

LAKE TEXOMA ASSOCIATION
FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON
AS OF AND FOR THE YEAR ENDING
JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lake Texoma Association
Kingston, OK

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Lake Texoma Association (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets—cash basis as of June 30, 2022, and the related statement of support, revenue, and expenses—cash basis for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Lake Texoma Association as of June 30, 2022, and its support, revenue, and expenses for the year then ended in accordance with the cash basis of accounting as described in Note 1.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lake Texoma Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the 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 this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 1, and for determining that the 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lake Texoma Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lake Texoma Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for the portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2022, on our consideration of Lake Texoma Association'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 Lake Texoma Association'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 Lake Texoma Association's internal control over financial reporting and compliance.

Russell + Williams CPA's, P.C.

Russell & Williams CPA's, P.C.
Oklahoma City, Oklahoma
December 9, 2022

Lake Texoma Association
Statement of Assets, Liabilities, and Net Assets - Cash Basis
For the Year Ending June 30, 2022

ASSETS

Current Assets

| | |
|-----------------------------|---------------|
| Operating Account | \$ 23,364 |
| Tornado Relief Account | 37,107 |
| Fireworks Account | 8,523 |
| Certificates of Deposits | <u>14,919</u> |
| Total Current Assets | 83,913 |

Total Assets \$ 83,913

LIABILITIES

Net Assets

| | |
|----------------------------|---------------|
| Without Donor Restrictions | \$ 46,806 |
| With Donor Restrictions | <u>37,107</u> |
| Total Net Assets | 83,913 |

Total Liabilities and Net Assets \$ 83,913

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

Lake Texoma Association
Statement of Revenues, Expenses, and Changes in Net Assets - Cash Basis
For the Year Ending June 30, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|------------------|
| Revenues | | | |
| State Matching Funds | 73,378 | - | 73,378 |
| State Matching Funds - Prior Year | 8,396 | - | 8,396 |
| Membership Dues | 12,516 | - | 12,516 |
| Advertising Income | 69,427 | - | 69,427 |
| Events Income | 59,380 | 44,497 | 103,877 |
| In-Kind | 4,200 | - | 4,200 |
| Other Income | 3,786 | - | 3,786 |
| Interest Income | 76 | - | 76 |
| Total Revenues | 231,159 | 44,497 | 275,656 |
| Expenses | | | |
| Administrative: | | | |
| Allowable | 11,359 | - | 11,359 |
| Discretionary | 121,127 | - | 121,127 |
| Total Administrative Expenses | 132,486 | - | 132,486 |
| Promotional: | | | |
| Allowable | 64,366 | - | 64,366 |
| Discretionary | 56,278 | 7,391 | 63,669 |
| Total Promotional Expenses | 120,644 | 7,391 | 128,035 |
| Total Expenses | 253,130 | 7,391 | 260,521 |
| Net Increase (Decrease) in Net Assets | (21,972) | 37,107 | 15,135 |
| Net Assets, Beginning of Year | 68,778 | - | 68,778 |
| Net Assets, End of Year | \$ 46,806 | \$ 37,107 | \$ 83,913 |

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

Lake Texoma Association
Notes to Financial Statements
For Year Ended June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

Lake Texoma Association is a not-for-profit organization that was established to promote the conservation and development of water resources of Lake Texoma, and to satisfy the needs of the growing population for flood control, navigation, pollution control and recreation. The Association is exempt from federal and state income taxes as a 501(c)(6) organization.

Basis of Accounting

The Association maintains its records on the of cash receipts and disbursements. Under the cash basis, revenues are recognized when received, rather than when earned, expenditures are recognized as expenses when paid, rather than incurred.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the association or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from the net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment returns. The association has adjusted the presentation of these statements accordingly.

Property and Equipment

Purchases of and capital lease payments on property and equipment are recorded as expenses in the year of purchase.

Cash and Cash Equivalents

For the purpose of financial reporting, cash and cash equivalents include all checking and saving accounts and certificates of deposit with a maturity of three months or less.

**Lake Texoma Association
Notes to Financial Statements
For Year Ended June 30, 2022**

Accounting for contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restrictions ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Functional Expenses

The cost of providing program services and other activities have been summarized in the Schedule of Administrative and Promotional Expenses (page 10). Direct costs are recorded as administrative or promotional expenses. There are no indirect or allocated expenses.

NOTE 2 – STATE MATCHING FUNDS:

The Oklahoma State Legislature appropriates funds which are available to multi-county organizations through the Oklahoma Tourism and Recreation Department. Lake Texoma Association, on an annual basis, contractually agrees to assist the department in the promotion of tourism. The Department allocates funds to match allowable expenditures made by Lake Texoma Associations. Allowable expenditures are promotional and administrative expenses which comply with contract guidelines. Matching funds to be paid each fiscal year by the Department are limited by the contract. Lake Texoma Association files reports and supporting documentation with the Department to prove its adherence with the contract. Upon the Department's approval of these reports, the matching funds are paid to Lake Texoma Association.

State matching funds allocated to the fiscal year ended June 30, 2021 were \$74,830 of which \$8,396 was received during fiscal year ended June 30, 2022. State matching funds allocated to the fiscal year ended June 30, 2022 were \$75,725 of which \$73,378 was received during fiscal year ended June 30, 2022.

NOTE 3- RETIREMENT PLAN:

The Association maintains Simple IRA accounts for its participating employees. The Association contributes 3% of gross wages to the participating employees' Simple IRA accounts. Contributions for the year ended June 30, 2022, were \$1,500.

NOTE 4 – LIQUIDITY AND CASH MANAGEMENT:

The association is substantially supported by matching funds, membership dues, advertising income and event income. The Association budgets its advertising, promotion and event expenses based on expected revenues. On June 30, 2022, the Association has funds of \$46,806 that were available for future operating expenditures.

NOTE 5 – FINANCIAL INSTITUTIONS:

The Association maintains one checking account for operations located at First United Bank in Durant, OK.

Lake Texoma Association
Notes to Financial Statements
For Year Ended June 30, 2022

NOTE 6 – RISK MANAGEMENT:

The Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; unemployment; and natural disasters. The Association purchases commercial insurance for these and other risk of loss.

NOTE 7 – INCOME TAXES:

The Association is a non-profit organization that is exempt from income taxes under 501(c)(6) of the Internal Revenue Code and classified by the Internal Revenue Service as other than private foundation.

The Association's Forms 990, *Return of Organization Exempt from Income Tax*, for the fiscal years ending 2020, 2021, 2022 are subject to examination by the IRS, generally three years after they were filed.

NOTE 8 – CONTINGENCIES:

Grant expenditures are subject to financial and compliance audits by the grantor agencies or their representatives. Such audits could lead to requests for reimbursements to the grantor agency for expenditures that are disallowed under the terms of the grant. The Association believes that the amount for expenditures that could be disallowed by the grantor agencies, if any, would not be significant.

NOTE 9 – EVALUATION OF THE SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through December 9, 2022 the date which the financial statements were available to be issued.

Supplemental Information

Lake Texoma Association
Schedule of Administrative and Promotional Expenses - Cash Basis
For the Years Ending June 30, 2022

| | <u>Allowable</u> | <u>Discretionary</u> |
|--------------------------------------|------------------|----------------------|
| Administrative Expenses: | | |
| Personnel Costs | \$ 11,359 | \$ 81,592 |
| Travel & Meetings | - | 5,281 |
| Office Supplies & Postage | - | 6,938 |
| Telephone | - | 1,337 |
| Utilities | - | 2,129 |
| Professional Fees | - | 5,947 |
| Dues & Subscriptions | - | 6,421 |
| Insurance | - | 6,564 |
| Public Relations | - | 1,442 |
| Other Expenses | - | 3,476 |
| Total Administrative Expenses | <u>\$ 11,359</u> | <u>\$ 121,127</u> |
| Promotional Expenses: | | |
| Travel Shows/Expos | \$ - | \$ 2,673 |
| Print Production - Lake Texoma Guide | 64,366 | 402 |
| Media Advertising: | | |
| Magazines | - | 750 |
| Website/Internet | - | 2,025 |
| Other Promotional Advertising | - | 12,654 |
| Bash for Cash | - | 15,377 |
| Fireworks | - | 21,166 |
| Other | - | 8,622 |
| Total Promotional Expenses | <u>\$ 64,366</u> | <u>\$ 63,669</u> |

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

Lake Texoma Association
Schedule of Advertisers
For Year Ended June 30, 2022

RECREATIONAL GUIDES SALES:

Mead, OK:

| | |
|-------------------------------------|----------|
| Lake Texoma Lodge, 3263 US 70 | 1,250.00 |
| Newberry Creek, 1582 Newberry Rd | 1,140.00 |
| Crystal Creek Winery, 41 Swinney Rd | |

Calera, OK:

| | |
|--|--------|
| Platter Flats Pumpkin Patch, 254 Platter Flat Rd | 150.00 |
| Cherokee Telephone Co., POB 445 | |

Oklahoma City, OK:

| | |
|---------------------------------------|----------|
| Chickasaw Nation Tourism, 1 Sheridan | 2,850.00 |
| VI Marketing & Branding, 125 Park Ave | 4,200.00 |

Durant, OK:

| | |
|---|----------|
| Van Meter Rader Group, 419W Main | 380.00 |
| DiscoverDurant, 215 N 4th | 4,750.00 |
| Servents Heart Realty, 1621 Sand Stone Rd | 760.00 |
| Alliance Medical Center, 1800 University Dr | 800.00 |
| Impact Realty, 401 S. 9th | 1,500.00 |
| Choctaw Nation | 4,200.00 |

Kingston, OK:

| | |
|------------------------------------|----------|
| Buncombe Creek Resort, Box 521 | 760.00 |
| Black Beard Marine, 6339 S Hwy 377 | 5,000.00 |
| Lake Texoma Realty | 380.00 |
| Super C-Mart, 515 US-70 | 1,425.00 |
| McBride RV Park | 1,425.00 |

Gordonville, TX:

| | |
|--|----------|
| Walnut Creek Resort, POB 346 | 2,375.00 |
| Big Mineral Camp, 500 Harbor View RD | 800.00 |
| Cedar Mills Marina, 500 Harbor View RD | 2,500.00 |
| TowBoatUS Lake Texoma | |

Whitesboro, TX:

| | |
|-----------------------------|----------|
| Whitesboro Chamber, POB 522 | 1,140.00 |
|-----------------------------|----------|

Denison, TX:

| | |
|---|----------|
| Grayson County College, 6101 Grayson Dr | 1,200.00 |
| US Corps of Engineers, 351 Corps Rd | 2,412.35 |
| Eisnehower Yacht Club, 2141 Park Rd 20 | 1,500.00 |

Madill, OK:

| | |
|----------------------------------|----------|
| Bridgeview Resort, Box 618 | 2,500.00 |
| Marshall CO. Tourism, PO Box 542 | 4,200.00 |
| Texoma Luxury Rentals | 4,700.00 |
| Courtney Realty | 380.00 |
| Little Glasses Resort | 400.00 |

Pottsboro, TX:

| | |
|---|----------|
| Striper Express Guide Services, 1079 Locust | 800.00 |
| Highpoint Marine, 120 Texoma Harbor Dr | 3,000.00 |
| ERA Steve Cook & Co, 225 FM 120 | 4,750.00 |
| Hydra Hoist | 400.00 |
| Pottsboro Chamber of Commerce, 615 FM 120 | 399.50 |

Bala Cynwyd PA:

| | |
|----------------------------------|--|
| Harmeline Media, 525 Righters Rd | |
|----------------------------------|--|

Sherman, TX:

| | |
|-------------------------|--------|
| Budget Blinds of Texoma | 800.00 |
|-------------------------|--------|

Ada, OK:

| | |
|---------------------------------------|----------|
| Chickasaw Nation Division of Commerce | 4,200.00 |
|---------------------------------------|----------|

| | |
|-------|-------------|
| Total | \$69,426.85 |
|-------|-------------|

**LAKE TEXOMA ASSOCIATION
SCHEDULE OF OTHER ADVERTISERS
FOR YEAR ENDED JUNE 30, 2022**

Lake Texoma Map:

Kingston, OK:

| | |
|--------------------------------|--|
| Buncombe Creek Resort, Box 521 | |
|--------------------------------|--|

Pottsboro, TX:

| | |
|--|--|
| Highpoint Marine, 120 Texoma Harbor Dr | |
|--|--|

Mill Creek, OK:

| | |
|-------------------------------------|--|
| Vulcan Materials, 12310 W Holder Rd | |
|-------------------------------------|--|

\$0.00

| | |
|-------------------------------|--------|
| Total Other Advertising Sales | \$0.00 |
|-------------------------------|--------|

| | |
|-------------------------|-------------|
| Total Advertising Sales | \$69,426.85 |
|-------------------------|-------------|

Lake Texoma Association
Schedule of Event Income
Year Ended June 30, 2022

Tourism Promotion Events:

| | | |
|-------------------------------|---------------------|---------------------|
| Fireworks: | | |
| Sponsors | \$ 20,566.69 | \$ - |
| Bash For Cash/Silent Auction: | | |
| Donation/Sponsors | 36,749.75 | - |
| Other Event Income | | |
| Other Promo Events: | | |
| Tornado Relief | - | 44,497.27 |
| Other Event Income | - | 2,062.95 |
| | <u>\$ 57,316.44</u> | <u>\$ 46,560.22</u> |

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Management and Board of Directors of
Lake Texoma Association

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 Lake Texoma Association, which comprise the statements of assets, liabilities, and net assets – cash basis as of June 30, 2022, and the related statements of revenues, expenses, and changes in net assets – cash basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 9, 2022. The financial statements were prepared using the cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lake Texoma Association'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 Lake Texoma Association's internal control. Accordingly, we do not express an opinion on the effectiveness of Lake Texoma Association'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-1 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lake Texoma Association'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*.

Responses to Findings

Lake Texoma Association's response to findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Lake Texoma Association'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.

Russell + Williams CPAs, P.C.

Oklahoma City, Oklahoma
December 9, 2022

**Lake Texoma Association
Schedule of Findings and Responses
Year Ended June 30, 2022**

2022-1 (Repeat Finding) – Inadequate Segregation of Duties:

Criteria: The segregation of duties and responsibilities between different individuals and the reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

Condition: Presently, the same individual is responsible for invoicing and receiving payments and making and recording deposits. Only limited oversight is provided over this individual in the conduct of their daily functions.

Cause: The Association's limited size has made it difficult for management to fully segregate the duties.

Effect or Potential Effect: Without sufficient segregation of duties, the risk significantly increases that errors and/or fraud related to the sales and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation: The board should evaluate the risks associated with the lack of segregation of duties and consider implementing controls that could mitigate these risks.

Board's Response: The board has concluded that due to the limited number of personnel, an adequate segregation of duties is not achievable and that the cost of correcting the weakness would exceed the benefits that would be derived from it.