

**KAW LAKE ASSOCIATION**

**ANNUAL FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

KAW LAKE ASSOCIATION  
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YEAR ENDED JUNE 30, 2016

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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, 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 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, 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*

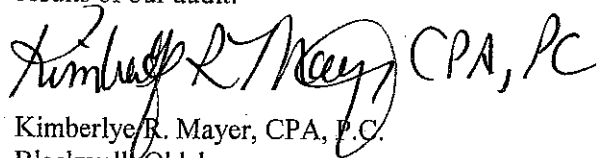
Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management 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 February 20, 2017 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.

 CPA, PC

Kimberlye R. Mayer, CPA, P.C.  
Blackwell, Oklahoma  
February 20, 2017

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

ASSETS

Operating cash	<u>\$ 8,270</u>
Total Assets	<u><u>\$ 8,270</u></u>

LIABILITIES AND NET ASSETS

Liabilities	\$
Net Assets:	
Unrestricted	<u>8,270</u>
Total Net Assets	<u>8,270</u>
Total Liabilities and Net Assets	<u><u>\$ 8,270</u></u>

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

KAW LAKE ASSOCIATION  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
CASH BASIS  
YEAR ENDED JUNE 30, 2016

Revenues:	
State matching funds (Note 3)	\$ 35,055
Coop advertising	34,998
Membership dues	8,860
Advertising sales	35,423
Travel shows	1,453
Other tourism promo events	16,262
Kaw Fest	17,914
Rent income	3,600
Donations	11,866
Other income	
Total Revenues	165,431
Expenses:	
Administrative:	
Allowable	7,011
Discretionary	47,224
Total Administrative	54,235
Promotional:	
Allowable	28,044
Discretionary	87,672
Total Promotional	115,716
Total Expenses	169,951
Revenues over (under) expenses	(4,520)
Net Assets, beginning of year	12,790
Net Assets, end of year	\$ 8,270

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

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

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, 2016

NOTE 3 – STATE MATCHING FUNDS (continued):

State matching funds allocated to the fiscal year ended June 30, 2016 were \$35,055. Of these funds, \$35,055 were received in the fiscal year ended June 30, 2016.

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 2014, 2015, 2016 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 February 20, 2017 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, 2016

	<u>Allowable</u>	<u>Discretionary</u>
Administrative Expenses:		
Personnel costs	\$ 7,011	\$ 16,615
Meetings and mileage		2,260
Office supplies and equipment		2,004
Building maintenance & supplies		2,106
Office and storage rent		9,025
Telephone		2,104
Utilities		4,743
Postage		445
Professional fees		1,451
Dues and memberships		1,930
Education/conferences/meetings		1,788
Insurance		458
Donation to Veterans Memorial Plaza		1,000
Other expenses		1,295
Total Administrative Expenses	<u>\$ 7,011</u>	<u>\$ 47,224</u>

	<u>Allowable</u>	<u>Discretionary</u>
Promotional Expenses:		
Travel show exhibitions	\$ 837	\$ 5,760
Literature distribution	1,651	5,796
Print Production - Kaw Lake Guide	13,000	6,219
Media Advertising:		
Magazine/newspaper/brochures	443	4,802
Website		2,925
Radio/TV	636	11,296
Other		1,965
Coop advertising:		
Magazines/brochures	11,102	20,978
Maps	375	1,726
Radio		250
Other event expenses (net of advertising costs):		
Trail ride		1,625
Eagle watch		2,573
Fishing events		2,410
Kawfest		11,781
Other project expenses		5,824
Other events		1,742
Total Promotional Expenses	<u>\$ 28,044</u>	<u>\$ 87,672</u>

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

KAW LAKE ASSOCIATION  
SOURCES OF INCOME  
YEAR ENDED JUNE 30, 2016

Other Tourism Promo Events:

Sponsorships	\$ 12,455
Event fees, gate sales, concessions and vendor fees	<u>3,807</u>
Total other tourism promo events	<u><u>\$ 16,262</u></u>

Kaw Fest:

Sponsorships	\$ 11,500
Food	<u>6,414</u>
Total	<u><u>\$ 17,914</u></u>

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

**RECREATIONAL GUIDE SALES:**

<b>Ponca City, OK:</b>		<b>Fairfax, OK:</b>	
Pioneer Woman, 701 Monument Rd	\$ 360	Chamber of Commerce, POB 35	\$ 1,800
Bowker Ford, 2415 N 14th	250	<b>Tulsa, OK:</b>	
The Boat House, 1000 McFadden Cove	1,035	Green Country Mktg., 2805 E Skelley	479
Ponca City Tourism, PO Box 1109	2,610	Osage Casino, 1211 W 36th	1,575
Canon Honda, 3415 N 14th St	250	<b>Kaw City, OK:</b>	
Kinder Campers, 2208 N Ash	247	Schillbillys RV, #5 Park Place	167
Davis Moore Auto, 3501 N 14th St	250	Museum, 900 Morgan Square	167
Lakeview Campgrounds, 8774 Lake Rd	146	<b>Alva, OK:</b>	
Comfort Inn, 3101 N 14th	479	Red Carpet Country, Drawer B	1,575
Wentz Golf Course, 2928 LA Cann Dr	275	<b>Tonkawa, OK:</b>	
Lakeview Boat & RV Stg, 8818 Lake Rd	145	Marys' Grill, 114 E Grand	150
KEDA, 4550 N Hwy 77	950	Frames & Things, 117 E Grand	150
Dannys Bar-B-Q, 1217 E Prospect	495	Hideaway Bar, 9825 S 44th St	150
PCUA, 516 E Grand	900	Heartland Real Estate, POB 25	150
Lake Road Storage, 5159 Lake Rd	348	Arbuckle Mtn Pies, 16560 W Ftn RD	150
Marland Estate, 901 Monument Rd	360	Chamber of Commerce, 102 E Grand	1,050
McFadden Cove, 2100 E Lake Rd	1,035	<b>Arkansas City, KS:</b>	
Pembertons, PO Box 711	250	Chamber of Commerce, 106 Summit	450
RBC Bank, PO Box 111	680	Ark City Travelor, POB 988	146
Poncan Theatre, 204 E Grand	380	KSOK, 334 E Radio Lane	150
U.S. Corps of Engineers, 9400 Lake Rd	1,522	<b>Newkirk, OK:</b>	
United Country, 8988 Lake Rd	291	Stagecoach BBQ, 400 W 7th	131
Quality Water, PO Box 829	360	City of Newkirk, Main Street	131
JW Cobbs, 3200 N 14th	10	Newkirk Dental, 327 W South St	393
Camp McFadden, PO Box 1495	583	Eastman National Bank, PO Box 190	532
Double N Motel, 3537 Hwy 60	275	Main Street Authority, PO Box 235	132
FNB of OK, 1501 E Prospect	10	Cheeky Burger, 221 N Main	132
Service Marine, 8865 Rd	291	77 Ranch Motel, 201 W South	131
Phillips 66, Ponca City	900	Church of Christ, 128 N Main	132
Completely Quilted, 315 E Grand	479	<b>Pawhuska, OK:</b>	
<b>Cleveland, OK:</b>		Osage County Tourism, PO Box 87	900
Indian Electric Co., PO Box 49	761	<b>Oklahoma City, OK:</b>	
<b>Perry, OK:</b>		OK State Parks, 125 Park Ave	1,750
Chamber of Commerce, PO Box 426	1,575	<b>Choctaw, OK:</b>	
<b>Blackwell, OK:</b>		Cabins on the Lake, 2720 Hardin Dr	675
Chamber of Commerce, 120 S Main	1,523	<b>Winfield, KS:</b>	
Kay Electric, Box 1260	761	Wheat State Wine, POB 985	150
Bubbas, 513 W Doolin	247	<b>Burbank, OK:</b>	
<b>Shidler, OK:</b>		Boat N Tote, 773 S Osage Cove	292
Chamber of Commerce, POB 528	600		

Total \$ 35,423

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, 2016, and have issued our report thereon dated February 20, 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 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 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.



Kimberlye R. Mayer, CPA, P.C.

Blackwell, Oklahoma

February 20, 2017

KAW LAKE 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; 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.