

CIRCUIT ENGINEERING DISTRICT NO. 6 OF OKLAHOMA

Duncan, Oklahoma

June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Circuit Engineering District No. 6 of Oklahoma
Duncan, Oklahoma

Report on the Financial Statement

We have audited the accompanying modified cash basis financial statements of **Circuit Engineering District No. 6 of Oklahoma**, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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.

Opinion

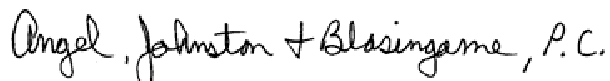
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis of the governmental activities and each major fund of the **Circuit Engineering District No. 6 of Oklahoma**, as of June 30, 2013, and the respective changes in financial position—modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note A.

Basis of Accounting

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2013 on our consideration of the **Circuit Engineering District No. 6 of Oklahoma'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 reporting is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering **Circuit Engineering District No. 6 of Oklahoma's** internal control over financial reporting and compliance.



Angel, Johnston & Blasingame, P.C.
Chickasha, Oklahoma
December 19, 2013

CIRCUIT ENGINEERING DISTRICT NO. 6 OF OKLAHOMA
Duncan, Oklahoma
Statement of Net Position - Modified Cash Basis
June 30, 2013

	Governmental Activities
<u>Assets</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 603,329
<i>Total Current Assets</i>	<u>603,329</u>
Noncurrent Assets:	
Other capital assets, net	<u>60,126</u>
<i>Total Noncurrent Assets</i>	<u>60,126</u>
<i>Total Assets</i>	<u>663,455</u>
<u>Liabilities</u>	
Employee Withholdings	1,331
<i>Total Liabilities</i>	<u>1,331</u>
<u>Net Position</u>	
Net Investment in	
Capital Assets	60,126
Unrestricted	<u>601,998</u>
<i>Total Net Position</i>	<u>\$ 662,124</u>

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

CIRCUIT ENGINEERING DISTRICT NO. 6 OF OKLAHOMA
Duncan, Oklahoma
Statement of Activities - Modified Cash Basis
For the Year Ending June 30, 2013

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expenses) Revenue and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government:					
Governmental Activities:					
General Government	\$ 610,405	\$ -	\$ 710,731	\$ -	\$ 100,326
	-				-
<i>Total Governmental Activities</i>	<u>610,405</u>	<u>-</u>	<u>710,731</u>	<u>-</u>	<u>100,326</u>
<i>Total Primary Government</i>	<u>610,405</u>	<u>-</u>	<u>710,731</u>	<u>-</u>	<u>100,326</u>
General Revenues:					
					354
Investment Income					354
<i>Total General Revenues and Transfers</i>					<u>354</u>
					100,679
<i>Change in Net Position</i>					
					561,445
<i>Net Position - Beginning</i>					<u>561,445</u>
					662,124
<i>Net Position - Ending</i>					<u>\$ 662,124</u>

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

CIRCUIT ENGINEERING DISTRICT NO. 6 OF OKLAHOMA
Duncan, Oklahoma
Balance Sheet - Modified Cash Basis
Governmental Fund
June 30, 2013

	<u>General</u>
Assets	
Cash and Cash Equivalents	\$ 603,329
<i>Total Assets</i>	<u>603,329</u>
 Liabilities	
Employee Withholdings	<u>1,331</u>
<i>Total Liabilities</i>	<u>1,331</u>
 Fund Balance	
Unreserved	601,998
<i>Total Fund Balance</i>	<u>601,998</u>
 <i>Total Liabilities and Fund Balance</i>	<u>\$ 603,329</u>

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

CIRCUIT ENGINEERING DISTRICT NO. 6 OF OKLAHOMA
Duncan, Oklahoma
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ending June 30, 2013

	<u>General</u>
Revenues	
ACCO revenues	\$ 15,000
OCCEDB revenues	696,521
Investment Income	<u>354</u>
<i>Total Revenues</i>	<u>711,875</u>
 Expenditures	
Auto Expense	2,975
Capital Outlay	5,206
County Project Allocations	480,000
Insurance	13,616
Meetings & Conferences	90
Meals	2,874
Professional/Outside Services	26,048
Retirement Plan	8,662
Salaries - Manager	52,750
Supplies	273
Payroll Taxes	4,346
Travel	<u>411</u>
<i>Total Expenditures</i>	<u>597,251</u>
 Excess (Deficiency) of Revenues over Expenditures	 <u>114,624</u>
 Net Change in Fund Balance	 114,624
 Fund Balance - Beginning	 487,374
 Prior period adjustment	 <u>-</u>
 Fund Balance - Ending	 <u><u>\$ 601,998</u></u>

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

CIRCUIT ENGINEERING DISTRICT NO. 6 OF OKLAHOMA
Reconciliation of Governmental Fund and Government-Wide Financial Statements
Governmental Fund
June 30, 2013

Reconciliation to Statement of Net Position:

Fund balance of governmental fund	\$ 601,998
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds:	<u>60,126</u>
Net Position of governmental activities	<u>\$ 662,124</u>

Reconciliation to Statement of Activities:

Net change in fund balance of governmental fund	\$ 114,624
Amounts reported for governmental activities on the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized in governmental fund	5,205
Depreciation adjustment for vehicle sold	(790)
Depreciation expense	<u>(18,360)</u>
Change in net position of governmental activities	<u>\$ 100,679</u>

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

CIRCUIT ENGINEERING DISTRICT NO. 6 OF OKLAHOMA

Duncan, Oklahoma

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1 – Summary of Significant Accounting Policies

As discussed further in Note 1.C., these financial statements are presented on the modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

A. Financial Reporting Entity

Circuit Engineering District No. 6 (the “District”) was incorporated in 1999 under the laws of the State of Oklahoma in accordance with Title Sixty-nine section 687.1 of the Oklahoma Statutes, as a Voluntary Association of County Government of Oklahoma. The District is organized to promote planning and development of transportation within nine counties in Oklahoma. The governing board consists of nine trustees with one acting as the President. The District retains title to all assets which are acquired or constructed with District debt or other District generated resources.

B. 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. However, all the activities of the District are governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Fund Financial Statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing

CIRCUIT ENGINEERING DISTRICT NO. 6 OF OKLAHOMA

Duncan, Oklahoma

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

B. Basis of Presentation, (continued)

a separate set of self-balancing accounts, which are comprised of each fund's assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are grouped, in the financial statements in this report, into one fund type and one fund category as follows:

Governmental Fund Types

- 1. General Fund** – This is the only fund of the District. It accounts for all the operations of the public transportation development.

C. Measurement Focus and Basis of Accounting

Measurement Focus

Measurement focus refers to how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

Basis of Accounting

The government-wide financial statements and the fund financial statements, are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with employee withholding taxes that have not been deposited with the Internal Revenue Service but relate to compensation paid are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The government wide financial statements are further modified as follows:

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

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

CIRCUIT ENGINEERING DISTRICT NO. 6 OF OKLAHOMA

Duncan, Oklahoma

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

D. Assets, Liabilities and Equity

Cash & Cash Equivalents

The District considers all cash on hand, demand deposits, interest bearing checking accounts, time deposit accounts and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Capital Assets

Fixed assets acquired by governmental funds are reported as capital assets within the General Fund. Capital assets are stated at cost. Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds. Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	10 to 40 years
Improvements	10 to 40 years
Vehicles and Equipment	5 to 15 years
Office Equipment	5 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation expense for the fiscal year ended June 30, 2013 totaled \$18,360.

Net Position – Net Position is divided into three components:

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

CIRCUIT ENGINEERING DISTRICT NO. 6 OF OKLAHOMA

Duncan, Oklahoma

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

D. Assets, Liabilities and Equity, (continued)

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

E. Revenues, Expenditures and Expenses

In the Statement of Activities, modified cash basis revenues that are derived directly from each activity or from parties outside the District are reported as program revenues. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the District, with certain limited exceptions.

The expenses of the governmental fund are those that result from charges for services and the expenses of management of the District. These can include expenses that are related to capital and noncapital related financing, or investing activities and County Auction Allocations.

Note 2 - Investments, Deposits and Collateral

Currently the district does not have any investments.

Custodial Credit Risk - Deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a written policy for custodial credit risk, but *Oklahoma Statutes* requires collateral for all uninsured deposits of public trust funds in financial institutions. As of June 30, 2013, the District's bank balances of \$614,977 were not exposed to custodial credit risk.

Note 3 - Capital Assets

The following is a summary of the capital assets of the Governmental Activities at June 30, 2013:

CIRCUIT ENGINEERING DISTRICT NO. 6 OF OKLAHOMA**Duncan, Oklahoma****NOTES TO FINANCIAL STATEMENTS**

June 30, 2013

Note 3 – Capital Assets, (continued)

<u>Governmental-type Activities</u>	Beginning Balance	Additions	Deductions	Ending Balance
Depreciable Assets:				
Vehicles	58,132	0	(23,699)	34,433
Equipment	43,434	5,205	0	48,639
Total Depreciable Assets	101,566	5,205	(23,699)	83,072
Less: Accumulated Depreciation				
Vehicles	(27,247)	(8,862)	22,909	(13,200)
Equipment	(248)	(9,498)	0	(9,746)
Total Accumulated Depreciation	(27,495)	(18,360)	22,909	(22,946)
Net Depreciable Assets	74,071	(13,155)	(790)	60,126

Note 4 – Pension Plan

Oklahoma Public Employees Retirement – The District participates in the Oklahoma Public Employees Retirement System's (OPERS) deferred compensation-defined benefit plan. The District has no responsibility or authority for the operation and administration of the pension program. Information regarding the Oklahoma Public Employees Retirement System can be obtained online at www.opers.ok.gov or by calling 405-858-6737.

The contribution rate for the District is established by Statute. The District is required to contribute 11.5% - 16.5% and the employee is required to contribute 3.5% - 8.5%. The total employer and employee contribution must equal 20% for the year ended June 30, 2013. The District is responsible for determining how much the employer and employee pays within the given range.

The District's employee also participates in the 2.8% Step-Up program. This program allows members to take advantage of a 2.8% computation factor instead of the traditional 2% factor.

As of June 30, 2013, the District contributed 16.5% at \$8,662 and the employee contributed 6.4% at \$3,381, which included the step up percentage.

Note 5 - Compensated Absences

As a result of the District's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (accumulated but unused vacation leave and compensatory time earned but unpaid at year-end, and any employer-related costs earned

CIRCUIT ENGINEERING DISTRICT NO. 6 OF OKLAHOMA

Duncan, Oklahoma

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5 – Compensated Absences, (continued)

and unpaid) are not reflected in the financial statements. However, because of the limited number of people employed by the organization, any liability for compensated absences at June 30, 2013 would not be material to the financial statements taken as a whole.

Note 6 - Estimates

In preparing the District's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statement, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 7 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District carries commercial insurance coverage to include general liability. There have been no significant reductions in insurance coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**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***

Board of Directors
Circuit Engineering District No. 6 of Oklahoma
Duncan, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the accompanying modified cash basis financial statements of **Circuit Engineering District No. 6 of Oklahoma** as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise **Circuit Engineering District No. 6 of Oklahoma's** basic financial statements, and have issued our report thereon dated December 19, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Circuit Engineering District No. 6 of Oklahoma'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 of the effectiveness of **Circuit Engineering District No. 6 of Oklahoma's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Circuit Engineering District No. 6 of Oklahoma's** internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

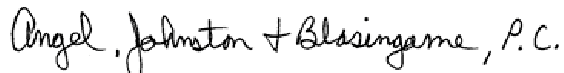
Our consideration of the internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial 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*.

Purpose of this Report

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



Angel, Johnston & Blasingame, P.C.
Chickasha, Oklahoma
December 19, 2013