

KAW LAKE ASSOCIATION

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

KAW LAKE ASSOCIATION
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YEAR ENDED JUNE 30, 2017

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Independent Auditor's Report

Board of Directors
Kaw Lake Association

Report on the Financial Statements

We have audited the accompanying financial statements of Kaw Lake Association (a nonprofit organization), which comprise the statement of assets, liabilities and net assets-cash basis as of June 30, 2017 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is 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 fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 *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 whether the financial statements are free of 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 Kaw Lake Association'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 Kaw Lake Association's internal control. Accordingly, we express no such an 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 opinion.

Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the cash basis net assets of Kaw Lake Association as of June 30, 2017 and the changes in cash basis net assets for the year then ended in conformity with basis of accounting described in Note 1.

Other Matters

Report on Supplementary and Other Information

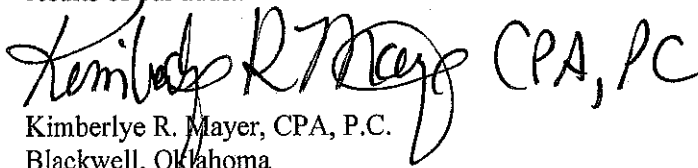
Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management 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 so 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 statement 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.

Basis of Accounting

We draw attention to Note 1 of the financial statements that 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 16, 2018 on our consideration of Kaw Lake Association's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts and grants 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.


Kimberlye R. Mayer, CPA, P.C.
Blackwell, Oklahoma
January 16, 2018

KAW LAKE ASSOCIATION
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS
CASH BASIS
JUNE 30, 2017

ASSETS

Operating cash	<u>\$ 5,500</u>
Total Assets	<u><u>\$ 5,500</u></u>

LIABILITIES AND NET ASSETS

Liabilities	\$
Net Assets:	
Unrestricted	<u>5,500</u>
Total Net Assets	<u>5,500</u>
Total Liabilities and Net Assets	<u><u>\$ 5,500</u></u>

KAW LAKE ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
CASH BASIS
YEAR ENDED JUNE 30, 2017

Revenues:	
State matching funds (Note 3)	\$ 33,267
Coop advertising	30,724
Membership dues	9,675
Advertising sales	39,404
Travel shows	1,023
Tourism promo events income	5,722
Project income	13,187
Donations and sponsorships	36,459
Other income	102
Total Revenues	<u>169,563</u>
Expenses:	
Administrative:	
Allowable	6,426
Discretionary	64,342
Total Administrative	<u>70,768</u>
Promotional:	
Allowable	26,841
Discretionary	74,724
Total Promotional	<u>101,565</u>
Total Expenses	<u>172,333</u>
Revenues over (under) expenses	(2,770)
Net Assets, beginning of year	<u>8,270</u>
Net Assets, end of year	<u><u>\$ 5,500</u></u>

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

KAW LAKE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

Kaw Lake Association is a not-for-profit organization that was established to promote the conservation and development of water resources of the Central Arkansas River Basin and its tributaries, and to satisfy the needs of the growing population for flood control, navigation, pollution control, recreation and all other benefits of the Kaw Reservoir. 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 basis 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.

Property and Equipment

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

Cash and Cash Equivalents

The Association considers all deposit accounts with a maturity of three months or less to be cash equivalents.

NOTE 2 – 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 Corporation believes that the amount of the expenditures that could be disallowed by the grantor agencies, if any, would not be significant.

NOTE 3 – STATE MATCHING FUNDS:

The Oklahoma State Legislature appropriates funds which are available to multi-county organizations through the Oklahoma Tourism and Recreation Department. Kaw Lake 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 Kaw Lake Association. 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. Kaw Lake 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 Kaw Lake Association.

KAW LAKE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 3 – STATE MATCHING FUNDS (continued):

State matching funds allocated to the fiscal year ended June 30, 2017 were \$33,267. Of these funds, \$33,267 were received in the fiscal year ended June 30, 2017.

NOTE 4 – FINANCIAL INSTITUTIONS:

The Association maintained a checking account at RCB Bank in Ponca City, Oklahoma.

NOTE 5 – INCOME TAXES:

The Association is a not-for-profit organization that is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Association's Forms 990, *Return of Organization Exempt from Income Tax*, for the fiscal years ending 2015, 2016, 2017 are subject to examination by the IRS, generally three years after they were filed.

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 risks of loss.

NOTE 7 – EVALUATION OF SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through January 16, 2018 the date which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

KAW LAKE ASSOCIATION
SCHEDULE OF ADMINISTRATIVE AND PROMOTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	<u>Allowable</u>	<u>Discretionary</u>
Administrative Expenses:		
Personnel costs	\$ 6,426	\$ 18,688
Office supplies and equipment		1,713
Building maintenance & supplies		3,086
Office and storage rent		11,625
Telephone and internet		2,706
Utilities		3,399
Postage		518
Professional fees		1,594
Dues and memberships		1,845
Education/conferences/meetings/mileage		3,257
Insurance		2,068
Project expenses		13,187
Other expenses		656
Total Administrative Expenses	<u>\$ 6,426</u>	<u>\$ 64,342</u>

	<u>Allowable</u>	<u>Discretionary</u>
Promotional Expenses:		
Travel show exhibitions	\$ 563	\$ 7,162
Literature distribution	1,601	4,482
Print Production - Kaw Lake Guide	13,462	6,351
Media Advertising:		
Magazine/newspaper/brochures	1,222	7,714
Website		820
Radio/TV		17,728
Other		2,747
Coop advertising:		
Magazines/brochures	8,043	22,582
Maps	1,950	
Other event expenses (net of advertising costs):		
Trail ride		688
Eagle watch		1,934
Fishing events		1,577
Kawfest		215
Other events		724
Total Promotional Expenses	<u>\$ 26,841</u>	<u>\$ 74,724</u>

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

KAW LAKE ASSOCIATION
SCHEDULE OF COOP ADVERTISERS
YEAR ENDED JUNE 30, 2017

Magazine advertising:

Lake Pointe Development, 314 E Grand, Ponca City	\$ 218
Osage County Tourism, PO Box 87, Pawhuska	628
Ponca City Tourism, POB 1109	18,649
Pioneer Woman Museum, 701 Monument Rd, Ponca City	3,330
Marland Estate, 901 Monument Rd, Ponca City	4,002
Danny's Bar-B-Que, 1217 E Prospect, Ponca City	198
Fairfield Inn, 3405 N 14th, Ponca City	551
Wentz Golf Course, 2928 LA Cann Dr, Ponca City	198
Grand Relics, 200 W Grand, Ponca City	177
Poncan Theatre, 204 E Grand, Ponca City	198
Service Marina, 8865 Rd, Ponca City	125
Lakeview Camps, 8774 Lake Rd, Ponca City	125
Boat N Tote, 773 S Osage Cove, Burbank	125
Hideaway Marina, 1000 McFadden Cove, Ponca City	125
United Country, 8988 Lake Rd, Ponca City	125
Total	<u>\$ 28,774</u>

Map advertising:

Fairfield Inn, 3405 N 14th, Ponca City	\$ 390
Marland Estate, 901 Monument Rd, Ponca City	390
Comfort Inn, 3101 N 14th, Ponca City	390
Pioneer Woman, 701 Monument Rd, Ponca City	390
Wentz Golf Course, 2928 LA Cann Dr, Ponca City	390
	<u>\$ 1,950</u>

Total Coop Advertising	<u><u>\$ 30,724</u></u>
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**KAW LAKE ASSOCIATION
SCHEDULE OF ADVERTISERS
YEAR ENDED JUNE 30, 2017**

RECREATIONAL GUIDE SALES:

Ponca City, OK:		Bartlesville, OK:	
Pioneer Woman, 701 Monument Rd	\$ 696	KWON Radio, 1200 SE Frank Phillips	\$ 495
Bowker Ford, 2415 N 14th	250	Tulsa, OK:	
The Boat House, 1000 McFadden Cove	1,035	Green Country Mktg, 2805 E Skelley	479
Ponca City Tourism, PO Box 1109	5,220	Pawhuska, OK:	
Canon Honda, 3415 N 14th St	250	Osage County Tourism, POB 87	900
Kinder Campers, 2208 N Ash	239	Winfield, KS:	
Davis Moore Auto, 3501 N 14th St	250	Wheat State Wine, POB 985	150
Lakeview Campgrounds, 8774 Lake Rd	291	Alva, OK:	
Fairfield Inn, 3405 N 14th	360	Red Carpet Country, Drawer B	1,575
Lake Pt Development, 317 E Grand	247	Tonkawa, OK:	
Ponca City RV Park, 1017 N Waverly	1,002	Marys' Grill, 114 E Grand	150
University Learning Ctr, 2800 N 14th	360	Frames & Things, 117 E Grand	150
Dannys Bar-B-Q, 1217 E Prospect	955	Hideaway Bar, 9825 S 44th St	150
PCUA, 516 E Grand	900	Nana's Mexican, 104 W Grand	150
Lake Road Storage, 5159 Lake Rd	348	NOC, POB 310	150
Marland Estate, 901 Monument Rd	348	Trading Post, 16401 W South Ave	150
Hideaway Marina, 1000 McFadden Cove	1,035	Simple Simon, 1210 E North Ave	150
Pembertons, PO Box 711	250	Farmer's Exchange Bank, 111 E Grand	150
RBC Bank, PO Box 111	1,290	Newkirk, OK:	
Poncan Theatre, 204 E Grand	360	Chamber of Commerce, 114 S Main	131
U.S. Corps of Engineers, 9400 Lake Rd	1,522	City of Newkirk, Main Street	131
United Country, 8988 Lake Rd	291	Newkirk Dental, 327 South St	392
Quality Water, PO Box 829	348	Eastman Ntl Bank, PO Box 190	780
The Perk, 415 N 14th	190	Main Street Authority, PO Box 235	132
Camp McFadden, PO Box 1495	583	Cheeky Burger, 221 N Main	132
Service Marine, 8865 Rd	291	77 Ranch Motel, 201 W South	131
Completely Quilted, 315 E Grand	957	Church of Christ, 128 N Main	132
Enid, OK:		Black Jack's Bait, 712 E 7th	131
KOFM Radio, POB 3128	495	Choctaw, OK:	
KNID Radio, 316 E Willow	495	Cabins on the Lake, 2720 Hardin Dr	311
Cleveland, OK:		Fishing Guide Service, 2720 Harlin Dr	310
Indian Electric Co., PO Box 49	761	Kaw City, OK:	
Perry, OK:		Schillbillys RV, #5 Park Place	320
Microtel Inn, 410 32nd St	300	Kaw City 900 Morgan Sq	166
Chamber of Commerce, POB 426	1523	Museum, 900 Morgan Sq	167
Blackwell, OK:		Sanbur RV Park, 13444 E Hyw 11	288
Kay Electric, Box 1260	1,522	Kaw Nation Business Servs, 698 Grandview	900
Shidler, OK:		Pioneer Cove Marina, Box 281	150
Chamber of Commerce, POB 528	600	Arkansas City, KS:	
Pawnee, OK:		Cowley Courier, 200 E 5th	150
Chamber of Commerce, 608 Harrison	150	Chamber of Commerce, 106 Summit	450
Pawnee Bill Ranch, POB 493	150	KSOK, 334 E Radio Lane	645
Fairfax, OK:		Burbank, OK:	
Big R Brand, 432 N Wilson	150	Boat N Tote, 773 S Osage Cove	292
Fairfax Insurance, 242 N Main	150	Oklahoma City, OK:	
Fairfax Dental, 1601 N 2nd	150	OK Tourism, 125 Park Ave	1750
Security St Bank, 308 N Main	150		
Fairfax Manor, POB 248	150		

Total

\$ 39,404

SUPPLEMENTAL REPORT
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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
Kaw Lake Association

We have audited the financial statements of the Kaw Lake Association as of and for the year ended June 30, 2017, and have issued our report thereon dated January 16, 2018. 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. 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 Kaw Lake 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Kaw Lake Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Kaw Lake 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 combination of control deficiencies, in internal control that there is reasonable possibility that a material misstatement of the Association'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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kaw Lake Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 instance of

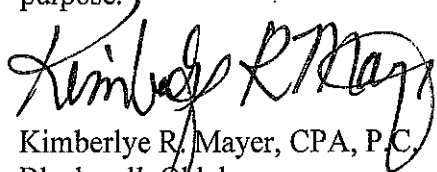
noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

Kaw Lake Association's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Kaw Lake 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 Association'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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

 CPA, PC

Kimberlye R. Mayer, CPA, P.C.
Blackwell, Oklahoma
January 16, 2018

KAW LAKE ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2017

Material Weakness in Internal Control Over Financial Reporting: 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; making and recording deposits; reconciling the monthly bank statements; receiving and reviewing payables invoices and preparing checks. 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 including independent review procedures.

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.