

LAKE EUFAULA ASSOCIATION, INC.

PO Box 792

Eufaula, Oklahoma 74432

FINANCIAL STATEMENTS

June 30, 2011 and 2010

LAKE EUFAULA ASSOCIATION, INC.

FINANCIAL STATEMENTS

JUNE 30, 2011 and 2010

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SCHEDULE OF FINDINGS AND RESPONSES

FINANCIAL SECTION

**JOE BOB SMITH
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 70
BROKEN BOW, OK 74728**

INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Lake Eufaula Association, Inc.**

I have audited the accompanying statement of assets, liabilities, and net assets-modified cash basis of Lake Eufaula Association, Inc. (a nonprofit organization) as of June 30, 2011, and the related statements of support, revenues, expenses and changes in net assets-modified cash basis and cash flows-modified cash basis and functional expenses-modified cash basis for the year then ended. These financial statements are the responsibility of the Association's management. My responsibility is to express an opinion on these financial statements based on my audit. The financial statements of the Association as of June 30, 2010, were audited by another auditor whose report dated December 4, 2010, on those statements included an explanatory paragraph that described the basis of accounting used, the cash basis, as a comprehensive basis of accounting other than generally accepted accounting principles. As discussed in Note F the Organization has restated its June 30, 2010 financial statements during the current year to correct its method of computing depreciation. The prior auditor reported on the June 30, 2010 financial statements before the restatement.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained on Government Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, I express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note A to the financial statements, Lake Eufaula Association, Inc. prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and net assets of Lake Eufaula Association, Inc. as of June 30, 2011, and its support, revenues, expenses, and other changes in net assets, and its cash flows for the year then ended, in conformity with the basis of accounting described in Note A.

As discuss in Note F to the financial statements, the Association changed its method of computing depreciation for the year ending June 30, 2010.

I also audited the adjustments described in Note F that were applied to restate the June 30, 2010 financial statements. In my opinion, such adjustments are appropriate and have been properly applied.

In accordance with Government Auditing Standards, I have also issued a report dated January 20, 2012 on my consideration of the Association's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 considered in assessing the results of my audit.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of allowable and discretionary expenses, and schedule of advertisers-unaudited are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of allowable and discretionary expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information 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 statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The schedule of advertisers-unaudited has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.



**Joe Bob Smith, CPA
Broken Bow, Oklahoma
January 20, 2012**

**LAKE EUFAULA ASSOCIATION, INC.
STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS
JUNE 30, 2011 AND 2010**

MODIFIED CASH BASIS

	2011	2010
<u>ASSETS</u>		
CURRENT ASSETS:		
CASH AND CASH EQUIVALENTS	\$ 85,110	\$ 82,725
TOTAL CURRENT ASSETS	85,110	82,725
NONCURRENT ASSETS:		
BUILDINGS AND IMPROVEMENTS	35,311	35,311
LAND	84,056	79,336
EQUIPMENT AND FURNITURE	73,702	73,702
LESS: ACCUMULATED DEPRECIATION	(48,861)	(36,507)
TOTAL NONCURRENT ASSETS	144,208	151,842
TOTAL ASSETS	229,318	234,567
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
NOTES PAYABLE	7,320	9,006
TOTAL CURRENT LIABILITIES	7,320	9,006
LONG TERM DEBT	4,771	11,600
TOTAL LIABILITIES	12,091	20,606
NET ASSETS:		
UNRESTRICTED	217,227	213,961
TOTAL NET ASSETS	217,227	213,961
TOTAL LIABILITIES AND NET ASSETS	\$ 229,318	\$ 234,567

See notes to financial statements.

LAKE EUFAULA ASSOCIATION, INC.
STATEMENTS OF SUPPORT, REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED
JUNE 30, 2011 AND 2010

MODIFIED CASH BASIS

	2011	2010
REVENUES:		
STATE MATCHING FUNDS	\$ 38,634	\$ 51,224
ADVERTISING REVENUES	67,260	83,401
ASSOCIATION EVENTS AND FUNDRAISERS	66,872	79,820
COOPERATIVE ADVERTISING REVENUES	19,120	17,020
MEMBERSHIP DUES	21,650	18,243
OTHER INCOME	3,343	2,813
INVESTMENT INCOME	7	12
TOTAL REVENUES	216,886	252,533
 EXPENSES:		
PROGRAM SERVICES-		
PROMOTIONAL EXPENSES	89,277	104,997
SUPPORTING SERVICES	117,500	125,546
FUNDRAISING EXPENSES	6,843	0
TOTAL EXPENSES	213,620	230,543
 INCREASE (DECREASE)- UNRESTRICTED NET ASSETS	3,266	21,990
 INCREASE (DECREASE) IN NET ASSETS	3,266	21,990
 NET ASSETS:		
BEGINNING OF YEAR	213,961	191,971
 END OF YEAR	\$ 217,227	\$ 213,961

See notes to financial statements.

**LAKE EUFAULA ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
JUNE 30, 2011**

MODIFIED CASH BASIS

2011

Cash flows from operating activities	
Increase (decrease) in net assets:	\$ 3,266
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:	
Depreciation and amortization	12,354
Total adjustments	12,354
Net cash provided (used) by operating activities	15,620
Cash flow from investing activities:	
Cash payments for the purchase of property	(4,720)
Net cash provided (used) by investing activities	(4,720)
Cash flow from financing activities:	
Principal payments on loans payable	(8,515)
Net cash provided (used) by financing activities	(8,515)
Cash flow from non-cash transfer activities:	
Net cash provided (used) by non-cash transfer activities	0
Net increase (decrease) in cash and equivalents	2,385
Cash and equivalents, beginning of year	82,725
Cash and equivalents, end of year	\$ 85,110
Supplemental disclosures of cash flow information:	
Cash paid during the year for:	
Interest expense	\$ 1,065

See notes to financial statements.

LAKE EUFAULA ASSOCIATION, INC.

**STATEMENTS OF FUNCTIONAL EXPENSES
PROGRAM SERVICES - PROMOTIONAL EXPENSES
FOR THE YEARS ENDED
JUNE 30, 2011 AND 2010**

MODIFIED CASH BASIS

	2011	2010
COOP ADVERTISING		
MAGAZINES AND PUBLICATIONS	\$ 22,108	\$ 23,110
	<u>22,108</u>	<u>23,110</u>
MEDIA ADVERTISEMENT		
OTHER MEDIA ADVERTISING	<u>0</u>	<u>3,280</u>
OTHER ADVERTISEMENT EXPENSE		
WEB SITE EXPENSE	1,137	450
OTHER ADVERTISING	1,303	3,208
LAKE EUFAULA GUIDE	22,043	24,012
	<u>24,483</u>	<u>27,670</u>
TRAVEL SHOWS		
TRAVEL SHOW EXPENSE	5,638	5,571
	<u>5,638</u>	<u>5,571</u>
LITERATURE DISTRIBUTION		
DISTRIBUTION EXPENSE	<u>8,750</u>	<u>5,691</u>
OTHER PROMOTIONAL EXPENSES		
TOURISM CONFERENCE	748	820
ASSOCIATION EVENTS	27,550	38,855
	<u>28,298</u>	<u>39,675</u>
TOTAL	<u>\$ 89,277</u>	<u>\$ 104,897</u>

See notes to financial statements.

LAKE EUFAULA ASSOCIATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
SUPPORTING SERVICES
FOR THE YEARS ENDED
JUNE 30, 2011 AND 2010

MODIFIED CASH BASIS

2011

2010

MANAGEMENT AND GENERAL

	2011	2010
WAGES	\$ 70,523	\$ 72,900
PAYROLL TAXES	5,837	10,939
REAL ESTATE TAX	841	0
INSURANCE	2,401	5,810
OFFICE SUPPLIES & EXPENSE	5,388	5,427
POSTAGE	1,014	2,521
DUES & FEES	2,569	1,654
RENTAL EXPENSE	30	0
REPAIRS AND MAINTENANCE	1,540	202
TELEPHONE & INTERNET	2,975	2,877
UTILITIES	2,819	2,768
MEETING AND TRAVEL EXPENSES	1,793	2,553
VEHICLE COSTS	3,348	455
PROFESSIONAL FEES	2,075	2,061
CHARITABLE DONATIONS	887	1,353
INTEREST	1,065	1,664
OTHER EXPENSES	461	4,559
DEPRECIATION	12,354	7,803
TOTAL	\$ 117,500	\$ 125,546

See notes to financial statements.

LAKE EUFAULA ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the organization's significant accounting policies applied in the preparation of the accompanying financial statements follows:

1. **Reporting Entity** - The organization is a nonprofit organization incorporated to promote the conservation and development of water resources of the Lake Eufaula area and to satisfy the needs of the growing population for flood control, navigation, pollution control, recreation and all other benefits of Lake Eufaula.

2. **Accounting Method** - The modified cash method of accounting is utilized which recognizes support and revenues when received rather than when earned and expenses when paid rather than when the obligation is incurred. Expenditures exceeding \$500 for property, plant and equipment are capitalized and depreciated using the straight-line method utilizing the following estimated useful lives.

Buildings and improvements	10 to 39 years
Furniture and equipment	5 to 10 years

The aforementioned accounting method represents a comprehensive basis of accounting other than generally accepted accounting principles generally accepted in the United States.

3. **Financial Statements** - The organization is considered a not-for-profit organization for financial reporting purposes and following the adoption of Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements for Not-for-Profit Organizations", the organization reports information regarding its financial position and activities according to three classes of net assets: Unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets are reported with further disaggregation by subdividing it into board-designated and undesignated, as applicable. In addition, the Organization is required to present a statement of cash flows and information about expenses by functional classifications.

4. **Contributions** - The organization follows SFAS No. 116, "Accounting for Contributions Received and Contributions Made". In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. As permitted by SFAS No. 116, restricted support and revenues received are reported as unrestricted if the restrictions are met in the reporting period.

Modified Cash Basis

LAKE EUFAULA ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Income Taxes - The organization is not a private foundation and is exempt from income taxes under Internal Revenue Code Section (501) (c) (6) and there are no taxes on unrelated business income.

6. Use of Estimates - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities; the disclosure of contingent assets and liabilities; and the reported revenues, expenses and allocation of those expenses to program and supporting services. Accordingly, actual results could differ from those estimates.

Any difference between amounts that should articulate (i.e., tie) on different financial statements is due to rounding.

7. Cash and Cash Equivalents - For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Receipts of contributions donor-restricted for long-term purposes are considered financing activities and excluded from cash and equivalents. Cash and cash equivalents include unrestricted amounts in demand deposits.

8. Other Significant Accounting Policies

- Donations of property and equipment are recorded as support at their estimated fair market value. Such donations are recorded as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are recorded as restricted support. Absent donor stipulations regarding how long those donated asset restrictions must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Modified Cash Basis

LAKE EUFAULA ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **Inventories of supplies are immaterial in amount in relation to the financial statements taken as a whole and are not presented in the financial statements.**
- **Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Organization's financial position and operations. Certain comparative figures may have been reclassified to conform to the current year's financial statement presentation.**
- **The Costs of providing programs and activities have been summarized on a functional basis in the statements of activities and statements of functional expenses. Accordingly, estimates have been used in allocating costs among the programs and supporting services benefited.**
- **Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.**
- **During the years ended June 30, 2011 and 2010, the values of contributed services meeting the requirements for recognition in the financial statements were not material and have not been recorded.**
- **The Organization has an accounting policy that gifts of long-lived assets without donor stipulation regarding how long the asset must be used, do not have a time restriction that expires over the life of the asset and are reported as unrestricted support.**
- **Concentrations of Credit and Market Risk.**

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at financial institutions covered by FDIC insurance. The cash balance at June 30, 2011 of \$85,110 (\$93,480 per bank records) was covered by FDIC insurance limited to \$250,000. The Organization has not experienced any losses on its cash equivalents.

- **Advertising Costs.**

Advertising costs are expensed as incurred.

Modified Cash Basis

LAKE EUFAULA ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **Functional Allocations of Expenses.**

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE B - RESTRICTED REVENUES

Restricted support and revenues received are reported as unrestricted if the restrictions are met in the reporting period. Thus, the only support and revenues reported as restricted are those amounts received and restricted by the payee during the current period, which have not yet been expended.

NOTE C - RISKS AND UNCERTAINTIES

Approximately 18% of the organization's support was provided through grants and contracts with State agencies to provide promotion of tourism.

State funds provided under the grants and contracts are subject to reduction in the event of a shortfall of state funding and/or a failure to maintain minimum service levels.

NOTE D - PROPERTY & EQUIPMENT

As of June 30, 2010 and 2011, property and equipment consisted of:

	<u>BALANCE</u> <u>2010</u>	<u>ADDITIONS</u>	<u>DISPOSALS</u>	<u>BALANCE</u> <u>2011</u>
BUILDINGS AND IMPROVEMENTS	\$ 35,311	--	--	35,311
LAND	79,336	4,720	--	84,056
EQUIPMENT AND FURNITURE	73,702	--	--	73,702
	188,349	4,720	--	193,069
ACCUMULATED DEPRECIATION	(36,507)	(12,354)	--	(48,861)
	\$ 151,842	(7,634)	--	144,208

Depreciation expense for 2011 was \$12,354 (reported as supporting services).

Modified Cash Basis

LAKE EUFAULA ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE E – NOTES AND LOANS PAYABLE

The Organization has two loans for the purchase of two vehicles. The loan for the 2010 Ford Fusion is a non-interest bearing note and matures on August 5, 2013. The loan for the F-150 Ford truck has an interest rate of 8.69% and matures in fiscal year ending June 30, 2012.

The Organization purchased three acres of land for \$25,000. A loan was obtained to finance this purchase. The principal balance of \$6,000 plus accrued interest is due on July 18, 2009. This loan carries an interest rate of 6%. This loan was paid off in fiscal year ending June 30, 2010.

Future maturities of long-term debt as of June 30, 2011:

<u>Year ending June 30,</u>	<u>Amount</u>
2012	\$ 7,320
2013	4,403
2014	<u>368</u>
Total	<u>\$ 12,091</u>

For year ending 2011: Interest expense of \$467 was incurred, all of which was expensed, and none was capitalized. Interest of \$467 was paid. For year ending 2010: Interest expense of \$1,664 was incurred, all of which was expensed, and none was capitalized. Interest of \$1,664 was paid.

A summary of long-term debt transactions follows (secured by the vehicles):

Due to:	Balance- June 30, 2010	Payments on Principal	Additions to Principal	Balance- June 30, 2011
Ford Credit-F150	\$ 7,029	4,112	0	2,917
Ford Credit-Fusion	13,577	4,403	0	9,174
Totals	<u>\$ 20,606</u>	<u>8,515</u>	<u>0</u>	<u>12,091</u>

Modified Cash Basis

LAKE EUFAULA ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE F – CHANGE IN ACCOUNTING PRINCIPLE

Prior financial statements were prepared on the cash basis. Property and equipment were recorded. However, depreciation was not recorded. The current financial statements are presented using the modified cash basis of accounting as discussed in Note A under “Accounting Method”.

		As Reported	Restated	Change
Assets	\$	271,074	234,567	(36,507)
Liabilities		20,606	20,606	0
Net Assets		250,468	213,961	(36,507)
Revenues		252,533	252,533	0
Expenses		222,740	230,543	7,803
Revenues over Expenses		29,793	21,990	7,803

The adjustment of \$(36,507) was to record accumulated depreciation and the adjustment of \$7,803 was to record June 30, 2010 depreciation expense.

NOTE G - STATE MATCHING FUNDS

The Oklahoma State Legislature appropriates funds which are available to multi-county organizations through the Oklahoma Tourism and Recreation Department. The Organization, 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 the Organization. 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. The Organization 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 the Organization.

State matching funds allocated to the fiscal year ended June 30, 2011 were \$ 38,634 and \$51,224 for the year ended June 30, 2010. Of these funds, \$ 38,634 were received in the fiscal year ended June 30, 2011 and \$51,224 in the year ended June 30, 2010,

Modified Cash Basis

LAKE EUFAULA ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE H - RISK MANAGEMENT

The Organization 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 Organization purchases commercial insurance for these and other risks of loss.

NOTE I - COMPENSATED ABSENCES

Compensated absences have not been accrued because the amount cannot be reasonably estimated. The Organization's policy is to recognize the cost of compensated absences when actually paid.

NOTE J - RELATED PARTY TRANSACTIONS

There were not any material related party transactions.

NOTE K - 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 Organization believes that the amount of the expenditures that could be disallowed by the grantor agencies, if any, would not be significant.

NOTE L - FAIR VALUES

Financial Instruments-

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

- Cash, cash equivalents, short-term unconditional promises to give, and note payable: The carrying amounts reported in the statement of assets, liabilities and net assets-modified cash basis approximate fair values because of the short maturities of those instruments.
- Short-term and endowment investments: The fair values of any investments are based on quoted market prices for those or similar investments.

Modified Cash Basis

LAKE EUFAULA ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

The estimated fair values of the Organization's financial instruments are as follows:

		2010 Carrying Amount	2010 Fair Value	2011 Carrying Amount	2011 Fair Value
Financial assets:					
Cash and cash equivalents	\$	82,725	82,725	85,110	85,110
Investments		0	0	0	0
Endowment investments:					
Cash and cash equivalents		0	0	0	0
Investments		0	0	0	0
Financial liabilities:					
Note payable	\$	20,606	20,606	12,091	12,091

NOTE M - SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 20, 2012, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

SUPPLEMENTAL INFORMATION

**LAKE EUFAULA ASSOCIATION, INC.
 SUPPLEMENTAL SCHEDULE OF
 ALLOWABLE AND DISCRETIONARY EXPENSES
 PROGRAM SERVICES - PROMOTIONAL EXPENSES
 FOR THE YEAR ENDED
 JUNE 30, 2011**

MODIFIED CASH BASIS

	TOTAL 2011	ALLOWABLE 2011	DISCRETIONARY 2011
COOP ADVERTISING			
MAGAZINES AND PUBLICATIONS	\$ 22,108	5,826	16,283
MEDIA ADVERTISEMENT			
OTHER MEDIA ADVERTISING	0	0	0
OTHER ADVERTISEMENT EXPENSE			
WEB SITE EPENSE	1,137	0	1,137
OTHER ADVERTISING	1,303	0	1,303
LAKE EUFAULA GUIDE	22,043	22,043	0
	24,483	22,043	2,440
TRAVEL SHOWS			
TRAVEL SHOW EXPENSE	5,638	2,362	3,286
LITERATURE DISTRIBUTION			
DISTRIBUTION EXPENSE	8,750	3,028	6,722
OTHER PROMOTIONAL EXPENSES			
TOURISM CONFERENCE	748	450	298
ASSOCIATION EVENTS	27,550	0	27,550
TOTAL	28,298	450	27,848
TOTAL	\$ 89,277	33,698	55,579

LAKE EUFAULA ASSOCIATION, INC.
SUPPLEMENTAL SCHEDULE OF
ALLOWABLE AND DISCRETIONARY EXPENSES
SUPPORTING SERVICES
FOR THE YEAR ENDED
JUNE 30, 2011

MODIFIED CASH BASIS

MANAGEMENT AND GENERAL ADMINISTRATIVE EXPENSES

	TOTAL	ALLOWABLE	DISCRETIONARY
	2011	2011	2011
WAGES	\$ 70,523	0	70,523
PAYROLL TAXES	5,637	4,936	701
OTHER TAX	641	0	641
INSURANCE	2,401	0	2,401
OFFICE SUPPLIES AND EXPENSE	5,368	0	5,368
POSTAGE	1,014	0	1,014
DUES AND FEES	2,569	0	2,569
RENT	30	0	30
REPAIRS AND MAINTENANCE	1,540	0	1,540
TELEPHONE AND INTERNET	2,976	0	2,976
UTILITIES	2,819	0	2,819
MEETING AND TRAVEL EXPENSES	1,793	0	1,793
VEHICLE	3,348	0	3,348
PROFESSIONAL FEES	2,075	0	2,075
CHARITABLE DONATIONS	887	0	887
INTEREST	1,066	0	1,066
OTHER EXPENSES	461	0	461
DEPRECIATION	12,354	0	12,354
TOTAL	\$ 117,500	4,936	112,564

LAKE EUFAULA ASSOCIATION, INC.
SCHEDULE OF ADVERTISERS
YEAR ENDED
JUNE 30, 2011

RECREATIONAL GUIDE SALES:

Company	Address	City	State/Zip	Paid
1st National Bank & Trust	P. O. Box 948	McAlester	OK 74592	\$ 600
Adellia's	100 Birkes Rd.	Eufaula	OK 74432	325
All-Dry Storage	P. O. Box 1057	Eufaula	OK 74432	195
Afford Propane	P. O. Box 1850	McAlester	OK 74501	250
Americas Best Value Inn	1212 W. Gentry Ave.	Checotah	OK 74428	275
Apple Hollow Gift Shop	P. O. Box 325	Quinton	OK 74561	325
Armstrong Bank	P. O. Box 188	Muskogee	OK 74402	650
Arrowhead Boat Sales	P. O. Box 653	Eufaula	OK 74432	1,250
Arrowhead Golf Course	HC 67 Box 6	Canadian	OK 74425	400
Arvest	502 S. Main	Tulsa	OK 74103	850
AT&T	P. O. Box 248	Muskogee	OK 74402	500
Avalon Bay	2600 Avalon Dr.	Eufaula	OK 74432	325
Bank of Eufaula	102 N. Main	Eufaula	OK 74432	2,400
Bank of Oklahoma	219 S. Main	Eufaula	OK 74432	600
Best Western Motel	1600 N. 5th St.	B.A.	OK 74012	550
Big River Emporium	21 Asparagus Ln.	Eufaula	OK 74432	325
Body In Motion	Main St.	Eufaula	OK 74432	100
Boulder Ridge Rentals	Rt. 3 Box 1680	Checotah	OK 74428	600
C&L Mobile Home	3101 S. 32nd St.	Muskogee	OK 74401	500
Campbell Due Real Estate	RT. 1 Box 21	Eufaula	OK 74432	300
Candlewood Suites	425 S. George High Expresswa	McAlester	OK 74501	300
Canadian Valley Telephone	P. O. Box 321	Crowder	OK 74430	900
Century 21 Shirley Donaldson	711 W. Carl Albert Parkway	McAlester	OK 74501	600
Chaney, Bill	Rt. 1 Box 21	Eufaula	OK 74432	85
Checotah Chamber of Commerce	201 N. Broadway	Checotah	OK 74428	500
Checotah Chiropractic Clinic	422 W. Gentry	Checotah	OK 74428	300
City of Eufaula	P. O. Box 684	Eufaula	OK 74432	1,000
Coles Evergreen Marina	113 E BK 800 RD.	Stigler	OK 74482	2,250
Community Home Health	100 Community Home Health D	Eufaula	OK 74432	500
Corps of Engineers	102 E. BK 200 Rd.	Stigler	OK 74482	2,500
Creative Brokers	RL 1 Box 159	Eufaula	OK 74432	300
Creek Nation Casino - Eufaula	808 Forest Ave.	Eufaula	OK 74432	1,800
Crowder Point	P. O. Box 43	Crowder	OK 74430	600
Dr. Doo's	Rt. 1 Box 745A	Eufaula	OK 74432	325
Duchess Creek Marina	RL 1 Box 16900	Porum	OK 74455	1,850
Dunn Country	P. O. Box 551	Eufaula	OK 74432	195
East Central Electric	P. O. Box 1178	Okmulgee	OK 74447	600
Emerson Lakefront Rental	3838 SE 15th St.	Del City	OK 73115	325
Eufaula Chamber of Commerce	P. O. Box 738	Eufaula	OK 74432	1,000
Eufaula Cove Amphitheater	311 E. Sheridan	OKC	OK 73104	1,300
Eufaula Cove RV Park	2838 SW 43rd	OKC	OK 73119	600
Market Square	402 S. Main	Eufaula	OK 74432	2,750
Eufaula Ford	P. O. Box 489	Eufaula	OK 74432	600
Eufaula Inn	200 Birkes Rd.	Eufaula	OK 74432	225
Eufaula Lakeshore Realty	Rt. 6 Box 1874	Stigler	OK 74482	2,250
Eufaula Pharmacy	401 S. Main	Eufaula	OK 74432	600
Eufaula Tri-County Real Est.	RL 1 Box 61	Eufaula	OK 74432	325
Forssee Ready Mix Concrete	P. O. Box 248	Eufaula	OK 74432	500
Fountainhead Creek Golf Course	HC 60 Box 1350	Checotah	OK 74428	500
Gator's Restaurant & Sports Bar	412 Lakeshore Dr.	Eufaula	OK 74432	550

LAKE EUFAULA ASSOCIATION, INC.
SCHEDULE OF ADVERTISERS
YEAR ENDED
JUNE 30, 2011

Gentry Creek Cabin	P. O. Box 1655	Eufaula	OK 74432	325
Hidden Spring	202 N. Main	Eufaula	OK 74432	50
Hooten's Trash	P. O. Box 1007	Eufaula	OK 74432	170
Carlton Landing	P. O. Box 1653	Eufaula	OK 74432	2,750
JM's Restaurant	115 Salmon Rd.	Eufaula	OK 74432	100
Kiamichi Country	P. O. Box 638	Wilburton	OK 74578	500
Kiamichi Vo-Tech	301 Kiamichi Dr.	McAlester	OK 74501	325
Kidwell Enterprises	802 A Main	Stigler	OK 74482	500
Lake Eufaula Bed & Breakfast	Rt. 1 Box 680 B	Eufaula	OK 74432	325
Lake Eufaula Inn	1800 N. 5th St.	Broken Arr	OK 74012	225
Lake Eufaula Marina	HC 60 Box 1345	Checotah	OK 74428	1,400
Lakeside Pharmacy	605 N. Main St.	Eufaula	OK 74432	185
Lakeview Landing Motel	Rt. 5 Box 1898	Eufaula	OK 74432	325
Lakview Landing Motel				85
LeAnn's Daylight Donuts	313 N. Front	Eufaula	OK 74432	185
Loan's Plus	Bill to Southeast Marine			325
Los Arcos	Rt. 1 Box 602	Eufaula	OK 74432	300
Love's Travel Stops	P. O. Box 28210	OKC	OK 73126	325
Loyal Inn	300 Birkes Rd.	Eufaula	OK 74432	225
Marine Development	HC 61 Box B1	Eufaula	OK 74432	300
MRHC Urgent Care	One Clark Bass Blvd.	McAlester	OK 74501	1,200
McAlester Tourism	P. O. Box 578	McAlester	OK 74502	1,000
McDonald's of Eufaula	P. O. Box 471977	Tulsa	OK 74147	213
McDonald's of Stigler	P. O. Box 471977	Tulsa	OK 74147	213
Merle Norman	45 E. Foley	Eufaula	OK 74432	185
Mike's Hardware & Plumbing	Rt. 6 Box 362	Eufaula	OK 74432	300
Mr. Printer	325 N. Main	Eufaula	OK 74432	300
Muskogee Water Park	837 E. Okmulgee	Muskogee	OK 74403	600
Neon Moon	Rt. 1 Box 582	Eufaula	OK 74432	85
Nichols Dollar Saver	207 N. Broadway	Checotah	OK 74428	1,800
No. 9 Marina	P. O. Box 653	Eufaula	OK 74432	1,000
Oklahoma Boat Lifts & Sales	7519 Shelby Lane	Broken Arr	OK 74014	600
Paradise BBQ	201 N. Main	Eufaula	OK 74432	100
Paradise Realty	201 N. Main St.	Eufaula	OK 74432	100
Peoples National Bank	P. O. Box 324	Checotah	OK 74428	600
Pete's Place, Krebs	P. O. Box 66	Krebs	OK 74554	3,200
Plumb Theater	Rt. 1 Box 55	Eufaula	OK 74432	300
Proway Floors	2210 S. 6th St.	Muskogee	OK 74403	325
Quarterdeck	Bill No. 9 Marina			85
Remax Lake Country Real Est.	Rt. 1 Box 158A	Eufaula	OK 74432	275
San Bois Health Services	1505 E. Main, Ste. C	Stigler	OK 74482	300
S&W Cabin Rentals	Rt. 1 Box 50	Eufaula	OK 74432	200
Sandpiper Cove Development	Rt. 4 Box 9200	Eufaula	OK 74432	300
S. Johnson Therapeutic Massage	Rt. 2 Box 8650	Porum	OK 74455	300
Snug Harbor Cabins	Rt. 4 Box 12210	Eufaula	OK 74432	300
Southeast Marine & Sports	1533 S. Main	McAlester, OK	74501	600
State Farm Insurance	110 Salmon Rd.	Eufaula	OK 74432	300
Stay Inn - Eufaula	Rt. 2 Box 1189	Checotah	OK 74428	225
Steel Daffodils	143 N. Main	Eufaula	OK 74432	100
Stigler Chamber of Commerce	204 E. Main	Stigler	OK 74482	300
Stephanie Fine, Realtor	Rt 6 Box 1874	Eufaula	OK 74432	85
Stuffed Olive	P. O. Box 859	Eufaula	OK 74432	300
Summers, Harriet	Rt. 1 Box 50	Eufaula	OK 74432	85
Tanglewood Bluff	Rt. 1 Box 18590	Porum	OK 74455	1,400

LAKE EUFAULA ASSOCIATION, INC.
 SCHEDULE OF ADVERTISERS
 YEAR ENDED
 JUNE 30, 2011

Tanners Tackle	Rt. 6 Box 354	Eufaula	OK 74432	300
Terra Star Park	Rt. 2 Box 2130	Checotah	OK 74428	550
The Landing Café	Longtown	Eufaula	OK 74432	170
Total Marine	200 Adams St.	Eufaula	OK 74432	325
United Pro Lake Real Estate	Rt. 6 Box 348A	Eufaula	OK 74432	325
West Side	HC 63 Box 66	Eufaula	OK 74432	200
Whistler's Point	Rt. 1 Box 254	Eufaula	OK 74432	325
Windjammer	PO Box 653	Eufaula	OK 74432	85
Yogi Bear's Jellystone Park	610 Lakeshore Dr.	Eufaula	OK 74432	<u>1,400</u>
TOTAL				\$ <u>67,280</u>

COOPERATIVE ADVERTISEMENT:

Lake Eufaula Realtor	\$ 1,380
Eufaula Chamber of Commerce	3,889
Checotah Chamber of Commerce	1,405
Cloes Evergreen	924
S & W Cabin Rental	672
Naanna's Tea Room	285
GLN Inc.	550
Petes Place	4,375
Apple Hollow	285
Steel Daffodils	285
Stuffed Olives	285
Muskogee Creek Nation	4,180
Eagle Mountain Resort	75
Gator's Restaurant	235
Campbell Real Estate	285
Adjustments	<u>10</u>
TOTAL	
	\$ <u>19,120</u>

JOE BOB SMITH
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**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**

**To the Board of Directors
Lake Eufaula Association, Inc.
Eufaula, Oklahoma 74432**

I have audited the financial statements of Lake Eufaula Association, Inc., (the "Organization"), as of and for the year ended June 30, 2011, and have issued my report thereon dated January 20, 2012. I conducted my 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 report was modified with an explanatory paragraph indicating the financial statements were prepared using 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.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the Organization's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

My 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 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, I identified certain deficiencies in internal control over financial reporting that I consider to be a material weakness and other deficiencies that I consider to be significant deficiencies.

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 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. I consider the deficiencies described in the accompanying schedule of findings and responses to be a material weakness. (2011-1).

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. I consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency. (2011-2).

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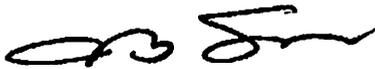
**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Organization's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. I did not audit the Organization's response and, accordingly, I express no opinion on it.

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



Joe Bob Smith
Certified Public Accountant

Broken Bow, Oklahoma
January 20, 2012

**JOE BOB SMITH
CERTIFIED PUBLIC ACCOUNTANT
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SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2011

**LAKE EUFAULA ASSOCIATION, INC.
EUFAULA, OKLAHOMA**

2011-01:

CRITERIA:

Internal Control Integrated Framework (COSO)

CONDITION:

There was an absence of segregation of duties consistent with appropriate control objectives.

CONTEXT:

Inability to meet the Organization's responsibilities for internal controls over cash receipts and disbursements.

EFFECT:

Possible inadequate control over cash management.

CAUSES:

Inherent limitations of a small organization due to limited number of employees.

1. A preliminary listing of all receipts is not made by an individual other than the bookkeeper before receipts are turned over to the bookkeeper.
2. Two different people do not reconcile the bank account and make out the deposit slips, due to a limited number of employees.
3. The same individual that is responsible for receiving and reviewing invoices also prepares checks.

RECOMMENDATIONS:

1. The board should review all invoices, or other documentation, in support of disbursements.
2. A form should be prepared for all sales of property or equipment. The form should include a complete description of the property sold, to who sold, terms, and other conditions of the sale. A file should be kept on each sale including all pertinent documents.
3. The board should ensure that bank account reconciliations are properly completed each month.

RESPONSE AND PLANNED CORRECTIVE ACTION:

Management and the Board of Directors will see that the above recommendations are performed and monitored.

**JOE BOB SMITH
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2011-02:

CRITERIA:

The Organization's management is responsible for internal controls over financial reporting. This includes controls over the fair and complete presentation of the Organization's annual financial statements in accordance with the modified cash basis (a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America). The preparation of financial statements in accordance with the modified cash basis requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting financial statements, including the related footnotes (i.e., external financial reporting). Professional audit standards clearly indicate that the external financial statement auditor cannot perform any part of management's control activities or be a component of the internal controls over financial reporting

CONDITION:

As is the case with many smaller entities, the Organization has historically relied extensively on its independent external auditors to provide the needed expertise to assist in the preparation of the financial statements and footnotes as part of its controls over the financial reporting process.

CONTEXT:

Inability to meet the Organization's responsibilities for internal controls over financial reporting.

EFFECT:

As a result of this condition, without reliance on its external auditors, the Organization lacks the necessary internal controls over the preparation of financial statements in accordance with the modified cash basis.

CAUSE:

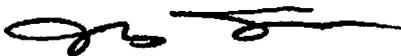
Lack of financial reporting system to produce required financial reports.

RECOMMENDATION:

The Organization should consider designing and implementing sufficient internal controls over financial reporting by obtaining the necessary knowledge, expertise, and continuing education to prepare financial statements in accordance with the modified cash basis of accounting without reliance on the external financial statement auditor. This could be achieved through employment of qualified accounting staff or the outsourcing of these control activities to a qualified firm other than the external auditor.

RESPONSE AND PLANNED CORRECTIVE ACTION:

Management's position is that it is not cost effective to remedy this situation at this time.



**Joe Bob Smith
Certified Public Accountant
Broken Bow, Oklahoma
January 20, 2012**