

LAKE TENKILLER ASSOCIATION, INC.
COOKSON, OKLAHOMA

AUDITED FINANCIAL STATEMENTS
For the year ended June 30, 2016 and 2017

Audited By:
ROBERT ST. PIERRE, C.P.A., P.C.
CERTIFIED PUBLIC ACCOUNTANT
1113 N. SECOND STREET
STILWELL, OK 74960

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INDEPENDENT

AUDITOR'S

REPORT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lake Tenkiller Association, Inc.
Cookson, OK 74427

Report on the Financial Statements

We have audited the accompanying financial statements of Lake Tenkiller Association, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets-cash basis as of June 30, 2016 and 2017, and the related statement of support, revenue, and expenses-cash basis for the year then ended, and the related notes to the financial statements.

Managements 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 B; 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 also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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 the standards applicable to financial audits contained in 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 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluation 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 assets, liabilities, and net assets of Lake Tenkiller Association, Inc. as of June 30, 2016 and 2017, and its support, revenue, and expenses for the year then ended in accordance with the cash basis of accounting described in Note B.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of State assistance, functional expenses, and the list of advertiser sales on pages 12-14 is presented for 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 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 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 B of the financial statements, which 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 that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued a report dated August 2, 2017, on our consideration of Lake Tenkiller Association, Inc.'s, internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lake Tenkiller Association, Inc.'s internal control over financial reporting and compliance



Robert St. Pierre, C.P.A., P.C.
August 2, 2017

FINANCIAL

SECTION

LAKE TENKILLER ASSOCIATION, INC.
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS
June 30, 2016 and 2017

| | 2016 | 2015 |
|---|------------------|------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash (Note C) | \$ 41,611 | \$ 45,517 |
| | <u>41,611</u> | <u>45,517</u> |
| TOTAL ASSETS | <u>41,611</u> | <u>45,517</u> |
| LIABILITIES AND NET ASSETS | | |
| NET ASSETS | | |
| Unrestricted Net Assets | <u>41,611</u> | <u>45,517</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 41,611</u> | <u>\$ 45,517</u> |

3 The Accompanying Notes and Auditor's Report are an Integral Part of These Financial Statements.

**LAKE TENKILLER ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET ASSETS - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2016 and 2017**

| | 2017 | 2016 |
|--|------------------|------------------|
| REVENUE AND SUPPORT | | |
| State Matching | \$ 36,718 | \$ 41,774 |
| Advertising Sales | 57,103 | 61,486 |
| Co-op Media Advertising | 5,398 | 5,398 |
| Special Event Revenue | 13,534 | 15,308 |
| Membership Dues | 4,700 | 5,200 |
| Miscellaneous Income | 232 | |
| | <u>117,685</u> | <u>129,166</u> |
| TOTAL REVENUE AND SUPPORT | | |
| | | |
| EXPENSES | | |
| Administrative Expense | 32,279 | 28,549 |
| Administrative Matched | 7,344 | 7,991 |
| Media Advertising | 15,123 | 13,877 |
| Literature Distribution | 4,987 | 7,409 |
| Print Production | 42,344 | 44,522 |
| Travel Shows | 5,210 | 3,729 |
| Promotional Expense | 14,304 | 14,516 |
| | <u>121,591</u> | <u>120,593</u> |
| TOTAL OPERATING EXPENSES | | |
| | | |
| INCREASE IN UNRESTRICTED NET ASSETS | (3,906) | 8,573 |
| | | |
| NET ASSETS BEGINNING OF PERIOD | <u>45,517</u> | <u>36,944</u> |
| | | |
| NET ASSETS END OF THE PERIOD | <u>\$ 41,611</u> | <u>\$ 45,517</u> |

4 The Accompanying Notes and Auditor's Report are an Integral Part of These Financial Statements.

FINANCIAL

STATEMENT

NOTES

LAKE TENKILLER ASSOCIATION INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE A: NATURE OF THE ORGANIZATION

Lake Tenkiller Association, Inc. was organized in 1978 to aid in marketing and developing the full potential of the Lake Tenkiller area through the promotion of tourism.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Lake Tenkiller Association, Inc., included in the financial statements conform to FASB SFAS No. 117 – Cash Basis. The following represent the more significant accounting policies and practices of the association:

1. BASIS OF ACCOUNTING

The financial statements of Lake Tenkiller Association, Inc. are presented under the cash basis of accounting as requested by the regulatory agency. Revenues are recognized when received rather than when earned and expenses are recorded when paid rather than when incurred.

2. CASH AND CASH EQUIVALENTS

The association considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

3. PROPERTY AND EQUIPMENT

All equipment has been expensed, and at the date of the statement of financial position the association did not own any land, buildings or property.

4. INCOME TAXES

Lake Tenkiller Association, Inc., is a non-profit organization under section 501 (C) (6) of the Internal Revenue Code.

The Organizations Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2014, 2015 and 2016 are subject to examination by the IRS, generally for three years after they were filed.

5. GRANT

Lake Tenkiller Association, Inc. receives third party reimbursement funds from the Oklahoma Tourism and Recreation Department in the amount of 41,774 for FY 2016 and 36,718 for FY 2017. The Oklahoma Tourism and Recreation Department reimburse expenses to the association for tourism, promotion and administrative functions.

6. Evaluation of Subsequent Events

The Company has evaluated subsequent events through August 2, 2017 the date which the financial statements were available to be issued.

NOTE C: CASH IN BANK

As of June 30, 2016 and 2017 cash in bank consisted of the following:

| | 2017 | 2016 |
|----------------------------------|----------------------|----------------------|
| Armstrong Bank Operating Account | 40,029 | 45,473 |
| Money Manager Account | <u>1,582</u> | <u>44</u> |
| TOTAL CASH ON HAND | <u>41,611</u> | <u>45,517</u> |

All deposits were FDIC insured.

NOTE D: MANAGEMENTS USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE E: COMMITMENTS AND CONTINGENCIES

Lake Tenkiller Association, Inc., currently contracts with the Oklahoma Tourism and Recreation Department to provide services on a fee-for-service arrangement. This program is subject to audit by the contracting agency or their representatives. Such audits could lead to requests for reimbursement to the grantor agency for services disallowed under the terms of the contract. Presently Lake Tenkiller Association, Inc., has no such requests pending, and in the opinion of management, any such amounts would not be considered material.

Lake Tenkiller Association, Inc. receives substantially all its revenues from the Oklahoma Tourism and Recreation Department. In the event this agency discontinues support under this contract, the association's net assets could be materially affected.

SUPPLEMENTARY

SCHEDULES

LAKE TENKILLER ASSOCIATION, INC.
SCHEDULE OF REVENUES AND EXPENDITURES BY SOURCE
FOR THE YEAR ENDED JUNE 30, 2017

| | 2016 TOTAL | ALLOWABLE STATE | DISCRETIONARY OTHER |
|--|----------------|--------------------|------------------------|
| REVENUES | | | |
| State Matching | 36,718 | 36,718 | - |
| Advertising Sales | 57,103 | - | 57,103 |
| Co-op Media Advertising | 5,398 | - | 5,398 |
| Special Event Revenue | 13,535 | - | 13,535 |
| Membership Dues | 4,700 | - | 4,700 |
| Activities Other | 231 | - | 231 |
| TOTAL REVENUES | 117,685 | 36,718 | 80,967 |
| EXPENDITURES | | | |
| Administrative | 39,623 | 7,344 | 32,279 |
| Promotional | 67,664 | 29,374 | 38,290 |
| Total Promotional & Administrative | 107,287 | 36,718 | 70,569 |
| Other: | | | |
| Activities | 14,304 | - | 14,304 |
| Interest | - | - | - |
| Other | - | - | - |
| Total Other | 14,304 | - | 14,304 |
| TOTAL EXPENDITURES | 121,591 | 36,718 | 84,873 |
| Excess Revenues over (under) Expenditures | (3,906) | - | (3,906) |

**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**

To the Board of Directors
Lake Tenkiller Association, Inc.
Cookson, OK 74427

We have audited in accordance with the 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 of Lake Tenkiller Association, Inc.'s (a nonprofit organization) which comprise the statement of assets, liabilities and net assets-cash basis as of June 30, 2016 and 2017, and the related statement of support, revenue and expenses-cash basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 2, 2017. The financial statements of Lake Tenkiller Association have been prepared on the cash basis of accounting.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lake Tenkiller Association, Inc.'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lake Tenkiller Association, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Lake Tenkiller Association, Inc.'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 a 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. 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 first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned cost that we consider to be significant deficiencies.

2017-1

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lake Tenkiller Association, Inc. financial statements are free from material misstatement, we 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 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.

Lake Tenkiller Association, Inc.'s Response to Findings

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

Robert St. Pierre C.P.A., P.C.
Certified Public Accountant
August 2, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

2017-1

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and 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 that is responsible for billing and adjustments; posts payment to subsidiary accounts receivable ledgers and reconciles the monthly bank statements. In addition, only limited oversight is provided over this individual in the conduct of their daily functions. This condition was also reported in 2016.

Cause: The entity's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect: Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to the membership and other billing and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation: Management and the board should consider a formal evaluation of their risks associated with this lack of duties segregation over assets. In response to the Identified risks, consideration should be given to identifying and implementing compensating duties to act as controls that could help mitigate the risks associated with lack of segregation of duties, such as management performing review procedures for the reconciliation of accounts.

Responsible Official's Response: The organization concurs with the recommendation, and will strive to implement procedures and compensating duties to help mitigate the risks associated with the lack of segregation of duties.

LAKE TENKILLER ASSOCIATION, INC.
 SCHEDULE OF STATE AWARDS
 June 30, 2017

| <u>State Grantor/ Program Title</u> | <u>Contract Period</u> | <u>Contract Amount</u> | <u>Receipts Recognized 6/30/2017</u> | <u>Disbursements/ Expenditures</u> |
|--|----------------------------|----------------------------|--|--|
| OK Dept. of Tourism and Recreation | | | | |
| Contract /OK Lakes & Counties Associations (Multicounty Organizations State Appropriated Funds | 7/1/2016 6/30/2017 | 36,718 | 36,718 | 36,718 |
| Total State Financial Assistance | | 36,718 | 36,718 | 36,718 |

**LAKE TENKILLER ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET ASSETS - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2017**

| | 2016 |
|--|----------------------|
| REVENUE AND SUPPORT | |
| State Matching | \$ 36,718 |
| Advertising Sales | 57,103 |
| Co-op Media Advertising | 5,398 |
| Special Event Revenue | 13,534 |
| Membership Dues | 4,700 |
| Miscellaneous Income | <u>232</u> |
| TOTAL REVENUE AND SUPPORT | <u>117,685</u> |
| EXPENSES | |
| A - Annual Audit | 2,611 |
| A - Office Supplies | 700 |
| A - Contract Services | 29,400 |
| A - Insurance | 1,362 |
| A - Office Operation | 2,012 |
| A - Telephone | 1,254 |
| A - Travel | 2,284 |
| A - Other | - |
| B - Print Production | 42,344 |
| C - Coop Media Adversting | 15,123 |
| D - Literature Distribution | 4,987 |
| E - Travel Shows | 5,210 |
| F - Other Promotion | - |
| G - Fireworks | 12,344 |
| G - Membership Activity | 562 |
| G - Membership Dues | 398 |
| G - OLCA | <u>1,000</u> |
| TOTAL OPERATING EXPENSES | <u>121,591</u> |
| INCREASE IN UNRESTRICTED NET ASSETS | (3,906) |
| NET ASSETS BEGINNING OF PERIOD | <u>45,517</u> |
| NET ASSETS END OF THE PERIOD | <u>\$ 41,611</u> |

Lake Tenkiller Association- Supplement List of Advertisers & Ad Income FY2017 Audit

| Business NAME | ADDRESS | City, State, Zip | Ad Income |
|------------------------------|-------------------------|-----------------------|-----------|
| Arrowhead Camp | 7404 Highway 10 | Tahlequah, Ok 74464 | 2,460 |
| Barnacle Bills Marina | 31979 S. 516 Roa | Park Hill, OK 74451 | 780 |
| Brylo Properties | 642 W. 78th Street | Tulsa, OK 74132 | 470 |
| Burnt Cabin Marina | 34996 S. 502 Road | Park Hill, OK 74451 | 1,750 |
| Bryant Management | 213 Friendwood Drive | Friendwood TX 77546 | 2,460 |
| Caney Ridge Marina | 23449 Hwy 100 | Welling OK 74471 | 920 |
| Cheokee Casino FEE/Advent | 8945 West Russe | Las Vegas, NV 89148 | 1,410 |
| Cheokee Cultural FEE/Adven | 8945 West Russe | Las Vegas, NV 89148 | 1,410 |
| Clearwater Rental LLC | 23810 E. 1082 Road | Weatherford, OK 73096 | 470 |
| Cookson Bend Marina | PO Box 190 | Cookson, OK 74427 | 2,990 |
| Cookso Village Propperties | 23810 E. 1082 Road | Cookson, OK 74427 | 118 |
| Del Rancho | PO Box 1125 | Tahlequah, Ok 74464 | 470 |
| Fin and Feather | Route 1. Box 194 | Gore, OK 74435 | 2,460 |
| Fishin & Huntin Oklahoma | 1911 Valley Road | Sapulpa, OK 74066 | 550 |
| Flintridge Grocery | 29269 Highway 82 | Park Hill, OK 74451 | 575 |
| Gore Chamber of Commerce | PO Box 943 | Gore, OK 74435 | 6,450 |
| Gambinos Pizza | PO Box 1034 | Gore, OK 74435 | 780 |
| Kristen Woods | 23810 E. 1082 Road | Weatherford, OK 73096 | 235 |
| Meadow Park | HC 68, Box 1065 | Vian, OK 74962 | 3,075 |
| Payne Communications LLC | 24189 E 865 Rd | Welling OK 74471 | 2,460 |
| Ron Day Photography | 30500 S. 533 Road | Cookson, OK 74427 | 1,410 |
| Snake Creek Marina | 20144 West 915 Road | Cookson, OK 74427 | 470 |
| Strayhorn Marina | 32477 Hwy. 82 | Cookson, OK 74427 | 1,750 |
| Tahlequah Tourism | 123 E. Delaware | Tahlequah, Ok 74464 | 2,460 |
| Tenkiller Area Community Org | PO Box 15 | Cookson, OK 74427 | 2,460 |
| Tenkiller Lake Realty | 19058 W. Snake Creek Ro | Cookson, OK 74427 | 1,533 |
| Tenkiller Liquor | 1007 N. Main Street | Gore, OK 74435 | 780 |
| Tenkiller Lodge | 123 E. Delaware | Tahlequah, OK 74464 | 2,188 |
| Tenkiller Property.Com | Rt. 1, Box 259 | Gore, OK 74435 | 1,750 |
| Terrapen Peak | PO Box 307 | Cookson, OK 74427 | 1,750 |
| Timbers at Burnt Cabin | 34996 S. 502 Road | Park Hill, OK 74451 | 1,410 |
| U.S.A.C.E. Tenkilller Lake | RT 1 Box 259 | Gore, OK 74435 | 2,460 |
| VI Marketing & Branding | | | 2,460 |
| War Eagle Resort | 606 W. 3rd | Tahlequah, OK 74464 | 1,150 |
| Wright Real Estate | 32135 Hwy 82 | Cookson, OK 74427 | 780 |

TOTAL ADVERTISING INCOME

57,103