

LAKE ATOKA RESERVATION ASSOCIATION

FINANCIAL STATEMENT

YEAR ENDED JUNE 30, 2016

WITH

INDEPENDENT AUDITOR'S REPORT



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Year Ended JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying statement of cash receipts and disbursements of the Lake Atoka Reservation Association (the Association) as of and for the year ended June 30, 2016, and the related notes to the statement of cash receipts and disbursements.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 2; this includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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 statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Association as of and for the year ended June 30, 2016, in accordance with the cash basis of accounting described in Note 2.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 2 of the financial statement, which describes the basis of accounting. The financial statement was prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2016, 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* in considering the Association's internal control over financial reporting and compliance.

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

September 28, 2016
Wichita, Kansas

LAKE ATOKA RESERVATION ASSOCIATION

Statement of Cash Receipts and Disbursements
(With Budget to Actual Comparison)

Year Ended June 30, 2016

		Unaudited	
Actual	Budget	Variance Favorable (Unfavorable)	
Receipts			
Reimbursement from Oklahoma City			
Water Utilities Trust	\$ 251,262	\$ 372,243	\$ (120,981)
Disbursements			
Personnel services	9,288	9,288	--
Maintenance and other operations	140	160	20
	9,428	9,448	20
Payments to the City of Atoka			
Lake patrol services	236,989	259,095	22,106
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	--	200	200
Portable restrooms	4,845	4,500	(345)
Total payments to the City of Atoka	241,834	362,795	120,961
Total cash disbursements	251,262	372,243	120,981
Receipts in excess of disbursements	--	\$ --	\$ --
Cash Balances			
Beginning of year, July 1, 2015	212		
End of year, June 30, 2016	\$ 212		

The accompanying notes are an integral part of this financial statement.

LAKE ATOKA RESERVATION ASSOCIATION

Notes to the Financial Statement

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, 2016, the Trust reimbursed the Association \$251,262.

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.
- Receivables, payables, long-lived assets, accrued expenses and depreciation would also be recorded.

LAKE ATOKA RESERVATION ASSOCIATION

Notes to the Financial Statement

- Financial statements normally identified with proprietary funds would be presented. Such financial statements and required supplementary information would include:
 - Statement of net position
 - Statement of revenues, expenses and changes in net position
 - Statement of cash flows
 - Management's discussion and analysis

Income Taxes

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

Note 3: Cash

At June 30, 2016, 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 Atoka's budgeted expenditures and reimbursable actual expenditures made on behalf of the Association. Atoka's budget amounts are incorporated into the Association's approved budget.

	Actual	Unaudited	
		Budget	Variance Favorable (Unfavorable)
Salaries	\$ 133,115	\$ 140,800	\$ 7,685
Payroll taxes	10,744	10,775	31
Workers' compensation	5,556	4,500	(1,056)
Pension costs	16,590	16,500	(90)
Insurance	23,889	23,770	(119)
New vehicle / rescue boat	32,522	35,000	2,478
Automobile	9,009	20,000	10,991
Other - lake patrol	5,564	7,750	2,186
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	4,845	4,500	(345)
Travel	--	200	200
Total expenditures	\$ 241,834	\$ 362,795	\$ 120,961

**Independent Auditor's 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, 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 statement of cash receipts and disbursements of the Lake Atoka Reservation Association (the Association) as of and for the year ended June 30, 2016 and the related notes to the financial statement, and have issued our report thereon dated September 28, 2016, which contained an emphasis of matter paragraph regarding the use of the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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. 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. 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.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

September 28, 2016
Wichita, Kansas