

LAKE TEXOMA ASSOCIATION

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

Kimberlye R. Mayer, CPA, P.C.

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Independent Auditor's Report

Board of Directors
Lake Texoma Association

We have audited the accompanying statement of assets, liabilities, and net assets - cash basis of the Lake Texoma Association, (a nonprofit corporation) as of June 30, 2012 and the related statement of revenue and expenses and changes in net assets - cash basis for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion of 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 about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Association prepares its financial statements on the basis of cash receipts and disbursements. This basis is a comprehensive basis of accounting other than generally accepted accounting principles.

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, 2012, and its revenue, expenses, and changes in net assets for the year then ended, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 5, 2013 on our consideration of Lake Texoma Association's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, 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.

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 purposes of additional analysis and is not a required part of the above financial statements. Such 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, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Kimberlye R. Mayer, CPA, P.C.
Blackwell, Oklahoma
January 5, 2013

LAKE TEXOMA ASSOCIATION
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LAKE TEXOMA ASSOCIATION
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS
CASH BASIS
JUNE 30, 2012

ASSETS

Operating cash	\$ 52,768
Certificates of deposit	<u>37,707</u>
Total Assets	<u><u>\$ 90,475</u></u>

LIABILITIES AND NET ASSETS

Liabilities	\$
Net Assets:	
Unrestricted	<u>90,475</u>
Total Net Assets	<u>90,475</u>
Total Liabilities and Net Assets	<u><u>\$ 90,475</u></u>

LAKE TEXOMA ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
CASH BASIS
YEAR ENDED JUNE 30, 2012

Revenues:	
State matching funds (Note 3)	\$ 41,075
Membership dues	13,785
Advertising sales	89,655
Events income	66,389
Interest income	388
Other income	620
Total Revenues	<u>211,912</u>
Expenses:	
Administrative:	
Allowable	9,541
Discretionary	129,197
Total Administrative	<u>138,738</u>
Promotional:	
Allowable	31,534
Discretionary	57,085
Total Promotional	<u>88,619</u>
Total Expenses	<u>227,357</u>
Revenues over (under) expenses	(15,445)
Net Assets, beginning of year	<u>105,920</u>
Net Assets, end of year	<u><u>\$ 90,475</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, 2012

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 – 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. 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

LAKE TEXOMA ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 3 – STATE MATCHING FUNDS (continued):

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, 2012 were \$47,708, of which \$41,075 were received in the fiscal year ended June 30, 2012 and \$6,633 were received in the fiscal year ending June 30, 2013.

NOTE 4 – 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, 2012 were \$2,787.

NOTE 5 – FINANCIAL INSTITUTIONS:

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

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 – ESTIMATES:

The preparation of financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

LAKE TEXOMA ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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 SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through January 5, 2013, 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, 2012

	<u>Allowable</u>	<u>Discretionary</u>
Administrative Expenses:		
Wages	\$ 9,541	\$ 92,083
Payroll taxes		10,683
Employee benefits		8,086
Auto expenses		2,013
Office supplies and postage		1,756
Telephone		3,320
Utilities		2,103
Professional fees		1,923
Dues and subscriptions		1,066
Insurance		4,967
Public relations/meetings		556
Other expenses		641
Total Administrative Expenses	<u>\$ 9,541</u>	<u>\$ 129,197</u>
	<u>Allowable</u>	<u>Discretionary</u>
Promotional Expenses:		
Travel shows	\$	\$ 3,301
Literature distribution		3,693
Print Production - Lake Texoma Guide	31,534	1,883
Media Advertising:		
Magazine		2,375
Maps		22,550
Website		886
Promotional items		1,404
Other event expenses (net of advertising costs):		
Membership appreciation		910
Bash for Cash		13,208
Fireworks		6,875
Total Promotional Expenses	<u>\$ 31,534</u>	<u>\$ 57,085</u>

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

LAKE TEXOMA ASSOCIATION
SCHEDULE OF ADVERTISERS
YEAR ENDED JUNE 30, 2012

RECREATIONAL GUIDES SALES:

Sherman, TX:

Sherman Dept. of Tourism, 101 S Travis \$ 3,500

Madill, OK:

Texoma Shores Resort, 16022 Cumberland Cove 200
Budget Inn, 803 S 1st St 360
Landmark Bank, P O Box 823 995
Marshall Co. Chamber, P O Box 542 3,500

Kingston, OK:

Little Properties, P O Box 516 1,900
Soldier Creek Marina, Box 341 2,345
Texoma Agency, P O Box 640 360
Texoma Lakeside Motel, Box 15-R 360
Texoma Christian Camp, 4558 Christian Camp Rd 360
Alberta Creek Resort, P O Box 9 1,300
Buncombe Creek Resort, Box 521 900
Arrowhead Point Lodge, 5347 Shay Rd 700
Point Vista Marine, Box 1009 1,700
Cabin Fever Adventure, 1609 Texoma Park Rd 360
Black Beard Marine, 6339 S Hwy 377 700

Durant, OK:

1st United Bank, 1400 W Main St 995
Coldwell Bank, 419 W Main 700
Medical Center, P O Box 1207 360
Durant Chamber, 215 N 4th 650
Durant Main Street, 215 N 4th St 650

Norman, OK:

Texoma Landing, 1800 N Interstate Dr 700

Dallas, TX:

Marine Insurance, 2700 Stemmons Fwy 775

Denton, TX:

Robin Wilson Lakehouse, 534 S Elm 795
Commodore Marina, 132 Grandpappy Dr 600

Mead, OK:

Newberry Creek, 1582 Newberry Rd \$ 700

Denison, TX:

Eisenhower State Park, 50 Park Rd 200
Grandpappy Pt Marina, 132 Grandpappy Dr 973
US Corps of Engineers, 351 Corps Rd 2,305
Denison Development, 311 W Woodard 2,540
Denison Convention Center, P O Box 325 3,500
Eisenhower Yacht Club, 2141 Park Rd 20 900
Harmelin & Assoc./TMC, 3126 W FM 120 1,105
Best Western, 810 N US Hwy 75 360
Dave's Ski & Tackle, 4411 US Hwy 75 360
Stripers Inc, 431 Sequoia Dr 360

Pottsboro, TX:

Pottsboro Chamber, P O Box 995 2,095
Daddy's Toy Box Boats, Stg, 4238 FM 996 185
Lighthouse Resort, 300 Lighthouse Dr 200
Highport Marina, 120 Texoma Harbor Dr 2,345
Texoma Stripper Fishing, 458 Fisherman Rd 580
Stripper Express Guides, 1079 Locust Rd 360
Flowing Wells Resort, 3217 Flowing Wells Rd 200
Steve Brewer's Guide, 225 Windsor Dr 360
Hydrohoist Boat Lifts, 13703 N FM 120 695
Tanglewood Resort, 290 Tanglewood Cr 200
Texoma Destination, 21 Tackle Box Dr 1,945
Steve Cook ERA, Box 725 900

Gordonville, TX:

Texas Hideaway, 49 Ole Cedar Ln 360
Cedar Bayou Marina, 513 Cedar Bayou Blvd 1,100
Big Mineral Camp, P O Box 576 900
Walnut Creek Resort, P O Box 346 2,145
Gone Fishing RV, 730 Oxford Dr 360
Mills Marina, 500 Harbor View Rd 1,195
Tow Boat US, P O Box 622 400

Oklahoma City, OK:

State of Okla, Box 52002 400

Whitesboro, TX:

Whitesboro Chamber, P O Box 522 995

Total \$ 56,988

LAKE TEXOMA ASSOCIATION
 SCHEDULE OF ADVERTISERS
 YEAR ENDED JUNE 30, 2012

MAGAZINES:

Denison, TX:	
Chamber of Commerce, Box 325	\$ 1,675
Oklahoma City, OK:	
State of Oklahoma, Box 52002	3,942
Total	<u>\$ 5,617</u>

PROMOTIONAL ITEMS:

Denison, TX:	
Denison Chamber, P O Box 325	\$ 250
Eisenhauer Yacht, 2141 Park Rd	250
Oklahoma City, OK:	
Pointe Vista, 701 Cedar Blvd	500
Pottsboro, TX:	
Highport Marina, 120 Texoma Harbor Dr	250
Steve Cooke, Box 725	250
Durant, OK:	
First United Bank, 1400 W Main	250
Durant Main Street, 215 N 4th	125
Medical Center, P O Box 1207	250
Durant Chamber, 215 N 4th	125
Gordonville, TX:	
Cedar Mills Marina,	250
Walnut Creek Resort, P O Box 346	250
Kingston, OK:	
Bucombe Creek, Box 521	250
Madill, OK:	
Landmark Bank, 128 Plaza	250
Denton, TX:	
Commodore Marine, 132 Grandpappy Dr	500
Sherman, TX:	
Chamber of Tourism, 101 S Travis	250
American Bank, P O Box 1234	500
Total	<u>\$ 4,500</u>

LAKE TEXOMA ASSOCIATION
SCHEDULE OF ADVERTISERS
YEAR ENDED JUNE 30, 2012

LAKE TEXOMA DENISON MAP:

Denton, TX:

Commodore Marina, 132 Grandpappy Dr \$ 1,025

Denison, TX:

Comfort Suites, 801 N US 75 475
 Mary Karam Galley, 404 W Main 400
 Motel 6, 615 N Hwy 75 400
 Eisenhower State Park, 50 Park Rd 475
 St. Lukes Episcopal Church, 427 W Woodard St 238
 Trailblazer Health, 3101 S Woodlawn 875
 Corps of Engineers, 351 Corps Dr 875
 Allens Sales & Service, PO Box 591 350
 Mr. Jim's Pizza, 2731 W Morton 400
 Mike Srader Homes, 713 W Bond 400
 Denison Arts, 404 W Main 475
 Grayson County Title Co, 210 W Main 475
 Woodcreek Apts, 1400 Hwy 91 427
 State Farm, 1335 Broadway 475
 Hampton Inn & Suites, 3415 Ansley Blvd 810
 High Point Marina, 120 Texoma Harbor 200
 The North Rig, 414 N US 75 400
 Denison CVB, 313 W Woodard 900
 My Friends House, 313 W Main 400
 North Texas Regional Airport, 825

Colbert, OK:

Riverview Park, Box 496 1,000

Kingston, OK:

Pointe Vista, Box 1009 875

Pottsboro, TX:

Pottsboro Chamber, PO Box 995 500
 Steve Cook & Co, PO Box 725 1,400
 Texoma Outfitters, 327 Denison Dr 475
 Tanglewood Hotel, 290 Tanglewood Circle 550
 Texoma Destinations, 21 Tackle Box Dr 1,700
 TV Cable, 501 Spur 316 400
 Cable One, 501 Spur 550

Gordonville, TX:

Big Mineral Camp, PO Box 576 475

Sherman, TX:

Ebby Holliday, 344 S Hwy 1417 700
 Texoma Health Care, 1000 Hwy 82 400
 Chapin Title Co, 614 N Travis 475
 Awards Unlimited, 1000 N Travis 475
 Dayton Tire Sales, 3703 Texoma Parkway 400
 Advantx, 704 Sam Rayburn Freeway 400

Fort Worth, TX:

Teaque Nail, 1100 Macon St 475
 Total \$ 22,550

Total advertising sales \$ 89,655

LAKE TEXOMA ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2012

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.

Material Weakness in Internal Control Over Financial Reporting: Financial Statements:

Criteria: Internal controls should be in place so that the Association could prepare the financial statements, including the related note disclosures.

Condition: As part of the audit, management requested the auditors to prepare the financial statements, including the related notes. Although management reviewed, approved and accepted responsibility for those financial statements, the auditors cannot be considered part of the internal control over the preparation of the financial statements. Because the Association does not have internal financial statements that reflect all assets and liabilities, the Association does not have necessary controls in place to detect, prevent or correct misstatements in those financial statements.

Cause: The entity's limited size and structure has made it difficult for management to obtain these skills.

Effect or Potential Effect: The absence of controls over the preparation of financial statements is considered a significant deficiency because more than a remote likelihood exists that a misstatement of the financial statements could occur and not be prevented or detected by the Association's internal control.

Recommendation: We recommend that the Association strive to understand the presentation and disclosure requirements of the financial statements.

Board's Response: The Association concurs with the recommendation, and will strive to understand the presentation and disclosure requirements of the financial statements, however, we believe the cost to obtain this knowledge would be prohibitive for the size and structure of our organization.