

KAW LAKE ASSOCIATION

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

KAW LAKE ASSOCIATION
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2018

	Page
INTRODUCTORY SECTION:	
Table of Contents	i
FINANCIAL SECTION:	
Independent Auditor’s Report	1-2
Statement of Assets, Liabilities, and Net Assets – Cash Basis	3
Statement of Revenues, Expenses, and Changes in Net Assets – Cash Basis	4
Notes to Financial Statements	5-6
SUPPLEMENTAL INFORMATION:	
Title Page	7
Schedule of Administrative and Promotional Expenses	8
Schedule of Coop Advertisers	9
Schedule of Advertisers – Unaudited	10
GOVERNMENT AUDITING STANDARDS INFORMATION:	
Title Page	11
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 <i>Government Auditing Standards</i>	12-14

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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, 2018 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 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, 2018 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

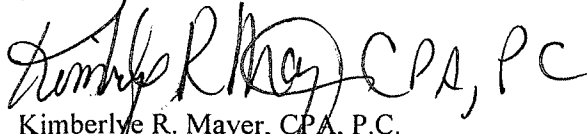
Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management 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 January 14, 2019 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
January 14, 2019

KAW LAKE ASSOCIATION
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS
CASH BASIS
JUNE 30, 2018

ASSETS

Operating cash	<u>\$ 11,754</u>
Total Assets	<u><u>\$ 11,754</u></u>

LIABILITIES AND NET ASSETS

Liabilities	\$
Net Assets:	
Unrestricted	<u>11,754</u>
Total Net Assets	<u>11,754</u>
Total Liabilities and Net Assets	<u><u>\$ 11,754</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, 2018

Revenues:	
State matching funds (Note 3)	\$ 34,198
State matching funds 16/17 (Note 3)	1,052
Coop advertising	29,075
Membership dues	6,535
Advertising sales	24,061
Travel shows	760
Tourism promo events income	1,663
Project income	18,256
Donations and sponsorships	16,578
Other income	6
Total Revenues	132,184
Expenses:	
Administrative:	
Allowable	6,059
Discretionary	46,823
Total Administrative	52,882
Promotional:	
Allowable	28,139
Discretionary	44,909
Total Promotional	73,048
Total Expenses	125,930
Revenues over (under) expenses	6,254
Net Assets, beginning of year	5,500
Net Assets, end of year	\$ 11,754

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

KAW LAKE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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, 2018

NOTE 3 – STATE MATCHING FUNDS (continued):

State matching funds allocated to the fiscal year ended June 30, 2017 were \$34,319, of which \$1,052 were received in the fiscal year ended June 30, 2018. State matching funds allocated to the fiscal year ended June 30, 2018 were \$34,198, which were received in the fiscal year ended June 30, 2018.

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 2016, 2017, 2018 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 January 14, 2019 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, 2018

	<u>Allowable</u>	<u>Discretionary</u>
Administrative Expenses:		
Personnel costs	\$ 6,059	\$ 7,827
Office supplies and equipment		1,755
Sales commission		5,810
Office and storage rent		3,090
Telephone and internet		2,033
Utilities		1,101
Postage		309
Professional fees		1,682
Dues and memberships		1,578
Insurance		2,834
Project expenses		18,187
Other expenses		617
Total Administrative Expenses	<u>\$ 6,059</u>	<u>\$ 46,823</u>
	<u>Allowable</u>	<u>Discretionary</u>
Promotional Expenses:		
Travel show exhibitions	\$	\$ 2,449
Literature distribution	1,153	5,202
Print Production - Kaw Lake Guide	13,300	5,918
Media Advertising:		
Magazine/newspaper/brochures		4,437
Website		860
Radio/TV	300	2,737
Other		18
Coop advertising:		
Magazines/brochures	13,386	19,530
Other event expenses (net of advertising costs):		
Eagle watch		2,207
Fishing events		1,551
Other events		
Total Promotional Expenses	<u>\$ 28,139</u>	<u>\$ 44,909</u>

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

KAW LAKE ASSOCIATION
 SCHEDULE OF COOP ADVERTISERS
 YEAR ENDED JUNE 30, 2018

Magazine advertising:

	\$
Tom's Place, 43 E Osage Cove Rd, Burbank	125
Ponca City Tourism, POB 1109	20,108
Pioneer Woman Museum, 701 Monument Rd, Ponca City	2,623
Marland Estate, 901 Monument Rd, Ponca City	3,374
Danny's Bar-B-Que, 1217 E Prospect, Ponca City	197
Fairfield Inn, 3405 N 14th, Ponca City	1,180
Wentz Golf Course, 2928 LA Cann Dr, Ponca City	573
Grand Relics, 200 W Grand, Ponca City	197
Poncan Theatre, 204 E Grand, Ponca City	198
Pioneer Cove Marina, POB 281, Kaw City	125
Lakeview Camps, 8774 Lake Rd, Ponca City	125
Happy Camper RV Park, 8988 E Lake Rd, Ponca City	125
Camp McFadden, POB 1495, Ponca City	125
Total Coop Advertising	\$ 29,075

KAW LAKE ASSOCIATION
SCHEDULE OF ADVERTISERS
YEAR ENDED JUNE 30, 2018

RECREATIONAL GUIDE SALES:

Ponca City, OK:

Bob Hurley, 3501 N 14th	\$ 218
Bowker Ford, 2415 N 14th	218
Happy Camper RV, 8988 E Lake Rd	138
Ponca City Tourism, PO Box 1109	2,610
Heather Canon Honda, 3415 N 14th St	283
Wentz Golf Course, 2428 LA Cann	487
Marland Estate, 901 Monument Rd	348
Lakeview Campgrounds, 8774 Lake Rd	301
Fairfield Inn, 3405 N 14th	360
Phillips 66, POB 1267	900
Team Radio:KPNC/KLOR, POB 2509	495
Hideawa Marina, 1000 McFadden Cove	338
Pembertons, POB 71	218
PCUA, 516 E Grand	870
U.S. Corps of Engineers, 9400 Lake Rd	1,522
Quality Water, POB 829	411
The Perk, 415 N 14th	190
Camp McFadden, POB 1495	507
Service Marine, 8865 Rd	254

Caldwell, OK:

KanOkla Networks, POB 111	634
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Wichita, KS:

KWLS Radio, 6800 W Kellogg Dr	495
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Fairfax, OK:

Community Hospital, 40 Hospital	138
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Cleveland, OK:

Indian Electric Co., POB 49	761
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Enid, OK:

KOFM Radio, POB 3128	495
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Shidler, OK:

Chamber of Commerce, POB 528	150
Bivin Gardens, POB 154	150

Pawnee, OK:

Chamber of Commerce, 608 Harrison	138
Pawnee Bill Ranch, POB 493	138

Burbank, OK:

Boat N Tote, 773 S Osage Cove	253
Tom's Place, 43 E Osage Cove Rd	200

Oklahoma City, OK:

OK Tourism, 125 Park Ave	1,523
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Bartlesville, OK:

KWON/KYFM/KRI6/KPGM, 1200 SE Frank Phillips	\$ 495
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Tulsa, OK:

Green Country Mktg., 2805 E Skelley	479
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Pawhuska, OK:

Osage County Tourism, POB 87	870
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Winfield, KS:

Wheat State Wine, POB 985	138
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Alva, OK:

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

NOC, POB 310	138
Frames & Things, 117 E Grand	138
Hideaway Bar, 9825 S 44th St	138
Trading Post, 16401 W South Ave	138
Faremer's Exchange Bank, 111 E Grand	138

Newkirk, OK:

Chamber of Commerce, 114 S Main	138
Main Street Authority, POB 235	138
Cheeky Burger, 221 N Main	138
Newkirk Dental, 327 South St	138
City of Newkirk, Main Street	138
Church of Christ, 128 N Main	138

Kaw City, OK:

Obsessions Taxidermy, 105 Pecan St	150
Toy Storage, 208 Pineview	75
Oxbow RV Park, 13222 E Hyw 11	75
American Legion Post 220, POB 114	75
Shady Acres RV Park, 12900 E Hyw 11	75
Mick Ferguson RV Park, 15 Hidden Valley	75
Pioneer Cove Marina, Box 281	143
Carys Septic, POB 281	218
Outerbanks RV Park, 12200 E Hyw 11	75
Kaw City, 900 Morgan Sq	1,903
Museum, 900 Morgan Sq	166
Sanbur RV Park, 13444 E Hyw 11	75

Arkansas City, KS:

Cowley Courier, 200 E 5th	138
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Total

\$ 24,061

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, 2018, and have issued our report thereon dated January 14, 2019. 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 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.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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.

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
January 14, 2019

KAW LAKE ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2018

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.