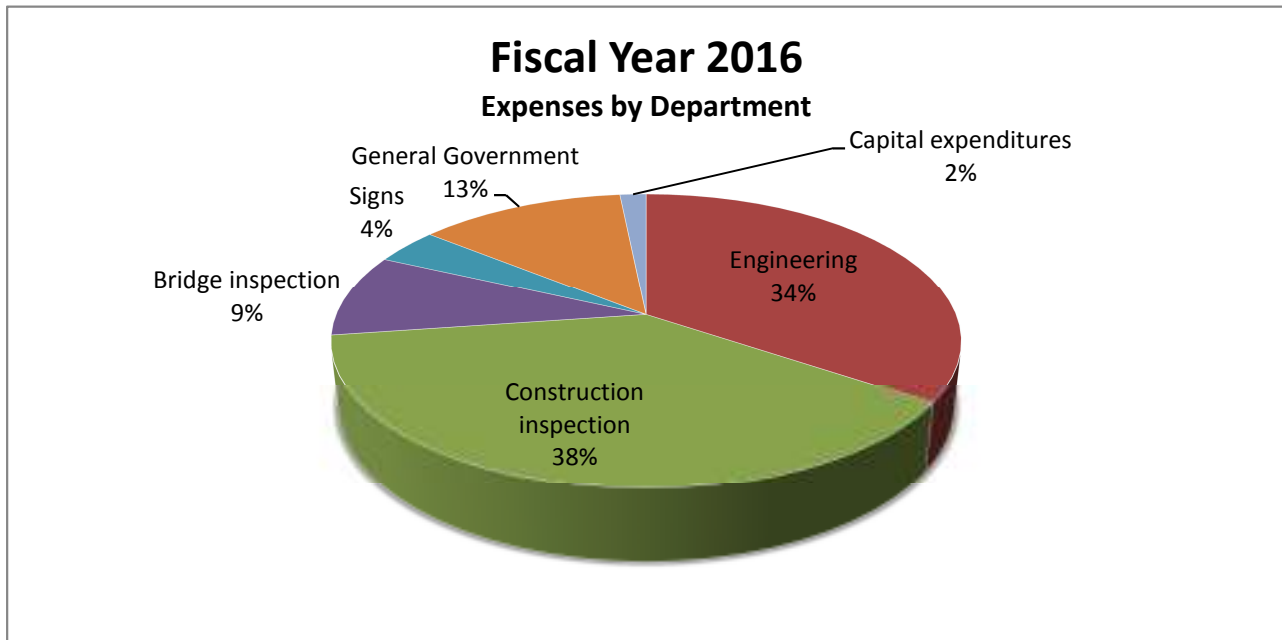
During fiscal year 2016 the District received revenues from the following sources:



Total Governmental Revenues \$2,614,814

**CIRCUIT ENGINEERING DISTRICT #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Expenses were allocated by the following departments as of June 30, 2016:



Total Governmental Expenditures \$2,732,619

Using This Annual Report

The annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The Fund financial statements tell how the services were financed in the short term as well as what remains for future spending.

Reporting the District as a Whole

Statement of Net Position and Statement of Activities:

One of the most important questions asked about the District's finances is "Is the CED as a whole better off or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's net position as the difference between assets, what the District owns, and liabilities, what the District owes, as one way to measure the District's financial health, or financial position.

Over time, increases or decreases in the District's net position are one indicator of whether its

**CIRCUIT ENGINEERING DISTRICT #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the District's availability of capital projects and continuing local government support to assess the overall health of the District.

Balance Sheet and Statement of Revenue Expenditures and Changes in Fund Balance:

The District's services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances at year-end that are available for spending. This fund is reported using the modified accrual method of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Included in the financial statements is a reconciliation between the governmental activities and governmental fund financial statements.

Notes:

The notes to the financial statements provide additional information that is essential to a complete understanding of the data provided.

Other Information:

In addition to the basic financial statement and accompanying notes, this report also presents statistical information, not required to be presented in the notes, but deemed by management to be beneficial in additional analysis of the financial statements.

2017 Operations and Future Plans

For the second year in a row the districts CIRB program, which was created by the legislature in 2006, took another financial hit during the past legislative session. The State of Oklahoma experienced a record \$1 billion + shortfall and the legislature swept another \$50 million from the county CIRB accounts. This action by the legislature resulted in an approximate \$6.25 million loss to the district which created the need to re-structure and fiscally re-balance the districts 5-year plan. This recent action by the legislature has resulted in the previous 5-year construction plan being stretched to 8-years. It is anticipated that additional cuts to the CIRB program could be forthcoming given the economic forecast for the State of Oklahoma.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or any request for additional financial information should be addressed to the CED #8, 909 West Lakes Drive, Alva, OK 73717.

**CIRCUIT ENGINEERING DISTRICT #8, OKLAHOMA
STATEMENT OF NET POSITION**

June 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 981,891	\$ 6,146	988,037
Investments	-	-	-
Accounts receivable	487,312	-	487,312
Unbilled receivables	165,583	-	165,583
Inventory	123,443	-	123,443
<i>Total current assets</i>	<u>1,758,229</u>	<u>6,146</u>	<u>1,764,375</u>
Non-current assets:			
Land	20,500	-	20,500
Other capital assets, net of depreciation	846,103	-	846,103
<i>Total non-current assets</i>	<u>866,603</u>	<u>-</u>	<u>866,603</u>
Total assets	<u><u>\$ 2,624,832</u></u>	<u><u>\$ 6,146</u></u>	<u><u>\$ 2,630,978</u></u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 32,117	\$ -	\$ 32,117
Accrued expenses payable	353	-	353
Compensated absences	103,042	-	103,042
<i>Total current liabilities</i>	<u>135,512</u>	<u>-</u>	<u>135,512</u>
Non-current liabilities:			
Deposits Payable	700	-	700
Total liabilities	<u><u>\$ 136,212</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 136,212</u></u>
NET POSITION			
Invested in capital assets, net of related debt	866,603	-	866,603
Restricted	-	-	-
Unrestricted	1,622,017	6,146	1,628,163
<i>Total net position</i>	<u>2,488,620</u>	<u>6,146</u>	<u>2,494,766</u>
Total liabilities and net position	<u><u>\$ 2,624,832</u></u>	<u><u>\$ 6,146</u></u>	<u><u>\$ 2,630,978</u></u>

See accompanying notes to the financial statements

**CIRCUIT ENGINEERING DISTRICT #8, OKLAHOMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) / Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
General Government	\$ 369,166	\$ 567	\$ 402,239	\$ 33,640
Engineering	962,599	807,837	-	(154,762)
Construction inspection	1,132,430	756,295	-	(376,135)
Bridge inspection	271,054	481,344	-	210,290
Signs	108,509	110,552	-	2,043
Total governmental activities	<u>2,843,758</u>	<u>2,156,595</u>	<u>402,239</u>	<u>(284,924)</u>
Business-type activities:				
Energy District	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 2,843,758</u>	<u>\$ 2,156,595</u>	<u>\$ 402,239</u>	<u>\$ (284,924)</u>

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in Net Assets:			
Net (expense) / revenue	\$ (284,924)	\$ -	(284,924)
General Revenues:			
Auction proceeds	-	-	-
Rental Income	13,500	-	13,500.00
Gain (Loss) on Sale of Assets	23,521	-	23,521.00
Unrestricted investment earnings	2,490	-	2,490.00
Total general revenues and transfers	<u>39,511</u>	<u>-</u>	<u>39,511</u>
Changes in net assets	(245,413)	\$ -	(245,413)
Net assets-beginning, restated	<u>2,734,033</u>	<u>6,146</u>	<u>2,740,179</u>
Net assets-ending	<u>\$ 2,488,620</u>	<u>\$ 6,146</u>	<u>\$ 2,494,766</u>

See accompanying notes to the financial statements

**CIRCUIT ENGINEERING DISTRICT #8, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2016**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 981,891
Investments	-
Net receivables	487,312
Unbilled receivable, net	165,583
Inventory	123,443
Total assets	1,758,229
 LIABILITIES	
Accounts Payable	\$ 32,117
Accrued payroll liabilities	353
Compensated absences	103,042
Rounding	(1)
Total liabilities	135,511
 FUND BALANCE	
Nonspendable	-
Restricted	-
Committed	-
Unassigned	1,622,718
Total fund balance	1,622,718
Total liabilities and fund balance	\$ 1,758,229

Total Governmental Fund Balances 1,622,718

Amounts reported for governmental activities in the statement of net assets are different because:

Land and capital assets, net of accumulated depreciation are not financial resources and, therefore, are not reported in the funds

Land	20,500	
Capital assets	1,451,763	
Less: Accumulated depreciation	(605,660)	866,603

Long-term liabilities are not due and payable in the current period and are not reported in the funds.

Deposit payable	(700)
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Net assets of Governmental Activities **\$ 2,488,620**

CIRCUIT ENGINEERING DISTRICT #8, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund
Revenues:	
Engineering fees	\$ 784,014
Construction inspection	729,219
Bridge inspection fees	475,502
Intergovernmental	402,239
Signs	108,743
Reimbursed expenses	59,117
Proceeds from sale of assets	39,990
Auction proceeds	-
Rental income	13,500
Interest income	2,490
<i>Total Revenues</i>	\$ 2,614,814
Expenditures:	
Current Operations:	
Engineering	940,614
Construction inspection	1,047,504
Bridge inspection	249,556
Signs	107,651
General Government	343,633
Capital expenditures	43,658
<i>Total Expenditures</i>	2,732,616
Net Change in Fund Balance	(117,802)
Fund balance at beginning of year, restated	1,740,520
Fund balance at end of year	\$ 1,622,718
 <i>Reconciliation of the change in fund balances - total governmental funds to the change in net assets of governmental activities:</i>	
Net change in Fund Balances - Total Governmental Funds	\$ (117,802)
 Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital asset purchases capitalized	43,658
Depreciation expense	(154,800)
	(111,142)
 In the statement of activities, the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale, if any, increase financial resources. The change in net assets differs from the change in fund balance by the cost of the assets disposed of \$ 86,842 , net of related accumulated depreciation of \$ 70,373.	
	(16,469)
 <i>Change in Net Assets of Governmental Activities</i>	 \$ (245,413)

CIRCUIT ENGINEERING DISTRICT #8, OKLAHOMA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Business-type Activities
	Energy District
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 6,146
<i>Total current assets</i>	6,146
Non-current assets:	
Land	-
Other capital assets, net of depreciation	-
<i>Total non-current assets</i>	-
Total assets	\$ 6,146
LIABILITIES	
Current liabilities:	
Accounts payable	-
<i>Total current liabilities</i>	-
Total liabilities	-
NET POSITION	
Invested in capital assets, net of related debt	-
Unrestricted	6,146
<i>Total net position</i>	6,146
Total liabilities and net position	\$ 6,146

See accompanying notes to the financial statements

CIRCUIT ENGINEERING DISTRICT #8, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Business-type Activities
	Energy District
Operating Revenues:	
General Revenues	\$ -
<i>Total Operating Revenues</i>	-
Operating Expenses:	
Current Operations:	
Cost of goods sold	-
<i>Total Operating Expenses</i>	-
Net Operating Income	
Changes in Net Position	-
Net Assets - beginning of year	6,146
Net Assets - end of year	\$ 6,146

See accompanying notes to the financial statements

**CIRCUIT ENGINEERING DISTRICT #8, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Business-type Activities
	Energy District
<u>Cash flows from operating activities:</u>	
Receipts from customers	\$ -
Payments to suppliers	-
Net Cash provided (used) by operating activities	-
<u>Cash flows from non-capital financing activities:</u>	
Due to CED #8	-
Net cash provided (used) by non-capital financing activities	-
<u>Cash flows from capital and related financing activities:</u>	
Purchase of capital assets	-
Net cash provided (used) by capital and related financing activities	-
<u>Cash flows form investing activities:</u>	
Investment income	-
Net cash provided (used) by investing activities	-
Net increase (decrease) in cash and cash equivalents	
Cash and cash equivalents, July 1, 2015	6,146
Cash and cash equivalents, June 30, 2016	\$ 6,146
 Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and Amortization	-
Changes in assets and liabilities:	
(Increase) Decrease in accounts receivable	-
Increase (Decrease) in accrued expenses	-
Total adjustments	-
Net cash provided (used) by operating activities	-

See accompanying notes to the financial statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Circuit Engineering District #8, Oklahoma (the “District”) complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1A. FINANCIAL REPORTING ENTITY

The District was created under Title 69, Section 687.1 Circuit Engineering Districts of Oklahoma Statute; and complies with Title 74, Chapter 31, 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 or 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 the 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 Trustees (the “Board”) that acts as the authoritative and legislative body of the entity. The Board is comprised of 15 voting members. Of the fifteen, 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.

Within the District there are fifteen eligible counties: Alfalfa, Beaver, Canadian, Cimarron, Ellis, Grant, Garfield, Harper, Kay, Kingfisher, Major, Noble, Texas, Woods, and Woodward County. As of June 30, 2016, all eligible counties elected to participate in the District.

The accompanying general purpose financial statements comply with the provisions of GASB Statement No. 14, “*The Financial Reporting Entity*,” in that the financial statements include all organizations, activities, and functions that comprise the District. Component units are legally separate entities for which the District is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization’s governing body and either (1) the District’s ability to impose its will over the organization or, (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the District. Using these criteria, the District has one component unit.

Blended Component Unit Reported with Primary Government:

CED # 8 County Energy District Authority (the “Authority”)—was created under Title 60 on November 27, 2013 under provision of the Oklahoma Statutes by a Declaration of the Trust. The District has beneficial interest and the trustees of the District serve as Trustees of the Authority. District employees carry on the activities of the Authority. The Authority provides assistance to member counties in the negotiation and preparation of Wind Farm Road Maintenance agreements and also plans to provide emulsified asphalt to member counties for use in resurfacing roadways in the future. Accounts of the Authority are recorded in business-type activities.

1.A. BASIS OF PRESENTATION*Government-wide Financial Statements:*

The Statement of Net Position and Statement of Activities 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. Governmental activities generally are financed through intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The District utilized two funds, the governmental and proprietary funds. The fund of the financial reporting entity is described below:

Governmental Funds*Circuit Engineering District #8 General Fund*

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

Proprietary Funds*CED #8 County Energy District Authority*

The Authority accounts for transactions relating to providing emulsified asphalt to member counties for use in resurfacing roadways.

Management has elected to report all funds as major in the fund financial statements. This election is in accordance with GASB reporting models.

1.B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported.

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

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using 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 or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statement, the governmental fund is presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

Certain reclassifications have been made to prior period balances in order to conform to the current period's presentation.

1.C. ASSETS, LIABILITIES, AND EQUITY**Cash and Investments**

Cash and cash equivalents includes all unrestricted demand, savings accounts, and certificates of deposits maturing within 90 days. A formal deposit or investment policy has been developed by the District. Under common pretense, the District requires that all deposits be insured or collateralized within the financial institution maintaining custody of the deposit. Additional cash and investment disclosures are presented in Notes 2.B. and 4.A.

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include construction inspection and engineering fees.

In the fund financial statements, material receivables in the governmental fund include revenue accruals such as construction inspection and bridge inspection fees since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventory

Inventory consists of materials, including aluminum, film, and posts to construct regulatory signs for member counties. Cost of goods sold is recognized on the first in- first out basis. Reserves for obsolete inventory are recorded as considered necessary based upon the performance of an annual inventory.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

The District's capital assets are reviewed for impairment and written down to fair value whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Machinery and Equipment	3-15 years
Improvements	15 years
Buildings	30 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Restricted Assets

It is the policy of the District to first apply unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Compensated Absences

The District's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as non-current liabilities in the government-wide statements. In the fund financial statements, the governmental fund reports only the compensated absence liability payable from expendable available financial resources.

Interfund Balances

Outstanding balances between funds reported and due to/due from other funds include outstanding charges by one fund to another for debt service and miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are described as due to/due from other funds.

Long-Term Debt

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as a liability. As of June 30, 2016, the District has no outstanding long-term debt.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates made by the District include accounts receivable and inventories. Actual results could differ from the estimates.

Restricted Assets

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities current in nature are reported with current assets and current liabilities in the financial statements.

Unbilled Receivables and Revenue Recognition

Contracts are accounted for based upon hourly billing performance. Hours worked on a project are billed as incurred. Hourly billing is considered to be the most relevant measure of performance on the contracts.

Revenues recognized prior to invoicing the client are recorded as unbilled receivables, where the collection of the receivable is probable. Unbilled amounts will be invoiced in subsequent periods. As of June 30, 2016 the District has \$165,583 in unbilled receivables.

Bridge Inspection Fees

Bridge inspection fees are payments from the Oklahoma Department of Transportation for the inspections of bridges within the district. The District also inspects, repairs, and posts signs for fee.

Engineering Fees

The District performs most required design engineering for the bridge and road construction projects within the district; the fees for the design services are estimated to be a percentage of the total estimated cost of construction for each project. The District is reimbursed at an agreed hourly rate for actual work performed for each project.

Construction Inspection Fees

The District performs most required construction inspection for bridge and road construction projects within the district; fees for the inspection services are estimated to be a percentage of the total estimated cost of construction for each project. The District is reimbursed at an agreed hourly rate for actual work performed for each project.

Sign Fees

The District produces traffic signs for member counties and cities. The fees for production are based upon a standard rate charge. Fees are charged upon completion of the sign order.

Auction Proceeds

Auction proceeds represent the District's percentage of the sales commission generated from the yearly auctions held for surplus equipment and machinery. The District serves as host for the event and is paid accordingly.

Contributions

As a governmental operating entity, the District receives contributions from other political divisions including the State of Oklahoma.

Equity Classifications*Government-wide Statements*

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt – 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 attributable to the acquisition, construction, or improvement of those assets.

- b. Restricted – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantor, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

Nonspendable

Fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted

Fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

Committed

Fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District’s Board of Directors, the District’s highest level of decision-making authority,

Assigned

Fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Balances are identified by the District’s Board, and

Unassigned

Fund balance is the residual classification for the government’s general fund and includes all spendable amounts not contained in the other classifications

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a government unit, the District and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the District’s compliance with significant laws and regulations and demonstration of its stewardship over District resources follows.

2.A. FUND ACCOUNTING REQUIREMENTS

The District complies with all state regulations requiring the use of separate funds.

2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

In accordance with state law, all uninsured deposits of funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations, or surety bonds. See Note 4.A.

2.C. FUND EQUITY RESTRICTIONS**Deficit Prohibition**

Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. The District complied with this statute in all material respects for the year ended June 30, 2016.

NOTE 3. INTERGOVERNMENTAL REVENUES AND CHARGES FOR SERVICES

Revenues are received from member counties which are related parties of the District. Such receipts are considered charges for services and include payment for engineering fees, construction inspection, and county road signs. During the year ended June 30, 2016, the member counties contributed the following funds to the District for services provided:

	Revenue Earned
Alfalfa County	\$ 11,864
Beaver County	6,370
Canadian County	4,274
Cimarron County	338
Ellis County	18,538
Garfield County	95,544
Grant County	3,707
Harper County	5,238
Kay County	23,417
Kingfisher County	7,652
Logan County	4,634
Major County	6,526
Noble County	26,719
Texas County	4,677
Woods County	5,323
Woodward County	4,396
	<u>\$ 229,217</u>

CIRCUIT ENGINEERING DISTRICT #8

Notes to the Basic Financial Statements

For the Year Ended June 30, 2016

NOTE 3. INTERGOVERNMENTAL REVENUES AND CHARGES FOR SERVICES-con't

At June 30, 2016, amounts due from related parties were as follows:

	Amount Due
Alfalfa County	\$ 1,905
Canadian County	857
Ellis County	547
Garfield County	826
Grant County	1,786
Harper County	2,854
Kay County	6,183
Kingfisher County	1,016
Noble County	2,320
Texas County	2,094
Woods County	806
Woodward County	1,616
	<u><u>\$ 22,810</u></u>

NOTE 4. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

4.A. CASH AND CASH EQUIVALENTS

Deposits

The District's policies regarding deposits of cash are discussed in Note 1.D. During the fiscal year ended June 30, 2016, the District was in compliance of the required collateral pledge for custody risk. Assets in excess of FDIC limits were secured with two securities with a book value of \$518,223 and a market value of \$523,260 as of June 30, 2016.

4.B. ACCOUNTS RECEIVABLE

Accounts receivable of the governmental activities consists of engineering fees, bridge inspection fees, sign revenues, and construction inspection fees, as well as the unbilled receivable due to the District based upon hourly fees for construction inspection and engineering projects.

4.C.CAPITAL ASSETS

Depreciation was charged to governmental functions as follows:

Governmental activities:	
General government	\$ 25,530
Engineering	21,985
Construction inspection	87,009
Bridge inspection	19,414
Sign	861
Total governmental activities depreciation expense	<u>\$ 154,799</u>

NOTE 5. OTHER NOTES

5.A. EMPLOYEE BENEFIT PLANS

The District has a defined contribution plan which covers all District employees. The District contributes 10% of the covered employee's payroll. Employees are 100% vested in employer contributions upon entering the plan. Total contribution expense was \$89,583 in fiscal year 2016. The plan is administered by Lincoln Life.

5.B. RISK MANAGEMENT

The District is exposed to various risk of loss as follows:

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability - Torts - Error and Omissions - Officer Liability - Vehicle	The District participates in a public entity risk pool – Association of County Commissioners of Oklahoma – Self Insured Group (ACCO-SIG)	If claims exceed pool assets, the District would have to pay its share of the pool deficit.
Physical Plant - Theft - Damages to Assets - Natural Disasters	The District participates in a public entity risk pool – ACCO-SIG.	If claims exceed pool assets, the District would have to pay its share of the pool deficit.
Worker’s Compensation - Employees’ Injuries	The District participated in a public entity risk pool – ACCO-SIF	If claims exceed pool assets, the District would have to pay its share of the pool deficit.
Health and Life - Medical - Disability - Dental - Life	The District carries commercial insurance for these types of risk.	None

ACCO-SIG

The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating member pays a deductible amount for each insured event as stated in the "Certificate of Participation." The risk pool pays legitimate claims in excess of the deductible amounts up to and including \$50,000 per insured event. The pool has acquired commercial reinsurance to cover claims in excess of \$50,000 up to \$1,000,000 limit per insured event. The pool, established in 1986, has never had to assess additional premiums to be paid by its members.

ACCO-SIF

The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. ACCO-SIF was set up in 1984 and pays legitimate worker's compensation claims up to \$500,000 per incident. A reinsurance policy, with no limit, pays claims that exceed \$5,000,000 for a particular incident. The pool has not assessed additional premiums to be paid by its members in the past three years.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the District when combined with internal cash reserves.

5.C. COMMITMENTS AND CONTINGENCIES

As of June 30, 2016 the District did not have any pending litigation or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.

5.D. PRIOR PERIOD RESTATEMENT

Beginning fund balances have been restated due to discovery of error in accounting principal application in prior years. In addition

5.E. DATE OF MANAGEMENT REVIEW

Subsequent events were evaluated through November 9, 2016, which is the date the financial statements were available to be issued.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

CIRCUIT ENGINEERING DISTRICT #8, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS)
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>			<u>Actual</u>	<u>Variance with Final Budget Favorable / (Unfavorable)</u>
	<u>Original Budget</u>	<u>Amendments</u>	<u>Final Budget</u>		
Revenues:					
Intergovernmental	360,000	-	360,000	402,806	42,806
Bridge inspection fees	352,536	-	352,536	457,911	105,375
Signs	124,000	-	124,000	107,901	(16,099)
Engineering	1,692,206	-	1,692,206	807,837	(884,369)
Construction management	1,098,010	-	1,098,010	616,796	(481,214)
Auction proceeds	25,000	-	25,000	-	(25,000)
Proceeds for sale of assets	-	-	-	39,990	39,990
Rental Income	8,000	-	8,000	13,500	5,500
Interest income	-	-	-	2,490	2,490
<i>Total Revenues</i>	<u>3,659,752</u>	<u>-</u>	<u>3,659,752</u>	<u>2,449,231</u>	<u>(1,210,521)</u>
Expenditures:					
Current operations:					
General government					
Personal services	36,315	-	36,315	33,123	3,192
Maintenance and operations	986,678	-	986,678	304,936	681,742
Bridge inspection					
Personal services	196,503	-	196,503	163,304	33,199
Maintenance and operations	116,476	-	116,476	86,252	30,224
Engineering					
Personal services	555,804	-	555,804	449,531	106,273
Maintenance and operations	497,434	-	497,434	475,752	21,682
Signs					
Personal services	23,000	-	23,000	33,603	(10,603)
Maintenance and operations	98,000	-	98,000	70,036	27,964
Construction inspection					
Personal services	408,106	-	408,106	404,694	3,412
Maintenance and operations	1,010,016	-	1,010,016	632,081	377,935
Capital expenditures	152,000	-	152,000	43,658	108,342
<i>Total Expenditures</i>	<u>4,080,332</u>	<u>-</u>	<u>4,080,332</u>	<u>2,696,970</u>	<u>1,383,362</u>
Excess revenues over (under) expenditures	<u>(420,580)</u>	<u>-</u>	<u>(420,580)</u>	<u>(247,739)</u>	<u>(2,593,883)</u>
Fund balance, beginning (Non-GAAP)				1,574,937	
Fund balance, ending (Non-GAAP budgetary basis):	<u>(420,580)</u>	<u>-</u>	<u>(420,580)</u>	<u>1,327,198</u>	
<u>Adjustments to Generally Accepted Accounting Principles</u>					
Revenues and transfer accruals				165,583	
Expenditures and transfer accruals				129,937	
Fund balance, ending (GAAP basis)				<u>1,622,718</u>	

CIRCUIT ENGINEERING DISTRICT #8
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Budgetary Process

Under current Oklahoma Statutes, the general fund is required to adopt a formal budget. The budget presented for the general fund included the originally approved budgeted appropriations for expenditures and the supplemental appropriations. The level of budgetary control is at the object level for the District. Any budgetary modifications at this level may only be made by approval of the Board. Supplemental appropriations were necessary during the year, which increased the original budget amounts.

1. Estimated Resources

As part of the District's budgetary process, the Board approves the official estimated resources. The official estimated resources state the projected revenue of each fund. Prior to adoptions, the Board must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available from estimated resources. The estimated resources may be further amended during the year if the Board determines that an estimate needs to be either increased or decreased.

2. Appropriations

Appropriations are required at the object level, personal services, maintenance and operations, or capital outlay, within the fund. Appropriations may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources. Allocations of appropriations among funds and objects within a fund may be modified during the year by approval of the Board.

3. Budgetary Basis of Accounting

The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major difference between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures are recorded when paid. Under GAAP, revenues and expenditures are recorded on the full accrual basis on the government-wide statements and on the modified accrual basis of accounting on the governmental fund statements.

For the year ended June 30, 2016, the District did not exceed total budgeted expenditures.

STATISTICAL SECTION

Date of Operation:	2005
Member Counties	Alfalfa Beaver Canadian Cimarron Ellis Garfield Grant Harper Kay Kingfisher Major Noble Texas Woods Woodward
Number of Full-time Employees	General government – 3 Bridge inspection – 3 Engineering – 3 Bridge Building – 3 Construction Inspection– 5 Sign Shop – 1

Source: Circuit Engineering District #8

**CIRCUIT ENGINEERING DISTRICT # 8
MISCELLANEOUS STATISTICS
OCTOBER 24, 2016**

	Alfalfa	Beaver	Canadian	Cimarron	Ellis	Garfield	Grant	Harper	Kay	Kingfisher	Major	Noble	Texas	Woods	Woodward	
Miles of Roads inside the District:																
State	155.06	178.33	179.85	197.29	145.81	157.9	152.05	158.05	161.36	95.47	155.62	172.21	229.74	133.77	154.88	
County	1349.43	2103.27	980.46	1514.35	1281.52	1866.01	1767.64	1022.82	1452.58	1554.96	1213.22	1123.2	2495.27	1404.55	1400.56	
Total Road Miles	1504.49	2281.6	1160.31	1711.64	1427.33	2023.91	1919.69	1180.87	1613.94	1650.43	1368.84	1295.41	2725.01	1538.32	1555.44	
Number of Bridges inside the District:																
State	70	50	136	45	45	71	67	49	133	44	49	120	43	59	66	
County	316	140	165	45	104	390	454	73	265	255	219	198	71	252	104	
Total Bridges	386	190	301	90	149	461	521	122	398	299	268	318	114	311	170	
Substandard Bridges inside the District:																
State	5	1	4	2	0	2	0	1	5	4	3	0	3	3	5	
County	84	17	32	1	8	129	192	7	68	69	35	54	5	31	6	
Total Substandard Bridges	89	18	36	3	8	131	192	8	73	73	38	54	8	34	11	
Replacement Cost of All Deficient State Bridges	\$14,376,105.00	\$1,834,362.00	\$24,376,523.00	\$7,640,995.00	\$0.00	#####	\$0.00	\$1,101,812.00	\$18,469,735.00	\$22,984,093.00	\$17,946,633.00	\$0.00	\$8,544,482.00	\$11,165,469.00	\$12,871,879.00	
Replacement Cost of All Deficient County Bridges	\$19,504,000.00	\$9,457,000.00	\$8,245,000.00	\$311,000.00	\$2,071,000.00	#####	\$57,689,000.00	\$2,475,000.00	\$19,849,000.00	\$21,109,000.00	\$11,676,000.00	\$9,744,000.00	\$2,193,000.00	\$9,107,000.00	\$2,180,000.00	
Total Replacement Cost of All Deficient Bridges	\$33,880,105.00	\$11,291,362.00	\$32,621,523.00	\$7,951,995.00	\$2,071,000.00	#####	\$57,689,000.00	\$3,576,812.00	\$38,318,735.00	\$44,093,093.00	\$29,622,633.00	\$9,744,000.00	\$10,737,482.00	\$20,272,469.00	\$15,051,879.00	
Number of Road/Bridge Projects* inside the District:																
State	6	3	10	0	1	14	2	3	8	3	3	3	8	2	4	
County	1	2	2	0	1	1	3	2	0	1	1	1	1	1	1	
Total Projects	7	5	12	0	2	15	5	5	8	4	4	4	9	3	5	
\$'s of Road/Bridge Projects* inside the District:																
State	\$13,144,846.00	\$3,875,938.00	\$3,395,319.00	\$0.00	\$1,042,387.00	#####	\$1,288,090.00	\$596,336.00	\$14,878,765.00	\$6,831,212.00	\$365,861.00	\$3,727,093.00	\$11,265,078.00	\$1,373,294.00	\$8,495,281.00	
County	\$756,040.00	\$2,191,209.00	\$1,423,703.00	\$0.00	\$3,483,590.00	\$767,084.00	\$4,627,038.00	\$4,921,635.00	\$0.00	\$909,295.00	\$998,963.00	\$3,620,012.00	\$2,109,751.00	\$467,832.00	\$5,887,952.00	
Total \$'s of Projects	\$13,900,886.00	\$6,067,147.00	\$4,819,022.00	\$0.00	\$4,525,977.00	#####	\$5,915,128.00	\$5,517,971.00	\$14,878,765.00	\$7,740,507.00	\$1,364,824.00	\$7,347,105.00	\$13,374,829.00	\$1,841,126.00	\$14,383,233.00	
*Amounts based on Oklahoma Department of Transportation contracts awarded from lettings of July 1, 2015 to June 30, 2016.																
Sources: 1) Circuit Engineering District # 8																

OTHER REPORTS



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 # 8

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 financial statements of the governmental activities, the business-type activities, and each major fund of the Circuit Engineering District # 8, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Circuit Engineering District # 8's basic financial statements and have issued our report thereon dated November 9, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Circuit Engineering District # 8's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Circuit Engineering District # 8's internal control. Accordingly, we do not express an opinion on the effectiveness of the Circuit Engineering District # 8's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: Finding 2016-1 and 2016-3.

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. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies: Finding 2016-2 and Finding 2016-4.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Circuit Engineering District # 8'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Circuit Engineering District # 8's Response to Findings

Circuit Engineering District # 8's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Circuit Engineering District # 8'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FSW&B CPAs-PLLC

FSW&B CPAs-PLLC
Woodward, Oklahoma
November 9, 2016

Circuit Engineering District # 8, Oklahoma
Schedule of Findings and Responses
Year Ended June 30, 2016

Finding 2016-1 Preparation of Financial Statements

Condition: Management requested us to prepare a draft of the financial statements, including the related notes to the financial statements and required supplementary information.

Criteria: Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements, including notes to the financial statements, in conformity with U.S. generally accepted accounting principles. In addition, management is responsible for required supplementary information as required by the Governmental Accounting Standards Board.

Cause: Lack of resources available to hire specialized individuals with the suitable skills and knowledge within the organization.

Effect or Potential Effect: Although this circumstance is not unusual for an entity of your size, the absence of controls over the preparation of the financial statements increases the possibility that a misstatement of the financial statements could occur and not be prevented, or detected and corrected, by the entity's internal control.

Recommendation: Outsource accounting functions that require specialized knowledge to an individual or group of individuals with the ability to provide guidance.

Management's Response: We have designated an individual with suitable skill, knowledge, or experience to oversee any outsourced services and evaluate the adequacy and results of those services while also accepting responsibility for them.

Finding 2016-2 Improper Subsidiary Ledger Records

Condition: Accounts payable subsidiary ledger records did not reconcile to the general ledger balance. It was discovered that many of the bills were paid out before the bill was entered into quickbooks causing a timing difference at year end.

Criteria: Subsidiary ledger balances must tie to the general ledger balance.

Cause: Bills are being entered as paid out or after the bill is paid rather than when the bill is received causing the accounts payable subsidiary ledger to omit bills at year end.

Effect or Potential Effect: At year end, there could potentially be an understatement of liabilities if bills are omitted from the accounts payable subsidiary ledger.

Recommendation: Bills should be entered into QuickBooks as they are received if utilizing the bill-payment function correctly.

Management's Response: Management is evaluating this finding and considering the appropriate action in order to maintain proper records.

Circuit Engineering District # 8, Oklahoma
Schedule of Findings and Responses
Year Ended June 30, 2016

Finding 2016-3 Lack of Subsidiary Ledger Records

Condition: No subsidiary ledger was present for property and equipment that reflected accumulated depreciation along with management's estimated useful lives to calculate yearly depreciation allowance.

Criteria: An allowance for depreciation should be made each year for capitalized assets based on the estimated useful life of the assets.

Cause: Management had relied on an outside source to maintain the property and equipment subsidiary ledger in prior years. This information was not regularly reviewed or provided to management.

Effect or Potential Effect: Assets could potentially be over/under stated during the fiscal year.

Recommendation: Management should maintain a schedule of all capitalized assets with the necessary information and estimates used to calculate an allowance for depreciation.

Management's Response: Prior to issuance of the audit report management compiled a schedule of capitalized assets that reflected their estimates for useful lives and allowance for depreciation. They will continue to maintain this schedule in future years.

Finding 2016-4 Improper Bank Reconciliations

Condition: Numerous transactions were found to be recorded improperly and altered after the bank reconciliations were performed causing bank balances to not reconcile with the bank reconciliation report. Many transactions appear to be outstanding on the bank reconciliation but have actually already been cleared.

Criteria: A proper bank reconciliation should be performed for each bank account that reflects the bank's cleared balance, plus any outstanding deposits, minus any outstanding checks.

Cause: Management had relied on an outside source to maintain the property and equipment subsidiary ledger in prior years. This information was not regularly reviewed or provided to management.

Effect or Potential Effect: Cash balances were understated until a corrective journal entry was posted to reflect actual cash balances.

Recommendation: Management should regularly review bank reconciliations for old or unusual items. If an error exists take additional steps to correct the error.

Management's Response: Management is evaluating this finding and considering the appropriate action in order to maintain proper records.