

CIRCUIT ENGINEERING DISTRICT # 8, OKLAHOMA

**ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2018**

JANA A. WALKER, CPA

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2018, and the related notes to the financial statements, which collectively comprise the Circuit Engineering District #8'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 fund of the Circuit Engineering District #8, as of June 30, 2018, 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 3–6 and 27–28 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018, 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 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 Circuit Engineering District #8'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 Circuit Engineering District #8's internal control over financial reporting and compliance.



Jana A. Walker, CPA, PLLC
Woodward, Oklahoma
December 12, 2018

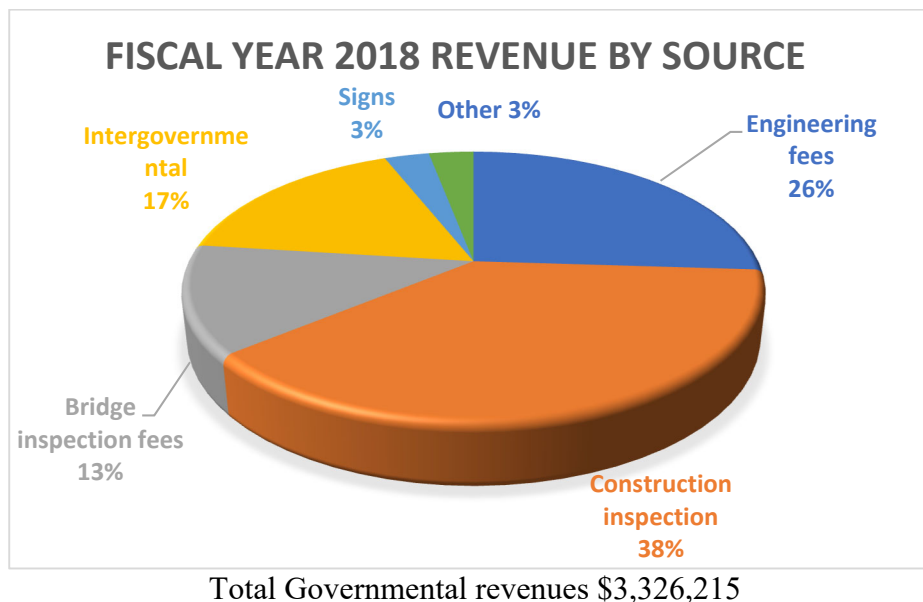
CIRCUIT ENGINEERING DISTRICT # 8
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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, 2018. Please review it in conjunction with the District's basic financial statements.

Financial Highlights

- The District's assets exceeded its liabilities by \$2,825,488 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$2,314,768 (restated).
- Total net position is comprised of the following:
 - (1) Capital assets, net of related debt, of \$739,463 include property and equipment, net of accumulated depreciation. The District has no outstanding debt related to capital assets as of June 30, 2018.
 - (2) Unrestricted net assets of \$2,079,879 represent the portion available to maintain the District's continuing obligations to member counties and creditors.
- Total liabilities of the District increased from \$346,581, restated, to \$372,822 during the fiscal year.
- Over \$472,00 in revenues was generated from CBRI through project management, interest earnings, and CRBI direct allocation per state statute.

Operations for the fiscal year 2018 were mainly supported by engineering fees and construction inspection fees, which provided 26% and 38% of revenues, respectfully. Bridge inspection fees (13%), CBRI allocations (14%) and sign shop proceeds (3%), 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 2018 the District received revenues from the following sources:

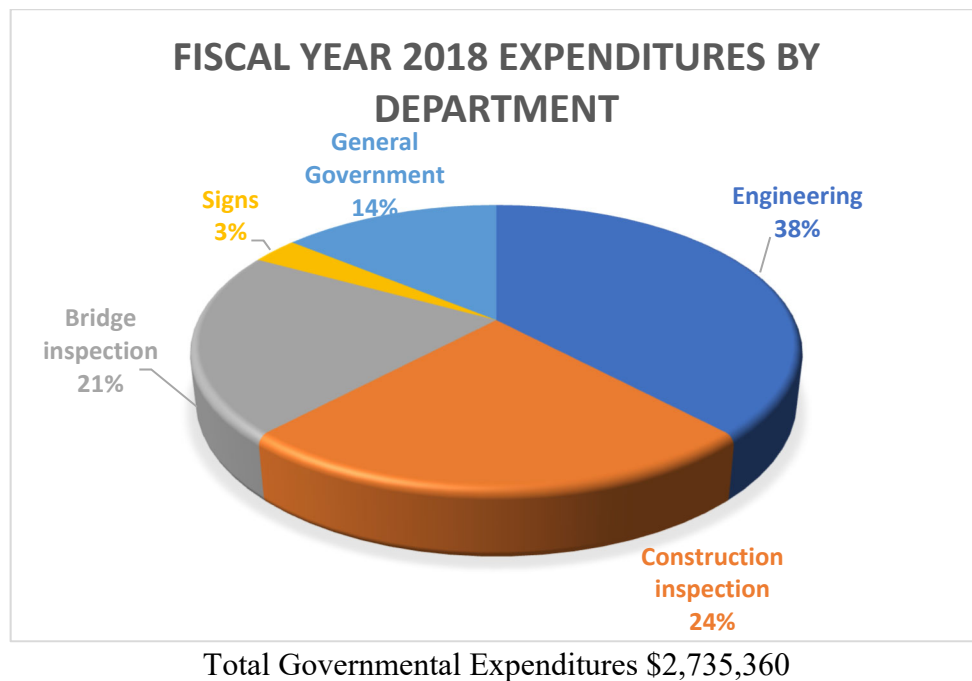


CIRCUIT ENGINEERING DISTRICT # 8
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Overall governmental revenues increased approximately 16% from the prior year. The increase was largely due to the increase in construction inspection revenues from \$950,449 in the prior year to \$1,274,200 in the current year or 33% increase.

Total governmental expenditures were reduced approximately 5% from the prior year. The increase in revenues and reduction in expenditures resulted in a positive net change in fund balance for governmental activities of \$590,855.

Expenses were allocated by the following departments as of June 30, 2018:



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.

CIRCUIT ENGINEERING DISTRICT # 8
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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 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.

Summary Statement of Net Position

	Governmental Activities		Business-type Activities		Totals		Change	
	2018	2017	2018	2017	2018	2017	\$	%
Current assets	2,453,461	1,835,564	6,146	6,146	2,459,607	1,841,710	617,897	34%
Capital assets, net	739,463	819,599	-	-	739,463	819,599	(80,136)	-10%
Total assets	\$ 3,192,924	\$ 2,655,163	\$ 6,146	\$ 6,146	\$ 3,199,070	\$ 2,661,309	\$ 537,761	20%
Current liabilities	372,882	345,841	-	-	372,882	345,841	27,041	8%
Deposits Payable	700	700	-	-	700	700	-	0%
Total liabilities	\$ 373,582	\$ 346,541	\$ -	\$ -	\$ 373,582	\$ 346,541	\$ 27,041	8%
Net Position								
Invested in capital assets, net	739,463	819,599	-	-	739,463	819,599	(80,136)	-10%
Restricted	-	-	-	-	-	-	-	0%
Unrestricted	2,079,879	1,489,023	6,146	6,146	2,086,025	1,495,169	590,856	40%
Total net position	\$ 2,819,342	\$ 2,308,622	\$ 6,146	\$ 6,146	\$ 2,825,488	\$ 2,314,768	\$ 510,720	22%

Total assets noted an increase of 20% largely due to an increase in cash reserves. Total cash increased approximately 54% from the prior year. Total liabilities increase 8% from the prior year. The District reported positive balances in net position for both governmental and business-type activities. Net position increased \$510,720 or 22% for governmental activities. The District's overall financial position improved 22% during fiscal year 2018.

CIRCUIT ENGINEERING DISTRICT # 8
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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.

2019 Operations and Future Plans

For the third 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 \$80 million from the county CIRB accounts. This action by the legislature resulted in an approximate \$10 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, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,983,421	\$ 6,146	\$ 1,989,567
Accounts receivable	261,157	-	261,157
Unbilled receivables	93,052	-	93,052
Inventory	115,831	-	115,831
<i>Total current assets</i>	<u>2,453,461</u>	<u>6,146</u>	<u>2,459,607</u>
Non-current assets:			
Land	20,500	-	20,500
Other capital assets, net of depreciation	718,963	-	718,963
<i>Total non-current assets</i>	<u>739,463</u>	<u>-</u>	<u>739,463</u>
Total assets	<u><u>\$ 3,192,924</u></u>	<u><u>\$ 6,146</u></u>	<u><u>\$ 3,199,070</u></u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 146,139	\$ -	\$ 146,139
Payroll & payroll taxes payable	129,424	-	-
Compensated absences	97,319	-	97,319
<i>Total current liabilities</i>	<u>372,882</u>	<u>-</u>	<u>372,882</u>
Non-current assets:			
Deposits Payable	700	-	700
<i>Total liabilities</i>	<u><u>\$ 373,582</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 373,582</u></u>
NET POSITION			
Invested in capital assets, net of related debt	739,463	-	739,463
Restricted	-	-	-
Unrestricted	2,079,879	6,146	2,086,025
<i>Total net position</i>	<u>2,819,342</u>	<u>6,146</u>	<u>2,825,488</u>
Total liabilities and net position	<u><u>\$ 3,192,924</u></u>	<u><u>\$ 6,146</u></u>	<u><u>\$ 3,199,070</u></u>

See accompanying notes to the financial statements

Circuit Engineering District # 8, Oklahoma
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General Government	\$ 398,252	\$ -	\$ 551,143	\$ 152,891
Engineering	1,059,105	896,233	-	(162,872)
Construction inspection	698,246	1,276,544	-	578,298
Bridge inspection	567,439	459,735	-	(107,704)
Signs	91,442	99,499	-	8,057
Total governmental activities	<u>2,814,484</u>	<u>2,732,011</u>	<u>551,143</u>	<u>468,670</u>
Business-type activities:				
Energy District	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u><u>\$ 2,814,484</u></u>	<u><u>\$ 2,732,011</u></u>	<u><u>\$ 551,143</u></u>	<u><u>\$ 468,670</u></u>

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in Net Assets:			
Net expense/revenue	\$ 468,670	\$ -	\$ 468,670
General Revenues:			
Auction proceeds	\$ 25,207	-	25,207
Rental Income	14,452	-	14,452
Gain (Loss) on Sale of Assets	(1,011)	-	(1,011)
Interest Income	3,402	-	3,402
Total general revenues and transfers	<u>42,050</u>	<u>-</u>	<u>42,050</u>
<i>Change in net position</i>	510,720	-	510,720
Net position, beginning, restated	2,308,622	6,146	2,314,768
Net position, ending	<u><u>\$ 2,819,342</u></u>	<u><u>\$ 6,146</u></u>	<u><u>\$ 2,825,488</u></u>

See accompanying notes to the financial statements.

Circuit Engineering District # 8, Oklahoma
Balance Sheet-Governmental Fund
June 30, 2018

	General Fund
ASSETS	
Cash and cash equivalents	\$ 1,983,421
Accounts receivable	261,157
Unbilled receivables	93,052
Inventory	115,831
Total assets	<u><u>\$ 2,453,461</u></u>

LIABILITIES	
Accounts payable	\$ 146,139
Accrued expenses payable	129,424
Compensated absences	97,319
Total liabilities	<u><u>372,882</u></u>

FUND BALANCE	
Unassigned	2,080,579
Total liabilities and fund balance	<u><u>\$ 2,453,461</u></u>

Total fund balance-governmental funds	2,080,579
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Amounts reported for governmental activities in the Statement of Net Position 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	1,483,544	
Less: Accumulated depreciation	<u>(764,581)</u>	739,463

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

Deposits payable	(700)
Net assets of Governmental Activities	<u><u>\$ 2,819,342</u></u>

See accompanying notes to the financial statements.

Circuit Engineering District # 8, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2018

	General Fund
Revenues:	
Engineering fees	\$ 861,269
Construction inspection	1,274,200
Bridge inspection fees	446,594
Intergovernmental	551,143
Signs	87,712
Reimbursed expenses	62,236
Proceeds from sale of assets	-
Auction proceeds	25,207
Rental income	14,452
Interest income	3,402
<i>Total Revenues</i>	<u>3,326,215</u>
 Expenditures:	
Current Operations:	
Engineering	1,045,272
Construction inspection	650,315
Bridge inspection	563,248
Signs	91,110
General Government	373,245
Capital expenditures	12,170
<i>Total Expenditures</i>	<u>2,735,360</u>
 Net Change in Fund Balance	 590,855
 Fund balance at beginning of year, restated	 1,489,724
 Fund balance at end of year	 <u><u>\$ 2,080,579</u></u>

See accompanying notes to the financial statements.

Circuit Engineering District # 8, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2018

***Reconciliation of the change in fund balances-total governmental funds
to the change in net assets of governmental activities:***

Net change in Fund Balances- Total Governmental Funds	\$ 590,855
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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	12,170	
Depreciation Expense	<u>(91,295)</u>	(79,125)

In the statement of activities, the gain/(loss) 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 \$4,840, net of related accumulated depreciation of \$3,830.

(1,010)

Change in Net Assets of Governmental Activities.

	<u><u>\$ 510,720</u></u>
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Circuit Engineering District # 8, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2018

	Business-type Activities
ASSETS	Energy District
Current assets:	
Cash and cash equivalents	\$ 6,146
<i>Total current assets</i>	<u>6,146</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	<u>-</u>
<i>Total current liabilities</i>	<u>-</u>
 NET POSITION	
Unrestricted	6,146
Total liabilities and net position	<u><u>\$ 6,146</u></u>

See accompanying notes to the financial statements

Circuit Engineering District # 8, Oklahoma
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2018

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

See accompanying notes to the financial statements

Circuit Engineering District # 8, Oklahoma
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Business-type Activities Energy District
<u>Cash flows from operating activities:</u>	
Receipts from customers	\$ -
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 from 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, 2017	6,146
Cash and cash equivalents, June 30, 2018	<u>\$ 6,146</u>
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:	-
Net cash provided (used) by operating activities	<u>\$ -</u>

See accompanying notes to the financial statements

(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, 2018, 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 an average cost 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.

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, 2018, 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.

CIRCUIT ENGINEERING DISTRICT # 8

Notes to the Financial Statements For the Year Ended June 30, 2018

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, 2018 the District has \$ 93,052 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:

- 1) 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.
- 2) 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.

- 3) 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

(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, 2018.

(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, 2018, the member counties contributed the following funds to the District for services provided:

	Revenue Earned
Alfalfa County	\$ 30,434
Beaver County	631
Canadian County	1,772
Cimarron County	2,203
Ellis County	3,644
Garfield County	40,562
Grant County	7,660
Harper County	3,930
Kay County	14,965
Kingfisher County	14,815
Major County	5,720
Noble County	34,540
Texas County	3,423
Woods County	4,833
Woodward County	38,264
	<u>\$ 207,396</u>

CIRCUIT ENGINEERING DISTRICT # 8**Notes to the Financial Statements
For the Year Ended June 30, 2018**

At June 30, 2018, amounts due from related parties were as follows:

	Amount Due
Alfalfa County	\$ 31
Canadian County	950
Cimarron County	104
Ellis County	5
Garfield County	36,836
Grant County	6,891
Kay County	1,880
Kingfisher County	1,341
Noble County	25
Texas County	529
Woods County	674
Woodward County	196
	<u>\$ 49,462</u>

At June 30, 2018, amounts due to related parties were as follows:

	Amount Due
Harper County	\$ 21,900

(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.C. During the fiscal year ended June 30, 2018, the District had cash balances in excess of FDIC limits. Assets were secured with two securities with a book value of \$ 510,000 and a market value of \$510,519 and an unused letter of credit in the amount of \$750,000. As of June 30, 2018, the District had \$177,747 in uninsured deposits.

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.

CIRCUIT ENGINEERING DISTRICT # 8**Notes to the Financial Statements****For the Year Ended June 30, 2018****4.C.CAPITAL ASSETS**

A summary of the changes in the governmental activities fixed assets is as follows:

	Balance June 30, 2017	Deletions	Additions	Balance June 30, 2018
Capital assets:				
Land	\$ 20,500	\$ -0-	\$ -0-	\$ 20,500
Buildings	716,117	-0-	-0-	716,117
Office & Sign Equipment	81,442	4,840	8,090	84,692
Construction Equipment	205,714	-0-	4,080	209,794
Vehicles	472,941	-0-	-0-	472,941
	<u>1,496,714</u>	<u>4,840</u>	<u>12,170</u>	<u>1,504,044</u>
Less accumulated depreciation:				
Buildings	187,291	-0-	23,954	211,245
Office & Sign Equipment	51,390	3,830	6,990	54,550
Construction Equipment	120,423	-0-	18,417	138,840
Vehicles	318,012	-0-	41,934	359,945
	<u>677,115</u>	<u>3,830</u>	<u>91,295</u>	<u>764,581</u>
Capital assets, net	<u>\$ 819,599</u>	<u>\$ (1,010)</u>	<u>\$ (79,125)</u>	<u>\$ 739,463</u>

Depreciation was charged to governmental functions as follows:

Governmental activities:

General government	\$ 25,007
Engineering	12,590
Construction inspection	47,931
Bridge inspection	5,435
Sign	332
Total governmental activities depreciation expense	<u>\$ 91,295</u>

(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 \$86,111 in fiscal year 2018. 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	The District participates	If claims exceed pool
- Torts	in a public entity risk	assets, the District
- Error and Omissions	pool – Association of	would have to pay its
- Officer Liability	County	share of the pool
- Vehicle	Commissioners of	deficit.
	Oklahoma – Self Insured	
	Group (ACCO-SIG)	
Physical Plant	The District participates	If claims exceed pool
- Theft	in a public entity risk	assets, the District
- Damages to Assets	pool –	would have to pay its
- Natural Disasters	ACCO-SIG.	share of the pool
		deficit.
Worker's	The District participated	If claims exceed pool
Compensation -	in a public entity risk	assets, the District
Employees'	pool –	would have to pay its
Injuries	ACCO-SIF	share of the pool
		deficit.
Health and Life	The District carries	None
- Medical	commercial insurance	
- Disability	for these types of risk.	
- Dental		
- Life		

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

Litigation

As of June 30, 2018, 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.

Letters of Credit

As of June 30, 2018, the District had not drawn upon any letters of credit, which have been issued in the maximum amount of \$750,000.

5.D. PRIOR PERIOD RESTATEMENT

Beginning fund balances have been restated for prior period adjustments as of June 30, 2018. The adjustments principally related to compensated absences, accounts payable, wages payable and capital assets. The restatement decreased beginning net assets in the amount of \$134,793,

5.E. DATE OF MANAGEMENT REVIEW

Subsequent events were evaluated through December 12, 2018, 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, 2018

	Original				Variance with
	Budget	Amendments	Final Budget	Actual	Final Budget
Revenues:					Favorable/
					(Unfavorable)
Intergovernmental	\$ 350,000	\$ -	\$ 350,000	\$ 551,143	201,143
Bridge inspection fees	387,536	-	387,536	451,693	64,157
Signs	112,000	-	112,000	90,143	(21,857)
Engineering	2,007,910	-	2,007,910	1,013,906	(994,004)
Construction management	892,285	-	892,285	1,179,327	287,042
Auction proceeds	25,000	-	25,000	25,207	207
Proceeds for sale of assets	-	-	-	-	-
Rental income	10,200	-	10,200	14,874	4,674
Interest income	-	-	-	3,402	3,402
<i>Total Revenues</i>	<i>3,784,931</i>	<i>-</i>	<i>3,784,931</i>	<i>3,329,695</i>	<i>(455,236)</i>
Expenditures:					
Current operations:					
General government					
Personal services	12,471	-	12,471	12,535	(64)
Maintenance and operations	767,267	-	767,267	524,640	242,627
Bridge inspection					
Personal services	206,911	-	206,911	191,492	15,419
Maintenance and operations	126,304	-	126,304	91,701	34,603
Engineering					
Personal services	543,254	-	543,254	490,244	53,010
Maintenance and operations	1,460,865	-	1,460,865	535,399	925,466
Signs					
Personal services	25,000	-	25,000	8,613	16,387
Maintenance and operations	84,000	-	84,000	33,480	50,520
Construction inspection					
Personal services	488,334	-	488,334	526,324	(37,990)
Maintenance and operations	285,961	-	285,961	182,552	103,409
Capital expenditures	159,000	-	159,000	35,878	123,122
<i>Total Expenditures</i>	<i>4,159,366</i>	<i>-</i>	<i>4,159,367</i>	<i>2,632,858</i>	<i>1,526,509</i>
Excess revenues over (under) expenditure	(374,435)	-	(374,436)	696,837	
Fund balance, beginning (Non-GAAP), restated				1,477,433	
Fund balance, ending (Non-GAAP)				<u>\$ 2,174,270</u>	
<u>Adjustments to Generally Accepted Accounting Principles</u>					
Revenues accruals				(94,135)	
Expenditures accruals				444	
Fund balance, ending (GAAP) basis				<u><u>\$ 2,080,579</u></u>	

See accompany notes to the required supplementary information

(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, 2018, the District did not exceed total budgeted expenditures.

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 City Council
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, 2018, 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 December 12, 2018.

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 have not been 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 questioned costs to be material weaknesses: Finding: 2018-1.

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 questioned costs to be significant deficiencies. Finding: 2018-2 and 2018-3.

Compliance and Other Matters

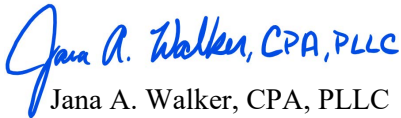
As part of obtaining reasonable assurance about whether the Circuit Engineering District #8's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 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 questioned costs as items: Finding: 2018-4.

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.



Jana A. Walker, CPA, PLLC
Woodward, Oklahoma
December 12, 2018

CIRCUIT ENGINEERING DISTRICT # 8
Schedule of Findings and Responses
For the Year Ended June 30, 2018

Finding 2018-1 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. The financial reporting software has deficiencies in producing timely information in compliance with applicable standards.

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. Further, these conditions could result in unrecorded transactions, undetected errors, or misappropriation of assets.

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 2018-2 Improper purchase order authorization

Condition: Purchase orders inspected did not include proper signatures.

Criteria: All purchase orders should include 2 signatures to ensure proper authorization.

Cause: The lack of formal policies and procedures being followed.

Effect or Potential Effect: The effect of not maintaining effective internal control over expenditures could result in material errors or fraud occurring and not be detected on a timely basis, or inaccurate payment of liabilities to the respective vendor.

CIRCUIT ENGINEERING DISTRICT # 8
Schedule of Findings and Responses
For the Year Ended June 30, 2018

Finding 2018-2 Improper purchase order authorization-continued

Recommendation: Recommend following already established policies and procedures put in place. This should include two different authorized individuals responsible for the disbursement of funds to sign all purchase orders.

Management's Response: We have designated an individual to review all purchase orders for proper signatures. Payment will not be initiated unless an authorized purchase order is present.

Finding 2018-3 Improper Payroll Cutoff

Condition: The payroll policy handbook states employees shall be paid on the last day of the month for time from the 1st to the last day. Additionally, payroll software reflects pay periods from the 1st of the month to the last day of the month. However, actual time paid is different than what is being reflected. Employees time through the 15th of the month is paid on the last day of the following month.

Criteria: Payroll software time and policy handbook should coincide with the actual time period being paid to employees.

Cause: The lack of formal policies and procedures being followed.

Effect or Potential Effect: Improper payments to employees could materially misstate the financial statements.

Recommendation: Amend current policy to reflect actual practices and consider consulting with an individual that has sufficient knowledge, expertise, and education to adjust payroll software to reflect correct periods.

Management's Response: We will make the appropriate amendments to the policy handbook to reflect our current payroll policies. Software will be corrected to reflect appropriate pay periods.

Finding 2018-4 Unsecured Deposits

Condition: At June 30, 2018, the District had \$177,747 held in uncollateralized liquid assets.

Criteria: According to State Statute 62 O.S. §511-516, deposits of public funds cannot exceed the federal insurance limit unless secured by acceptable collateral.

Cause: The District did not have a process in place with the bank to adequately monitor compliance with required collateral limits.

Effect or Potential Effect: Potential violation of the regulations for governmental entities.

CIRCUIT ENGINEERING DISTRICT # 8
Schedule of Findings and Responses
For the Year Ended June 30, 2018

Finding 2018-4 Unsecured Deposits-continued

Recommendation: Management and those charged with governance should ensure the District is in compliance with all laws and regulations applicable to governmental entities. Management should review collateral amounts on a regular and timely basis to ensure compliance.

Management's Response: On July 5, 2018, Management secured all uncollateralized amounts. Management has implemented monitoring controls since year end.