

LAKE TEXOMA ASSOCIATION
ANNUAL FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

LAKE TEXOMA ASSOCIATION
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YEAR ENDED JUNE 30, 2014

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Independent Auditor's Report

Board of Directors
Lake Texoma Association

Report on the Financial Statements

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, 2014 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 Lake Texoma 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 Lake Texoma 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 Lake Texoma Association as of June 30, 2013 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

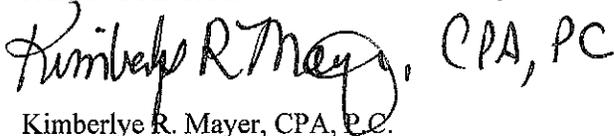
Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management 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 5, 2015 on our consideration of Lake Texoma 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, PC

Blackwell, Oklahoma
January 5, 2015

LAKE TEXOMA ASSOCIATION
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS
CASH BASIS
JUNE 30, 2014

ASSETS

Operating cash	\$ 34,464
Certificates of deposit	<u>26,210</u>
Total Cash and Cash Equivalents	60,674
Certificates of deposit	<u>11,639</u>
Total Assets	<u><u>\$ 72,313</u></u>

LIABILITIES AND NET ASSETS

Liabilities	\$
Net Assets:	
Unrestricted	<u>72,313</u>
Total Net Assets	<u>72,313</u>
Total Liabilities and Net Assets	<u><u>\$ 72,313</u></u>

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

LAKE TEXOMA ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
CASH BASIS
YEAR ENDED JUNE 30, 2014

Revenues:	
State matching funds (Note 2)	\$ 58,613
Membership dues	13,035
Advertising sales	103,194
Events income	110,221
Interest income	47
Total Revenues	<u>285,110</u>
Expenses:	
Administrative:	
Allowable	11,723
Discretionary	119,064
Total Administrative	<u>130,787</u>
Promotional:	
Allowable	46,890
Discretionary	120,221
Total Promotional	<u>167,111</u>
Total Expenses	<u>297,898</u>
Revenues over (under) expenses	(12,788)
Net Assets, beginning of year	<u>85,101</u>
Net Assets, end of year	<u><u>\$ 72,313</u></u>

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

LAKE TEXOMA ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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 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 purchase.

Cash and Cash Equivalents

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

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 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. 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, 2014 were \$58,613 which were received in the fiscal year ended June 30, 2014.

LAKE TEXOMA ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014 were \$2,340.

NOTE 4 – FINANCIAL INSTITUTIONS:

The Association maintains a checking account at Landmark Bank in Kingston, Oklahoma.

NOTE 5 – 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. In July 2013, an advertising company filed a claim against the Association for breach of contract with the 2014 Guide to Lake Texoma. This lawsuit was settled in October 2014.

NOTE 6 – 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 2011, 2012, 2013 are subject to examination by the IRS, generally three years after they were filed.

NOTE 7 – 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.

LAKE TEXOMA ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 8 – EVALUATION OF SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through January 5, 2015 the date which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

LAKE TEXOMA ASSOCIATION
SCHEDULE OF ADMINISTRATIVE AND PROMOTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014

	<u>Allowable</u>	<u>Discretionary</u>
Administrative Expenses:		
Wages	\$ 11,723	\$ 66,277
Payroll taxes		6,051
Employee benefits		19,875
Auto expenses		5,423
Office supplies and postage		2,488
Telephone		3,435
Utilities		2,051
Professional fees		4,478
Dues and subscriptions		1,856
Insurance		4,503
Public relations/meetings		1,089
Other expenses		1,538
Total Administrative Expenses	<u>\$ 11,723</u>	<u>\$ 119,064</u>
	<u>Allowable</u>	<u>Discretionary</u>
Promotional Expenses:		
Travel shows	\$	\$ 1,983
Literature distribution		3,204
Print Production - Lake Texoma Guide	45,186	42,593
Media Advertising:		
Magazine / brochure		4,868
Radio		2,264
Website	1,704	7,565
Other event expenses (net of advertising costs):		
Membership appreciation		4,014
Bash for Cash		29,368
Fireworks		14,375
Other		9,987
Total Promotional Expenses	<u>\$ 46,890</u>	<u>\$ 120,221</u>

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

LAKE TEXOMA ASSOCIATION
SCHEDULE OF ADVERTISERS
YEAR ENDED JUNE 30, 2014

RECREATIONAL GUIDES SALES:

Sherman, TX:

American Bank of Texas, 401 E Taylor \$ 400

Madill, OK:

Bridgeview Resort, Box 618 2,500

First United Bank, 300 W Lillie Blvd 1,600

Oklahoma City, OK :

Jordan Advertising, 3111 Quail Spr Parkway 4,200

Chickasaw Country, 1 East Sheridan 4,200

Chickasaw Nation, 1 East Sheriday 4,200

Cornerstone Marine, 4509 N Classen Blvd 4,350

Lewisville, OK:

Marine Max, 1490 N Stemmons 400

Kingston, OK:

Tycoon Motorsports, 9040 Clear Lake Dr 4,700

Black Beard Marine, 6339 S Hwy 377 5,000

Lynn's Red River Marine, 5063 Shay Rd 400

Texoma Boat, P O Box 640 400

Cabin Fever Adventure, 1609 Texoma Park Rd 400

Ponte Vista Development, Box 1009 4,200

Landmark Bank, Box 710 1,200

Escape, Box 491 2,500

Texoma Agency, P O Box 640 1,200

Texoma Lakeside Motel, Box 15-R 400

Buncombe Creek Resort, Box 521 900

Alberta Creek Resort, P O Box 9 5,000

Overbrook, OK:

Color Pro Designs, 423 Lodge Rd 400

Bala Cynwyd, PA:

Harmelin Media, 525 Righters Ferry Rd 1,600

Dallas, TX:

Marine Insurance, 2700 Stemmons Pwy 1,200

Durant, OK:

Coldwell Bank, 419 W Main 900

Medical Center, PO Box 1207 1,300

Mead, OK:

Newberry Creek, 1582 Newberry Rd \$ 1,200

Texoma Oakwood Lodge, 3263 US Hwy 70 2,500

Lake Tesoma RV, 6414 US 70 W 400

Whitesboro, TX:

Whitelboro Chambe, PO Box 522 1,200

Denison, TX:

Grandpappy Pt Marina, 132 Grandpappy Dr 10,300

US Corps of Engineers, 351 Corps Rd 2,500

Dave's Ski & Tackle, 4411 US Hwy 75 400

Eisenhower Yacht Club, 2141 Park Rd 20 900

Highport Marina, 120 Texoma Harbor Dr 2,500

Denison Chamber, PO Box 325 4,200

Gordonville, TX:

Lake Texoma Hideway, 40 Ole Cedar Ln 400

Cedar Bayou Marina, 513 Cedar Bayou Blvd 400

Gone Fishing RV, 730 Oxford Dr 400

Cedar Mills Marina, 500 Harbor View Rd 1,200

Tow Boat US, PO Box 632 900

Pottsboro, TX:

Texoma Destination, 21 Tackle Box Dr 1,200

Texoma Treasure, 226 Cambridge 900

Texoma Clean Marine, 2164 Tanglewood 400

Pottsboro Chamber, P O Box 995 6,900

Tanglewood Resort, 290 Tanglewood, Cr 4,200

Hydrohoist Boat Lifts, 13703 N FM 120 400

Total \$ 96,950

LAKE TEXOMA ASSOCIATION
 SCHEDULE OF ADVERTISERS
 YEAR ENDED JUNE 30, 2014

RESORT AND MARINA GUIDE:

Denison, TX:	
Grandpappy Pt., 132 Grandpappy Dr	\$ 200
Kingston, OK:	
Alberta Creek, PO Box 9	200
Soldier Creek Resort, 707 Marina Rd	200
Madill, OK:	
Little Glasses Resort, Box 108	200
Gordonville, TX:	
Cedar Mills Marina, 500 Harbor View Rd	200
Oklahoma City, OK:	
Cornerstone Marine, 4509 N Classen Blvd	200
Total	<u>\$ 1,200</u>

RADIO:

Denison, TX:	
Highport Marina, 120 Texoma Harbor	<u>\$ 1,844</u>

2014 HUNTING GUIDE:

State of Oklahoma	<u>\$ 2,000</u>
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WEBSITE

Denison, TX:	
Grandpappy P+ Marina, 132 Grandpappy Dr	\$ 500
Sherman, TX:	
Fulbelli's Restaurant, 115 S Travis	150
Pottsboro, TX:	
Texoma Destination, 21 Tackle Box Rd	525
Kingston, OK:	
Alberta Creek, PO Box 9	25
Total	<u>\$ 1,200</u>

Total advertising sales	<u>\$ 103,194</u>
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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
Lake Texoma Association

We have audited the financial statements of the Lake Texoma Association as of and for the year ended June 30, 2014, and have issued our report thereon dated January 5, 2015. 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 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lake Texoma Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lake Texoma Association's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that 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.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lake Texoma 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

Lake Texoma Association's response to the 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 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.



Kimberlye R. Mayer, CPA, P.C.
Blackwell, Oklahoma
January 5, 2015

LAKE TEXOMA ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2014

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; and reconciling the monthly bank statements. The same individual is also responsible for 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.

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.