

WESTVILLE UTILITY AUTHORITY TRUST

FINANCIAL STATEMENTS
AND AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

Management's Discussion and Analysis	1
Independent Auditor's Report	4
Statement of Net Position	7
Statement of Revenues, Expenses, and Changes in Net Position	8
Statement of Cash Flows	9
Notes to Financial Statements	10
Combining Statement of Revenues, Expenses and Changes in Net Position	20
Supplementary Information	21
Report on Internal Control Over Financial Reporting and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23
Schedule of Findings and Recommendations	25

MANAGEMENT'S DISCUSSION AND ANALYSIS Westville Utility Authority

Our discussion and analysis of the Westville Utility Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the accountant's compilation letter and the Authority's financial statements.

FINANCIAL HIGHLIGHTS

The Authority's net assets decreased by \$142,000, due largely to the large depreciation expense of the sewer plant. The decrease in net assets was larger than the previous year's decrease of \$73,000, largely due to poorer results of operations.

The Authority's operating revenues decreased 1.5% over the previous year, cost of water decreased by 5.2% and total expenses increased 6.8%. Water revenues fell for the third year in a row (4.0% over the previous year), sewer revenues fell 5.2% while trash revenue increased 5.2%. The continued decrease in revenue and loss of customers is a concern to the Authority. As a result of the decreased revenue, the Authority did not meet the income/debt ratio required by the Oklahoma Rural Water Board. To ensure the ratio will be met for the 19-20 year, the Authority increased all rates by 5.94%. Through the portion of the current year ending October 31, 2019, the Authority was in compliance with the requirements of the Oklahoma Rural Water Board.

The Authority showed an operating deficit of \$104,000 compared with a smaller deficit of \$32,000 the previous year. The poorer performance was due to the decreased revenues discussed above and higher operating expenses.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances.

Reporting the Authority as a Whole

One of the most important questions asked about the Authority's finances is, "Is the Authority as a whole better off or worse off as a result of the year's activities?" The financial statements referred to above report information about the Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, when earned or owed, regardless of when cash is received or paid.

These statements report the Authority's net position and changes in them. You can think of the Authority's net position—the difference between assets and liabilities—as one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Authority's customer base, rates charged for services, and the condition of the Authority's fixed assets, to assess the overall health of the Authority.

When the Authority charges customers for the services it provides—for water, sewer, and trash services—these services are reported as a proprietary (enterprise) funds, using generally the same accounting methods that privately held businesses use.

ECONOMIC FACTORS

The Westville Wastewater Treatment Plant continues to be expensive to operate and maintain. Large depreciation expenses from the capital investment in the plant continues to be a major expense in the Authority's financial statements.

The Authority has continued to be able to meet its debt service on its capital investments.

The Authority continues to replace all the existing mechanical water meters with new electronic, wireless meters. The Authority expects the conversion will be 100% by the end of the 19-20 year. The Authority feels the new wireless meters will increase revenue by better measuring low flow of water, will greatly reduce the labor costs of reading meters, and will give customers, through the Authority's website, access to more information about their water usage. The Authority borrowed a total of \$240,061 from Peoples Bank to purchase the meters during the 17-18 year. The Authority replaces the old meters with new meters by using the labor on the part of existing Authority employees.

Westville Utility Authority
Management Discussion and Analysis
The Authority as a Whole for the Year Ended June 30, 2019

			Percentage
	June 30, 2019	June 30, 2018	Change
Total Assets	5,583,344	5,838,872	-4.4%
Current Assets	121,174	311,429	
Capital assets	5,202,015	5,270,431	-1.3%
Other assets, restricted	260,155	257,102	1.2%
Deferred Outflows	43,030	67,002	-35.8%
Total Liabilities	1,366,171	1,507,969	-9.4%
Current liabilities	208,987	204,878	2.0%
Long-term Liabilities	1,157,183	1,303,091	-11.2%
Deferred Inflows	3,997	-	
Total Net Position	4,256,206	4,470,886	-3.2%
Invested in Capital Assets, net of related debt	3,939,228	3,816,340	3.2%
Restricted	260,155	257,012	1.2%
Unrestricted	56,823	324,553	-82.5%
	Year Ended	Year Ended	
	June 30, 2019	June 30, 2018	
Operating revenues	1,035,854	1,051,707	-1.5%
Water	444,464	462,803	-4.0%
Sewer	268,453	283,102	-5.2%
Trash	271,722	258,278	5.2%
Other	51,215	47,524	7.8%
Cost of water sold	138,578	146,181	-5.2%
Expenses	1,000,763	936,716	6.8%
Income from operations	(103,487)	(31,191)	231.8%
Non-operating Revenue (Expenses)	(38,212)	(41,790)	-8.6%
Change in net assets	(141,699)	(72,981)	94.2%

MICHAEL W. GREEN

Certified Public Accountant

827 W. Locust Street
STILWELL, OK. 74960
(918) 696-6298

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Westville Utility Authority Trust
Westville, Oklahoma

I have audited the accompanying financial statements and the related notes to the financial statements of the Westville Utility Authority Trust, a component unit of the Town of Westville, Oklahoma, as of and for the year ended June 30, 2019, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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 statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities, each major fund, and the aggregate remaining fund information of the Westville Utility Authority Trust, as of June 30, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension exhibits with the related notes be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Westville Utility Authority Trust's basic financial statements.

The accompanying Combining Statement of Revenues and Expenditures and other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, this supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated November 28, 2019 on my consideration of Westville Utility Authority Trust's internal control over financial reporting and on my 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 my

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 Westville Utility Authority Trust's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Michael Green". The signature is stylized with a large, looped "G" and a cursive "M".

Michael Green
Certified Public Accountant

November 28, 2019

Westville Utility Authority Trust
A Component of the Town of Westville
Statement of Net Position
June 30, 2019

ASSETS

Current Assets

Cash and cash equivalents	\$ 30,157
Accounts Receivable Net of \$ 7950 for Bad Debts	85,899
Prepaid Expenditures	5,102
Interest Receivable	16
Total Current assets:	121,174

Noncurrent assets:

Restricted Cash and Cash Equivalents	260,155
Net Pension Asset	-
Capital Assets:	
Land	146,136
Building, Equipment Water and Sewer System	9,286,697
Less Accumulated depreciation	(4,230,818)
Total Capital Assets	5,202,015
Total Noncurrent assets:	5,462,170
Total assets	5,583,344

Deferred Outflows of resources:

Total Deferred Outflows-OMRF	43,030
------------------------------	--------

LIABILITIES AND FUND BALANCES

Current Liabilities

Accounts payable & accruals	10,708
Current portion of LTD	127,624
Customer deposits	70,655
Total Current liabilities:	208,987

Noncurrent liabilities:

Net Pension Liability	22,020
Non current portion of LTD	1,135,163
Total Noncurrent liabilities:	1,157,183
Total liabilities	1,366,171

Deferred inflows of resources:

Total Deferred inflows-OMRF	3,997
-----------------------------	-------

NET POSITION

Net Investment in Capital Assets	3,939,228
Restricted	260,155
Unrestricted	56,823
TOTAL NET POSITION	\$ 4,256,206

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

Westville Utility Authority Trust
A Component of the Town of Westville
Statement of Revenues, Expenses, and Changes in Net Position
For the year Ended June 30, 2019

Operating Revenue:	
Water Sales	\$ 444,464
Sewer Sales	268,453
Trash	271,722
Late Charges	29,178
Connect & Re-Connect Fee	14,597
Miscellaneous & Other Income	4,490
Water & Sewer Taps	2,950
Total Operating	1,035,854
Operating Expenses:	
Salaries and Wages	351,172
Water cost	138,578
Payroll Taxes	28,559
Employee Benefits	79,852
Utilities	47,288
Insurance	42,397
Repairs and Maintenance	35,439
Landfill Expense	39,681
Office Expense	17,975
License and Permits	2,282
Professional Fees	22,542
Trustee Fees	3,950
Chlorine and Chemicals	13,600
Truck Expense	41,737
Depreciation	240,284
Bad Debts	6,208
Lab Fees	10,612
Uniforms	2,083
Miscellaneous	15,102
Total operating expenses	1,139,341
Operating Income (loss)	(103,487)
Nonoperating revenues (expenses):	
Interest revenue	4,050
Interest expense	(42,262)
Total nonoperating revenue (expenses)	(38,212)
Changes in net position	\$ (141,699)
Total net position--beginning	4,397,905
Total net position--ending	\$ 4,256,206

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

Westville Utility Authority Trust
A Component of the Town of Westville
Statement of Cash Flows
For the Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,021,092
Payments to suppliers & others	(593,707)
Payments to employees	(301,741)
Payments to/from other funds	
	125,644
Net cash provided by operating activities	125,644
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets (net of disposals)	(172,556)
Principal paid on capital debt	(122,819)
New Notes	-
Grant Income	-
Interest and fees paid	(42,262)
	(337,637)
Net cash used by financing activities	(337,637)
CASH FLOWS FROM INVESTING ACTIVITIES	
Changes in meter deposit accounts	2,172
Interest revenue	4,050
	6,222
Net cash provided by investing activities	6,222
Net change in cash & cash equivalents	(205,771)
Beginning balance	496,083
Ending balance	\$ 290,312
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income	\$ (103,487)
Depreciation	240,972
Change in:	
Pension Plan	27,969
Receivables	(18,659)
Accounts payable & accruals	(21,151)
Net cash provided by operating activities	\$ 125,644

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

WESTVILLE UTILITY AUTHORITY TRUST
A COMPONENT OF THE TOWN OF WESTVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1: NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES

The Westville Utility Authority Trust (hereinafter referred to as the Authority) is a trust created January 20, 1964, under the provisions of the Oklahoma Trust Act and other applicable statutes of the State of Oklahoma. The Trust was created for the purpose of providing utility services to the citizens of the Town of Westville and certain surrounding areas. Accounted for as though the Trust is a separate legal entity, it nevertheless is a component unit of the Town of Westville, Oklahoma, accountable to the Town Board of Trustees, the governing body of the Town of Westville.

Basis of Accounting

Basis of Accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of Accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The financial statements of the Authority record revenue when cash is received and expenses are recorded in the period in which cash payments are made. The financial statements have been adjusted at year-end to reflect the accrual basis of accounting, revenues are recognized when they are earned, and expenses are recognized when they are incurred, in accordance with Generally Accepted Accounting Principles.

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The trust believes that all of its funds are in this category since they all relate to or provide for the business type activity.

Cash and Cash Equivalents

The Authority considers all cash on hand, demand deposits and highly liquid investments, with an original maturity of three months, or less, to be cash or cash equivalents.

WESTVILLE UTILITY AUTHORITY TRUST
A COMPONENT OF THE TOWN OF WESTVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Inter-fund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds".

Long-Term Liabilities

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets.

Compensated Absences

The annual leave (vacation) policy of The Authority meets the criteria of FASB #43. All annual leave must be used within the current year.

Inventories

The Authority has no material inventories that it owns. Supplies are used or recognized when they are needed; thus inventories are not shown in the financial statements.

Property and Equipment

The utility system existing at the date of the creation of the Trust, January 20, 1964, was transferred to the Trust by the Town of Westville, Oklahoma, and the beneficiary of the Trust. During the fiscal year ending June 30, 1973, those assets were recorded in the books of the bond proceeds issued for the construction of the sewer and water system less an estimated fair market value of the assets received from the beneficiary and at total bond proceeds issued for the construction of the sewer and water system less an estimated fifty percent depreciation allowance. All assets acquired since have been recorded at cost of the assets purchased or at fair market value of the assets received in trust from beneficiary.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

WESTVILLE UTILITY AUTHORITY TRUST
A COMPONENT OF THE TOWN OF WESTVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2: CASH AND INVESTMENTS

Cash and investments include all deposits held by financial institutions - money market accounts and savings accounts. At year-end, the bank balance of the Authority's deposits were \$ 290,312. All funds were covered by federal depository insurance or collateralized by securities pledged to the Authority by various depository banks. The cash and investments consist of the following accounts:

Money Market Account	\$ 53,502
Revenue Operating Account	(34,399)
Credit/Debit Account	10,753
Cash on Hand	300
Customer Meter Deposits	71,503
Reserve Fund Bank of Oklahoma	130,370
Debt Service Fund Bank of Oklahoma	<u>58,282</u>
 Total Cash and Investments	 <u><u>\$290,312</u></u>

NOTE 3: RESTRICTED ASSETS AND RESERVED FUND BALANCES

Cash deposits are required from all applicants for water service. These deposits are segregated in a separate fund to be applied to unpaid bills or refunded after payment of final bill is received. Restricted assets also consist of cash and short- term investments restricted for capital improvements, or by lending agencies.

Fund balances are reserved for restricted cash, debt retirement, and for customer meter deposits.

Restricted cash consists of the following cash and short- term investments:

Customer Meter Deposits	\$ 71,503
Reserve Fund Bank of Oklahoma	130,370
Debt Service Fund Bank of Oklahoma	<u>58,282</u>
	 <u><u>\$260,155</u></u>

NOTE 4: CAPITAL ASSETS

Major classifications of property and equipment and their respective depreciable lives are listed below.

WESTVILLE UTILITY AUTHORITY TRUST
A COMPONENT OF THE TOWN OF WESTVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

	Years	June 30, 2018	Additions	Reductions	June 30, 2019
Capital Assets, being Depreciated					
Water System	40	\$ 2,609,039	\$ 130,621	\$ -	\$ 2,739,660
Sewer System	40	1,468,213	16,650	-	1,484,863
Sewer Plant	40	3,323,801	-	-	3,323,801
Land	N/A	146,136	-	-	146,136
Equipment	5,10,40	1,459,679	25,285	-	1,484,964
Buildings	10,40	253,409	-	-	253,409
		9,260,277	172,556	-	9,432,833
Accumulated Depreciation		(3,989,846)	(240,509)		(4,230,818)
Total Capital Assets being Depreciated		\$ 5,270,431	\$ (67,953)	\$ -	\$ 5,202,015

NOTE 5: LONG-TERM DEBT

The Authority has a Note Payable with the Oklahoma Water Resources Board (OWRB). The Note was originated in November 2002 in the amount of \$ 368,094.

It bears an interest rate of 2.7%. This was for the construction of a lift station. Payments are made semi-annually in March and September in the amount of \$ 13,568.75. As of June 30, 2019, the balance of this note was \$ 102,111.

There is also Bonds Payable with OWRB in the amount of \$ 1,350,000. This note originated in 2012. It bears a variable interest rate ranging from .25 up to 3.0%. For the 2017 year the interest rate was 3%. During this fiscal year it went up to the 3% where it will remain until the 2022 year. It will then go down to 2.75% for one year. After that it will go back up to 3% where it will remain for the balance of the loan. Monthly transfers are made into a debt reserve account to cover the debt obligations for this loan. As of June 30, 2019 the balance of this Note was \$ 950,000.

The Authority has a Note Payable with Peoples Bank that originated in 2018 in the amount of \$240,061. It bears 3.0% interest. As of June 30, 2019, the balance of the note was \$190,572.

There is also a Note payable with the Department of Commerce. It bears 0% interest. As of June 30, 2019, the balance of the note was \$20,125.

The Schedule of Long-Term debt and Schedule of maturities are as follows:

Payable to	Interest Rate	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019	Current Portion
DEPARTMENT OF COMMERCE	0.0%	25,375	-	(5,250)	20,125	5,256
PEOPLE'S BANK	3.0%	219,300	-	(28,728)	190,551	32,877
OWRB NOTE	3.0%	125,952	-	(23,841)	102,111	24,491
OWRB BONDS PAYABLE	.25-3.0%	1,015,000	-	(65,000)	950,000	65,000
		1,385,627	-	(122,819)	1,262,787	127,624

WESTVILLE UTILITY AUTHORITY TRUST
A COMPONENT OF THE TOWN OF WESTVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

		Principal	Interest
Current Portion	2020	127,557	38,410
	2021	134,237	34,561
	2022	135,959	30,588
	2023	141,833	26,576
	2024	126,987	22,326
	2025-2029	596,216	50,778
		<u>1,262,787</u>	<u>203,239</u>

NOTE 6: EMPLOYEE RETIREMENT PLAN:

The Authority contributes to the Oklahoma Municipal Retirement Fund Employee Retirement System (OMRF), an agent multiple-employer defined benefit plan administered by OMRF. The OMRF plan issues a separate financial report and it can be obtained from OMRF or from their website: okmrf.org/reports.html. Benefits are established or amended by the Board.

Summary of Significant Accounting Policies:

For purposes of measuring the net pension liability, net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the net position of the Authority's plan and additions to or deductions from the Authority's net position have been determined on the same basis as they are reported by OMRF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value based on published market prices. Detailed information about the OMRF plans net position is available in the separately issued OMRF financial report.

WESTVILLE UTILITY AUTHORITY TRUST
A COMPONENT OF THE TOWN OF WESTVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Eligibility Factors and Benefit Provisions

Provision	As of 7/01/17 OMRP Plan
a. Eligible to participate	All regular, full time employees except police, firefighters and other employees who are covered under an approved system
b. Period Required to Vest	7 years of credited service
c. Eligibility for Distribution	Normal retirement at age 65 with 7 years of service Early retirement at age 55 with 7 years of service Disability retirement upon disability with 7 years of service Death benefit with 5 years service for married employees
d. Benefit Determination Base	The average of the 5 highest consecutive years of salaries out of the last 10 years of service
e. Benefit Determination Methods:	
Normal Retirement	3% of final average compensation multiplied by the number of years of credited service
Early Retirement	Actuarially reduced benefit based upon age, final average salary, and years of service at termination
Disability Retirement	Same as normal retirement
Death Benefit	50% of employees accrued benefit, but terminates upon spouse re-marriage
Prior to 7 years of Service	No benefits
f. Benefit Authorization	Benefits are established and amended by the Board
g. Form of Benefit Payments	Normal is 60 months certain and life thereafter basis. Employee may elect option form based on actuarial equivalent

Employees Covered by Benefit Terms:

Active Employees	7
Deferred Vested Former Employees	0
Retirees or Retiree Beneficiaries	4
Total	11

Contribution Requirements:

The Board has the authority to set and amend contribution rates by ordinance for the OMRP defined benefit plan. The contribution rate for the current fiscal year have been made in accordance with an actuarially determined rate. The actuarially determined rate is 6% of covered payroll as of 7-1-18. For the year ended June 30, 2019, the Authority recognized 19,668.00 of employer contributions to the plan. Employees' contribution is 6% of covered payroll as of 7-1-18

WESTVILLE UTILITY AUTHORITY TRUST
A COMPONENT OF THE TOWN OF WESTVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Actuarial Assumptions:

Date of Last Actuarial Valuation	July 1, 2017
a. Actuarial Cost Method	Entry age normal
b. Rate of Return on Investments and Discount Rate	7.75%
c. Projected Salary Increase	Varies between 7.50% and 4.50% based on age
d. Post Retirement Cost of Living	Benefits (attributable to service prior to 1/1/2010) in payment status are adjusted each July 1st based on the percentage change in the CPI. The maximum increase or decrease in any year is 2.75%
e. Inflation Rate	3%
f. Mortality Table	UP 1994, with projected mortality improvement
g. Percent of married employees	100%
h. Spouse age difference	3 years (female spouses younger)
i. Turnover	Select and ultimate rates Ultimate rates are age related as shown Additional rates per thousand are added during the first 5 years: Year 1: 225 Year 2: 140 Year 3: 100 Year 4: 70 Year 5: 40

Discount Rate:

The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.75% since the plan's net fiduciary position is projected to be sufficient to make projected benefit payments.

The Authority has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experiences are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, the sufficiency of pension plan assets was made without a separate projection of cash flows.

WESTVILLE UTILITY AUTHORITY TRUST
A COMPONENT OF THE TOWN OF WESTVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.0%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of July 1, 2018 are summarized in the following table:

	Target Allocation	Real Return	Weighted Return
Large Cap Stocks S&P 500	25.00%	5.80%	1.45%
Small/mid cap stocks Russell 2500	10.00%	6.40%	0.64%
Long/short equity MSCI ACWI	10.00%	5.00%	0.50%
International stocks MSCI EAFE	20.00%	6.20%	1.24%
Fixed income bonds Barclay's Capital Aggregate	30.00%	2.30%	0.69%
Real estate NCREIF	5.00%	4.60%	0.23%
Cash equivalents 3 month Treasury	0.00%	0.00%	0.00%
TOTAL	100.00%		
	Average Real Return		4.75%
	Inflation		<u>2.75%</u>
	Long-term expected return		<u><u>7.50%</u></u>

WESTVILLE UTILITY AUTHORITY TRUST
A COMPONENT OF THE TOWN OF WESTVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Authority, calculated using the discount rate of 7.75 percent, as well as what the Authority's net pension liability would be if it were calculated using a discount rate is 1 percentage point lower (6.75 percent) or 1 percentage point higher (8.75 percent) than the current rate:

	1.00% Decrease 6.75%	Current Discount Rate 7.75%	1.00% Increase 8.75%
Total Pension Liability	783,716	649,653	549,920
Plan Fiduciary Net Position	627,632	627,632	627,632
Net Pension Liability	<u>156,084</u>	<u>22,021</u>	<u>(77,712)</u>

For the year ended June 30, 2019 the Authority recognized pension expense of \$ 23,893. At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	8,950	
Net difference between projected and actual earnings on pension plan investments	18,119	14,212
Authority contributions subsequent to the measurement date	19,668	

Amortization of Pension Deferrals:

Amounts reported as deferred outflows of resources (excluding deferred outflows of resources related to contributions made subsequent to the measurement date) and deferred inflows of resources will be recognized in pension expense as follows:

WESTVILLE UTILITY AUTHORITY TRUST
A COMPONENT OF THE TOWN OF WESTVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Year ended June 30:	
2020	\$ 10,766.00
2021	5,397.00
2022	(711.00)
2023	6,472.00
2024	374.00
Thereafter	\$ (770.00)

NOTE 7: CLAIMS AND JUDGEMENTS

From time to time The Authority participates in federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to non-compliance with grant program regulations, the Authority may be required to reimburse the grantor government. No provision is made in the financial statements for these possible contingencies.

NOTE 8: SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the Auditor's report which is the date the financial statements were available to be issued.

Westville Utility Authority Trust
A Component of the Town of Westville
Combining Statement of Revenues and Expenditures
For the Year Ended June 30, 2019

	Water Department	Trash Department	Sewer Department	Administrative Department	Totals
Operating Revenue:					
Water Sales	\$ 444,464	\$ -	\$ -	\$ -	\$ 444,464
Sewer Sales	-	-	268,453	-	268,453
Trash	-	271,722	-	-	271,722
Late Charges	29,178	-	-	-	29,178
Connect & Re-Connect Fee	14,597	-	-	-	14,597
Miscellaneous & Other Income	-	-	-	4,490	4,490
Sale of Surplus Property	-	-	-	-	-
Water & Sewer Taps	1,950	-	1,000	-	2,950
Total Operating	<u>490,189</u>	<u>271,722</u>	<u>269,453</u>	<u>4,490</u>	<u>1,035,854</u>
Operating Expenditures:					
Salaries and Wages	81,294	63,459	120,802	85,617	351,172
Water cost	138,578	-	-	-	138,578
Payroll Taxes	6,674	5,367	9,624	6,894	28,559
Employee Benefits	13,275	14,572	17,065	34,940	79,852
Utilities	3,787	-	37,133	6,368	47,288
Insurance	5,283	6,559	6,559	23,996	42,397
Repairs and Maintenance	16,086	1,679	17,244	430	35,439
Landfill Expense	-	39,681	-	-	39,681
Office Expense	-	-	-	17,975	17,975
License and Permits	196	904	-	1,182	2,282
Professional Fees	-	-	-	22,542	22,542
Trustee Fees	-	-	-	3,950	3,950
Chlorine and Chemicals	-	-	13,600	-	13,600
Truck Expense	5,741	30,387	5,609	-	41,737
Depreciation	62,088	37,048	132,895	8,253	240,284
Bad Debts	383	2,376	1,323	2,126	6,208
Lab Fees	5,351	-	5,261	-	10,612
Uniforms	1,236	264	264	319	2,083
Miscellaneous	965	100	659	13,378	15,102
Administration Allocation	126,435	63,218	63,218	(252,870)	-
Total operating expenses	<u>467,372</u>	<u>265,614</u>	<u>431,256</u>	<u>(24,900)</u>	<u>1,139,341</u>
Operating Income (loss)	<u>22,817</u>	<u>6,108</u>	<u>(161,803)</u>	<u>29,390</u>	<u>(103,487)</u>
Nonoperating revenues (expenditures):					
Interest revenue	-	-	-	4,050	4,050
Interest expense	(6,143)	-	(2,679)	(33,440)	(42,262)
Transfers	-	-	-	-	-
Grant Income	-	-	-	-	-
Total nonoperating revenue (expenditures)	<u>(6,143)</u>	<u>-</u>	<u>(2,679)</u>	<u>(29,390)</u>	<u>(38,212)</u>
Changes in net position	16,674	6,108	(164,482)	-	(141,699)
Total net position-beginning	-	-	-	4,397,905	4,397,905
Prior Period Adjustment	-	-	-	-	-
Total net position-ending	<u>\$ 16,674</u>	<u>\$ 6,108</u>	<u>\$ (164,482)</u>	<u>\$ 4,397,905</u>	<u>\$ 4,256,206</u>

WESTVILLE UTILITY TRUST AUTHORITY
SUPPLEMENTARY INFORMATION
JUNE 30, 2019

Oklahoma Municipal Retirement Fund

Schedule of Changes in Net Pension Liability and Related Ratios

Fiscal Year

	2019	2018	2017	2016	2015
Total Pension Liability					
Service Cost	34,454	\$ 29,701	\$ 27,941	\$ 32,994	28,900
Interest	45,505	38,067	33,320	32,113	30,520
Benefit changes due to plan amendments	-	-	-	-	-
Difference between expected and actual experience	(20,846)	57,018	11,052	(41,064)	-
Changes in assumptions	-	13,162	-	-	-
Benefit payments, including refunds of member contributions	(31,817)	(13,316)	(8,889)	(8,066)	(11,783)
Net change in total pension liability	<u>27,296</u>	<u>124,632</u>	<u>63,424</u>	<u>15,977</u>	<u>47,637</u>
Total pension liability - beginning	<u>622,357</u>	<u>497,725</u>	<u>434,301</u>	<u>418,324</u>	<u>370,688</u>
Total pension liability - ending	<u>\$ 649,653</u>	<u>\$ 622,357</u>	<u>\$ 497,725</u>	<u>\$ 434,301</u>	<u>\$ 418,325</u>
Plan Net Fiduciary Position					
Contributions - employer	19,668	\$ 19,217	\$ 17,324	\$ 18,331	16,377
Contributions - member	19,157	18,718	16,874	17,855	17,060
Net investment income	42,964	62,758	5,079	12,387	57,856
Benefit payments, including refunds of member contributions	(31,817)	(13,316)	(8,889)	(8,066)	(11,783)
Administrative expense	(1,214)	(1,090)	(936)	(901)	(859)
Other	-	-	-	-	-
Net change in plan fiduciary net position	<u>48,758</u>	<u>86,287</u>	<u>29,452</u>	<u>39,606</u>	<u>78,651</u>
Plan fiduciary net position - beginning	<u>578,874</u>	<u>492,587</u>	<u>463,135</u>	<u>423,529</u>	<u>344,878</u>
Plan fiduciary net position - ending	<u>\$ 627,632</u>	<u>\$ 578,874</u>	<u>\$ 492,587</u>	<u>\$ 463,135</u>	<u>\$ 423,529</u>
Net pension liability - ending	<u>\$ 22,021</u>	<u>\$ 43,483</u>	<u>\$ 5,138</u>	<u>\$ (28,834)</u>	<u>\$ (5,204)</u>
Plan fiduciary net position as a percentage of the total pension liability	97%	93.01%	98.97%	106.64%	101.24%
Covered employee payroll	302,463	\$ 321,397	\$ 268,123	\$ 253,910	\$ 294,773
Net pension liability as a percentage of covered-employee payroll	7.28%	13.53%	1.92%	-11.36%	-1.77%

Notes to Schedule:

Only the current fiscal year and four prior years are presented because 10-year data is not yet available.

WESTVILLE UTILITY TRUST AUTHORITY
 SUPPLEMENTARY INFORMATION
 JUNE 30, 2019

Oklahoma Municipal Retirement Fund

Schedule of Employer Contributions

	Fiscal Year				
	2019	2018	2017	2016	2015
Actuarially determined contribution	18,148	19,217	\$ 17,324	\$ 18,331	16,377
Contributions in relation to the actuarially determined contribution	19,668	19,788	11,918	17,397	18,376
Contribution deficiency (excess)	\$ (1,520)	\$ (571)	\$ 5,406	\$ 934	\$ (1,999)
Covered employee payroll	302,463	320,283	\$ 288,733	\$ 289,950	306,267
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%

Notes to Schedule:

1. Only the current fiscal year and four prior years are presented because 10-year data is not yet available
2. Latest Valuation Date: July 1, 2018
3. Actuarially determined contribution rate is calculated as of July 1, 2018 and 6.00%
4. Methods and assumptions used to determine contribution rates:
 - Actuarial cost method - entry age normal
 - Amortization method - Level percent of payroll, closed
 - Remaining amortization period - 25 years
 - Asset valuation method - Actuarial:
 - Smoothing period - 4 years
 - Recognition method - Non-asymptotic
 - Corridor - 70% -130%
 - Salary increases -4.50% to 7.50% (varies by attained age)
 - Investment rate of return 0 7.50%

MICHAEL W. GREEN
Certified Public Accountant
827 W. LOCUST STREET
Stilwell, Ok. 74960
(918) 696-6298

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*

Board of Trustees
Westville Utility Authority Trust
Westville, Oklahoma

I 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 Westville Utility Authority Trust, a component unit of the Town of Westville, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued my report thereon dated November 28, 2019.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Westville Utility Authority Trust's (the Organization) internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, I do not express an opinion on the effectiveness of the Organization'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.

My consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, I identified certain deficiencies in internal control that I consider to be material weaknesses described in the accompanying Schedule of Findings and Responses as (2019-1 & 2019-2)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Westville Utility Authority Trust'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* as described in the accompanying Schedule of Findings and Responses as (2019-2)

Response to Findings

The Westville Utility Authority Trust's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. The response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Michael Green". The signature is stylized and cursive.

Michael Green, CPA
November 28, 2019

SCHEDULE OF FINDINGS AND RESPONSES

2019-1

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, record keeping 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 a limited number of individuals has responsibility for all functions of the financial statement reporting. These individuals have oversight responsibilities for billing and adjustments; posting of payments payment to subsidiary accounts receivable ledgers and reconciles the monthly bank statements. In addition, only limited oversight is provided over these individuals in the conduct of their daily functions.

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.

2019-2

Criteria: The Authority is required to meet a certain income/debt ratio for the Oklahoma Rural Water Loan. This was not met during the current year.

Condition: Presently the income for the water and sewer departments has been declining as well as a decrease in customers.

Cause: Economy plays a part in this as well as other factors.

Recommendation: Management and the board should consider raising the rates to ensure that the income from these departments is enough to service the debt and keep them in compliance with the terms of their loan.

Responsible Official's Response: The organization has already raised the rates by 5.94% and is now in compliance.