

**CIRCUIT ENGINEERING DISTRICT #8
INDEPENDENTS AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FISCAL YEAR ENDED
JUNE 30, 2014**

**WILLIAM K. GAUER
CERTIFIED PUBLIC ACCOUNTANT
WATONGA, OKLAHOMA**

Circuit Engineering District #8

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December 31, 2014

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 fiscal year ended June 30, 2014. This report contains basic financial statements and other financial aspects of the District for the fiscal year ending in 2014.

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 District 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 Other Financial Information includes selective financial information about the District and its member counties.

Form of Government and Reporting Entity

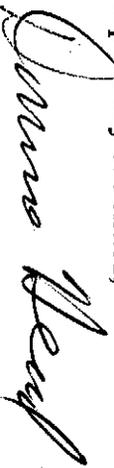
The District was created during 2004 and began operations January 2005, under Title 69, Section 687.1 Circuit Engineering Districts of Oklahoma Statute; and complies with Title 74, Chapter 31, Interlocal Cooperation Act. Within the statute, the board of county commissioners of any county within the state 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: Cimarron, Texas, Beaver, Harper, Ellis, Woodward, Woods, Major, Alfalfa, Grant, Garfield, Kay, Kingfisher, Canadian and Noble counties. During the fiscal year covering July 1, 2013 to June 30, 2014, these counties participated together in bridge inspection services, bridge and roadway design and construction engineering services, construction inspection services, sign making, and training classes for the member counties.

Factors Affecting Financial Condition

The District operates from two financial sources: Oklahoma Department of Transportation bridge inspection fees; construction inspection fees; engineering 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, appearing to read "Dawn Head".

**CIRCUIT ENGINEERING DISTRICT
CIMARRON, CANADIAN, TEXAS, BEAVER, HARPER, WOODS, ALFALFA, GRANT,
KAY, KINGFISHER, ELLIS, WOODWARD, MAJOR, GARFIELD & NOBLE
COUNTIES
BOARD OF TRUSTEES
AND OFFICERS**

Dee Schieber, Kay County
Chad Roach, Alfalfa County
Max Hess, Grant County
Clint Strawn, Woods County

President 2013-2014
Vice President 2013
Vice President 2014
Secretary-Treasurer 2013-2014

Danny Bass, Cimarron County
Frankie Stevens, Ellis County
Marc Bolz, Garfield County
Cody Hickman, Harper County
Mark Sanders, Noble County
Ted Keeling, Texas County
Travis Rohla, Major County
Brad Raven, Beaver County
Tommy Roedell, Woodward County
Edward Wilczek, Kingfisher County
Jack Stewart, Canadian County
David Anderson, Canadian County

Member
Member 2013
Member 2014

Donnie Head

Manager

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CIRCUIT ENGINEERING DISTRICT #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Circuit Engineering District No. 8 (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2014. A two year presentation is provided for comparative purposes. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2014, the District's net position increased 7.50% or \$183,535 to \$2,703,377.
- In 2014, the District's total revenues increased 12.4% or \$336,642 due primarily to an increase in Construction Inspection Services of \$355,915 and an increase in non-operating revenue of \$45,926.
- In 2014, the District's total expenses increased 12.1% or \$308,704 due primarily to increases in Engineering Expenses of \$489,769. The loss of disposal of assets was \$138,142.

Required Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District 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 the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

CIRCUIT ENGINEERING DISTRICT #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

These two statements report the District's net position and changes in them. You can think of the District's net position—the difference between assets and liabilities—as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the Agency's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation, such as changes in Federal and State water quality standards.

Notes to the Basic Financial Statements

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

Statement of Net Position
Condensed Statements of Net Position

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Assets:			
Current assets \$	1,800,427	1,491,092	309,335
Non-current assets	--	3,000	(3,000)
Capital assets, net	<u>902,950</u>	<u>1,031,379</u>	<u>(128,429)</u>
Total assets	2,703,377	2,525,471	177,906
Deferred outflows of resources	--	--	--
Total assets and deferred outflows of resources	\$ <u>2,703,377</u>	<u>2,525,471</u>	<u>177,906</u>
Liabilities:			
Current liabilities	79,822	88,951	(9,129)
Non-current liabilities	<u>3,500</u>	--	<u>3,500</u>
Total liabilities	83,322	88,951	(5,629)
Deferred inflows of resources	--	--	--
Net position:			
Net investment in capital assets	902,950	1,031,379	(128,429)
Restricted	--	3,000	(3,000)
Unrestricted	<u>1,717,105</u>	<u>1,402,141</u>	<u>314,964</u>
Total net position	2,620,055	2,436,520	183,535
Total liabilities, deferred inflows of resources and net position	\$ <u>2,703,377</u>	<u>2,525,471</u>	<u>177,906</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$2,620,055 and \$2,436,520 as of June 30, 2014 and June 30, 2013, respectively.

A large portion of the District's net position (34.5% and 42.3% as of June 30, 2014 and 2013, respectively) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these

CIRCUIT ENGINEERING DISTRICT #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

capital assets to provide services to customers within the District's service area; consequently, these assets are not available for future spending.

At the end of fiscal years 2014 and 2013, the District showed a positive balance in its unrestricted net position of \$1,717,105 and \$1,402,141, respectively, which may be utilized in future years.

Statement of Revenues, Expenses and Changes in Net Position
Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Revenue:			
Operating revenue	\$ 2,140,664	1,853,948	286,716
Non-operating revenue	<u>910,429</u>	<u>864,503</u>	<u>45,926</u>
Total revenue	3,051,093	2,718,451	332,642
Expense:			
Operating expense	2,615,136	2,414,483	200,653
Depreciation and amortization	114,281	144,372	(30,091)
Non-operating expense	<u>138,142</u>	<u>251</u>	<u>137,891</u>
Total expense	2,867,559	2,559,106	308,453
Net income before capital Capital contributions	183,535 --	159,344 --	24,191 --
Change in net position	183,535	159,344	24,191
Net position, beginning of year	<u>2,436,520</u>	<u>2,277,175</u>	<u>159,345</u>
Net position, end of year	<u>\$2,620,055</u>	<u>2,436,520</u>	<u>183,535</u>

The statement of revenues, expenses and changes of net position shows how the District's net position changed during the fiscal years. In the case of the District, net position increased by \$183,535 and \$159,344 for the fiscal years ended June 30, 2014 and 2013, respectively.

A closer examination of the sources of changes in net assets reveals that:

In 2014, the District's total revenues increased 12.4% or \$336,642 due primarily to an increase in operations and services of \$286,716 and an increase in non-operating revenue of \$45,926 due primarily to sale of assets..

In 2014, the District's total expenses decreased 0.2% or \$1,124,024 due primarily to decreases in non-operating expenses of \$2,667,475. In 2012, the District's total expenses decreased 3.1% or \$1,204,921 due primarily to a decrease in state water project importation charges of \$3,129,604.

CIRCUIT ENGINEERING DISTRICT #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Operating and Non-Operating Revenues	2014	2013	Change
Operating revenues:			
Bridge	\$ 428,949	472,907	(43,958)
Construction	592,514	236,599	355,915
Engineering	873,502	905,262	(31,760)
Reimbursements	93,965	52,114	41,851
Sign Shop	148,789	187,065	(38,276)
Other Receipts	<u>2,946</u>	--	<u>2,946</u>
Total revenues	2,140,664	1,853,948	286,716
Non-operating revenues:			
Interest Income	3,743	4,130	387
Rental Income	25,200	26,200	(1,000)
Auction & Other Proceeds	74,725	24,063	50,662
CRBI Interest	<u>806,761</u>	<u>810,110</u>	<u>(3,349)</u>
Total non-operating revenue	910,429	<u>864,503</u>	<u>45,926</u>
Total revenues\$	<u>3,051,093</u>	<u>2,718,451</u>	<u>336,642</u>

Total revenues increased by \$336,642 or 12.4% in fiscal year 2014.

Operating and Non-Operating Expenses	2014	2013	Change
Operating expenses:			
General and Administrative \$	792,921	985,277	(192,356)
Engineering costs	1,540,376	1,050,607	489,769
Drafting	154,398	237,868	(83,470)
Sign expense	127,441	140,731	(13,290)
Depreciation and amortization	<u>114,281</u>	<u>144,372</u>	<u>(30,091)</u>
Total operating expenses	2,729,417	2,558,855	170,562
Non-operating expenses:			
Interest expense	--	251	(251)
Total non-operating expenses	<u>138,142</u>	<u>251</u>	<u>137,891</u>
Total expenses\$	<u>2,867,559</u>	<u>2,559,106</u>	<u>308,453</u>

Total expenses increased \$308,453 or 12.1% in fiscal year 2014.

Capital Asset Administration

Changes in capital asset amounts for 2014 were as follows:

Balance	2013	Additions	Transfers/ Deletions	Balance 2014
Capital assets:				
Non-depreciable assets	\$ 20,500	--	5,500	15,000
Depreciable assets	1,400,079	123,994	202,474	1,327,099
Accumulated depreciation and amortization	<u>(389,200)</u>	<u>(114,281)</u>	<u>64,332</u>	<u>(439,149)</u>
Total capital assets, net	<u>\$ 1,031,379</u>	<u>9,713</u>	<u>138,142</u>	<u>902,950</u>

CIRCUIT ENGINEERING DISTRICT #8
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

At the end of fiscal year 2014 and 2013, the District's investment in capital assets amounted to \$902,950 and \$1,031,379 (net of accumulated depreciation), respectively. This investment in capital assets includes land, lab equipment, and vehicles, etc.

Conditions Affecting Current Financial Position

Management is unaware of any conditions which could have a significant impact on the District's current financial position, net position or operating results based on past, present and future events.

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District Offices located at 909 West Lakes Drive, Alva, Oklahoma 73717.

WILLIAM K. GAUER
CERTIFIED PUBLIC ACCOUNTANT

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Board of Trustees
Circuit Engineering District No. 8
Alva, Oklahoma

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Circuit Engineering District, No. 8, State of Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, as shown on pages 3-6.

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.

Unmodified 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, each major fund, and the aggregate remaining fund information of the Circuit Engineering District, No. 8, State

Honorable Board of Trustees
December 31, 2014
Page 2

of Oklahoma, as of June 30, 2014, 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.



William K. Gauer, CPA
Walonga, Oklahoma
December 31, 2014

CIRCUIT ENGINEERING DISTRICT #8
Oklahoma
Statement of Net Position
June 30, 2014

ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,422,961
Net receivables	277,154
Inventory	100,312
Prepaid Insurance	-
Total Current Assets	<u>1,800,427</u>
Noncurrent Assets:	
Restricted Receivable	
Capital Assets:	
Land, Building, net of depreciation	617,618
Other capital assets, net of depreciation	285,332
Total Noncurrent Assets	902,950
Total Assets	<u>2,703,377</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	-
Accrued Expenses	79,822
Total Current Liabilities	<u>79,822</u>
Noncurrent Liabilities	
Deposits Payable on Rentals	3,500
Total Noncurrent Liabilities	3,500
Total Liabilities	<u>83,322</u>
NET POSITION	
Invested Capital	902,950
Restricted	-
Unrestricted	1,717,105
Total Net Position	<u>\$ 2,620,055</u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditors' report.

CIRCUIT ENGINEERING DISTRICT #8
Oklahoma

Statement of Revenues, Expenses, and Changes in Net Position
June 30, 2014

OPERATING REVENUES	\$
Charges for Services	428,949
Bridge inspection	592,514
Construction inspection	873,502
Engineering	93,965
Reimbursed expenses	148,789
Signs	2,137,718
Total Charges for Services	<u>2,137,718</u>
Other Receipts	2,946
Total Operating Revenue	<u>2,140,664</u>
OPERATING EXPENSES	
Sign expense and other cost of sales	127,441
Bridge Inspection	437
Construction Inspection	10,556
Drafting	154,398
Pony truss material replacement program	418,153
Cross Town Beam Hauling & Expense	1,387
Fuel	45,247
Engineering	1,540,376
General and Administrative	12,658
Advertising	112
Legal and Accounting	9,539
Repairs & maintenance	14,070
Mileage and travel	4,050
Meetings	-
Office expense	65,175
Retirement	77,400
Telephone & utilities	16,849
Travel and lodging	3,747
Insurance	113,539
Depreciation	114,281
Total Operating Expenses	<u>2,729,417</u>
NET OPERATING EXPENSES	(588,753)
NON OPERATING REVENUES (EXPENSES):	
Interest income	3,743
Interest expense	-
Rental income	25,200
Auction proceeds	74,725
Gain (Loss) on Disposal	(138,142)
CRBI Interest	806,761
Total Other Income/Loss	<u>772,288</u>
INCREASE (DECREASE) IN NET POSITION	183,535
NET POSITION, Beginning of Year	<u>2,436,520</u>
NET POSITION, End of Year	<u><u>2,620,055</u></u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditors' report.

CIRCUIT ENGINEERING DISTRICT #8
Oklahoma
Statement of Cash Flows
For Year Fiscal Year Ended June 30, 2014

Cash Flows from Operating Activities:	
Cash Received for Services	\$ 2,050,810
Cash Paid to Employees	(821,591)
Cash Paid to Vendors	(1,793,545)
Other Receipts	9,446
Net Cash Used by Operations	<u>(554,879)</u>
Cash flows from Capital Financing Activities:	
Purchase of Vehicles	(108,509)
Purchase of Equipment - Lab	(14,885)
Purchase of Building - Mower	(600)
Auction Proceeds and Other Contributions	814,028
Proceeds from Sale of Assets	72,555
Net cash provided by for Capital Financing Activities	<u>762,589</u>
Cash Flows from Investing Activities:	
Interest income	3,743
Rental income	25,200
Net cash provided by for Investing Activities	<u>28,943</u>
Net increase (decrease) in cash	236,652
Beginning cash balances	1,186,308
Ending cash balances	<u><u>1,422,961</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Net Operating Profit (Loss)	\$ (588,753)
Adjustments to reconcile net income to net cash flows from operating	
Depreciation and Amortization	114,281
Gain on Sale of Assets	-
(Increase) Decrease in current assets	(86,908)
Increase (Decrease) in current liabilities	6,500
Net cash provided (used) by operating activities	<u><u>(554,879)</u></u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditors' report.

CIRCUIT ENGINEERING DISTRICT #8
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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. The District has chosen to change its accounting period from a calendar year end to a fiscal year end of June 30.

1.A. 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. Beginning during the fiscal year the Oklahoma Cooperative Circuit Engineering District Board was formed. The OCCEDB manages the CED Revolving Fund and the Emergency and Transportation Revolving Fund.

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 and no non-voting members. Of the 15, 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 fourteen eligible counties: Cimarron, Texas, Beaver, Harper, Ellis, Woodward, Woods, Major, Altalfa, Grant, Garfield, Kay, Kingfisher, Canadian and Noble counties. As of January 2009, all eligible counties had 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 no component units.

CIRCUIT ENGINEERING DISTRICT #8
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

1.B. BASIS OF PRESENTATION

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 only one fund, the governmental fund.

The funds of the financial reporting entity are described below:

Governmental Funds

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.

Debt Service Fund

The Debt Service Fund accounts for the servicing of general long-term debt. Funding for the debt comes from transfers from the General Fund. The District has no outstanding debt as of June 30, 2013.

1.C. 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 Statement of Net Position and the Statement of Activities, the District’s 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 assets (or cost recover), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary funds equity is classified as net assets.

Basis of Accounting

In the Statement of Net Position and Statement of Activities, the District’s 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.

CIRCUIT ENGINEERING DISTRICT #8
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

1.D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the District. The District does hold any investments due to the lack of available funds. All cash is held in interest bearing checking accounts; as such, no 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.

Receivables

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 monthly dues and bridge inspection fees.

In the fund financial statements, material receivables in the government fund include revenue accruals such as monthly dues, 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 to construct signs for the sign shop. Amount in inventory represent new materials at cost basis. Cost of goods sold is recognized on the first in-first out basis. Reserves for obsolete inventory are recorded as determined.

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 the value of the asset or materially extend the asset's life are not capitalized.

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 Assets. 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

CIRCUIT ENGINEERING DISTRICT #8
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Restricted assets include cash and investment of the proprietary fund that are legally restricted as to their use.

Debt

As of June 30, 2013 the District has no outstanding debt.

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 a fee.

Sign Fees

To assist the counties in the implementation of E-911 and to save additional cost of purchasing traffic signs, the District opened its own sign shop.

Auction Proceeds

Auction proceeds represent the District's percentage of the sales commission generated from the yearly auctions held for surplus equipment and machinery.

Grants and Contributions

As a governmental operating entity, the District receives various grants and aid from other political divisions including the State of Oklahoma.

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.

Equity Classifications

Equity is classified as net assets 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.

CIRCUIT ENGINEERING DISTRICT #8
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

- b. Restricted net assets – consists of net assets 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 net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as 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, 2014.

NOTE 3. INTERGOVERNMENTAL REVENUES AND CHARGES FOR SERVICES

Intergovernmental revenues are detailed or shown in the “Other” section of the financial report.

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 INVESTMENTS

Deposits

The District's policies regarding deposits of cash are discussed in Note 1.D. During the period ended June 30, 2014, all funds are fully collateralized or insured.

4.B. ACCOUNTS RECEIVABLE

Accounts receivable of the inspections activities consists of bridge inspection fees, expense reimbursement and sign revenues.

CIRCUIT ENGINEERING DISTRICT #8
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

4.C. CAPITAL ASSETS

During the fiscal year the District completed Purchased Vehicles and other pieces of lab equipment. As of June 30, 2014 the District has \$ 1,342,099, in Plant, Property and Equipment, with accumulated depreciation of \$439,149, for net amount of \$ 902,950.

NOTES 5. LEASE/NOTE PAYABLE

As of June 30, 2014, no notes are outstanding or payable.

NOTE 6. OTHER NOTES

6.A. EMPLOYEE BENEFIT PLANS

The District has a defined contribution plan which covers all of its employees. The Districts contributions are determined based on 10% of the covered employee's salary. Employees are 100% vested in employer contributions upon entering the plan.

The plan was funded as follows:

2012	\$ 47,170
2013	\$ 74,928
2014	\$ 74,928

6.B. RISK MANAGEMENT

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

CIRCUIT ENGINEERING DISTRICT #8
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

7.C. COMMITMENTS AND CONTINGENCIES

As of June 30, 2014 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.

WILLIAM K. GAUER

CERTIFIED PUBLIC ACCOUNTANT

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**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 Trustees and Officers
Circuit Engineering District No. 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Circuit Engineering District, No. 8, State of Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise of Circuit Engineering District, No. 8, State of Oklahoma's (District) basic financial statements, and have issued our report thereon dated December 31, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Circuit Engineering District, No. 8, State 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 on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these

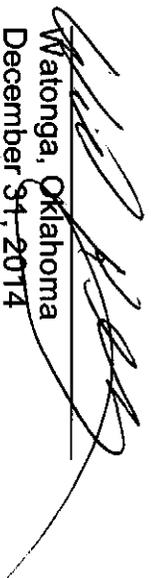
limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free 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.

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.



Watonga, Oklahoma
December 31, 2014

Supplemental Information

CIRCUIT ENGINEERING DISTRICT #8
Oklahoma
Budget Comparison, Budget Versus Actual
June 30, 2014

	Budget	Actual	Variance
OPERATING REVENUES			
Charges for Services			
Bridge Inspection	\$ 413,660	428,949	\$ 15,289
Pony truss Inspection	17,500	-	(17,500)
Scour assessment	0,00	-	-
Sign shop sales	110,000	148,789	38,789
Engineering design	-	873,502	873,502
BRO, BIA, & STP Design	1,238,602	-	(1,238,602)
Project management	50,000	-	(50,000)
Construction management	746,725	592,514	(154,210)
Total Charges for Services	2,576,487	2,043,754	(532,733)
Other Receipts	-	96,911	96,911
Total Operating Revenue	2,576,487	2,140,664	(435,822)
OPERATING EXPENSES			
Sign expense	87,000	127,441	40,441
Bridge Inspection	-	437	437
Construction Inspection	-	10,556	10,556
Drafting	813,077	154,398	(658,679)
Pony truss material replacement program	146,000	418,153	272,153
Cross Town Beam Hauling & Expenses	866,596	1,387	(865,208)
Lab Expense	-	-	-
Fuel	-	45,247	45,247
Engineering			
Salaries, net	1,126,801	1,540,376	413,575
Payroll taxes	-	-	-
Employee Benefits	-	77,400	77,400
Engineering, other	-	-	-
General and Administrative	-	-	-
Office wages	-	-	-
Payroll taxes	-	-	-
Employee Benefits	-	-	-
Advertising	-	112	112
Legal and Accounting	9,999	9,539	(460)
Repairs & maintenance	20,000	14,070	(5,930)
Mileage and travel	70,000	4,050	(65,950)
Miscellaneous	176,915	12,658	(164,256)
Education/Meetings	20,000	3,747	(16,253)
Office expense	9,000	65,175	56,175
Telephone & utilities	14,000	16,849	2,849
Insurance	36,604	113,539	76,935
Interest expense	-	-	-
Capital Outlay	212,000	123,994	(88,006)
Depreciation	22,500	114,281	91,781
Total Operating Expenses	3,630,492	2,853,411	(777,081)
NET OPERATING EXPENSES	(1,054,005)	(712,746)	341,259
NON OPERATING REVENUES (EXPENSES):			
Interest income	-	3,743	3,743
Rental income	25,000	25,200	200
Auction or sales proceeds	93,500	74,725	(18,775)
CBRI allocations	600,000	806,761	206,761
Total Other Income/Loss	718,500	910,429	191,929
INCREASE (DECREASE) IN NET ASSETS	(335,505)	197,683	533,188
NET POSITION, Beginning of Year	402,993	2,436,520	(2,033,526)
NET POSITION, End of Year	\$ 67,488	\$ 2,634,203	\$ (1,500,338)

Circle Engineering District #8
Sales by Customer (County) Detail

	Total	Service			Inventory & Parts	
		Bridge (DOT)	Misc Projects	Reimbursements	Signs	
Alfalfa County	24,843.58	57,335.00	278,863.21	999.86	23,456.72	
ARZO, Inc.	30,227.51	-	-	1,527.51	-	
Beaver County	24,840.00	29,725.00	-	22,000.00	2,840.00	
Canadian County	7,226.70	36,175.00	-	-	7,226.70	
Dimaron County	33,152.10	9,900.00	-	25,460.00	7,692.10	
City of Alva	2,165.05	-	-	367.25	1,797.80	
City of Perry	10,550.69	-	-	313.74	10,236.95	
Department of Transportation	1,879,941.74	-	67,792.21	488.00	-	
Ellis County	6,331.23	12,585.00	207,561.35	6.00	6,325.23	
Garfield County	6,140.63	70,405.00	38,644.80	1,286.00	4,854.63	
Grant County	5,429.00	54,655.00	181,821.83	291.80	5,137.20	
Harper County	3,413.87	1,320.00	97,250.18	-	3,413.87	
High Plains Technology Center	296.50	-	-	-	296.50	
Kay County	47,510.00	9,245.00	37,372.25	23,370.00	15,670.45	
Kingfisher County	23,993.55	21,430.00	72,460.44	11,210.00	12,783.55	
Major County	8,303.90	14,080.00	46,623.40	415.70	7,888.20	
Noble County	9,879.87	14,345.00	81,426.50	-	6,840.95	
NW Oklahoma Solid Waste Disposal	296.25	-	-	265.00	-	
NWOSU	79.20	-	-	3.00	79.20	
Texas County	16,564.51	10,650.00	13,059.50	448.21	16,116.30	
Town of Byron	1,600.00	-	-	-	1,600.00	
Town of Fargo	2,024.00	-	-	-	2,024.00	
Town of Freedom	99.80	-	-	-	99.80	
Town of Laveme	199.00	-	-	-	199.00	
Town of Manchester	152.00	-	-	-	152.00	
Town of Manchestera	175.00	-	-	-	175.00	
Town of Selling	445.20	-	-	-	445.20	
Town of Shattuck	452.60	-	-	-	452.60	
Town of Wakita	9,429.99	47,745.00	194,864.65	18.00	9,282.99	
Woods County	22,810.61	20,020.00	121,806.65	9,237.01	2,289.35	
Woodward County	2,178,574.08	409,615.00	1,439,546.97	97,707.08	149,376.29	