

LAKE TEXOMA ASSOCIATION

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

LAKE TEXOMA ASSOCIATION
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YEAR ENDED JUNE 30, 2016

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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, 2016 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, 2016 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, 2017 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 16, 2017

LAKE TEXOMA ASSOCIATION
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS
CASH BASIS
JUNE 30, 2016

ASSETS

Operating cash	\$ 55,785
Certificates of deposit	26,304
Total Cash and Cash Equivalents	<u>82,089</u>
Certificates of deposit	<u>11,710</u>
Total Assets	<u><u>\$ 93,799</u></u>

LIABILITIES AND NET ASSETS

Liabilities	\$
Net Assets:	
Unrestricted	<u>93,799</u>
Total Net Assets	<u>93,799</u>
Total Liabilities and Net Assets	<u><u>\$ 93,799</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, 2016

Revenues:	
State matching funds (Note 2)	\$ 59,462
Membership dues	20,955
Advertising sales	99,767
Events income	55,563
Other income	120
Interest income	67
Total Revenues	235,934
Expenses:	
Administrative:	
Allowable	11,667
Discretionary	102,436
Total Administrative	114,103
Promotional:	
Allowable	47,795
Discretionary	39,776
Total Promotional	87,571
Total Expenses	201,674
Revenues over (under) expenses	34,260
Net Assets, beginning of year	59,539
Net Assets, end of year	\$ 93,799

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

LAKE TEXOMA ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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, 2016 were \$59,462 which were received in the fiscal year ended June 30, 2016.

LAKE TEXOMA ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016 were \$1,375.

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.

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 2014, 2015, 2016 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, 2016

NOTE 8 – EVALUATION OF SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through January 16, 2017 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, 2016

	<u>Allowable</u>	<u>Discretionary</u>
Administrative Expenses:		
Wages	\$ 11,667	\$ 57,789
Payroll taxes		5,359
Employee benefits		10,489
Auto expenses and travel		1,503
Office supplies and postage		3,698
Telephone		4,484
Utilities		1,643
Professional fees		3,331
Dues and subscriptions		1,673
Insurance		5,875
Public relations/meetings		2,548
Service charges		769
Office equipment purchased		3,275
Total Administrative Expenses	<u>\$ 11,667</u>	<u>\$ 102,436</u>
	<u>Allowable</u>	<u>Discretionary</u>
Promotional Expenses:		
Travel shows	\$	\$
Literature distribution		4,074
Print Production - Lake Texoma Guide with maps	44,822	999
Media Advertising:		
Magazine / brochures/posters	2,973	3,141
Radio/TV		3,000
Website/internet		4,647
Other event expenses (net of advertising costs):		
Boat and tackle shows		3,997
Bash for Cash		14,428
Fireworks		3,750
Other		1,740
Total Promotional Expenses	<u>\$ 47,795</u>	<u>\$ 39,776</u>

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

LAKE TEXOMA ASSOCIATION
SCHEDULE OF ADVERTISERS
YEAR ENDED JUNE 30, 2016

RECREATIONAL GUIDES SALES:

Sherman, TX:

Dept of Tourims, PO Box 1029	\$ 4,200
Hoyt Dodge Chrysler Jeep, 1800 University Blvd	4,200
American Bank of Texas, PO Box 1234	400
Lisa Hitchcock, 2713 Rivercrest Dr	4,900

Madill, OK:

Bridgeview Resort, Box 618	2,500
Marshall Co. Chamber, PO Box 542	4,200
Alliance Health,	800
First United Bank, 300 W Lillie Blvd	800

Oklahoma City, OK :

VI Marketing & Branding, 125 Park Ave	4,200
Chickasaw Country, 1 East Sheridan	2,500

Midwest City, OK:

Lake Texoma Lodge, 3306 Bellavista Dr	2,647
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Kingston, OK:

Tycoon Motorsports, 9040 Clear Lake Dr	3,000
Black Beard Marine, 6339 S Hwy 377	5,000
Cabin Fever Adventure, 1609 Texoma Park Rd	400
Ponte Vista Development, Box 1009	4,200
Buncombe Creek Resort, Box 521	800
Alberta Creek Resort, P O Box 9	5,000
Texoma Agency, 1105 Hwy 70	1,200

Bala Cynwyd, PA:

Harmelin Media, 525 Righters Ferry Rd	1,500
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Dallas, TX:

Marine Insurance, 2700 Stemmons Pwy	1,200
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Durant, OK:

Coldwell Bank, 419 W Main	800
Medical Center, PO Box 1207	800

Mead, OK:

Newberry Creek, 1582 Newberry Rd	\$ 1,375
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Garland, OK:

Gene Lenore Productions, 1413 Leicester St	824
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Whitesboro, TX:

Whitelboro Charbe, PO Box 522	1,200
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Denison, TX:

Commodor Marina, 132 Grandpappy Ln	4,000
Chamber of Commerce, PO Box 325	4,200
US Corps of Engineers, 351 Corps Rd	2,500
Eisenhower Yacht Club, 2141 Park Rd 20	1,375
Shilton Garden Inn, 5015 S US 75	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	2,500

Pottsboro, TX:

Texoma Destination, 21 Tackle Box Dr	4,125
Chamber of Commerce, PO Box 995	4,200
Striper Express Guide Services, 1079 Locust	800
Hydrohoist Boat Lifts, 13703 N FM 120	400
Highpoint Marina, 120 Texoma Harbor	2,500

Total

\$ 90,646

LAKE TEXOMA ASSOCIATION
 SCHEDULE OF ADVERTISERS
 YEAR ENDED JUNE 30, 2016

2015 HUNTING GUIDE:

State of Oklahoma \$ 2,500

Outdoor Recreation Guide:

Madill, OK:

Tourism Committee, PO Box 542 \$ 2,200

LTA Maps:

Sherman, TX:

Lisa Hitchcock, 2713 Rivercrest Dr \$ 1,701

\$ 6,401

WEBSITE

Denison, TX:

Grandpappy P+ Marina, 132 Grandpappy Dr \$ 500

Pottsboro, TX:

Texoma Destination, 21 Tackle Box Rd 900

Striper Express Guide Services, 1079 Locust 1,300

Durant, OK:

Bubba's Brewhouse, 9125 W Hyw 70 20

Total \$ 2,720

Total advertising sales

\$ 99,767

LAKE TEXOMA ASSOCIATION
 SCHEDULE OF EVENTS
 YEAR ENDED JUNE 30, 2016

Tourism Promotion Events:

Golf Tournament:	
Sponsors	\$ 1,400
Fireworks:	
Sponsors	12,500
Boat Shows:	
Booth fees	2,090
Bash for Cash/Silent Auction:	
Sponsors	16,050
Other event income	21,735
Other Promo Events:	
Meet & Greet	1,788
\$ 32,040	\$ 23,523

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, 2016, and have issued our report thereon dated January 16, 2017. 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.



Kimberly R. Mayer, CPA, P.C.

Blackwell, Oklahoma

January 16, 2017

LAKE TEXOMA ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2016

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.