

FILED

OCT 27 2011

Rec: 016765

**WESTVILLE UTILITY AUTHORITY TRUST
FINANCIAL STATEMENTS AND AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2011**

**AUDITED BY
BARRY SPYRES
CERTIFIED PUBLIC ACCOUNTANT
118 West Cherokee
Sallisaw, Oklahoma 74955**

WESTVILLE UTILITY AUTHORITY TRUST

TABLE OF CONTENTS

Independent Auditor’s Report.....1

Report on Compliance and on Internal Control
Over Financial Reporting Based on an Audit of
Financial Statements Performed in Accordance
with *Government Auditing Standards*2

Management’s Discussion and Analysis4

Statement of Net Assets6

Statement of Revenues, Expenses, and Changes in Net Assets.....7

Statement of Cash Flow9

Notes to Financial Statements.....10

Supplemental Information
Combining Statement of Revenue and Expenses14

AUDIT REPORTS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Westville Utility Authority Trust
Westville, Oklahoma

I have audited the accompanying component unit 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, 2011, as listed in the Table of Contents. These financial statements are the responsibility of the Westville Utility Authority Trust's Management. My responsibility is to express an opinion on these financial statements based on my audit.

I have 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 of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the component unit financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Westville Utility Authority Trust, a component unit of the Town of Westville, Oklahoma, as of June 30, 2011, and the results of its operations and the changes in cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying combining statement of Revenue and Expenses are presented for the purpose of additional analysis and are not a required part of the financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the financial statements, and in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, I have also issued a report dated October 7, 2011 on my consideration of Westville Utility Authority Trust's internal control structure and compliance with laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report.



Barry Spyres, CPA
October 7, 2011

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING 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 the financial statements of Westville Utility Authority Trust, a component of the Town of Westville, Oklahoma, as of and for the year ended June 30, 2011 and have issued my report thereon dated October 7, 2011, I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Westville Utility Authority Trust's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, and noncompliance which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Westville Utility Authority Trust's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reports that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components do not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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

A handwritten signature in black ink, appearing to read 'Barry Spyres', with a stylized, cursive script.

Barry Spyres, CPA
October 7, 2011

**REQUIRED
SUPPLEMENTAL INFORMATION**

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, 2011. Please read it in conjunction with the accountant's compilation letter and the Authority's financial statements.

FINANCIAL HIGHLIGHTS

The Authority's net assets increased by \$46,492, largely due to a Federal grant of \$244,923 to fund the construction of a solar electric generating facility at the wastewater treatment plant. The Authority had operating revenues of \$809,781 cost of water sold \$158,648, total operating expenses of \$1,033,779, interest income of \$13,575, and interest expense of \$66,580.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, 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 regardless of when cash is received or paid.

These statements report the Authority's net assets and changes in them. You can think of the Authority's net assets—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 assets 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. The plant has been the most expensive capital investment by the Authority to date, at a final cost of \$3.25 million dollars. The Authority has continued a preventative maintenance program for its water and sewer lines in the Town. The Authority purchased a new trash truck for \$109,218 and also constructed the solar electric generating facility at the wastewater treatment plant for \$244,923. The Authority has continued to be able to meet its debt service on its capital investments. However, its net cash outflow for the year was \$271,231, largely due to the purchase of the new trash truck and to debt service. Because of concerns that the Authority is not generating sufficient cash from operations to meet investment needs, basic rates for water, sewer, and trash have been increased 5% for the next fiscal year.

Westville Utility Authority
Management Discussion and Analysis
The Authority as a Whole for the Year Ended June 30, 2011

	June 30, 2011	June 30, 2010	Increase (Decrease)	Percentage Change
Total assets	6,599,519	6,622,864	(23,344)	-0.4%
Capital assets	6,088,388	5,889,297	199,091	3.4%
Other assets	511,131	733,567	(222,435)	-30.3%
Total liabilities	1,685,057	1,754,894	(69,837)	-4.0%
Current liabilities	112,777	113,651	(874)	-0.8%
Long-term Liabilities	1,572,281	1,641,243	(68,962)	-4.2%
Total Net Assets	4,914,462	4,867,970	46,492	1.0%
Invested in Capital Assets, net of related debt	4,453,186	4,186,810	266,376	6.4%
Restricted	164,419	166,067	(1,648)	-1.0%
Unrestricted	296,857	515,093	(218,236)	-42.4%
	Year Ended June 30, 2011	Year Ended June 30, 2010	Increase (Decrease)	
Revenues			-	
Water	382,147	394,920	(12,772)	-3.2%
Sewer	234,773	218,236	16,537	7.6%
Trash	192,861	184,050	8,810	4.8%
Core Operating Revenues, Total	809,781	797,206	12,575	1.6%
Other	429,138	180,267	248,871	138.1%
Total Revenues	1,238,919	977,473		
Cost of water sold	158,648	144,814	13,834	9.6%
Expenses	1,033,779	1,008,281	25,498	2.5%
Change in net assets	46,492	(175,622)	222,114	-126.5%
Ending Net Assets	4,914,462	4,867,970	46,492	1.0%

FINANCIAL STATEMENTS

WESTVILLE UTILITY AUTHORITY TRUST
A COMPONENT OF THE TOWN OF WESTVILLE
STATEMENT OF NET ASSETS
June 30, 2011

Assets:

Current Assets:

Cash and Cash Equivalents	\$ 111,478
Investments	172,025
Accounts Receivables Net of \$7,950 for Bad Debts	52,872
Prepaid Expenses	8,386
Interest Receivable	1,950
Total Current Assets	346,712

Noncurrent Assets:

Restricted Cash and Cash Equivalents	164,419
Loan Cost	77,871

Capital Assets:

Land	111,136
Building, Equipment Water and Sewer System	8,530,711
Less Accumulated Depreciation	(2,631,331)
Total Capital Assets	6,010,517

Total Assets	6,599,519
--------------	-----------

Liabilities:

Current Liabilities:

Accounts Payable	2,935
Current Portion of Long-Term Debt	62,921
Current Liabilities Payable from Restricted Assets	46,921
Total Current Liabilities	112,777

Noncurrent Liabilities:

Long Term Debt	1,572,281
Total Liabilities	1,685,057

Net Assets:

Invested in Capital Assets Net of Related Debt	4,375,315
Restricted	164,419
Unrestricted	374,728
Total Net Assets	\$ 4,914,462

The accompanying audit report and notes are an integral part of these statements

WESTVILLE UTILITY AUTHORITY TRUST
A COMPONENT OF THE TOWN OF WESTVILLE
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ending June 30, 2011

Revenue:	
Water	\$ 382,349
Sewer	228,690
Trash	192,605
Late Charges	34,369
Gas Billing and Collection Fees	57,720
Connect and Reconnect Fees	14,470
Miscellaneous and Other Income	56,363
Rental	13,856
Total Revenue	980,421
 Operating Expenses:	
Water Purchases	158,648
Salaries and Wages	305,099
Payroll Taxes	24,821
Employee Benefits	65,154
Utilities	58,578
Insurance	33,033
Repair and Maintenance	91,345
Landfill Expense	31,518
Office Expense	18,263
Licenses and Permits	7,228
Professional Fees	14,875
Trustee Fees	5,690
Chlorine and Chemicals	4,975
Truck Expense	24,950
Depreciation & Amortization	236,922
Bad Debts	8,573
Lab Fees	6,649
Uniforms	8,626
Contract Labor	16,200
Miscellaneous	4,700
Total Expenses	1,125,847
 Operating Income:	 (145,426)
 Non-operating Revenue (Expenses):	
Grant Income	244,923
Investment Income	13,575
Interest Expense	(66,580)
Total Non-operating Revenue	191,918
 Change in Net Assets	 \$ 46,492

The accompanying audit report and notes are an integral part of these statements

WESTVILLE UTILITY AUTHORITY TRUST
A COMPONENT OF THE TOWN OF WESTVILLE
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ending June 30, 2011

Net Assets Beginning of Year	\$ 4,867,970
Change in Net Assets	<u>46,492</u>
Net Assets End of Year	<u>\$ 4,914,462</u>

The accompanying audit report and notes are an integral part of these statements

WESTVILLE UTILITY AUTHORITY TRUST
A COMPONENT OF THE TOWN OF WESTVILLE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2011

Cash Flows from Operating Activities

Cash received from Customers	\$ 982,825
Cash paid to Employees	(215,125)
Cash paid to Suppliers	(673,692)
Net Cash Provided by Operations	94,008

Cash Flows from Capital and Related Financing Activities

Acquisition of Capital Assets	(353,871)
Payment of Principal on Long-Term Debt	(67,285)
Payment of Interest on Long-Term Debt	(66,580)
Net Cash Used in Capital and Related Financing Activities	(487,735)

Cash Flows From Investing Activities

Grant Income	244,923
Increase In Meter Deposits	(2,930)
Investment Income Received	13,575
Net Cash Provided by Investing Activities	255,568

Net Decrease in Cash and Cash Equivalents	(138,159)
Beginning Cash and Cash Equivalents	586,082
Ending Cash and Cash Equivalents	447,923

Classified As:

Cash and Cash Equivalents	111,478
Investments	172,025
Restricted Cash	164,419
	\$ 447,923

Reconciliation of Operating Income to Net Cash

Provided by Operating Activities

Operating Loss	\$ (145,426)
Adjustment to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
Depreciation	236,922
Decrease (Increase) in Accounts Receivable	2,404
(Decrease) Increase in Accounts Payable	108
Net Cash Provided by Operating Activities	\$ 94,008

The accompanying audit report and notes are an integral part of these statements

NOTES

WESTVILLE UTILITY AUTHORITY TRUST
A COMPONENT OF THE TOWN OF WESTVILLE
Notes to Financial Statements
June 30, 2011

Note 1 - Summary of Significant Accounting Policies

(A) General

Under the provisions of the Oklahoma Trust Act, the Westville Utility Authority (hereinafter referred to as the Authority) was established January 20, 1964, 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. Enterprise funds are used to account for operations which are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges and that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability and compliance with provisions of the trust indenture.

(B) 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.

(C) Property, Plant 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, 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.

Depreciation is provided in the Trust Fund in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated useful lives computed on the straight line method.

Those rates are as follows:	<u>Rates</u>
Water System	2%, 2 1/4%, 5%
Sewer System	2 1/4%
Buildings	2 1/4%, 5%
Trucks and Equipment	10%, 20%
Furniture and Fixtures	10%

(D) Inventory

Supplies purchased are consumed in operations and expended as incurred.

(E) Cash and Investments

The Westville Utility Authority considers Certificate=s of deposits that are not restricted to be short term investments. The investments are stated at cost.

Certificate Number	Maturity Date	Interest Rate	June 30, 2011
47209	6/17/13	3.4%	\$ 159,458
30054	3/08/11	3.95%	12,567
			\$ 172,025

All Cash and Short Term Investments were fully insured or collateralized at June 30, 2011.

(F) Restricted Assets

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.

Restricted assets consist of following cash and short term investments:

Customers Meter Deposits #11721	\$ 47,780
Water Operating Account Reserve Checking	9,730
Sewer Operating Account Reserve Checking	8,973
Water Reserve CD #1946, 1948, and 475 with Peoples Bank	30,000
Sewer Reserve CD #31383 with Peoples Bank	31,778
Sewer Reserve CD #40138 with Peoples Bank	21,058
Water Capital Improvement CD #400075 with People's Bank	15,000
EECBG Account	100
Total Restricted Assets	\$ 164,419

(G) Use of Estimates

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

(H) Loan Cost

Loan cost was incurred to secure financing from various agencies and is recorded as other assets. The cost of these loans is amortized over the life of the loan using the straight line method.

Note 2 - Long-term Debt

(A) Note Payable

The long term debt as of June 30, 2011 consists of the following:

Payable To	Interest Rate	Balance at 6-30-11	Current Portion	Balance Net of Current
Department of Commerce	0%	\$ 62,125	\$ 5,256	\$ 56,869
OWRB	2.197%	275,830	18,740	257,090
USDA Rural Development	4.5%	579,864	26,827	553,037
USDA Rural Development	2.197%	717,383	12,098	705,285
		1,635,202	62,921	1,572,281

(B) Schedule of Maturities of Long-term Debt Due within the next five (5) years are as follows:

2013	\$ 66,009
2014	66,734
2015	59,950
2016	66,734
2017	59,950
Beyond 5 Years	1,384,847
	<u>1,702,486</u>

Note 3 - Accrued Compensated Absences

The annual leave (vacation) policy of the Westville Utility Authority meets the criteria of FASB#43; however, leave records were not available to compute the accrual, and the estimate made of the liability is not material to the overall financial statement presentation.

Note 4 - Retirement Plan - Post Employment Benefits

The Westville Utility Authority contributes to the Oklahoma Municipal Retirement Fund Employee Retirement System (O.M.R.F.), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for governmental entities in the State of Oklahoma.

All regular full-time employees with three month of service or more are covered under a state system are eligible to participate in O.M.R.F. benefits vest after five years of service. Upon vesting, Westville Utility Authority employees who retire at age 65 with 10 or more years of vesting are entitled to annual retirement benefits payable monthly for life in an amount equal to a percent of their average salary during their last year of employment.

These benefit provisions and all other requirements are established by the plan. The total contribution rate for the plan is separated between the employee-paid and Westville Utility Authority-paid portions based on the most recent reported employees contribution rate. The employee contribution rate is set by the plan, and the municipality is committed to meet the long term funding needs of the plan by paying any portion of the contribution not provided by employees.

The total required contribution rate for the 2010-2011 plan year was 9.68% of participant's payroll which results in 5.25% for the employee and 4.43% for the Town.

WESTVILLE UTILITY AUTHORITY TRUST
A COMPONENT OF THE TOWN OF WESTVILLE
COMBINING STATEMENTS OF REVENUE AND EXPENSES
For the Year Ended June 30, 2011

Revenue:	Water Department	Trash Department	Sewer Department	Administrative Department	Totals
Water	382,349	-	-	-	382,349
Sewer	-	-	228,690	-	228,690
Trash	-	192,605	-	-	192,605
Late Charges	-	-	-	34,369	34,369
Gas Billing and Collection Fees	-	-	-	57,720	57,720
Connect & Reconnect Fees	14,470	-	-	-	14,470
Miscellaneous & Other Income	-	-	-	56,363	56,363
Water & Sewer Taps	-	-	-	-	-
Rental	-	-	-	13,856	13,856
Total Revenue	396,819	192,605	228,690	162,308	980,421
Operating Expenses:					
Water Purchases	158,648	-	-	-	158,648
Salaries and Wages	147,365	64,428	41,687	51,619	305,099
Payroll Taxes	11,041	5,044	4,541	4,195	24,821
Employee Benfits	17,674	21,111	6,579	19,790	65,154
Utilities	2,698	-	32,397	23,484	58,578
Insurance	3,896	3,896	4,111	21,129	33,033
Repairs and Maintenance	40,037	12,985	33,481	4,842	91,345
Landfill Expense	-	31,518	-	-	31,518
Office Expense	-	-	-	18,263	18,263
Licenses and Permits	4,664	-	2,380	184	7,228
Professional Fees	-	-	-	14,875	14,875
Trustee Fees	-	-	-	5,690	5,690
Chlorine and Chemicals	-	-	4,975	-	4,975
Truck Expense	6,319	14,640	3,761	230	24,950
Depreciation & Amortization	68,893	25,954	136,759	5,316	236,922
Bad Debts	2,998	2,008	3,568	-	8,573
Lab Fees	4,388	-	2,262	-	6,649
Uniforms	1,723	1,578	1,578	3,747	8,626
Contract Labor	-	-	16,200	-	16,200
Miscellaneous	599	-	635	3,703	4,937
Administration Allocation	788	83	83	(1,190)	(237)
Total Expenses	471,731	183,245	294,993	175,877	1,125,847
Operating Income:	(74,913)	9,360	(66,304)	(13,570)	(145,426)
Non-operating Income Revenue (Expenses)					
Grant Income	-	-	244,923	-	244,923
Investment Income	-	-	-	13,575	13,575
Transfers from Town	-	-	-	-	-
Interest Expense	(32,579)	(1,816)	(32,185)	-	(66,580)
Net Income	(107,491)	7,544	146,434	5	46,492

The accompanying audit report and notes are an integral part of these statements.