

**LAKE BLACKWELL TRUST AUTHORITY**

**ANNUAL FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2012**

LAKE BLACKWELL TRUST AUTHORITY  
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YEAR ENDED JUNE 30, 2012

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## Independent Auditor's Report

To the Board of Trustees  
Lake Blackwell Trust Authority

We have audited the accompanying statements of assets, liabilities and net assets – modified cash basis of Lake Blackwell Trust Authority as of June 30, 2012 and the related statements of revenues and expenses, and changes in net assets and cash flows – modified cash basis for the year then ended. These financial statements are the responsibility of Lake Blackwell Trust Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

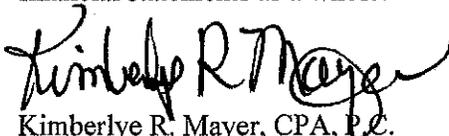
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting and 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 discussed in Note 1, Lake Blackwell Trust Authority prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the assets, liabilities and net assets – modified cash basis of the Lake Blackwell Trust Authority as of June 30, 2012 and its revenues and expenses and changes in net assets and cash flows - modified cash basis 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 report dated October 4, 2012 on our consideration of Lake Blackwell Trust Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of 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.

Lake Blackwell Trust Authority has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board requires to supplement, although, not be a part of the basic financial statements. The omission of this information does not affect the opinion expressed on the financial statements as a whole.



Kimberlye R. Mayer, CPA, P.C.  
Blackwell, Oklahoma  
October 4, 2012

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, 2012 and have issued our report thereon dated October 4, 2012. 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, 2012 were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Lake Blackwell Trust Authority has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board requires to supplement, although, not be a part of the basic financial statements.

Internal Control Over Financial Reporting

Management of Lake Blackwell Trust Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Lake Blackwell Trust Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lake Blackwell Trust Authority's internal control over financial reporting.

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 such that there is a reasonable possibility that a material misstatement of the entity'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 responses to be material weaknesses.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 and other matters that required to be reported under *Government Auditing Standards*.

Lake Blackwell Trust Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Authority's response and, accordingly, we express no opinion on it.

We also noted certain immaterial instances of noncompliance, which we have reported to management of the Lake Blackwell Trust Authority in a separate letter dated October 4, 2012.

This report is intended solely for the information and use of management, the board of directors, and others within the Authority and is not intended to be and should not be used by anyone other than these specified parties.



Kimberlye R. Mayer, CPA, F.C.  
Blackwell, Oklahoma  
October 4, 2012

LAKE BLACKWELL TRUST AUTHORITY  
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 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.

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

Criteria: Internal controls should be in place so that the Authority 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 Authority's internal financial statements don't reflect all assets and liabilities, the Authority 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 Authority's internal control.

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

Board's Response: The Authority 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.

FINANCIAL STATEMENTS

AND

NOTES

LAKE BLACKWELL TRUST AUTHORITY  
STATEMENT OF NET ASSETS  
MODIFIED CASH BASIS  
JUNE 30, 2012

ASSETS

Current Assets:	
Cash in bank	\$ 35,977
Certificates of deposit	8,589
Total Current Assets	<u>44,566</u>
Property and equipment	
(net of accumulated depreciation) (Note 2)	<u>39,356</u>
Total Assets	<u><u>\$ 83,922</u></u>

LIABILITIES AND NET ASSETS

Liabilities:	
Current Liabilities:	
Prepaid fees	\$ 10,800
Payroll taxes due	468
Total Current Liabilities	<u>11,268</u>
Net Assets:	
Invested in capital assets, net of related debt	39,356
Restricted for debt service	
Unrestricted	33,298
Total Net Assets	<u>72,654</u>
Total Liabilities and Net Assets	<u><u>\$ 83,922</u></u>

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

LAKE BLACKWELL TRUST AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
MODIFIED CASH BASIS  
YEAR ENDED JUNE 30, 2012

Operating Revenues:	
Lease fees	\$ 27,413
Farm lease income	363
Late fees	50
Other income	9
Total Operating Revenues	<u>27,835</u>
Operating Expenses:	
Salaries and wages	3,520
Taxes	249
Utilities and trash	3,528
Repairs, maintenance and fuel	4,492
Office and postage	762
Road maintenance	8,651
Supplies	582
Professional fees	810
Insurance and bonds	496
Activities expense	1,439
Depreciation	6,551
Total Operating Expenses	<u>31,080</u>
Operating Income (Loss)	(3,245)
Nonoperating Revenues (Expenses):	
Interest income	44
Grant income	10,000
Sale of lots	3,500
Sale of equipment	650
Total Nonoperating Revenue (Expenses)	<u>14,194</u>
Change in Net Assets	10,949
Net Assets, beginning of year	<u>61,705</u>
Net Assets, end of year	<u><u>\$ 72,654</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, 2012

Cash flows From Operating Activities:	
Cash received from customers	\$ 36,434
Other operating cash receipts	363
Cash payments to suppliers for goods and services	(20,541)
Cash payments to employees for services	<u>(3,520)</u>
Net cash provided (used) by operating activities	12,736
Cash flows from non-capital financing activities:	
Cash flows from capital and related financing activities:	
Grants received	<u>10,000</u>
Net cash provided (used) by financing activities	10,000
Cash flows from investing activities:	
Increase in certificate of deposits	(21)
Sale of lots and equipment	4,150
(Increase) decrease in fixed assets	(6,157)
Interest on cash and investments	<u>44</u>
Net cash provided (used) by investing activities	<u>(1,984)</u>
Net increase (decrease) in cash and cash equivalents	20,752
Beginning cash and cash equivalents	<u>15,225</u>
Ending cash and cash equivalents	<u><u>\$ 35,977</u></u>
Reconciliation of income (loss) from operations to	
net cash provided (used) by operating activities:	
Income (Loss) from operations	(3,245)
Adjustments to reconcile income (loss) from operations	
to net cash provided (used) by operating activities:	
Depreciation	6,551
Changes in assets and liabilities:	
Increase (decrease) in prepaid fees	8,962
Increase (decrease) in payroll taxes due	468
Net cash provided (used) by operating activities	<u><u>\$ 12,736</u></u>

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

LAKE BLACKWELL TRUST AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012

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 Assets

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are 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, 2012

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, 2012 was \$6,518. The following is a summary by category of changes in property and equipment:

<u>Category</u>	<u>6/30/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/12</u>
Property and equipment	\$ 112,534	\$ 21,775	\$ (8,897)	\$ 125,412
Accumulative depreciation	<u>(88,402)</u>	<u>(6,551)</u>	<u>8,897</u>	<u>(86,056)</u>
Net	<u>\$ 24,132</u>	<u>\$ 15,224</u>	<u>\$</u>	<u>\$ 39,356</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, 2012

NOTE 6 – 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 7 – CONTINGENCIES:

As of June 30, 2012 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 8 – EVALUATION OF SUBSEQUENT EVENTS:

The Authority has evaluated subsequent events through October 4, 2012, the date which the financial statements were available to be issued.