

LAKE BLACKWELL TRUST AUTHORITY

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

LAKE BLACKWELL TRUST AUTHORITY.
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YEAR ENDED JUNE 30, 2014

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Independent Auditor's Report

To the Board of Trustees
Lake Blackwell Trust Authority

Report on the Financial Statements

We have audited the accompanying statement of assets, liabilities and net position of Lake Blackwell Trust Authority as of June 30, 2014 and the related statements of revenues, expenses and changes in net position and of cash flows 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 modified cash basis of accounting as described in Note 1. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also 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 Authority'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 Authority'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

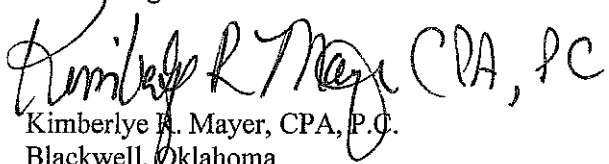
In our opinion, the financial statements referred to above, present fairly, in all material respects, the modified cash basis financial position of Lake Blackwell Trust Authority, as of June 30, 2014; the changes in modified cash basis financial position; and cash flows thereof, for the year then ended in conformity with the basis of accounting described in Note 1.

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 modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated September 24, 2014 on our consideration of Lake Blackwell Trust Authority'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.


Kimberley R. Mayer, CPA, P.C.
Blackwell, Oklahoma
September 24, 2014

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 Blackwell Trust Authority

We have audited the financial statements of Lake Blackwell Trust Authority as of and for the year ended June 30, 2014 and have issued our report thereon dated September 24, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements for the year ended June 30, 2014 were prepared on the modified cash basis of accounting, which is a 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 Blackwell Trust Authority'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 Blackwell Trust Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lake Blackwell Trust Authority'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 Authority'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 Blackwell Trust Authority'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

Lake Blackwell Trust Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Lake Blackwell Trust Authority'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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kimberlye R. Mayer, CPA, P.C.
Blackwell, Oklahoma
September 24, 2014

LAKE BLACKWELL TRUST AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2014

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 lease payments and receiving payments; making and recording deposits; maintaining billing registers; and reconciling the monthly bank statements. Only limited oversight is provided over this individual in the conduct of their daily functions.

Cause: The entity'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 Authority 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 Authority 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.

FINANCIAL STATEMENTS

AND

NOTES

LAKE BLACKWELL TRUST AUTHORITY
STATEMENT OF ASSETS, LIABILITIES AND NET POSITION
MODIFIED CASH BASIS
JUNE 30, 2014

ASSETS

Current Assets:

Cash and cash equivalents	\$ 27,906
Certificates of deposit	8,606
Prepaid legal fees	<u>2,500</u>
Total Current Assets	39,012

Property and equipment

(net of accumulated depreciation) (Note 2)	<u>35,744</u>
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Total Assets	<u><u>\$ 74,756</u></u>
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LIABILITIES AND NET POSITION

Liabilities:

Current Liabilities:

Prepaid fees	\$ 6,600
Payroll taxes due	<u>148</u>
Total Current Liabilities	6,748

Net Position:

Net investment in capital assets	35,744
Restricted for debt service	
Unrestricted	<u>32,264</u>
Total Net Position	<u>68,008</u>

Total Liabilities and Net Position	<u><u>\$ 74,756</u></u>
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LAKE BLACKWELL TRUST AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2014

Operating Revenues:	
Lease fees	\$ 28,125
Farm lease income	2,024
Other income	60
Total Operating Revenues	<u>30,209</u>
Operating Expenses:	
Payroll	3,281
Taxes	673
Utilities and trash	3,633
Repairs, maintenance and fuel	9,049
Office and postage	1,650
Road maintenance	2,690
Building maintenance	425
Supplies	797
Professional fees	855
Insurance and bonds	450
Activities expense	1,968
Depreciation	7,778
Total Operating Expenses	<u>33,249</u>
Operating Income (Loss)	(3,040)
Nonoperating Revenues (Expenses):	
Interest income	5
Sale of lots	1,000
Sale of equipment	3,950
Total Nonoperating Revenue (Expenses)	<u>4,955</u>
Change in Net Position	1,915
Net Position, beginning of year	<u>66,093</u>
Net Position, end of year	<u><u>\$ 68,008</u></u>

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

LAKE BLACKWELL TRUST AUTHORITY
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2014

Cash flows From Operating Activities:

Cash received from customers	\$ 16,937
Other operating cash receipts	2,084
Cash payments to suppliers for goods and services	(25,488)
Cash payments to employees for services	<u>(3,281)</u>
Net cash provided (used) by operating activities	(9,748)

Cash flows from non-capital financing activities:

Cash flows from capital and related financing activities:

Grants received	<u> </u>
Net cash provided (used) by financing activities	

Cash flows from investing activities:

Increase in certificate of deposits	(4)
Sale of lots and equipment	4,950
(Increase) decrease in fixed assets	(2,203)
Interest on cash and investments	<u>5</u>
Net cash provided (used) by investing activities	<u>2,748</u>

Net increase (decrease) in cash and cash equivalents	(7,000)
Beginning cash and cash equivalents	34,906
Ending cash and cash equivalents	<u><u>\$ 27,906</u></u>

Reconciliation of income (loss) from operations to
net cash provided (used) by operating activities:

Income (Loss) from operations	(3,040)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	7,778
Changes in assets and liabilities:	
(Increase) decrease in prepaid legal fees	(2,500)
Increase (decrease) in prepaid fees	(11,188)
Increase (decrease) in payroll taxes due	<u>(798)</u>
Net cash provided (used) by operating activities	<u><u>\$ (9,748)</u></u>

LAKE BLACKWELL TRUST AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Lake Blackwell Trust Authority, created on June 3, 1986, was originated under provisions of Title 60 of the Oklahoma Statutes, 1971, as amended, the Oklahoma Trust Act, and the laws of the State of Oklahoma. The purpose of this trust is to govern, formulate rules, provide for the operation, management, improvement and development of Lake Blackwell.

The Authority is a governed entity administered by a board of trustees that acts as the authoritative and legislative body of the entity.

Basis of Accounting

The operations of the Authority are accounted for as an Enterprise Fund. An Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing services to the general public on a continuing basis are financed through user charges.

The Authority maintains its records on the modified cash basis of accounting. Under the modified cash basis, revenues are recognized when received, rather than when earned, and expenditures are recognized when paid rather than when incurred. Fixed assets are recorded at cost when purchased. Depreciation is calculated on a straight-line basis over the estimated useful lives of the depreciable assets.

Income Taxes

As provided in Title 60, Oklahoma Statutes, the Lake Blackwell Trust Authority is a tax-exempt Public Trust. Consequently, no provision has been made for income taxes.

Cash

Cash is maintained in financial institutions which provide coverage to depositors through the Federal Deposit Insurance Corporation.

Net Position

Net position presents the difference between assets and liabilities in the statement of net position. Net investments in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by Authority legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

LAKE BLACKWELL TRUST AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

NOTE 2 – PROPERTY AND EQUIPMENT:

Depreciable assets are recorded at cost when purchased or constructed. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. Depreciation is calculated on a straight-line basis over the estimated useful lives of the depreciable assets. Total depreciation for the year ended June 30, 2014 was \$7,778. The following is a summary by category of changes in property and equipment:

<u>Category</u>	<u>6/30/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/14</u>
Property and equipment	\$ 133,483	\$ 2,203	\$ (13,095)	\$ 122,591
Accumulative depreciation	<u>(92,164)</u>	<u>(7,778)</u>	<u>13,095</u>	<u>(86,847)</u>
Net	<u>\$ 41,319</u>	<u>\$ (5,575)</u>	<u>\$</u>	<u>\$ 35,744</u>

NOTE 3 – CASH AND CASH EQUIVALENTS:

The Authority considers all checking, savings and certificates of deposit with a maturity of three months or less to be cash equivalents.

NOTE 4 – INVESTMENTS:

The State of Oklahoma allows governmental entities to invest in the following: direct obligations of the United States Government, its agencies or instrumentalities; collateralized or insured certificates of deposit; insured savings accounts or savings certificates; or county, municipal or school district direct debt.

NOTE 5 – ESTIMATES:

The preparation of financial statements in conformity with the modified 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 BLACKWELL TRUST AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS:

The Authority's financial instruments include cash and cash equivalents and certificates of deposit. The Authority's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net assets. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

NOTE 7 – RISK MANAGEMENT:

The Authority is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority manages this risk through the purchase of bond and worker's compensation insurance policies. Claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

NOTE 8 – CONTINGENCIES:

As of June 30, 2014 the Authority did not have any pending litigation or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.

NOTE 9 – EVALUATION OF SUBSEQUENT EVENTS:

The Authority has evaluated subsequent events through September 24, 2014, the date which the financial statements were available to be issued.