

**KAW LAKE ASSOCIATION**

**ANNUAL FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2013**

KAW LAKE ASSOCIATION  
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YEAR ENDED JUNE 30, 2013

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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, 2013 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, 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*

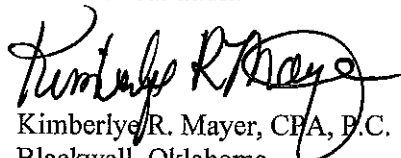
Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management 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 February 4, 2014 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  
February 4, 2014

KAW LAKE ASSOCIATION  
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS  
CASH BASIS  
JUNE 30, 2013

ASSETS

Operating cash	<u>\$ 15,378</u>
Total Assets	<u><u>\$ 15,378</u></u>

LIABILITIES AND NET ASSETS

Liabilities	\$
Net Assets:	
Unrestricted	<u>15,378</u>
Total Net Assets	<u>15,378</u>
Total Liabilities and Net Assets	<u><u>\$ 15,378</u></u>

KAW LAKE ASSOCIATION  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
CASH BASIS  
YEAR ENDED JUNE 30, 2013

Revenues:	
State matching funds (Note 3)	\$ 41,222
Coop advertising	30,880
Membership dues	6,320
Advertising sales	29,146
Travel shows	1,666
Other tourism promo events	11,503
Donations	1,549
Other income	1,800
Total Revenues	<u>124,086</u>
Expenses:	
Administrative:	
Allowable	5,643
Discretionary	38,703
Total Administrative	<u>44,346</u>
Promotional:	
Allowable	35,579
Discretionary	47,703
Total Promotional	<u>83,282</u>
Total Expenses	<u>127,628</u>
Revenues over (under) expenses	(3,542)
Net Assets, beginning of year	<u>18,920</u>
Net Assets, end of year	<u><u>\$ 15,378</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, 2013

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, 2013

NOTE 3 – STATE MATCHING FUNDS (continued):

State matching funds allocated to the fiscal year ended June 30, 2013 were \$41,222. Of these funds, \$41,222 were received in the fiscal year ended June 30, 2013.

NOTE 4 – FINANCIAL INSTITUTIONS:

The Association maintained a checking account at RCB Bank in Ponca City, 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 - FAIR VALUE OF INSTRUMENTS:

The Association's financial instruments include cash and cash equivalents. The Association's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial statements approximates fair value because of the short maturity of these instruments.

NOTE 7 – EVALUATION OF SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through February 4, 2014, 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, 2013

	<u>Allowable</u>	<u>Discretionary</u>
Administrative Expenses:		
Personnel costs	\$ 5,643	\$ 20,033
Meetings and mileage		1,670
Office supplies and equipment		1,376
Other administration expenses		578
Office rent		2,400
Telephone		2,039
Utilities		4,057
Postage		543
Professional fees		1,235
Dues and memberships		1,535
Insurance		3,050
Other expenses		187
Total Administrative Expenses	<u>\$ 5,643</u>	<u>\$ 38,703</u>
	<u>Allowable</u>	<u>Discretionary</u>
Promotional Expenses:		
Travel show exhibitions	\$	\$ 5,071
Literature distribution	2,329	4,699
Print Production - Kaw Lake Guide	14,875	9,962
Media Advertising:		
Magazine/newspaper/brochures	2,605	7,877
Website		675
Radio/TV	400	366
Other		516
Coop advertising:		
Maps/Brochures	1,050	
Magazines/newspaper	14,320	12,783
TV/Radio		583
Other event expenses (net of advertising costs):		
Trail ride		2,409
Eagle watch		959
Fishing Tournament		1,214
Other events		589
Total Promotional Expenses	<u>\$ 35,579</u>	<u>\$ 47,703</u>

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

KAW LAKE ASSOCIATION  
SOURCES OF INCOME  
YEAR ENDED JUNE 30, 2013

Other Tourism Promo Events:

Donations	\$ 1,838
Sponsorships	3,400
Event fees, gate sales, concessions and vendor fees	<u>6,265</u>
Total other tourism promo events	<u><u>\$ 11,503</u></u>

KAW LAKE ASSOCIATION  
SCHEDULE OF ADVERTISERS  
YEAR ENDED JUNE 30, 2013

**RECREATIONAL GUIDE SALES:**

<b>Ponca City, OK:</b>		<b>Tonkawa, OK:</b>	
Littlecrow Trading Post	\$ 247	Colwell H&A, Box 206	\$ 128
Bowker Ford, 2415 N 14th	246	NOC, 1220 E Grand	255
Brandts, 3203 N 14th	351	Tonkawa Casino	234
Ponca City Tourism, PO Box 1109	2,567	Chamber of Commerce, 102 E Grand	1,020
Canon Honda, 3415 N 14th St	246	<b>Kaw City, OK:</b>	
Century 21, 525 Monument Rd	226	Jobi's One Stop, 211 Pineview	295
Davis Moore Auto, 3501 N 14th St	246	D&H Trading Post, 629 Delaware	127
Phillips 66, PO Box 1267	887	<b>Arkansas City, KS:</b>	
Comfort Inn, 3101 N 14th	452	Best Value Inn, 1617 N Summit	142
Lake Pointe Development	637	Spring Hill Golf Course, 3203 N Summit	141
Executive Inn, 212 S 14th	234	KSOK, 334 E Radio Lane	142
Sun-N-Fun, 8900 Lake Rd	567	<b>Tulsa, OK:</b>	
Head Country Bar-B-Q, 1217 E Prospect	452	Green Country Mktg, 2805 E Skelley	234
KEDA, 3006 Turner Rd	1,530	Anheuser Busch, 2929 N Florence	1,530
Lake Road Storage, 5159 Lake Rd	351	<b>Shidler, OK:</b>	
Marland Estate, 901 Monument Rd	351	Chamber of Commerce, PO Box 528	887
McFadden Cove, 2100 E Lake Rd	987	<b>Burbank, OK:</b>	
Pembertons, PO Box 711	246	Boat N Tote, 773 S Osage Cove	283
RBC Bank, PO Box 111	603	<b>Alva, OK:</b>	
Regal Inn, 301 S. 14th St	234	Red Carpet Country, Drawer B	1,479
U.S. Corps of Engineers, 9400 Lake Rd	1,479	<b>Fairfax, OK:</b>	
Ponca City Energy, Box 1450	886	Chamber of Commerce, PO Box 35	887
Quality Water, PO Box 829	351	<b>Newkirk, OK:</b>	
Stage Coach, 1641 Kildare Rd	127	Newkirk Dental, 327 W South St	383
Camp McFadden, PO Box 1495	507	Eastman National Bank, PO Box 190	489
Lakeview Boat, PO Box 2558	283	Main Street Authority, PO Box 235	128
<b>Cleveland, OK:</b>		Mini Storage, 104 W 7th St	63
Indian Electric Co., PO Box 49	1,479	Bilger Real Estate, 104 W 7th St	64
<b>Perry, OK:</b>		77 Ranch Motel, 201 W South	128
Comfort Inn, 3112 W Fir	128	Native Lights Casino	234
Chamber of Commerce, PO Box 426	382	<b>Pawhuska, OK:</b>	
<b>Newkirk, OK:</b>		Osage County Tourism, PO Box 87	857
City of Newkirk, City Clerk Office	127	<b>Perry, OK:</b>	
<b>Blackwell, OK:</b>		611 Bake House, 611 Delaware	128
Chamber of Commerce, 120 S. Main	1,479		

Total

\$ 29,146

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, 2013, and have issued our report thereon dated February 4, 2014. 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 comprehensive 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.

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 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 an instance of

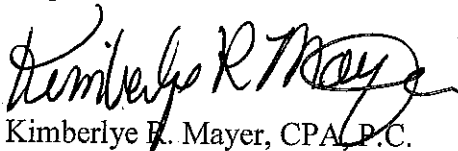
noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs.

### **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.



Kimberlye R. Mayer, CPA, P.C.

Blackwell, Oklahoma

February 4, 2014

KAW LAKE ASSOCIATION  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2013

**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. During the year ended June 30, 2013, one monthly bank reconciliation was not completed and four monthly bank reconciliations were not timely completed. 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.

**Noncompliance and Other Matters:**

**Criteria:** Procedures should be in place to ensure that compliance with laws, regulations, contracts and grants are adhered to.

**Condition:** The Association's annual audit is due on January 20th of each year. The audit was not timely filed.

**Cause:** The financial records were not completed in a timely manner.

**Effect or Potential Effect:** Noncompliance with the Oklahoma State Statutes could result in a decrease of future matching funds.

**Recommendation:** We recommend that the board initiate review procedures to ensure that the financial records are completed in a timely manner and the audits are timely filed.

**Board's Response:** The Board concurs with the recommendation, and will consider implementing review procedures.