

KAW LAKE ASSOCIATION

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

KAW LAKE ASSOCIATION
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YEAR ENDED JUNE 30, 2015

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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, 2015 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 I. 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, 2015 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 10, 2016 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.



Kimberly R. Mayer, CPA, P.C.
Blackwell, Oklahoma
February 10, 2016

KAW LAKE ASSOCIATION
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS
CASH BASIS
JUNE 30, 2015

ASSETS

Operating cash	<u>\$ 12,790</u>
Total Assets	<u><u>\$ 12,790</u></u>

LIABILITIES AND NET ASSETS

Liabilities	\$
Net Assets:	
Unrestricted	<u>12,790</u>
Total Net Assets	<u>12,790</u>
Total Liabilities and Net Assets	<u><u>\$ 12,790</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, 2015

Revenues:	
State matching funds (Note 3)	\$ 36,565
Coop advertising	39,525
Membership dues	9,060
Advertising sales	37,283
Travel shows	1,656
Other tourism promo events	8,952
Kaw Fest	4,750
Rent income	1,300
Donations	15,706
Other income	52
Total Revenues	<u>154,849</u>
Expenses:	
Administrative:	
Allowable	7,074
Discretionary	48,199
Total Administrative	<u>55,273</u>
Promotional:	
Allowable	29,490
Discretionary	75,490
Total Promotional	<u>104,980</u>
Total Expenses	<u>160,253</u>
Revenues over (under) expenses	(5,404)
Net Assets, beginning of year	<u>18,194</u>
Net Assets, end of year	<u>\$ 12,790</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, 2015

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, 2015

NOTE 3 – STATE MATCHING FUNDS (continued):

State matching funds allocated to the fiscal year ended June 30, 2015 were \$36,565. Of these funds, \$36,565 were received in the fiscal year ended June 30, 2015.

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 2012, 2013, 2014 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 10, 2016 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, 2015

	<u>Allowable</u>	<u>Discretionary</u>
Administrative Expenses:		
Personnel costs	\$ 7,074	\$ 15,967
Meetings and mileage		2,525
Office supplies and equipment		2,217
Building maintenance & supplies		2,181
Office and storage rent		7,625
Telephone		1,976
Utilities		5,312
Postage		754
Professional fees		1,537
Dues and memberships		1,850
Education/conferences/meetings		3,310
Insurance		2,094
Other expenses		851
Total Administrative Expenses	<u>\$ 7,074</u>	<u>\$ 48,199</u>
	<u>Allowable</u>	<u>Discretionary</u>
Promotional Expenses:		
Travel show exhibitions	\$ 1,000	\$ 7,107
Literature distribution	3,482	4,956
Print Production - Kaw Lake Guide	17,763	1,306
Media Advertising:		
Magazine/newspaper/brochures	192	7,599
Website		2,850
Radio/TV		10,914
Other		187
Coop advertising:		
Magazines/brochures	7,053	26,793
Maps		5,693
Radio		150
Other event expenses (net of advertising costs):		
Trail ride		1,542
Eagle watch		2,706
Fishing Tournament		2,903
Kawfest		250
Other events		534
Total Promotional Expenses	<u>\$ 29,490</u>	<u>\$ 75,490</u>

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

KAW LAKE ASSOCIATION
SOURCES OF INCOME
YEAR ENDED JUNE 30, 2015

Other Tourism Promo Events:

Sponsorships	\$ 3,400
Event fees, gate sales, concessions and vendor fees	<u>5,552</u>
Total other tourism promo events	<u><u>\$ 8,952</u></u>

Kaw Fest:

Sponsorships	\$ 4,700
Food	<u>50</u>
Total	<u><u>\$ 4,750</u></u>

KAW LAKE ASSOCIATION
SCHEDULE OF ADVERTISERS
YEAR ENDED JUNE 30, 2015

RECREATIONAL GUIDE SALES:

Ponca City, OK:

Pioneer Woman, 701 Monument Rd	\$ 360
Bowker Ford, 2415 N 14th	250
The Boat House, 1000 McFadden Cove	3,098
Ponca City Tourism, PO Box 1109	2,610
Canon Honda, 3415 N 14th St	250
Kinder Campers, 2208 N Ash	248
Davis Moore Auto, 3501 N 14th St	250
Lakeview Campgrounds, 8774 Lake Rd	291
Comfort Inn, 3101 N 14th	479
Lake Pointe Development	600
Executive Inn, 212 S 14th	249
Century 21, 525 Monument	234
Dannys Bar-B-Q, 1217 E Prospect	495
PCUA, 516 E Grand	900
Lake Road Storage, 5159 Lake Rd	348
Marland Estate, 901 Monument Rd	360
McFadden Cove, 2100 E Lake Rd	1,000
Pembertons, PO Box 711	250
RBC Bank, PO Box 111	600
Regal Inn, 301 S. 14th St	249
U.S. Corps of Engineers, 9400 Lake Rd	1,522
United Country, 8988 Lake Rd	291
Quality Water, PO Box 829	360
Brandts, 3203 N 14th	351
Camp McFadden, PO Box 1495	291
Double N Motel, 3537 Hwy 60	275
University Center, 2800 N 14th	360
Service Marine, 8865 Rd	291
Phillips 66, Ponca City	900
Completely Quilted, 315 E Grand	506

Cleveland, OK:

Indian Electric Co., PO Box 49	761
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Perry, OK:

Chamber of Commerce, PO Box 426	1,522
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Blackwell, OK:

Chamber of Commerce, 120 S Main	1,523
Kay Electric, Box 1260	761
Bubbas, 513 W Doolin	247

Tonkawa, OK:

Chamber of Commerce, 102 E Grand	\$ 1,200
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Kaw City, OK:

Jobi's One Stop, 998 Grandview	608
City of Kaw City, 900 Morgan Square	167
Sandbur RV park, 13444 E Hyw 11	150
Schillbillys RV, #5 Park Place	166
Museum, 900 Morgan Square	167

Arkansas City, KS:

Quality Inn, 3232 N Summit	522
Americas Best Value Inn, 1617 N Summit	146

Alva, OK:

Red Carpet Country, Drawer B	1,575
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Tulsa, OK:

Green Country Mktg, 2805 E Skelley	239
Osage Casino, 1211 W 36th	1,575

Burbank, OK:

Boat N Tote, 773 S Osage Cove	292
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Shidler, OK:

Chamber of Commerce, PO Box 528	900
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Newkirk, OK:

Church of Christ, 328 N Main	131
Stagecoach BBQ, 400 W 7th	131
1st Council Casino, 12875 N Hyw 77	1,575
Newkirk Dental, 327 W South St	399
Eastman National Bank, PO Box 190	525
Main Street Authority, PO Box 235	131
City of Newkirk, Main Street	131
77 Ranch Motel, 201 W South	131

Pawhuska, OK:

Osage County Tourism, PO Box 87	900
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Oklahoma City, OK:

OK State Parks, 3111 Quailsprings	2,440
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Total

\$ 37,283

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, 2015, and have issued our report thereon dated February 10, 2016. 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 certain deficiencies in internal control that we consider to be material weaknesses.

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 deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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

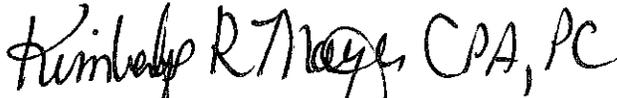
noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 10, 2016

KAW LAKE ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2015

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.

Material Weakness in Internal Control Over Financial Reporting: Inadequate Review of Claims:

Criteria: An independent review of allowable expenditures is an important control activity needed to ensure that amounts submitted for matching are accurate.

Condition: One expenditure was submitted on two different claim forms and OTRD matched this expenditure twice.

Cause: The expenditures and documentation were not reviewed before being submitted for matching.

Effect or Potential Effect: Without independent reviews, the risk increases that expenditures will be submitted incorrectly.

Recommendation: There needs to be an independent review of the amounts and documentation before the claim is submitted for matching.

Board's Response: The executive director has contacted OTRD concerning this error and controls are being implemented to ensure all allowable expenses and documentation are reviewed prior to submission for matching.