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State Auditor & Inspector

**Lake Atoka Reservation Association**

Accountants' Reports and Financial Statement

June 30, 2011

RECEIPT #  
30083

**BKD**<sub>LLP</sub>  
CPAs & Advisors

# Lake Atoka Reservation Association

June 30, 2011

## Contents

<b>Independent Accountants' Report</b> .....	1
--	---

### **Financial Statement**

Statement of Cash Receipts and Disbursements and Changes in Cash Balance .....	2
---	---

Notes to Statement of Cash Receipts and Disbursements and Changes in Cash Balance .....	3
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<b>Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i></b> .....	5
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## Independent Accountants' Report

Members of the Managing Board  
Lake Atoka Reservation Association  
Atoka, Oklahoma

We have audited the accompanying statement of cash receipts and disbursements and changes in cash balance (with budget to actual comparison) of the Lake Atoka Reservation Association (the Association) as of and for the year ended June 30, 2011. This financial statement is the responsibility of the Association's management. Our responsibility is to express an opinion on this financial statement 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 2*, this financial statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements and changes in cash balance of the Lake Atoka Reservation Association as of and for the year ended June 30, 2011, on the basis of accounting described in *Note 2*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2011, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 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 considered in assessing the results of our audit.

*BKD, LLP*

Oklahoma City, Oklahoma  
August 30, 2011

**Lake Atoka Reservation Association**  
**Statement of Cash Receipts and Disbursements and**  
**Changes in Cash Balance**  
**(With Budget to Actual Comparison)**  
**Year Ended June 30, 2011**

	<u>Actual</u>	<u>Budget</u>	<u>Unaudited</u> <u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
<b>Receipts</b>			
Reimbursements from the Oklahoma City Water Utilities Trust	\$ 222,656	\$ 325,240	\$ (102,584)
<b>Disbursements</b>			
Personnel services	9,288	9,292	4
Maintenance and other operations	143	140	(3)
	<u>9,431</u>	<u>9,432</u>	<u>1</u>
<b>Payments to the City of Atoka</b>			
Lake patrol services	208,136	211,208	3,072
Road repairs	-	36,000	36,000
Boundary fence repairs	-	25,000	25,000
Emergency services	-	35,000	35,000
Other	-	3,000	3,000
Travel	-	500	500
Portable restrooms	5,100	5,100	-
	<u>213,236</u>	<u>315,808</u>	<u>102,572</u>
Total payments to the City of Atoka	<u>213,236</u>	<u>315,808</u>	<u>102,572</u>
Total cash disbursements	<u>222,667</u>	<u>325,240</u>	<u>102,573</u>
Disbursements in excess of receipts	(11)	<u>\$ -</u>	<u>\$ (11)</u>
<b>Cash Balances</b>			
July 1, 2010	<u>214</u>		
June 30, 2011	<u>\$ 203</u>		

**Lake Atoka Reservation Association**  
**Notes to Statement of Cash Receipts and Disbursements**  
**and Changes in Cash Balance**  
**June 30, 2011**

**Note 1: Nature of Operations**

The Lake Atoka Reservation Association (the Association) was formed in conjunction with the provisions of the Inter-Local Corporation Act, 74 O.S. (1971) Section 1001, et Esq., as a joint understanding between the City of Oklahoma City (the City), a municipal corporation, the Oklahoma City Water Utilities Trust (the Trust), a public trust, and the City of Atoka (Atoka), a municipal corporation, through which the recreational facilities of Oklahoma City's Lake Atoka Reservoir Reservation (the Reservation) may be made available for use by the general public, by administering the use of the Reservation and its facilities, establishing rules and regulations governing such use and providing for their enforcement.

The provisions of the agreement essentially provide that the Association will manage, maintain, regulate and police the Reservation in accordance with the terms of the agreement.

The agreement provides that the Trust will reimburse the Association for the budgeted or actual expenditures, whichever is less, made by the Association on behalf of the City and the Trust toward achieving the purpose of the Association as described in the agreement.

During the fiscal year ended June 30, 2011, the Trust reimbursed the Association \$222,656.

The property and business of the Association are administered, managed and controlled by a managing board composed of eight members. Two members are the Mayor of the City and the Mayor of Atoka, two members are the City Manager of the City and Chairman of the Board of Trustees of the Trust, one member is an Oklahoma City Council appointee and the remaining three members are citizens of Atoka County appointed by the Atoka City Council. The Association does not have the power to levy taxes.

**Note 2: Summary of Significant Accounting Policies**

***Basis of Accounting***

The Association uses the cash basis of accounting in recording transactions. Although the cash basis of accounting is not in accordance with accounting principles generally accepted in the United States of America for financial statement presentation, the use of the cash basis is in accordance with the principles adopted by the managing board of the Association.

If the Association prepared its financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board, the following changes would be necessary:

- The Association would utilize the accrual basis of accounting, *i.e.*, expenses would be recorded when the obligation is incurred rather than when paid, and revenues would be recorded when earned rather than when received.

**Lake Atoka Reservation Association**  
**Notes to Statement of Cash Receipts and Disbursements**  
**and Changes in Cash Balance**  
**June 30, 2011**

- Financial statements normally identified with proprietary funds would be presented. Such financial statements would include:
  - Statement of net assets
  - Statement of revenues, expenses and changes in net assets
  - Statement of cash flows

**Income Taxes**

The Association is exempt from federal and state income taxes under Section 115 of the Internal Revenue Code. However, the Association may be subject to income taxes under Internal Revenue Code, Section 511, if it produces income unrelated to the operations of the Association.

**Note 3: Cash**

At June 30, 2011, the Association's cash is insured by the Federal Deposit Insurance Corporation and held by the Association's custodial bank in the Association's name.

**Note 4: City of Atoka Expenditures**

The following is a comparison of the City of Atoka's budgeted expenditures and reimbursable actual expenditures made on behalf of the Association. The City of Atoka's budget amounts are incorporated into the Association's approved budget.

	Unaudited		
	Actual	Budget	Variance Favorable (Unfavorable)
Salaries	\$ 112,295	\$ 113,395	\$ 1,100
Payroll taxes	9,485	9,346	(139)
Insurance	15,981	15,456	(525)
Pension costs	13,961	13,961	-
Workers' compensation	3,471	5,450	1,979
Automobile	16,302	14,500	(1,802)
New vehicle	30,192	33,000	2,808
Other – lake patrol	6,449	6,100	(349)
Road repairs	-	36,000	36,000
Boundary fence repairs	-	25,000	25,000
Emergency services	-	35,000	35,000
Other	-	3,000	3,000
Portable restrooms	5,100	5,100	-
Travel	-	500	500
Total expenditures	<u>\$ 213,236</u>	<u>\$ 315,808</u>	<u>\$ 102,572</u>

**Independent Accountants' Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of the Financial Statement Performed in  
Accordance with *Government Auditing Standards***

Members of the Managing Board  
Lake Atoka Reservation Association  
Atoka, Oklahoma

We have audited the statement of cash receipts and disbursements and changes in cash balance of the Lake Atoka Reservation Association (the Association) as of and for the year ended June 30, 2011, and have issued our report thereon dated August 30, 2011, which contained an explanatory paragraph regarding the use of an accounting basis other than accounting principles generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the 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 statement but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Association's financial statement 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 would not necessarily identify all deficiencies in internal control 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 weaknesses as defined above.

Members of the Managing Board  
Lake Atoka Reservation Association

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Association's financial statement is free of 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*.

This report is intended solely for the information and use of the Members of the Managing Board, the City of Oklahoma City, the City of Atoka, the Oklahoma City Water Utilities Trust, management and others within the Association and is not intended to be and should not be used by anyone other than these specified parties.

**BKD, LLP**

Oklahoma City, Oklahoma  
August 30, 2011