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**KAW LAKE ASSOCIATION**

**ANNUAL FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

KAW LAKE ASSOCIATION  
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YEAR ENDED JUNE 30, 2011

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## Independent Auditor's Report

Board of Directors  
Kaw Lake Association

We have audited the accompanying statement of assets, liabilities, and net assets - cash basis of the Kaw Lake Association, (a nonprofit corporation) as of June 30, 2011 and the related statement of revenue and expenses and changes in net assets - cash basis for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion of these financial statements based on our audit.

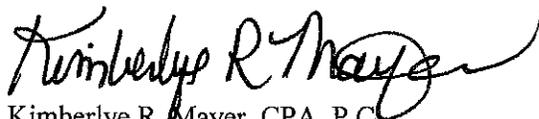
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether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

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Kaw Lake Association as of June 30, 2011, and its revenue, expenses, and changes in net assets 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 a report dated January 7, 2012 on our consideration of Kaw Lake Association's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, 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.

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 purposes of additional analysis and is not a required part of the above financial statements. Such information, except for the portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements, and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Kimberlye R. Mayer, CPA, P.C.  
Blackwell, Oklahoma  
January 7, 2012

KAW LAKE ASSOCIATION  
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS  
CASH BASIS  
JUNE 30, 2011

ASSETS

Operating cash	<u>\$ 17,107</u>
Total Assets	<u><u>\$ 17,107</u></u>

LIABILITIES AND NET ASSETS

Liabilities	\$
Net Assets:	
Unrestricted	<u>17,107</u>
Total Net Assets	<u>17,107</u>
Total Liabilities and Net Assets	<u><u>\$ 17,107</u></u>

KAW LAKE ASSOCIATION  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
CASH BASIS  
YEAR ENDED JUNE 30, 2011

Revenues:	
State matching funds (Note 3)	\$ 37,893
Coop advertising	37,869
Membership dues	6,830
Advertising sales	34,660
Kaw Fest	7,059
Other tourism promo events	6,614
Other income	454
Total Revenues	<u>131,379</u>
Expenses:	
Administrative:	
Allowable	4,636
Discretionary	30,339
Total Administrative	<u>34,975</u>
Promotional:	
Allowable	33,257
Discretionary	69,951
Total Promotional	<u>103,208</u>
Total Expenses	<u>138,183</u>
Revenues over (under) expenses	(6,804)
Net Assets, beginning of year	<u>23,911</u>
Net Assets, end of year	<u><u>\$ 17,107</u></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, 2011

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, 2011

NOTE 3 – STATE MATCHING FUNDS (continued):

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State matching funds allocated to the fiscal year ended June 30, 2011 were \$37,893. Of these funds, \$37,893 were received in the fiscal year ended June 30, 2011.

NOTE 4 – 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 5 – ESTIMATES:

The preparation of financial statements in conformity with the 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.

NOTE 6 – EVALUATION OF SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through January 7, 2012, the date which the financial statements were available to be issued.

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SUPPLEMENTAL INFORMATION

KAW LAKE ASSOCIATION  
SCHEDULE OF ADMINISTRATIVE AND PROMOTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2011

	<u>Allowable</u>	<u>Discretionary</u>
<b>Administrative Expenses:</b>		
Personnel costs	\$ 4,636	\$ 18,243
Meetings and mileage		304
Office supplies and equipment		1,627
Other administration expenses		342
Office rent		2,400
Telephone		1,531
Postage		451
Legal and accounting		730
Dues and memberships		2,090
Insurance		2,621
Total Administrative Expenses	<u>\$ 4,636</u>	<u>\$ 30,339</u>
	<u>Allowable</u>	<u>Discretionary</u>
<b>Promotional Expenses:</b>		
Travel show exhibitions	\$ 1,370	\$ 5,285
Literature distribution	1,721	4,723
Print Production - Kaw Lake Guide	16,281	9,872
<b>Media Advertising:</b>		
Magazine/newspaper/brochures	482	5,907
Website		1,275
Radio/TV	1,000	3,200
Other		1,936
<b>Coop advertising:</b>		
Maps and other advertising		2,679
Magazines/newspaper	12,178	27,001
Govenors conference	225	278
<b>Other event expenses (net of advertising costs):</b>		
Kaw Fest		4,525
Eagle watch		1,032
Crappie Tournament		1,578
Other events		660
Total Promotional Expenses	<u>\$ 33,257</u>	<u>\$ 69,951</u>

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

KAW LAKE ASSOCIATION  
SOURCES OF INCOME  
YEAR ENDED JUNE 30, 2011

Kaw Fest:

Sponsorships:

Ponca City, OK:

Team Radio, P O Box 2509 \$ 1,000

Ponca City News, PO Box 191 1,250

Newkirk, OK:

KEDA, 5640 N LA Cann 500

Ark City, KS:

Ark City Traveler 1,250

4,000

Donation 750

Event fees, gate sales, concessions and vendor fees 2,309

Total Kaw Fest \$ 7,059

Other tourism promo events:

Travel shows \$ 1,615

Donations 3,371

Sponsorships 800

Event fees, gate sales, concessions and vendor fees 828

Total other tourism promo events \$ 6,614

KAW LAKE ASSOCIATION  
SCHEDULE OF ADVERTISERS  
YEAR ENDED JUNE 30, 2011

RECREATIONAL GUIDE SALES:

<b>Ponca City, OK:</b>		<b>Blackwell, OK:</b>	
Boathouse, 2100 E Lake Rd	\$ 1,082	Chamber of Commerce, 120 S. Main	\$ 1,479
Bowker Ford, 2415 N 14th	247	<b>Tonkawa, OK:</b>	
Cannon Honda, 3514 N 14th St	246	Tonkawa Casino	260
Ponca City Tourism, PO Box 1109	2,655	Chamber of Commerce, 102 E Grand	1,147
Cable One, 1314 N 3rd St	260	Colwell Heat & Air, Box 206	128
Century 21, 525 Monument Rd	226	<b>Kaw City, OK:</b>	
Davis Moore Auto, 3501 N 14th St	493	Chamber of Commerce, PO Box 241	765
Conoco Phillips, PO Box 1267	886	<b>Arkansas City, KS:</b>	
Comfort Inn, 3101 N 14th	452	Chamber of Commerce, PO Box 795	1,402
Dougan Bar-B-Q, 215 S 14th St	252	<b>Tulsa, OK:</b>	
EconoLodge, 212 S 14th	234	Green Country Mktg, 2805 E Skelley	226
Sun-N-Fun, 8900 Lake Rd	567	Anheuser Busch, 2929 N Florence	1,530
Kentucky Fried Chicken, 1308 E Bradley	226	<b>Shidler, OK:</b>	
Kinder Campers, 2208 N Ash	234	Chamber of Commerce, PO Box 528	739
KEDA, 3006 Turner Rd	1,530	She's All That, PO Box 6	74
Lake Road Storage, 5159 Lake Rd	352	The Review, 2134 S Cosden	74
Marland Estate, 901 Monument Rd	104	<b>Burbank, OK:</b>	
McFadden Cove, 2100 E Lake Rd	1,022	Boat N Tote, 773 S Osage Cove	283
Pioneer Vo-Tech, 2101 N Ash	390	<b>Alva, OK:</b>	
Pembertons, PO Box 711	246	Red Carpet Country, Drawer B	1,530
RBC Bank, PO Box 111	603	<b>Fairfax, OK:</b>	
Super 8 Motel, 301 S 14th	234	Chamber of Commerce, PO Box 35	887
U.S. Corps of Engineers, 9400 Lake Rd	1,479	<b>Newkirk, OK:</b>	
United Country, 8736 E Tower Rd	234	Eastman National Bank, PO Box 190	481
University Learning, 1000 S Pine	351	Main Street Authority, PO Box 235	128
Urgent Care Clinic, 1715 N 5th St	351	Mini Storage, 104 W 7th St	63
Quality Water, PO Box 829	351	Bilger Real Estate, 104 W 7th St	64
Stage Coach, 1641 Kildare Rd	127	77 Ranch Motel, 201 W South	128
Silver Top Farm, 6151 Fountain Rd	995	Lil Tapa, 724 N Main	127
Camp McFadden, PO Box 1495	567	Native Lights Casino	318
Happy Days Café, 423 E Grand	260	<b>Pawhuska, OK:</b>	
Lakeview Boat, PO Box 2558	283	Osage County Tourism, PO Box 87	985
Ponca City Energy, PO Box 1450	468	Woodyard Farms, 2099 Lynn Rd	127
Red Barn, 2309 Lake Rd	371	Ye Olde Grog Shop, 1199 John Dahl	164
<b>Cleveland, OK:</b>		<b>Pawnee, OK:</b>	
Indian Electric Co., PO Box 49	1,479	Pawnee Bill Ranch, PO Box 493	164
<b>Perry, OK:</b>			
Chamber of Commerce, PO Box 426	1,530		
Total			<u>\$ 34,660</u>

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SUPPLEMENTAL REPORT  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

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, 2011, and have issued our report thereon dated January 7, 2012. 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, we considered the Kaw Lake Association'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 Kaw Lake Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Kaw Lake Association's internal control over financial reporting.

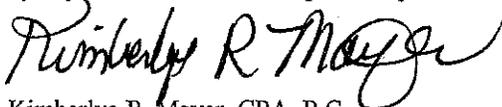
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the board of directors, others within the organization, and all applicable federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Kimberlye R. Mayer, CPA, P.C.  
Blackwell, Oklahoma  
January 7, 2012