

TOWN OF ATOKA, TENNESSEE

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018**

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INTRODUCTORY SECTION

TOWN OF ATOKA, TENNESSEE
TOWN OFFICIALS
JUNE 30, 2018

Mayor

Daryl Walker

Aldermen

Walker Adams
Barry Akin
Marianne Dunavant
Danny Feldmayer
Brett Giannini
Darry Marshall

Department Heads

Town Administrator - Interim
Recorder
Police Chief
Fire Chief
Public Works Director
Parks and Recreation Director

Kasey Culbreath
Debbie Pickard (CMFO Designee)
Jessie Poole
Henry Posey
Daniel Lovett
Cliff Evans

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Daryl Walker, Mayor
Members of the Board of Aldermen
Town of Atoka, Tennessee
Atoka, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Atoka, Tennessee as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Atoka, Tennessee's basic financial statements 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 judgement, 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, 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 statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Atoka, Tennessee as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2018, the Town of Atoka adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability (asset) and related ratios based on participation in the public employee pension plan of TCRS, schedule of contributions based on participation in the public employee pension plan of TCRS, and schedule of changes in total OPEB liability and related ratios on pages 5 through 12 and 52 through 56 be presented to supplement the basic 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Atoka, Tennessee's basic financial statements. The introductory section, combining fund financial statements, schedules, nonaccounting information, and management's corrective action plan are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining fund financial statements and schedules are the responsibility of management and were derived from and relate 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 our opinion, the combining fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section, nonaccounting information, and management's corrective action plan have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2019 on our consideration of the Town of Atoka, Tennessee'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 solely 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 effectiveness of 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 Town of Atoka, Tennessee's internal control over financial reporting and compliance.

Whitehorn Tankusley & Davis, PLLC

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

Our discussion and analysis of the Town of Atoka, Tennessee's (the "Town") financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the Town's financial statements, which begin on page 13.

FINANCIAL HIGHLIGHTS

- The Town's total net position decreased by approximately \$226,000, or 1 percent, from approximately \$24,130,000 to \$23,904,000 as a result of this year's operations. Net position of our business-type activities decreased approximately 2 percent, and net position of our governmental activities decreased less than 1 percent.
- During the year, the Town had revenues that were approximately \$52,000 more than total expenses for governmental programs and activities.
- For the Town's business-type activities, expenses exceeded revenues by approximately \$215,000.
- Total revenues and transfers in for our governmental operations were approximately \$605,000 less than projected budgeted revenues for the year, but expenditures and transfers out were approximately \$718,000 less than projected budgeted expenditures.
- The total net cost of running the Town of Atoka for the year ending June 30, 2018 (total cost of business-type and governmental programs net of direct program revenues) was approximately \$4,521,000.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 13 and 14) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements begin on page 15. These fund financial statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements and other information provide financial information that is required by the state and other regulatory bodies.

REPORTING THE TOWN AS A WHOLE

Our analysis of the Town as a whole begins on page 7. One of the most important questions asked about its finances is "Is the Town as a whole better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town 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

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS- CONTINUED
YEAR ENDED JUNE 30, 2018**

year's revenues and expenses are taken into account regardless of when cash is received or paid, often into the future.

These two statements report the Town's net position and changes in them. The Town's net position, the difference between assets and liabilities, is one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities:

- **Governmental activities** - Most of the Town's basic services are reported here, including general administration, police, fire, public works, and parks departments. Property taxes, sales taxes, and grants finance most of these activities.
- **Business-type activities** - The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's Water-Sewer system is reported here.

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

Our analysis of the Town's major funds begins on page 10. The fund financial statements provide detailed information about the most significant funds, not the Town as a whole. Some funds are required to be established by state law and by bond covenants. However, the Mayor and Board of Aldermen establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds, governmental and proprietary, use different accounting approaches.

- **Governmental funds** - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The individual governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations to the fund financial statements.
- **Proprietary funds** - When the Town charges customers for the services it provides - whether to outside customers or to other units of the Town - these services are generally reported in

TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2018

proprietary funds. These funds are reported using full accrual accounting. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise fund (Water-Sewer Fund) is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE TOWN AS A WHOLE

The Town's combined net position decreased from a year ago from approximately \$24,130,000 to \$23,904,000. Looking at the net position and net expenses of governmental and business-type activities separately, however, is necessary because state laws prohibit intermingling the assets, and each activity must stand on its own. Our analysis below focuses on the net position (Table 1) changes from the prior year.

Table 1
Net Position
(in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 5,963	\$ 5,949	\$ 3,778	\$ 3,816	\$ 9,741	\$ 9,765
Capital assets	16,166	15,612	8,517	8,824	24,683	24,436
Other assets	103	79	17	24	120	103
Total assets	<u>22,232</u>	<u>21,640</u>	<u>12,312</u>	<u>12,664</u>	<u>34,544</u>	<u>34,304</u>
Deferred outflows ...	<u>429</u>	<u>352</u>	<u>71</u>	<u>69</u>	<u>500</u>	<u>421</u>
Long-term debt	5,371	5,632	2,666	2,819	8,037	8,451
Other liabilities	<u>628</u>	<u>425</u>	<u>217</u>	<u>180</u>	<u>845</u>	<u>605</u>
Total liabilities ...	<u>5,999</u>	<u>6,057</u>	<u>2,883</u>	<u>2,999</u>	<u>8,882</u>	<u>9,056</u>
Deferred inflows ...	<u>2,245</u>	<u>1,516</u>	<u>13</u>	<u>23</u>	<u>2,258</u>	<u>1,539</u>
Net Position						
Net investment in capital assets	10,795	9,980	5,823	6,005	16,618	15,985
Restricted	394	313	5	1	399	314
Unrestricted	<u>3,228</u>	<u>4,126</u>	<u>3,659</u>	<u>3,705</u>	<u>6,887</u>	<u>7,831</u>
Total Net Position	<u>\$ 14,417</u>	<u>\$ 14,419</u>	<u>\$ 9,487</u>	<u>\$ 9,711</u>	<u>\$ 23,904</u>	<u>\$ 24,130</u>

Table 2
Changes in Net Position
(in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program revenues						
Charges for services	\$ 951	\$ 674	\$ 2,020	\$ 2,005	\$ 2,971	\$ 2,679

TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2018

Table 2
Changes in Net Position - Continued
(in Thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Program revenues - continued						
Operating grants and contributions	\$ 409	\$ 316	\$ -	\$ -	\$ 409	\$ 316
Capital grants and contributions	146	444	-	-	146	444
General revenues						
Local taxes	3,360	3,218	-	-	3,360	3,218
Intergovernmental revenues	945	828	-	-	945	828
Gain on disposal on capital assets	-	9	-	-	-	9
Other general revenues	31	45	22	24	53	69
Total revenues	<u>5,842</u>	<u>5,534</u>	<u>2,042</u>	<u>2,029</u>	<u>7,884</u>	<u>7,563</u>
Program expenses						
General government	670	676	-	-	670	676
Public safety	2,869	2,736	-	-	2,869	2,736
Solid waste	326	244	-	-	326	244
Highways and streets	1,051	883	-	-	1,051	883
Health, welfare recreation and education	736	597	-	-	736	597
Grants and19 contributions	19	19	-	-	19	19
Interest	119	95	-	-	119	95
Water-sewer	-	-	2,257	1,976	2,257	1,976
Total expenses	<u>5,790</u>	<u>5,250</u>	<u>2,257</u>	<u>1,976</u>	<u>8,047</u>	<u>7,226</u>
Increase (decrease) in net position	<u>\$ 52</u>	<u>\$ 284</u>	<u>\$ (215)</u>	<u>\$ 53</u>	<u>\$ (163)</u>	<u>\$ 337</u>

GOVERNMENTAL ACTIVITIES - (TOWN AS A WHOLE)

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the Town's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are as follows:

FUNCTION

SPECIFIC REVENUES

General government

Charges for permits and various fees.

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2018**

<u>FUNCTION</u>	<u>SPECIFIC REVENUES</u>
Public safety	Police fines and forfeitures; grants are listed under both operating grants and contributions and capital grants and contributions.
Solid waste	Charges for solid waste pickup.
Highways and streets	Specific operating grants include gas taxes since the State of Tennessee imposes this tax, and gas taxes are reported as an operating grant specific to streets.
Health, welfare, recreation and education	Parks and recreation fees; grants are listed as capital grants and contributions.

All other governmental revenues are reported as General Revenues.

The cost of all governmental activities this year was \$5,789,710. However, as shown in the Statement of Activities on page 14, the amount that our taxpayers ultimately financed for these activities through Town taxes was only \$4,284,376 because some of the cost was paid by those who directly benefitted from the programs (\$950,799) or by other governments and organizations that subsidized certain programs with either operating grants and contributions (\$408,977) or capital grants and contributions (\$145,558). The Town paid for the remaining "public benefit" portion of governmental activities.

Table 3 represents the cost of each of the Town's functions as well as each function's net cost which shows the financial burden that was placed on the Town's taxpayers by each of these functions.

**Table 3
Governmental Activities
(in Thousands)**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
General government	\$ 670	\$ 676	\$ 498	\$ 628
Public safety	2,869	2,736	2,699	2,535
Solid waste	326	244	(148)	(168)
Highways and streets	1,051	883	714	620
Health, welfare, recreation and education	736	597	383	87
Grants and contributions	19	19	19	19
Interest	119	95	119	95
Totals	<u>\$ 5,790</u>	<u>\$ 5,250</u>	<u>\$ 4,284</u>	<u>\$ 3,816</u>

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2018**

THE TOWN'S FUNDS

Water-Sewer Fund

Operating revenues of the Town's Water-Sewer Fund increased by approximately \$15,000 (7%) from revenues of the prior year. The Town's Water-Sewer Fund operating expenses during the current year increased by approximately \$278,000 (14%).

Governmental Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet on page 15) reported a combined fund balance of \$3,218,206 which is a decrease from last year's total of \$4,056,120. The chief reasons for this decrease are given below. It must be pointed out that this decrease in governmental fund balances \$837,914 is different from the increase in net position of governmental activities \$51,515 because of two differences in the measurement basis of these funds. The measurement basis used in fund balances go to the immediate future - 60 days - to measure assets on hand or immediately realizable at June 30, 2018 and do not take into account governmental capital assets and depreciation, since in this basis capital asset acquisitions are considered expenditures when incurred, and the asset is not recognized as carrying value into future periods. Also, depreciation is not recognized since the assets were considered "expensed" when acquired. A detail explanation of these differences is given in the reconciliation on page 18.

The chief reason for the decrease in fund balances of \$837,914 from the year ending June 30, 2017 is that expenditures increased by approximately \$705,000, due primarily to necessary capital expenditures for highways and streets infrastructure and repairs.

GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS

Revenues and transfers in for the year were approximately \$760,000 below original budgeted revenues and transfers in. The most significant variance was lower intergovernmental revenues.

Expenditures and transfers out for the year were approximately \$276,000 below original budgeted expenditures and transfers out. The most significant variances were in public safety, highways and streets; and health, welfare, recreation and education expenditures.

TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At year end, the Town had approximately \$24,684,000 invested in capital assets, including police and fire equipment, buildings, park facilities, and water and sewer lines. (See Table 4 below.) This amount represents a net increase from last year of approximately \$248,000.

Table 4
Capital Assets at Year-end
(Net of Depreciation, in Thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 1,248	\$ 1,248	\$ 35	\$ 35	\$ 1,283	\$ 1,283
Construction in progress	605	111	28	-	633	111
Buildings and improvements	6,413	6,574	289	299	6,702	6,873
Vehicles and equipment	1,078	1,073	189	169	1,267	1,242
Infrastructure	6,823	6,606	-	-	6,823	6,606
Water-Sewer System	-	-	7,976	8,321	7,976	8,321
Totals	<u>\$ 16,167</u>	<u>\$ 15,612</u>	<u>\$ 8,517</u>	<u>\$ 8,824</u>	<u>\$ 24,684</u>	<u>\$ 24,436</u>

This year's major changes for governmental activities included an approximately \$494,000 increase in construction in progress, \$136,000 increase in equipment, \$94,000 increase in vehicles, \$427,000 increase in infrastructure, and a \$14,000 increase in buildings. Additions for business-type activities related primarily to new equipment purchases of approximately \$67,000 and additions to construction in progress of approximately \$28,000.

Debt

At year end the Town had approximately \$8,038,000 in debt outstanding versus approximately \$8,450,000 last year, a net decrease of approximately \$412,000 as shown in Table 5, due to current year payments made on existing debt.

Table 5
Debt Outstanding at Year-end
(in Thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenue Bonds and Notes (backed by specific tax and fee revenues)	<u>\$ 5,372</u>	<u>\$ 5,631</u>	<u>\$ 2,666</u>	<u>\$ 2,819</u>	<u>\$ 8,038</u>	<u>\$ 8,450</u>

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2018**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Anticipated revenues and other financing sources for Fiscal Year End June 30, 2019 governmental funds are approximately \$2,110,000 more than the final revenues and other financing sources for the year ended June 30, 2018. This increase reflects additional grant funding and a property tax rate increase.

Anticipated expenditures for Fiscal Year End June 30, 2019 governmental funds are approximately \$1,552,000 more than the final expenditures for the year ended June 30, 2018. The primary reason for this increase is due to increased capital outlay expenditures for highways and streets and parks and recreation.

During August 2018, a contract was awarded in the amount of approximately \$81,000 for drainage work within Town limits.

During December 2018, a contract was awarded in the amount of approximately \$591,000 for upgrades to water meters and billing software.

During January 2019, a contract was awarded in the amount of approximately \$56,000 for the purchase of two vehicles for the police department.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional information, contact the Recorder's Office at City Hall.

BASIC FINANCIAL STATEMENTS

TOWN OF ATOKA, TENNESSEE
STATEMENT OF NET POSITION
JUNE 30, 2018

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash in bank	\$ 3,196,827	\$ 3,070,406	\$ 6,267,233
Investments - certificates of deposit	-	469,840	469,840
Taxes receivable, net	2,169,193	-	2,169,193
Accounts receivable, net	40,632	169,451	210,083
Receivables from other governments	523,087	-	523,087
Grants receivable	30,562	-	30,562
Inventory	-	69,718	69,718
Internal balances	1,833	(1,833)	-
Restricted assets			
Capital assets not being depreciated			
Land	1,248,246	35,000	1,283,246
Construction in progress	604,741	27,500	632,241
Capital assets (net of accumulated depreciation)			
Buildings and improvements	6,412,627	289,248	6,701,875
Vehicles and equipment	1,078,056	189,145	1,267,201
Infrastructure	6,822,720	-	6,822,720
Utility plant in service	-	7,975,921	7,975,921
Net pension asset	103,412	17,225	120,637
TOTAL ASSETS	22,231,936	12,311,621	34,543,557
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	428,318	71,343	499,661
Deferred outflows - OPEB	575	94	669
TOTAL DEFERRED OUTFLOWS OF RESOURCES	428,893	71,437	500,330
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 22,660,829	\$ 12,383,058	\$ 35,043,887
LIABILITIES			
Accounts payable	\$ 410,888	\$ 124,228	\$ 535,116
Accrued expenses	154,896	39,694	194,590
Customer deposits	-	42,721	42,721
Net OPEB liability	61,855	10,069	71,924
Bonds payable			
Due within one year	264,420	156,437	420,857
Due in more than one year	5,107,316	2,509,955	7,617,271
TOTAL LIABILITIES	5,999,375	2,883,104	8,882,479
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property tax	2,168,027	-	2,168,027
Deferred inflows - pension	73,431	12,231	85,662
Deferred inflows - OPEB	3,722	606	4,328
TOTAL DEFERRED INFLOWS OF RESOURCES	2,245,180	12,837	2,258,017
NET POSITION			
Net investment in capital assets	10,794,654	5,822,922	16,617,576
Restricted for			
Solid waste expenditures	185,142	-	185,142
Street expenditures	60,501	-	60,501
Drug enforcement	87,375	-	87,375
Grant programs	30,562	-	30,562
Pensions	29,981	4,994	34,975
Unrestricted	3,228,059	3,659,201	6,887,260
TOTAL NET POSITION	14,416,274	9,487,117	23,903,391
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 22,660,829	\$ 12,383,058	\$ 35,043,887

See notes to financial statements

TOWN OF ATOKA, TENNESSEE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental activities							
General government	\$ 670,383	\$ 172,410	\$ -	\$ -	\$ (497,973)	\$ -	\$ (497,973)
Public safety	2,868,939	97,400	72,213	-	(2,699,326)	-	(2,699,326)
Solid waste	325,938	474,313	-	-	148,375	-	148,375
Highways and streets	1,050,876	-	336,764	-	(714,112)	-	(714,112)
Health, welfare, recreation and education	735,650	206,676	-	145,558	(383,416)	-	(383,416)
Grants and contributions	19,155	-	-	-	(19,155)	-	(19,155)
Interest	118,769	-	-	-	(118,769)	-	(118,769)
TOTAL GOVERNMENTAL ACTIVITIES	5,789,710	950,799	408,977	145,558	(4,284,376)	-	(4,284,376)
Business-type activities							
Water-sewer system	2,257,238	2,020,305	-	-	-	(236,933)	(236,933)
TOTAL BUSINESS-TYPE ACTIVITIES	2,257,238	2,020,305	-	-	-	(236,933)	(236,933)
TOTAL GOVERNMENT	\$ 8,046,948	\$ 2,971,104	\$ 408,977	\$ 145,558	(4,284,376)	(236,933)	(4,521,309)
GENERAL REVENUES							
Taxes							
Sales taxes					2,420,008	-	2,420,008
Property taxes					1,460,196	-	1,460,196
Alcoholic beverage taxes					299,422	-	299,422
TVA taxes					107,430	-	107,430
Cable TV taxes					9,306	-	9,306
Income and excise taxes					9,070	-	9,070
Insurance recoveries					4,751	-	4,751
Investment earnings					12,971	22,444	35,415
Miscellaneous					12,737	-	12,737
TOTAL GENERAL REVENUES					4,335,891	22,444	4,358,335
CHANGE IN NET POSITION					51,515	(214,489)	(162,974)
NET POSITION							
Balance at July 1, 2017					14,419,570	9,710,529	24,130,099
Cumulative effect of a change in accounting principle (Note 1)					(54,811)	(8,923)	(63,734)
Balance at July 1, 2017, as restated					14,364,759	9,701,606	24,066,365
Balance at June 30, 2018					\$ 14,416,274	\$ 9,487,117	\$ 23,903,391

See notes to financial statements

TOWN OF ATOKA, TENNESSEE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>GENERAL FUND</u>	<u>OTHER GOVERN- MENTAL FUNDS</u>	<u>TOTAL GOVERN- MENTAL FUNDS</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 2,922,133	\$ 274,694	\$ 3,196,827
Accounts receivable, net	-	40,632	40,632
Taxes receivable, net	2,169,193	-	2,169,193
Receivables from other governments	467,285	55,802	523,087
Grants receivable	30,562	-	30,562
Due from other funds	<u>3,523</u>	<u>-</u>	<u>3,523</u>
TOTAL ASSETS	<u>\$ 5,592,696</u>	<u>\$ 371,128</u>	<u>\$ 5,963,824</u>
LIABILITIES			
Accounts payable	\$ 374,468	\$ 36,420	\$ 410,888
Accrued expenses	154,896	-	154,896
Due to other funds	<u>-</u>	<u>1,690</u>	<u>1,690</u>
TOTAL LIABILITIES	<u>529,364</u>	<u>38,110</u>	<u>567,474</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue			
Property taxes	2,168,027	-	2,168,027
State income tax	5,113	-	5,113
Grants	<u>5,004</u>	<u>-</u>	<u>5,004</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,178,144</u>	<u>-</u>	<u>2,178,144</u>
FUND BALANCE			
Restricted			
Solid waste expenditures	-	185,142	185,142
Street expenditures	-	60,501	60,501
Drug enforcement	-	87,375	87,375
Grant programs	25,558	-	25,558
Assigned			
Parks and recreation	286,239	-	286,239
Fire department	211,910	-	211,910
Subsequent year budget deficit	299,844	-	299,844
Unassigned	<u>2,061,637</u>	<u>-</u>	<u>2,061,637</u>
TOTAL FUND BALANCE	<u>2,885,188</u>	<u>333,018</u>	<u>3,218,206</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 5,592,696</u>	<u>\$ 371,128</u>	<u>\$ 5,963,824</u>

See notes to financial statements

**TOWN OF ATOKA, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

	<u>TOTAL GOVERNMENTAL FUNDS</u>
TOTAL FUND BALANCE	
TOTAL GOVERNMENTAL FUNDS	\$ 3,218,206
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	16,166,390
Long-term liabilities, including lease obligations payable, are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet	(5,371,736)
The net OPEB liability is not due and payable in the current period and therefore is not reported in the governmental funds balance sheet	(61,855)
Deferred outflows of resources related to pensions in which the consumption of net position will occur in a future period; therefore, it is not reported in the governmental funds	428,318
Deferred outflows of resources related to OPEB in which the consumption of net position will occur in a future period; therefore, it is not reported in the governmental funds	575
Deferred inflows of resources related to pensions in which the acquisition of net position will occur in future periods; therefore, it is not reported in the governmental funds	(73,431)
Deferred inflows of resources related to OPEB in which the acquisition of net position will occur in future periods: therefore it is not reported in governmental funds	(3,722)
The net pension asset is not a financial resource and, therefore, is not reported in the governmental funds	103,412
Unavailable revenues are not available to pay for current period expenditures and therefore are reported as deferred inflows of resources in the funds.	<u>10,117</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 14,416,274</u></u>

See notes to financial statements

TOWN OF ATOKA TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	<u>GENERAL FUND</u>	<u>OTHER GOVERN- MENTAL FUNDS</u>	<u>TOTAL GOVERN- MENTAL FUNDS</u>
REVENUES			
Local taxes	\$ 3,359,711	\$ -	\$ 3,359,711
Licenses and permits	69,100	-	69,100
Intergovernmental revenues	1,184,075	321,852	1,505,927
Charges of services	294,876	474,313	769,189
Fines and forfeitures	68,228	7,880	76,108
Miscellaneous revenues	40,193	21,917	62,110
TOTAL REVENUES	<u>5,016,183</u>	<u>825,962</u>	<u>5,842,145</u>
EXPENDITURES			
Current			
General government	596,437	-	596,437
Public safety	2,760,244	26,895	2,787,139
Solid waste	-	325,938	325,938
Highways and streets	1,549,533	282,608	1,832,141
Health, welfare, recreation, and education	745,597	-	745,597
Grants and contributions	19,155	-	19,155
Debt service	378,403	-	378,403
TOTAL EXPENDITURES	<u>6,049,369</u>	<u>635,441</u>	<u>6,684,810</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,033,186)	190,521	(842,665)
OTHER FINANCING SOURCES (USES)			
Transfers in	150,000	-	150,000
Insurance recoveries	4,751	-	4,751
Transfers out	-	(150,000)	(150,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>154,751</u>	<u>(150,000)</u>	<u>4,751</u>
NET CHANGE IN FUND BALANCE	(878,435)	40,521	(837,914)
FUND BALANCE			
Balance at July 1, 2017	<u>3,763,623</u>	<u>292,497</u>	<u>4,056,120</u>
Balance at June 30, 2018	<u>\$ 2,885,188</u>	<u>\$ 333,018</u>	<u>\$ 3,218,206</u>

See notes to financial statements

TOWN OF ATOKA, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

NET CHANGE IN FUND BALANCE -
TOTAL GOVERNMENTAL FUNDS \$ (837,914)

AMOUNTS REPORTED FOR GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF ACTIVITIES
ARE DIFFERENT BECAUSE:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlays capitalized	1,165,497
Depreciation expense	(611,007)

The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to the governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Loan proceeds	-
Loan principal payments	259,634

The payment of pension contributions consumes current financial resources in the governmental funds. These transactions do not have any effect on net position but are considered deferred outflows of resources

154,584

The actuarially determined pension expense does not consume current financial resources and, therefore, is not reported in the governmental funds

(63,418)

The actuarially determined OPEB expense does not consume current financial resources and, therefore, is not reported in the governmental funds

(10,190)

Some revenues will not be collected for several months after the Town's fiscal year end and are reported as unavailable revenues in the funds.

This is the net difference between the amounts unavailable in the current and prior year

(5,671)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 51,515

See notes to financial statements

**TOWN OF ATOKA, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY (WATER-SEWER) FUND
JUNE 30, 2018**

ASSETS**CURRENT ASSETS**

Cash and cash equivalents	\$ 3,070,406
Investments - certificates of deposit	469,840
Accounts receivable, net	169,451
Inventory	69,718
Due from other funds	<u>1,690</u>
TOTAL CURRENT ASSETS	<u>3,781,105</u>

RESTRICTED ASSETS

Net pension asset	<u>17,225</u>
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NONCURRENT ASSETS**Capital Assets****Not being depreciated**

Land	35,000
Construction in progress	<u>27,500</u>
	<u>62,500</u>

Being depreciated

Buildings and improvements	348,847
Vehicles and equipment	619,304
Utility plant in service	12,071,002
Less accumulated depreciation	<u>(4,584,839)</u>

Total Capital Assets, Net of

Accumulated Depreciation	<u>8,454,314</u>
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TOTAL NONCURRENT ASSETS	<u>8,516,814</u>
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TOTAL ASSETS	<u>12,315,144</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows - pension	71,343
Deferred outflows - OPEB	<u>94</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>71,437</u>

TOTAL ASSETS AND DEFERRED

OUTFLOWS OF RESOURCES	<u>\$ 12,386,581</u>
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See notes to financial statements

**TOWN OF ATOKA, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY (WATER-SEWER) FUND - CONTINUED
JUNE 30, 2018**

LIABILITIES**CURRENT LIABILITIES**

Accounts payable	\$ 124,228
Accrued expenses	39,694
Revenue bonds payable - current portion	156,437
Customer deposits	42,721
Due to other funds	<u>3,523</u>
TOTAL CURRENT LIABILITIES	<u>366,603</u>

NONCURRENT LIABILITIES

Long term revenue bonds, less current portion	2,509,955
Net OPEB liability	<u>10,069</u>
TOTAL NONCURRENT LIABILITIES	<u>2,520,024</u>
TOTAL LIABILITIES	<u>2,886,627</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows - pension	12,231
Deferred inflows - OPEB	<u>606</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>12,837</u>

NET POSITION

Net investment in capital assets	5,822,922
Restricted for pension	4,994
Unrestricted	<u>3,659,201</u>
TOTAL NET POSITION	<u>9,487,117</u>

TOTAL LIABILITIES, DEFERRED INFLOWS

OF RESOURCES, AND NET POSITION	<u>\$ 12,386,581</u>
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See notes to financial statements

TOWN OF ATOKA, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY (WATER-SEWER) FUND
YEAR ENDED JUNE 30, 2018

OPERATING REVENUES

Metered sales and service	\$ 1,816,109
Connection fees	85,890
Tap fees	88,200
Penalties	27,874
Other operating income	<u>2,232</u>
TOTAL OPERATING REVENUES	<u>2,020,305</u>

OPERATING EXPENSES

Salaries and wages	380,658
Fringes	125,892
Maintenance services and supplies	347,869
Water purchased	422,416
Sewer fees	168,553
Office supplies	135,843
Utilities	86,873
Insurance	38,641
Legal and professional services	58,257
Depreciation	400,849
Miscellaneous	<u>45,153</u>
TOTAL OPERATING EXPENSES	<u>2,211,004</u>

OPERATING (LOSS) (190,699)

NONOPERATING REVENUES (EXPENSES)

Interest income	22,444
Interest expense	<u>(46,234)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(23,790)</u>

CHANGE IN NET POSITION (214,489)

NET POSITION

Balance at July 1, 2017, as previously reported	9,710,529
Cumulative effect of a change in accounting principle (Note 1)	<u>(8,923)</u>
Balance at July 1, 2017, as restated	<u>9,701,606</u>
Balance at June 30, 2018	<u><u>\$ 9,487,117</u></u>

See notes to financial statements

**TOWN OF ATOKA, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY (WATER - SEWER) FUND
YEAR ENDED JUNE 30, 2018**

CASH FLOWS FROM

OPERATING ACTIVITIES

Cash received from customers	\$ 2,018,377
Cash payments to suppliers	(1,420,310)
Cash payments to employees for services	(380,557)
Cash payments for taxes	<u>(27,984)</u>
Net cash provided by operating activities	<u>189,526</u>

CASH FLOWS FROM NONCAPITAL

FINANCING ACTIVITIES

Increase in due to other funds	3,523
Decrease in due from other funds	<u>569</u>
Net cash provided by noncapital financing activities	<u>4,092</u>

CASH FLOWS FROM CAPITAL AND

RELATED FINANCING ACTIVITIES

Purchase of capital assets	(66,468)
Payments on principal of long-term debt	(152,865)
Interest and fee payments on long-term debt	<u>(46,315)</u>
Net cash (used) by capital and related financing activities	<u>(265,648)</u>

CASH FLOWS FROM

INVESTING ACTIVITIES

Purchases of investments	(1,172)
Interest received	<u>22,444</u>
Net cash provided by investing activities	<u>21,272</u>

NET (DECREASE) IN CASH AND

CASH EQUIVALENTS	(50,758)
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CASH AND CASH EQUIVALENTS -

JULY 1, 2017	<u>3,121,164</u>
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CASH AND CASH EQUIVALENTS -

JUNE 30, 2018	<u>\$ 3,070,406</u>
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See notes to financial statements

TOWN OF ATOKA, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY (WATER -SEWER) FUND - CONTINUED
YEAR ENDED JUNE 30, 2018

**RECONCILIATION OF OPERATING
(LOSS) TO NET CASH PROVIDED
BY OPERATING ACTIVITIES**

Operating (loss)	\$ (190,699)
Adjustments to reconcile operating (loss) to net cash provided by operating activities	
Depreciation	400,849
Net change in pension related accounts	(7,169)
Net changes in OPEB related accounts	1,658
(Increase) decrease in accounts receivable	(1,928)
(Increase) decrease in inventory	(13,057)
Increase (decrease) in accounts payable	(229)
Increase (decrease) in accrued expenses	<u>101</u>
Total adjustments	<u>380,225</u>
Net cash provided by operating activities	<u>\$ 189,526</u>

**NONCASH INVESTING, CAPITAL
AND FINANCING ACTIVITIES**

Liabilities incurred for acquisition of capital assets	\$ 27,500
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See notes to financial statements

TOWN OF ATOKA, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
REVENUES				
Local taxes				
Property taxes	\$ -	\$ -	\$ 1,460,196	\$ -
Local sales tax	-	-	1,611,726	-
Wholesale beer tax	-	-	182,473	-
Wholesale liquor tax	-	-	96,010	-
Cable TV franchise tax	-	-	9,306	-
	<u>3,211,500</u>	<u>3,211,500</u>	<u>3,359,711</u>	<u>148,211</u>
Intergovernmental revenues				
State income and excise tax	-	-	13,872	-
State beer tax	-	-	4,420	-
State mixed drink tax	-	-	16,519	-
Petroleum special	-	-	19,062	-
State sales tax	-	-	808,282	-
State reimbursements	-	-	18,000	-
TVA tax	-	-	107,430	-
County grants	-	-	49,127	-
State grants	-	-	1,805	-
Federal grants	-	-	145,558	-
	<u>2,218,627</u>	<u>2,218,627</u>	<u>1,184,075</u>	<u>(1,034,552)</u>
Charges for services				
Parks and recreation	-	-	206,676	-
Rent income	-	-	88,200	-
	<u>261,000</u>	<u>261,000</u>	<u>294,876</u>	<u>33,876</u>
Fines and forfeitures	<u>65,000</u>	<u>65,000</u>	<u>68,228</u>	<u>3,228</u>
Licenses and permits	<u>57,500</u>	<u>57,500</u>	<u>69,100</u>	<u>11,600</u>
Other				
Interest income	-	-	11,778	-
Miscellaneous	-	-	28,415	-
	<u>63,000</u>	<u>63,000</u>	<u>40,193</u>	<u>(22,807)</u>
TOTAL REVENUES	<u>5,876,627</u>	<u>5,876,627</u>	<u>5,016,183</u>	<u>(860,444)</u>
EXPENDITURES				
General government				
Legislative board				
Personal services	-	-	36,280	-
Contractual services	-	-	9,160	-
	<u>46,450</u>	<u>46,450</u>	<u>45,440</u>	<u>(1,010)</u>
Judicial				
Personal services	-	-	4,200	-
Contractual services	-	-	10,936	-
	<u>16,200</u>	<u>16,200</u>	<u>15,136</u>	<u>(1,064)</u>

Note: The budgetary basis of accounting is the same as the accounting basis used for fund reporting purposes.

See notes to financial statements

TOWN OF ATOKA, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - CONTINUED
YEAR ENDED JUNE 30, 2018

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
EXPENDITURES - CONTINUED				
General government - continued				
Finance and administration				
Personal services	\$ -	\$ -	\$ 157,663	\$ -
Contractual services	-	-	172,008	-
Supplies	-	-	57,201	-
Fixed charges	-	-	25,341	-
	<u>389,538</u>	<u>521,336</u>	<u>412,213</u>	<u>(109,123)</u>
Planning and inspection				
Personal services	-	-	74,554	-
Contractual services	-	-	22,136	-
Supplies	-	-	17,199	-
Fixed charges	-	-	3,564	-
Capital outlay	-	-	6,195	-
	<u>140,690</u>	<u>140,690</u>	<u>123,648</u>	<u>(17,042)</u>
Total general government	<u>592,878</u>	<u>724,676</u>	<u>596,437</u>	<u>(128,239)</u>
Public safety				
Police				
Personal services	-	-	1,233,330	-
Contractual services	-	-	127,084	-
Supplies	-	-	106,046	-
Fixed charges	-	-	70,464	-
Capital outlay	-	-	59,197	-
	<u>1,673,233</u>	<u>1,773,233</u>	<u>1,596,121</u>	<u>(177,112)</u>
Fire				
Personal services	-	-	902,787	-
Contractual services	-	-	75,368	-
Supplies	-	-	97,951	-
Fixed charges	-	-	41,866	-
Capital outlay	-	-	46,151	-
	<u>1,196,608</u>	<u>1,296,608</u>	<u>1,164,123</u>	<u>(132,485)</u>
Total public safety	<u>2,869,841</u>	<u>3,069,841</u>	<u>2,760,244</u>	<u>(309,597)</u>
Highways and streets				
Streets				
Personal services	-	-	274,579	-
Contractual services	-	-	226,760	-
Supplies	-	-	91,479	-
Fixed charges	-	-	13,591	-
Capital outlay	-	-	943,124	-
	<u>1,604,095</u>	<u>1,714,095</u>	<u>1,549,533</u>	<u>(164,562)</u>

Note: The budgetary basis of accounting is the same as the accounting basis used for fund reporting purposes.

See notes to financial statements

TOWN OF ATOKA, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - CONTINUED
YEAR ENDED JUNE 30, 2018

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
EXPENDITURES - CONTINUED				
Health, welfare, recreation and education				
Parks and recreation				
Personal services	\$ -	\$ -	\$ 262,362	\$ -
Contractual services	-	-	86,761	-
Supplies	-	-	273,226	-
Fixed charges	-	-	12,417	-
Capital outlay	-	-	110,831	-
Total health, welfare, recreation and education	<u>959,936</u>	<u>959,936</u>	<u>745,597</u>	<u>(214,339)</u>
Grants and contributions				
Donations	-	-	19,155	-
Total grants and contributions	<u>20,000</u>	<u>20,000</u>	<u>19,155</u>	<u>(845)</u>
Debt service				
Principal	-	-	259,634	-
Interest	-	-	118,769	-
Total debt service	<u>337,750</u>	<u>337,750</u>	<u>378,403</u>	<u>40,653</u>
TOTAL EXPENDITURES	<u>6,384,500</u>	<u>6,826,298</u>	<u>6,049,369</u>	<u>(776,929)</u>
EXCESS OF REVENUES				
(UNDER) EXPENDITURES	<u>(507,873)</u>	<u>(949,671)</u>	<u>(1,033,186)</u>	<u>(83,515)</u>
OTHER FINANCING SOURCES				
Transfers in	150,000	150,000	150,000	-
Insurance proceeds	-	-	4,751	4,751
TOTAL OTHER				
FINANCING SOURCES	<u>150,000</u>	<u>150,000</u>	<u>154,751</u>	<u>4,751</u>
NET CHANGE IN FUND BALANCE	<u>(357,873)</u>	<u>(799,671)</u>	<u>(878,435)</u>	<u>(78,764)</u>
FUND BALANCE				
Balance at July 1, 2017	<u>3,763,623</u>	<u>3,763,623</u>	<u>3,763,623</u>	<u>-</u>
Balance at June 30, 2018	<u>\$ 3,405,750</u>	<u>\$ 2,963,952</u>	<u>\$ 2,885,188</u>	<u>\$ (78,764)</u>

Note: The budgetary basis of accounting is the same as the accounting basis used for fund reporting purposes.

See notes to financial statements

**TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL STATEMENT - The Town of Atoka, Tennessee, (the "Town") complies with accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Town applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect). The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

SCOPE OF REPORTING ENTITY - The Town's financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity include whether:

- The organization is legally separate (can sue and be sued in their own name).
- The Town holds the corporate powers of the organization.
- The Town appoints a voting majority of the organization's board.
- The Town is able to impose its will on the organization.
- The organization has the potential to impose a financial benefit/burden on the Town.
- There is fiscal dependency by the organization on the Town.

Based on the aforementioned criteria, the Town has no component units. Local schools are County owned and operated, and there are no other related entities or agencies whereby the Town is considered to exercise financial accountability.

BASIS OF PRESENTATION - The Town's basis of presentation differs as to whether government-wide or fund financial statements are presented.

GOVERNMENT-WIDE FINANCIAL STATEMENTS - In the government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities), both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts - net investment in capital assets, restricted net position, and unrestricted net position. All interfund balances are eliminated in the government-wide Statement of Net Position.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's governmental functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses including depreciation by related program revenues, operating, and capital grants. Program revenues must

**TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

GOVERNMENT-WIDE FINANCIAL STATEMENTS - CONTINUED

be directly associated with the governmental function or a business-type activity. Operating grants include operating-specific and discretionary grants while the capital grants column reflects capital specific grants.

The net costs by function or business-type activity are normally covered by general revenue such as property and sales taxes, intergovernmental revenues, and interest income.

The Town does not allocate indirect costs but specific costs are charged to each department as this government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

FUND FINANCIAL STATEMENTS - Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined; or
- The Town officials may select any other fund not meeting the above criteria as a major fund if the officials believe the fund is of particular importance to financial statement users.

Based on the above-mentioned criteria, Town officials believe that the only major funds for the Town are the General Fund and the Water-Sewer Fund.

The Town had the following funds at year end:

GOVERNMENTAL FUNDS

General Fund - The General Fund is the primary operating fund of the Town and is used to account for all activities except those legally or administratively required to be accounted for in other funds.

**TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FUND FINANCIAL STATEMENTS - CONTINUED

GOVERNMENTAL FUNDS - CONTINUED

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for certain purposes. For the current year the following were in existence:

Solid Waste Fund, used to account for the receipts and expenditures of the Town's solid waste removal services. Solid waste disposal fees may only be used to establish and maintain solid waste collection and disposal services.

State Street Aid Fund, used to account for the Town's share of gas tax revenues supplied by the State of Tennessee. Expenditures are restricted for the use of streets and sidewalks, including street lights.

Drug Fund, used to account for the Town's share of certain drug-related fines, and can be used only for police-related expenditures.

PROPRIETARY FUND FINANCIAL STATEMENTS - Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund. The Proprietary or Enterprise Fund is used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Town of Atoka Water-Sewer Fund.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

Measurement Focus - On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate.

**TOWN OF ATOKA TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - CONTINUED

Measurement Focus - Continued

- All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources at the end of the period.
- The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, liabilities, and deferred outflows/inflows of resources (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting - In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities (generally 60 days after year-end). Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES - In addition to assets, the Statement of Net Position and the Statement of Net Position of Proprietary (Water-Sewer) Fund report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and thus, will not be recognized as an outflow of resources (expense) until that time.

**TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES - CONTINUED

In addition to liabilities, the Statement of Net Position, the Balance Sheet of governmental funds, and the Statement of Net Position of Proprietary (Water-Sewer) Fund report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an inflow of resources (revenue) until that time.

INTERFUND RECEIVABLES AND PAYABLES - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund financial statements. Interfund receivables and payables between funds are eliminated in the Statement of Net Position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

INTERFUND TRANSFERS - Interfund transfers are used to move revenues from the fund that is required to collect them (Solid Waste Fund) to the fund that is required or allowed to expend them (General Fund). For the purpose of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

BUDGETS AND BUDGETARY ACCOUNTING - Municipalities are required by state statute to adopt budgets for the general fund and special revenue funds. The Town utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

1. The budget of the Town of Atoka is legally enacted through passage of an ordinance which reflects the total appropriated amounts for each department of each fund. The Mayor is authorized to transfer budgeted amounts within departments.
2. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
3. Budgets for the general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Encumbrance accounting is not used since it is not legally required.

For the year ended June 30, 2018, expenditures exceeded appropriations in the Solid Waste Fund and the Drug Fund by approximately \$86,000 and \$5,000 respectively. The excess expenditures of the Solid Waste Fund and the Drug Fund were covered by available fund balances.

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

INVENTORIES AND INTERPERIOD ALLOCATIONS - Supplies inventory of the Water-Sewer Fund are stated at the lower of cost (first-in, first-out) or market. Obsolete and possible excess quantities of inventory are reduced to net realizable value.

No other inventories are provided, as disbursements for other inventory items are considered expenditures at the time of purchase. Insurance and expenditures for services which extend over more than one period are accounted for similarly.

CASH FLOWS - For purposes of reporting cash flows, cash consists of cash on hand and on deposit with banks. All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. Certificates of deposit with original maturities of three months or more when purchased are classified as investments.

DEPOSITS - Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. Although the Town has not formally adopted a policy regarding collateralization of deposits, the Town follows collateralization requirements of State of Tennessee (the "State") statutes. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance, the Tennessee Bank Collateral Pool, or by collateral held by the Town's agent in the Town's name, or by the Federal Reserve Banks acting as third party agents.

INVESTMENTS - State statutes authorize the Town to invest in obligations of the U.S. Treasury, agencies, instrumentalities and obligations guaranteed as to principal and interest by the United States or any of its agencies, repurchase agreements, the Tennessee local government investment pool, certificates of deposit at state and federally chartered banks and savings and loan associations, and the Town's own bonds or notes. The Town has not adopted a formal investment policy that limits its interest rate or credit risk.

RECEIVABLES - Receivables result primarily from unpaid billings for service to customers, local taxes from businesses and individuals, and intergovernmental revenues due from other government entities. Receivables are reported net of an allowance for uncollectible accounts and revenues are reported net of uncollectibles. Allowances are reported when accounts are proven, or estimated, to be uncollectible. The only allowances deemed necessary relate to property taxes and utility billings.

PROPERTY TAXES - Under authority of state and local law the Town annually levies a property tax on all taxable real and personal property within its boundaries. The tax is levied on property as of each January 1 and becomes a lien on that date; taxes are payable as of October 1 and become delinquent on the following February 28. Delinquent property taxes are filed with the Chancery Court on the first day of April each year.

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

COMPENSATED ABSENCES - Vacation pay for employees is accrued as an expense at the time the employees have a vested right to receive it. Vacation pay is considered a current liability, as it lapses each year. Sick leave is not accrued as employees do not have vested rights to receive it.

CAPITAL ASSETS AND DEPRECIATION - The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. The Town does not have a formally adopted capitalization policy, but generally only assets with an individual cost of at least \$2,500 and an estimated useful life in excess of one year are capitalized.

Government-wide Financial Statements - In the government-wide financial statements, capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 1997.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets, in accordance with GASB standards, are subject only to prospective reporting (reporting from July 1, 2003 forward).

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, net of interest income from the proceeds of related tax-exempt debt, is included as part of the capitalized cost of the assets constructed.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	30-40 years
Vehicles and equipment	7-10 years
Water-sewer system	33 years
Infrastructure	40-50 years

Fund Financial Statements - In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

**TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

RESTRICTED ASSETS - When applicable, the Town elects to use restricted assets before unrestricted assets when the situation arises where either can be used. In governmental funds, the Town's policy is to first apply the expenditure toward restricted fund balance and then to other less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

LONG-TERM DEBT - The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. Long-term debt consist of a variable rate loan and bonds payable.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. Debt proceeds are reported as other financing sources, and payments of principal, interest, and issuance costs are reported as expenditures.

GOVERNMENT-WIDE NET POSITION - Equity is classified in the government-wide financial statements as net position and displayed in three components:

- Net investment in capital assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Debt related to unspent proceeds or other restricted cash is excluded from the determination.
- Restricted - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation, less any related liabilities.
- Unrestricted - All other net position that do not meet the definition of the above categories.

GOVERNMENTAL FUND BALANCE - Equity is classified as fund balance and displayed in the following five components, if applicable:

Nonspendable - Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

GOVERNMENTAL FUND BALANCE - CONTINUED

Restricted - Consists of fund balance for which constraints are placed thereon by outside sources or external parties, such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates, less any related liabilities.

Committed - Amounts that can be used only for specific purposes determined by a formal action by the Town's Board of Mayor and Aldermen's highest level of decision-making authority (passage of an ordinance). Commitments may be modified or rescinded only by a like action.

Assigned - Amounts that are intended to be used for specific purposes that are not considered restricted or committed. The authority to assign, modify, and/or rescind prior assignments of fund balance has been granted to the Board of Mayor and Aldermen.

Unassigned - All amounts not included in other spendable classifications.

PENSIONS - For purposes of measuring the net pension asset, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the Town's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

CHANGE IN ACCOUNTING PRINCIPLE - As a result of implementing GASB No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," beginning net position of the Governmental Activities, Business-Type Activities, and Water-Sewer Proprietary Fund were reduced as of July 1, 2017 by \$54,811, \$8,923, and \$8,923, respectively. Information is not available to determine the effect on the June 30, 2017 financial statements' change in net position.

NOTE 2 - DEPOSITS

As of June 30, 2018, the Town's bank balances of cash deposits were entirely insured by either federal depository insurance or by the Bank Collateral Pool of The State of Tennessee.

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2018

NOTE 3 - RECEIVABLES

Receivables as of June 30, 2018, including the applicable allowances for the uncollectible accounts, are as follows:

	<u>GENERAL FUND</u>	<u>SOLID WASTE FUND</u>	<u>STATE STREET AID FUND</u>	<u>WATER AND SEWER FUND</u>	<u>TOTAL</u>
Receivables					
Property taxes	\$ 2,230,399	\$ -	\$ -	\$ -	\$ 2,230,399
Accounts	-	40,632	-	170,104	210,736
Grants	30,562	-	-	-	30,562
Receivable from other governments	<u>467,285</u>	<u>-</u>	<u>55,802</u>	<u>-</u>	<u>523,087</u>
Gross receivables	<u>2,728,246</u>	<u>40,632</u>	<u>55,802</u>	<u>170,104</u>	<u>2,994,784</u>
Less: Allowance for doubtful accounts	<u>(61,206)</u>	<u>-</u>	<u>-</u>	<u>(653)</u>	<u>(61,859)</u>
Net receivables	<u>\$ 2,667,040</u>	<u>\$ 40,632</u>	<u>\$ 55,802</u>	<u>\$ 169,451</u>	<u>\$ 2,932,925</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>BALANCE JULY 1, 2017</u>	<u>ADDITIONS</u>	<u>TRANSFERS/ RETIREMENTS</u>	<u>BALANCE JUNE 30, 2018</u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 1,248,246	\$ -	\$ -	\$ 1,248,246
Construction in progress	<u>110,670</u>	<u>494,071</u>	<u>-</u>	<u>604,741</u>
Total	<u>1,358,916</u>	<u>494,071</u>	<u>-</u>	<u>1,852,987</u>
Other capital assets				
Buildings and improvements	6,894,697	13,854	-	6,908,551
Equipment	1,074,353	136,440	-	1,210,793
Vehicles	1,503,841	94,017	-	1,597,858
Infrastructure	<u>7,405,348</u>	<u>427,115</u>	<u>-</u>	<u>7,832,463</u>
Total other capital assets at historical cost	<u>16,878,239</u>	<u>671,426</u>	<u>-</u>	<u>17,549,665</u>
Less accumulated depreciation				
Buildings and improvements	(320,697)	(175,227)	-	(495,924)
Equipment	(549,347)	(102,168)	-	(651,515)
Vehicles	(956,012)	(123,068)	-	(1,079,080)
Infrastructure	<u>(799,199)</u>	<u>(210,544)</u>	<u>-</u>	<u>(1,009,743)</u>
Total accumulated depreciation	<u>(2,625,255)</u>	<u>(611,007)</u>	<u>-</u>	<u>(3,236,262)</u>
Other capital assets, net	<u>14,252,984</u>	<u>60,419</u>	<u>-</u>	<u>14,313,403</u>

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2018

NOTE 4 - CAPITAL ASSETS - CONTINUED

	<u>BALANCE</u> <u>JULY 1, 2017</u>	<u>ADDITIONS</u>	<u>TRANSFERS/ RETIREMENTS</u>	<u>BALANCE</u> <u>JUNE 30, 2018</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 15,611,900</u>	<u>\$ 554,490</u>	<u>\$ -</u>	<u>\$ 16,166,390</u>

**DEPRECIATION EXPENSE WAS
CHARGED TO GOVERNMENTAL
ACTIVITIES FUNCTIONS
AS FOLLOWS**

General government	\$ 85,026
Public safety	253,711
Public works	168,253
Health, welfare, recreation and education	<u>104,017</u>
TOTAL GOVERNMENTAL ACTIVITIES DEPRECIATION EXPENSE	<u>\$ 611,007</u>

	<u>BALANCE</u> <u>JULY 1, 2017</u>	<u>ADDITIONS</u>	<u>TRANSFERS/ RETIREMENTS</u>	<u>BALANCE</u> <u>JUNE 30, 2018</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 35,000	\$ -	\$ -	\$ 35,000
Construction in progress	<u>-</u>	<u>27,500</u>	<u>-</u>	<u>27,500</u>
Total	<u>35,000</u>	<u>27,500</u>	<u>-</u>	<u>62,500</u>
Other capital assets				
Buildings	348,847	-	-	348,847
Vehicles and equipment	552,838	66,466	-	619,304
Water distribution system	3,700,922	-	-	3,700,922
Sewer plant in operation	1,269,079	-	-	1,269,079
Sewer lines	<u>7,101,000</u>	<u>-</u>	<u>-</u>	<u>7,101,000</u>
Total other capital assets at historical cost	<u>12,972,686</u>	<u>66,466</u>	<u>-</u>	<u>13,039,152</u>
Less accumulated depreciation				
Buildings	(50,184)	(9,415)	-	(59,599)
Vehicles and equipment	(383,777)	(46,382)	-	(430,159)
Water distribution system	(1,099,858)	(107,411)	-	(1,207,269)
Sewer plant in operation	(760,514)	(35,494)	-	(796,008)
Sewer lines	<u>(1,889,657)</u>	<u>(202,147)</u>	<u>-</u>	<u>(2,091,804)</u>
Total accumulated depreciation	<u>(4,183,990)</u>	<u>(400,849)</u>	<u>-</u>	<u>(4,584,839)</u>
Net depreciable assets	<u>8,788,696</u>	<u>(334,383)</u>	<u>-</u>	<u>8,454,313</u>

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2018

NOTE 4 - CAPITAL ASSETS - CONTINUED

	<u>BALANCE</u> <u>JULY 1, 2017</u>	<u>ADDITIONS</u>	<u>TRANSFERS/ RETIREMENTS</u>	<u>BALANCE</u> <u>JUNE 30, 2018</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	\$ 8,823,696	\$ (306,883)	\$ -	\$ 8,516,813
DEPRECIATION EXPENSE WAS CHARGED TO BUSINESS-TYPE ACTIVITIES FUNCTIONS AS FOLLOWS				
Water-sewer		\$ 400,849		

NOTE 5 - INTERFUND BALANCES

The composition of interfund balances as of June 30, 2018, is as follows:

<u>Due to/from other funds</u>		<u>Amount</u>
<u>Fund Due From</u>	<u>Fund due to</u>	
General Fund (major)	Water-Sewer Fund (major)	\$ 3,523
Water-Sewer Fund (major)	Solid Waste Fund (nonmajor)	\$ (1,690)
		<u>\$ 1,833</u>

Due to and due from balances result from the time lag between dates that interfund goods and services were provided and payments between funds were made. These amounts are expected to be paid in the subsequent fiscal year.

NOTE 6 -LONG TERM DEBT

Governmental activities

Variable Rate Local Government Loan Program, Series 2015 - The original loan in the amount of \$5,500,000 was authorized on June 15, 2015 and is to be repaid in annual installments of principal ranging from \$246,000 to \$300,000 beginning May 25, 2017 and maturing on May 25, 2036. Interest is paid monthly at a variable rate (as determined by the Securities Industry and Finance Markets Association (SIFMA) rate) of 2.12% as of June 30, 2018. The balance of this loan at June 30, 2017 was \$4,999,000.

Pooled Financing Revenue Bonds, Series 2008 - The original bond was dated January 23, 2009 for \$1,000,000 and is to be paid in annual installments of principal ranging from \$17,000 to \$64,000 beginning May 25, 2010 and maturing on May 25, 2037. Interest is paid monthly at a variable rate (as determined by the Securities Industry and Financial Markets Association (SIFMA) rate) of 1.51% as of June 30, 2018. This note is split between governmental and business-type activities with the governmental activities funds paying 46.00% of the bond and the business-type activities paying 54.00%. The balance of this bond at June 30, 2018 was \$372,736 in the governmental activities and \$438,264 in the business-type activities, for a total of \$811,000.

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2018

NOTE 6 -LONG TERM DEBT - CONTINUED

Business activities

Water and Sewer Revenue and Tax Bonds, TN Municipal Bond Fund, Series 2004 - The original bond in the amount of \$941,698 was issued on August 17, 2006 and is to be paid in annual installments of principal ranging from \$698 to \$57,000 beginning May 25, 2007 and maturing on May 25, 2033. Interest is paid annually at a variable rate (as determined by the Securities Industry and Financial Markets Association (SIFMA) rate) of 1.51% as of June 30, 2018. The balance of the bond at June 30, 2017 was \$621,698.

State Revolving Fund Loan 2009 - The original loan in the amount of \$3,798,000 was authorized on February 11, 2010 and is to be paid in monthly installments of \$10,857 beginning February 1, 2012 and maturing on February 1, 2032. The loan is to be partially repaid with American Reinvestment and Recovery Act (ARRA) funds in the amount of \$1,899,000. A portion of this ARRA funding totaling \$1,519,200 represents principal forgiveness. Interest is paid monthly at a fixed rate of 1.44%. The balance of this loan at June 30, 2018 was \$1,606,430, net of ARRA forgiveness of \$1,508,939.

Each bond is secured by the net revenues to be derived from the operation of the Water and Sewer system and are additionally secured by the full faith and credit of the Town. Certain bonds are subject to redemption prior to maturity, in whole or in part, at prices set forth in the debt resolutions.

The following is a summary of total future debt service requirements for the Town:

Year ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 264,420	\$ 111,612	\$ 156,437	\$ 38,423
2020	267,880	106,081	159,540	36,127
2021	271,340	100,481	163,666	33,784
2022	275,260	94,811	167,355	31,379
2023	278,720	89,063	171,527	28,920
2024-2028	1,451,020	356,495	921,544	105,545
2029-2033	1,554,940	201,305	797,479	36,126
2034-2037	<u>1,008,156</u>	<u>42,384</u>	<u>128,844</u>	<u>4,976</u>
	<u>\$ 5,371,736</u>	<u>\$ 1,102,232</u>	<u>\$ 2,666,392</u>	<u>\$ 315,280</u>

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2018

NOTE 6 - LONG TERM DEBT - CONTINUED

Long-term liability activity for the year ended June 30, 2018 was as follows:

	<u>BALANCE</u> <u>JULY 1, 2017</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2018</u>	<u>DUE WITHIN</u> <u>ONE YEAR</u>
Governmental activities					
Variable Rate Local Government					
Loan Program, Series 2015	\$ 5,247,184	\$ -	\$ 248,184	\$ 4,999,000	\$ 252,000
Pooled Financing Revenue Bonds, TN Municipal Bond Fund, Series 2008	<u>384,186</u>	<u>-</u>	<u>11,450</u>	<u>372,736</u>	<u>12,420</u>
	<u>\$ 5,631,370</u>	<u>\$ -</u>	<u>\$ 259,634</u>	<u>\$ 5,371,736</u>	<u>\$ 264,420</u>
Business-type Activities					
Water and Sewer Revenue and Tax					
Bonds, Series 2004	\$ 654,698	\$ -	\$ 33,000	\$ 621,698	\$ 34,000
Pooled Financing Revenue Bonds, TN Municipal Bond Fund, Series 2008	451,814	-	13,550	438,264	14,580
State Revolving Fund					
Loan 2009	<u>1,712,745</u>	<u>-</u>	<u>106,315</u>	<u>1,606,430</u>	<u>107,857</u>
Totals	<u>\$ 2,819,257</u>	<u>\$ -</u>	<u>\$ 152,865</u>	<u>\$ 2,666,392</u>	<u>\$ 156,437</u>

NOTE 7 - NET POSITION RESTRICTED FOR PENSION

The components of net position restricted for pension are as follows:

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
Net pension asset	\$ 103,412	\$ 17,225	\$ 120,637
Less deferred inflows - pension	<u>(73,431)</u>	<u>(12,231)</u>	<u>(85,662)</u>
Net position restricted for pension	<u>\$ 29,981</u>	<u>\$ 4,994</u>	<u>\$ 34,975</u>

NOTE 8 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town considers it to be more economically feasible to participate in a public entity risk pool as opposed to purchasing commercial insurance for certain general liability, worker's compensation, and property and casualty insurance. As such, the Town participates with Public Entity Partners, which is a public entity risk pool consisting of member political subdivisions of the State

**TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2018**

NOTE 8 - RISK MANAGEMENT - CONTINUED

of Tennessee. The Town pays an annual premium to Public Entity Partners for its certain general liability, worker's compensation, and property and casualty insurance. Each political subdivision that has participated with Public Entity Partners is subject to assessment if the funds it paid as premiums are insufficient to meet the obligations of Public Entity Partners. Public Entity Partners may reinsure through the Local Government Reinsurance Fund of Tennessee or a commercial insurance company.

The Town continues to carry commercial insurance for all other risks of loss, including certain general liability, worker's compensation, property and casualty insurance, and employee health, life, and accident insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

The Town does not operate any water producing plant and equipment, but purchases water for its customers from two suppliers, an adjacent utility district and an adjacent city. The current contract term with the utility district is for ten years beginning January 1, 2014. Either party may terminate the contract by providing a notice of termination three years in advance, beginning in the seventh year of the contract. The current contract term with the adjacent city is for six years beginning May 1, 2017. The Town may terminate the contract by providing a notice of the termination two years in advance.

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

The Town is a party to a wastewater treatment agreement (as amended November 1989) with the adjacent City of Munford and Town of Brighton which was entered into in connection with the construction of joint wastewater facilities. Each party paid for their proportionate share of construction costs and is carrying such costs as capital assets on their books and records. The City of Munford maintains and operates the joint facilities. The City of Munford bills the other two towns for their share of joint maintenance and operation expenses. The Town was billed \$101,852 by the City of Munford under this agreement for the year ended June 30, 2018. No party has the right to cancel or amend the agreement. The duration of the agreement is indefinite and continuing.

As of June 30, 2018, the amount of the unfulfilled bid award related to the construction of a new bridge was approximately \$240,000.

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2018

NOTE 10 - SUBSEQUENT EVENTS

During August 2018, a contract was awarded in the amount of approximately \$81,000 for drainage work within Town limits.

During December 2018, a contract was awarded in the amount of approximately \$591,000 for upgrades to water meters and billing software.

During January 2019, a contract was awarded in the amount of approximately \$56,000 for the purchase of two vehicles for the police department.

NOTE 11 - INTERFUND TRANSFERS

Operating transfers in/out to other funds consist of the following:

Fund	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:	\$ 150,000	\$ -
Solid Waste Fund	<u>-</u>	<u>150,000</u>
Total	<u>\$ 150,000</u>	<u>\$ 150,000</u>

NOTE 12 - PENSION PLAN

General Information about the Pension Plan

PLAN DESCRIPTION - Employees of the Town are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

BENEFITS PROVIDED - Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2018

NOTE 12 - PENSION PLAN - CONTINUED

General Information about the Pension Plan - Continued

BENEFITS PROVIDED - CONTINUED

years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

EMPLOYEES COVERED BY BENEFIT TERMS - At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	25
Active employees	<u>51</u>
	<u><u>85</u></u>

CONTRIBUTIONS - Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The Town makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2018, the employer contributions for the Town were \$181,579 based on a rate of 7.50 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Town's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the cost of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

The Town's net pension liability (asset) was measured as of June 30, 2017, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2018

NOTE 12 - PENSION PLAN - CONTINUED

Net Pension Liability (Asset) - Continued

ACTUARIAL ASSUMPTIONS - The total pension liability as of June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included on the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.46 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

CHANGES OF ASSUMPTIONS - In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. The best-estimates 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 of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2018

NOTE 12 - PENSION PLAN - CONTINUED

Net Pension Liability (Asset) - Continued

<u>ASSET CLASS</u>	<u>LONG-TERM EXPECTED REAL RATE OF RETURN</u>	<u>TARGET ALLOCATION</u>
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	<u>1%</u>
Total		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the three factors described above.

DISCOUNT RATE - The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the Town will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2018

NOTE 12 - PENSION PLAN - CONTINUED

Changes in Net Pension Liability (Asset)

	INCREASE (DECREASE)		
	TOTAL PENSION LIABILITY	PLAN FIDUCIARY NET POSITION	NET PENSION LIABILITY (ASSET)
	(a)	(b)	(a) - (b)
BALANCE AT 6/30/16	\$ 2,283,841	\$ 2,386,602	\$ (102,761)
CHANGES FOR THE YEAR			
Service cost	179,747	-	179,747
Interest	182,977	-	182,977
Differences between expected and actual experience	129,084	-	129,084
Changes in assumptions	72,973	-	72,973
Contributions - employer	-	181,363	(181,363)
Contributions - employees	-	120,908	(120,908)
Net investment income	-	284,674	(284,674)
Benefit payments, including refunds of employee contributions	(47,793)	(47,793)	-
Administrative expense	-	(4,288)	4,288
Other changes	-	-	-
NET CHANGES	516,988	534,864	(17,876)
BALANCE AT 6/30/17	\$ 2,800,829	\$ 2,921,466	\$ (120,637)

SENSITIVITY OF THE NET PENSION LIABILITY (ASSET) TO CHANGES IN THE DISCOUNT RATE - The following presents the net pension liability (asset) of the Town calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% DECREASE (6.25%)	CURRENT DISCOUNT RATE (7.25%)	1% INCREASE (8.25%)
Town's net pension liability (asset)	\$ 333,769	\$ (120,637)	\$ (480,675)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

PENSION EXPENSE - For the year ended June 30, 2018, the Town recognized pension expense of \$75,228.

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2018

NOTE 12 - PENSION PLAN - CONTINUED

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued

DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES -

For the year ended June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>DEFERRED OUTFLOWS OF RESOURCES</u>	<u>DEFERRED INFLOWS OF RESOURCES</u>
Differences between expected and actual experience	\$ 253,217	\$ (79,271)
Net difference between projected and actual earnings on pension plan investments	-	(6,391)
Changes in assumptions	64,865	-
Contributions subsequent to the measurement date of June 30, 2017	<u>181,579</u>	<u>-</u>
Total	<u>\$ 499,661</u>	<u>\$ (85,662)</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2017," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

YEAR ENDED JUNE 30

2019	\$ 17,504
2020	45,927
2021	28,574
2022	7,119
2023	26,378
Thereafter	106,918

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

**TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2018**

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Closed Local Government OPEB Plan

General Information about the OPEB Plan

PLAN DESCRIPTION - Employees of the Town, who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Local Government OPEB Plan (LGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pension (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired employees and disability participants of local governments, who choose coverage, participate in the LGOP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

BENEFITS PROVIDED - The Town offers the LGOP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-701 establishes and amends the benefit terms of the LGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members of the LGOP receive the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. The Town does not directly subsidize and is only subject to the implicit subsidy. The LGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

EMPLOYEES COVERED BY BENEFIT TERMS - At July 1, 2017, the following employees of the Town were covered by the benefit terms of the LGOP:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>48</u>
	<u><u>48</u></u>

An insurance committee, created in accordance with TCA 8-27-701, establishes the required payments to the LGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2018, the Town paid \$669 to the LGOP for OPEB benefits as they came due.

**TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2018**

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Closed Local Government OPEB Plan - Continued

General Information About the OPEB Plan - Continued

Total OPEB Liability

ACTUARIAL ASSUMPTIONS - The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	7.5 percent for 2018, decreasing annually over a 33 year period to an ultimate rate of 3.71 percent.
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by the TCRS based on the results of an actuarial experience study for the period July 1 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

DISCOUNT RATE - The discount rate used to measure the total OPEB liability was 3.56 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2018

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Closed Local Government OPEB Plan - Continued

General Information About the OPEB Plan - Continued

Changes in the Total OPEB Liability

	TOTAL OPEB LIABILITY (a)
BALANCE AT 6/30/16	\$ 63,734
CHANGES FOR THE YEAR	
Service cost	10,759
Interest	2,175
Changes of benefit terms	-
Differences between expected and Actual experience	
Changes in assumptions	(4,744)
Benefit payments	-
NET CHANGES	<u>8,190</u>
BALANCE AT 6/30/17	<u>\$ 71,924</u>

CHANGES IN ASSUMPTIONS - The discount rate was changed from 2.92% as of the beginning of the measurement period to 3.56% as of June 30, 2017. This change in assumption decreased the total OPEB liability.

SENSITIVITY OF TOTAL OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE - The following presents the OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56%) or 1-percentage-point higher (4.56%) than the current discount rate.

	1% DECREASE (2.56%)	CURRENT DISCOUNT RATE (3.56%)	1% INCREASE (4.56%)
Town's total OPEB liability	\$ <u>79,373</u>	\$ <u>71,924</u>	\$ <u>65,116</u>

SENSITIVITY OF TOTAL OPEB LIABILITY TO CHANGES IN THE HEALTHCARE COST TREND RATE - The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (6.5% decreasing to 2.71%) or 1-percentage-point higher (8.50% decreasing to 4.71%) than the current healthcare cost trend rate.

	1% DECREASE (6.50% DECREASING TO 2.71%)	HEALTHCARE COST TREND RATES (7.50% DECREASING TO 3.71%)	1% INCREASE (8.50% DECREASING TO 4.71%)
Town's total OPEB liability	\$ <u>61,111</u>	\$ <u>71,924</u>	\$ <u>85,363</u>

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2018

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Closed Local Government OPEB Plan - Continued

General Information About the OPEB Plan - Continued

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB EXPENSE - For the first fiscal year ended June 30, 2018, the District recognized OPEB expense of \$11,849.

DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES - For the fiscal year ended June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the LGOP from the following sources:

	<u>DEFERRED OUTFLOWS OF RESOURCES</u>	<u>DEFERRED INFLOWS OF RESOURCES</u>
Differences between actual and expected experience	\$ -	\$ -
Changes in assumptions	-	(4,328)
Employer payments subsequent to the measurement date . . .	<u>669</u>	<u>-</u>
Total	<u>\$ 669</u>	<u>\$ (4,328)</u>

The amounts shown above for “employer payments subsequent to the measurement date” will be recognized as a reduction to total OPEB liability in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

YEAR ENDED JUNE 30

2019	\$ (416)
2020	(416)
2021	(416)
2022	(416)
2023	(416)
Thereafter	(2,248)

In the table above, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF ATOKA, TENNESSEE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS BASED ON PARTICIPATION IN THE
PUBLIC EMPLOYEE PENSION PLAN OF TCRS
LAST FISCAL YEAR ENDING JUNE 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
TOTAL PENSION LIABILITY				
Service cost	\$ 100,284	\$ 95,946	\$ 144,386	\$ 179,747
Interest	126,895	130,209	152,581	182,977
Changes in benefit terms	-	-	-	-
Differences between actual and expected experience	(142,691)	65,492	119,097	129,084
Change of assumptions	-	-	-	72,973
Benefit payments, including refunds of employee contributions	(32,805)	(39,114)	(44,491)	(47,793)
Net change in total pension liability	<u>51,683</u>	<u>252,533</u>	<u>371,573</u>	<u>516,988</u>
TOTAL PENSION LIABILITY, BEGINNING OF YEAR	<u>1,608,052</u>	<u>1,659,735</u>	<u>1,912,268</u>	<u>2,283,841</u>
TOTAL PENSION LIABILITY, END OF YEAR	<u><u>\$ 1,659,735</u></u>	<u><u>\$ 1,912,268</u></u>	<u><u>\$ 2,283,841</u></u>	<u><u>\$ 2,800,829</u></u>
PLAN FIDUCIARY NET POSITION				
Contributions from employer	\$ 94,109	\$ 113,949	\$ 164,611	\$ 181,363
Contributions from employees	64,459	76,992	111,224	120,908
Net investment income	259,631	60,518	58,741	284,674
Benefit payments, including refunds of employee contributions	(32,805)	(39,114)	(44,491)	(47,793)
Administrative expense	(1,160)	(1,966)	(3,845)	(4,288)
Other	-	-	1,156	-
Net change in plan fiduciary net position	<u>384,234</u>	<u>210,379</u>	<u>287,396</u>	<u>534,864</u>

Changes of assumptions. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

GASB 68 requires a 10-year schedule for this data to be presented *with the implementation of GASB 68*. The information in this schedule is not required to be presented retroactively prior to the implementation date.

TOWN OF ATOKA, TENNESSEE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS BASED ON PARTICIPATION IN THE
PUBLIC EMPLOYEE PENSION PLAN OF TCRS - CONTINUED
LAST FISCAL YEAR ENDING JUNE 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	\$ 1,504,593	\$ 1,888,827	\$ 2,099,206	\$ 2,386,602
PLAN FIDUCIARY NET POSITION, END OF YEAR	<u>\$ 1,888,827</u>	<u>\$ 2,099,206</u>	<u>\$ 2,386,602</u>	<u>\$ 2,921,466</u>
NET PENSION LIABILITY (ASSET)	<u>\$ (229,092)</u>	<u>\$ (186,938)</u>	<u>\$ (102,761)</u>	<u>\$ (120,637)</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	113.80%	109.78%	104.50%	104.31%
COVERED PAYROLL	<u>\$ 1,289,170</u>	<u>\$ 1,539,845</u>	<u>\$ 2,224,469</u>	<u>\$ 2,418,169</u>
NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED PAYROLL	(17.77)%	(12.14)%	(4.62)%	(4.99)%

Changes of assumptions. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

GASB 68 requires a 10-year schedule for this data to be presented *with the implementation of GASB 68*. The information in this schedule is not required to be presented retroactively prior to the implementation date.

TOWN OF ATOKA, TENNESSEE
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION
IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
LAST FISCAL YEAR ENDING JUNE 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contribution	\$ 94,109	\$ 113,949	\$ 164,610	\$ 131,790	\$ 181,579
Contributions in relation to the actuarially determined contribution	<u>94,109</u>	<u>113,949</u>	<u>164,610</u>	<u>181,363</u>	<u>181,579</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (49,573)</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,289,170	\$ 1,539,845	\$ 2,224,469	\$ 2,418,169	\$ 2,421,048
Contributions as a percentage covered employee payroll ..	7.30%	7.40%	7.40%	7.50%	7.50%

GASB 68 requires a 10-year schedule for this data to be presented *with the implementation of GASB 68*. The information in this schedule is not required to be presented retroactively prior to the implementation date.

**TOWN OF ATOKA, TENNESSEE
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION
IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS - CONTINUED
LAST FISCAL YEAR ENDING JUNE 30**

NOTES TO SCHEDULE

Valuation date - Actuarially determined contribution rates for 2018 were calculated based on the June 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

**TOWN OF ATOKA, TENNESSEE
SCHEDULE OF CHANGES IN TOTAL OPEB
LIABILITY AND RELATED RATIOS
LAST FISCAL YEAR ENDING JUNE 30**

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 10,759
Interest	2,175
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	(4,744)
Benefit payments	<u>-</u>
NET CHANGE IN TOTAL OPEB LIABILITY	<u>8,190</u>
TOTAL OPEB LIABILITY - BEGINNING OF YEAR	<u>63,734</u>
TOTAL OPEB LIABILITY - END OF YEAR	<u><u>\$ 71,924</u></u>
COVERED EMPLOYEE PAYROLL	\$ 2,112,719
TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED- EMPLOYEE PAYROLL	3.41%

NOTES TO SCHEDULE

There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

COMBINING FUND FINANCIAL STATEMENTS

**TOWN OF ATOKA, TENNESSEE
COMBINING BALANCE SHEET –
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<u>SOLID WASTE FUND</u>	<u>STATE STREET AID FUND</u>	<u>DRUG FUND</u>	<u>TOTAL NONMAJOR GOVERN- MENTAL FUNDS</u>
ASSETS				
Cash	\$ 179,195	\$ 4,699	\$ 90,800	\$ 274,694
Accounts receivable, net	40,632	-	-	40,632
Due from State of Tennessee ..	<u>-</u>	<u>55,802</u>	<u>-</u>	<u>55,802</u>
TOTAL ASSETS	<u>\$ 219,827</u>	<u>\$ 60,501</u>	<u>\$ 90,800</u>	<u>\$ 371,128</u>
LIABILITIES				
Accounts payable	\$ 32,995	\$ -	\$ 3,425	\$ 36,420
Due to other funds	<u>1,690</u>	<u>-</u>	<u>-</u>	<u>1,690</u>
TOTAL LIABILITIES	<u>34,685</u>	<u>-</u>	<u>3,425</u>	<u>38,110</u>
FUND BALANCE				
Restricted				
Solid waste expenditures	185,142	-	-	185,142
Street expenditures	-	60,501	-	60,501
Drug enforcement	<u>-</u>	<u>-</u>	<u>87,375</u>	<u>87,375</u>
TOTAL FUND				
BALANCES	<u>185,142</u>	<u>60,501</u>	<u>87,375</u>	<u>333,018</u>
TOTAL LIABILITIES AND				
FUND BALANCES	<u>\$ 219,827</u>	<u>\$ 60,501</u>	<u>\$ 90,800</u>	<u>\$ 371,128</u>

TOWN OF ATOKA, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	<u>SOLID WASTE FUND</u>	<u>STATE STREET AID FUND</u>	<u>DRUG FUND</u>	<u>TOTAL OTHER GOVERN- MENTAL FUNDS</u>
REVENUES				
Intergovernmental revenues				
Gasoline and motor fuel tax	\$ -	\$ 181,760	\$ -	\$ 181,760
\$.03 gasoline tax	-	53,629	-	53,629
1989 gasoline tax increase	-	28,943	-	28,943
2017 gasoline tax increase	-	53,370	-	53,370
Federal grants	-	-	4,150	4,150
Total intergovernmental revenues	-	317,702	4,150	321,852
Charges for services	474,313	-	-	474,313
Fines and forfeitures	-	-	7,880	7,880
Other revenues	1,193	-	20,724	21,917
TOTAL REVENUES	<u>475,506</u>	<u>317,702</u>	<u>32,754</u>	<u>825,962</u>
EXPENDITURES				
Public safety				
Supplies	-	-	26,895	26,895
Solid waste				
Contractual services	325,938	-	-	325,938
Highways and streets				
Contractual services	-	282,608	-	282,608
TOTAL EXPENDITURES	<u>325,938</u>	<u>282,608</u>	<u>26,895</u>	<u>635,441</u>
EXCESS OF REVENUES OVER EXPENDITURES	149,568	35,094	5,859	190,521
OTHER FINANCING (USES)	<u>(150,000)</u>	-	-	<u>(150,000)</u>
NET CHANGE IN FUND BALANCE	(432)	35,094	5,859	40,521
FUND BALANCE				
Balance at July 1, 2017	<u>185,574</u>	<u>25,407</u>	<u>81,516</u>	<u>292,497</u>
Balance at June 30, 2018	<u>\$ 185,142</u>	<u>\$ 60,501</u>	<u>\$ 87,375</u>	<u>\$ 333,018</u>

SCHEDULES

TOWN OF ATOKA, TENNESSEE
SOLID WASTE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
REVENUES				
Charges for services	\$ 395,000	\$ 395,000	\$ 474,313	\$ 79,313
Other revenues	<u>-</u>	<u>-</u>	<u>1,193</u>	<u>1,193</u>
TOTAL REVENUES	<u>395,000</u>	<u>395,000</u>	<u>475,506</u>	<u>80,506</u>
EXPENDITURES				
Solid waste				
Contractual services	<u>240,000</u>	<u>240,000</u>	<u>325,938</u>	<u>85,938</u>
TOTAL EXPENDITURES	<u>240,000</u>	<u>240,000</u>	<u>325,938</u>	<u>85,938</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	155,000	155,000	149,568	(5,432)
OTHER FINANCING (USES)				
Transfer out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	5,000	5,000	(432)	(5,432)
FUND BALANCE				
Balance at July 1, 2017	<u>185,574</u>	<u>185,574</u>	<u>185,574</u>	<u>-</u>
Balance at June 30, 2018	<u>\$ 190,574</u>	<u>\$ 190,574</u>	<u>\$ 185,142</u>	<u>\$ (5,432)</u>

TOWN OF ATOKA, TENNESSEE
STATE STREET AID FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
REVENUES				
Gasoline and motor fuel tax ...	\$ 315,000	\$ 315,000	\$ 181,760	\$ (133,240)
\$.03 gasoline tax	-	-	53,629	53,629
1989 gasoline tax increase			28,943	28,943
2017 gasoline tax increase	-	-	53,370	53,370
TOTAL REVENUES	<u>315,000</u>	<u>315,000</u>	<u>317,702</u>	<u>2,702</u>
EXPENDITURES				
Highways and streets				
Streets	<u>315,000</u>	<u>315,000</u>	<u>282,608</u>	<u>(32,392)</u>
TOTAL EXPENDITURES	<u>315,000</u>	<u>315,000</u>	<u>282,608</u>	<u>(32,392)</u>
NET CHANGE IN FUND				
BALANCE	-	-	35,094	35,094
FUND BALANCE				
Balance at July 1, 2017	<u>25,407</u>	<u>25,407</u>	<u>25,407</u>	-
Balance at June 30, 2018	<u>\$ 25,407</u>	<u>\$ 25,407</u>	<u>\$ 60,501</u>	<u>\$ 35,094</u>

TOWN OF ATOKA, TENNESSEE
DRUG FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
REVENUES				
Intergovernmental revenues . . .	\$ 3,500	\$ 3,500	\$ 4,150	\$ 650
Fines and forfeitures	12,000	12,000	7,880	(4,120)
Other revenues	-	-	20,724	20,724
TOTAL REVENUES	<u>15,500</u>	<u>15,500</u>	<u>32,754</u>	<u>17,254</u>
EXPENDITURES				
Public safety				
Police	<u>21,800</u>	<u>21,800</u>	<u>26,895</u>	<u>5,095</u>
TOTAL EXPENDITURES	<u>21,800</u>	<u>21,800</u>	<u>26,895</u>	<u>5,095</u>
NET CHANGE IN FUND BALANCE	(6,300)	(6,300)	5,859	12,159
FUND BALANCE				
Balance at July 1, 2017	<u>81,516</u>	<u>81,516</u>	<u>81,516</u>	-
Balance at June 30, 2018	<u>\$ 75,216</u>	<u>\$ 75,216</u>	<u>\$ 87,375</u>	<u>\$ 12,159</u>

**TOWN OF ATOKA, TENNESSEE
EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS- THROUGH GRANTOR'S NUMBER</u>	<u>RECEIVABLE/ (UNAVAILABLE) BALANCE AT JULY 1, 2017</u>	<u>RECEIPTS</u>	<u>DISBURSE- MENTS</u>	<u>RECEIVABLE/ (UNAVAILABLE) BALANCE AT JUNE 30, 2018</u>
<u>CASH FEDERAL AWARDS</u>						
U.S. Department of Homeland Security - Federal Emergency Management Agency Staffing for Adequate Fire and Emergency Response (SAFER) Grant	97.083	EMW-2016-FF-00309	\$ -	\$ -	\$ 5,004	\$ 5,004
U.S. Department of Justice Byrne Justice Assistance Grant	16.738	N/A	15,000	(15,000)	-	-
Bulletproof Vest Partnership	16.607	N/A	-	(2,188)	2,188	-
			<u>15,000</u>	<u>(17,188)</u>	<u>2,188</u>	<u>-</u>
U.S. Department of Transportation Passed through State of Tennessee - Tennessee Department of Transportation Highway Planning and Construction Grant	20.205	118554.00	-	(40,000)	60,000	20,000
Passed through State of Tennessee - Tennessee Department of Transportation Highway Planning and Construction Grant	20.205	115566.00		(80,000)	85,558	5,558
Passed through State of Tennessee - Tennessee Department of Safety and Homeland Security Alcohol Open Container Requirements	20.607	Z17THS093	4,970	(4,970)	-	-
Alcohol Open container Requirements	20.607	Z18THS015	-	(1,962)	1,962	-
			<u>4,970</u>	<u>(126,932)</u>	<u>147,520</u>	<u>25,558</u>
TOTAL CASH FEDERAL AWARDS			<u>\$ 19,970</u>	<u>\$ (144,120)</u>	<u>\$ 154,712</u>	<u>\$ 30,562</u>

Note: Significant Accounting Policies

All of the federal awards are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned. Expenditures are recognized when the related liability is incurred or economic asset is used.

**TOWN OF ATOKA, TENNESSEE
EXPENDITURES OF STATE AWARDS
YEAR ENDED JUNE 30, 2018**

<u>PROGRAM TITLE</u>	<u>GRANTOR'S NUMBER</u>	<u>RECEIVABLE/ (UNAVAILABLE) BALANCE AT JULY 1, 2017</u>	<u>RECEIPTS</u>	<u>DISBURSE- MENTS</u>	<u>RECEIVABLE/ (UNAVAILABLE) BALANCE AT JUNE 30, 2018</u>
<u>CASH STATE AWARDS</u>					
Department of Agriculture Volunteer Fire Assistance Grant - Forestry	66281	\$ -	\$ (1,805)	\$ 1,805	\$ -
Department of Transportation Community Transportation Planning Grant	FA1545947	-	(36,113)	36,113	-
TOTAL CASH STATE AWARDS		<u>\$ -</u>	<u>\$ (37,918)</u>	<u>\$ 37,918</u>	<u>\$ -</u>

Note: Significant Accounting Policies

All of the federal awards are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned. Expenditures are recognized when the related liability is incurred or economic asset is used.

TOWN OF ATOKA, TENNESSEE
DEBT SERVICE REQUIREMENTS TO MATURITY
JUNE 30, 2018

<u>YEAR ENDED</u>	<u>VARIABLE RATE LOCAL GOVERNMENT LOAN PROGRAM SERIES 2015</u>		<u>WATER AND SEWER REVENUE AND TAX BOND SERIES 2004</u>		<u>POOLED FINANCING REVENUE BOND SERIES 2008</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2019	\$ 252,000	\$ 105,979	\$ 34,000	\$ 9,388	\$ 27,000	\$ 12,246
2020	255,000	100,636	35,000	8,874	28,000	11,838
2021	258,000	95,230	37,000	8,346	29,000	11,416
2022	261,000	89,761	38,000	7,787	31,000	10,978
2023	264,000	84,228	40,000	7,213	32,000	10,510
2024	267,000	78,631	41,000	6,609	34,000	10,026
2025	270,000	72,970	43,000	5,990	36,000	9,513
2026	273,000	67,246	45,000	5,341	37,000	8,969
2027	276,000	61,459	47,000	4,661	39,000	8,411
2028	279,000	55,608	48,000	3,952	41,000	7,822
2029	282,000	49,693	50,000	3,227	43,000	7,203
2030	286,000	43,714	52,000	2,472	45,000	6,553
2031	289,000	37,621	54,000	1,687	48,000	5,874
2032	292,000	31,524	57,000	871	50,000	5,149
2033	296,000	25,334	698	11	53,000	4,394
2034	299,000	19,058	-	-	55,000	3,594
2035	300,000	12,720	-	-	58,000	2,764
2036	300,000	6,370	-	-	61,000	1,888
2037	-	-	-	-	64,000	966
	<u>\$ 4,999,000</u>	<u>\$ 1,037,782</u>	<u>\$ 621,698</u>	<u>\$ 76,429</u>	<u>\$ 811,000</u>	<u>\$ 140,114</u>

TOWN OF ATOKA, TENNESSEE
DEBT SERVICE REQUIREMENTS TO MATURITY - CONTINUED
JUNE 30, 2018

<u>YEAR ENDED</u>	<u>STATE REVOLVING FUND LOAN 2009</u>		<u>GRAND TOTALS</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	
2019	\$ 107,857	\$ 22,422	\$ 570,892
2020	109,420	20,860	569,628
2021	111,006	19,273	569,271
2022	112,615	17,664	568,805
2023	114,247	16,032	568,230
2024	115,903	14,376	567,545
2025	117,583	12,696	567,752
2026	119,288	10,991	566,835
2027	121,018	9,262	566,811
2028	122,772	7,507	565,661
2029	124,552	5,728	565,403
2030	126,356	3,923	566,018
2031	128,189	2,090	566,461
2032	75,624	363	512,531
2033	-	-	379,437
2034	-	-	376,652
2035	-	-	373,484
2036	-	-	369,258
2037	-	-	64,966
	<u>\$ 1,606,430</u>	<u>\$ 163,187</u>	<u>\$ 9,455,640</u>

**TOWN OF ATOKA, TENNESSEE
PROPERTY TAXES
YEAR ENDED JUNE 30, 2018**

<u>YEAR OF LEVY</u>	<u>BALANCE JULY1, 2017</u>	<u>ASSESSMENT</u>	<u>ADJUSTMENTS/ ABATEMENTS</u>	<u>COLLECTIONS</u>	<u>BALANCE JUNE 30, 2018</u>
2018	\$ -	\$ 2,168,027	\$ -	\$ -	\$ 2,168,027
2017	1,443,849	-	-	(1,413,337)	30,512
2016	45,564	-	-	(28,702)	16,862
2015	17,684	-	-	(11,118)	6,566
2014	5,278	-	-	(3,714)	1,564
2013	2,054	-	-	(1,146)	908
2012	1,890	-	-	(1,152)	738
2011	1,901	-	-	(902)	999
2010	2,197	-	-	(77)	2,120
2009	918	-	-	(24)	894
2008	1,233	-	-	(24)	1,209
2007	<u>976</u>	<u>-</u>	<u>(976)</u>	<u>-</u>	<u>-</u>
	\$ 1,523,544	<u>\$ 2,168,027</u>	<u>\$ (976)</u>	<u>\$ (1,460,196)</u>	\$ 2,230,399
Allowance for uncollectible property taxes	<u>(69,303)</u>				<u>(61,206)</u>
Net receivables	<u>\$ 1,454,241</u>				<u>\$ 2,169,193</u>

<u>YEAR OF LEVY</u>	<u>ASSESSED VALUATION</u>	<u>TAX RATE PER \$100</u>	<u>ASSESSMENTS</u>
2018	\$ 185,301,443	\$ 1.17	\$ 2,168,027
2017	180,481,086	0.80	1,443,849
2016	177,737,975	0.80	1,421,904
2015	175,555,048	0.80	1,404,440
2014	171,874,697	0.56	953,888
2013	173,483,362	0.56	962,832
2012	172,693,140	0.56	958,446
2011	167,159,060	0.56	927,732
2010	157,468,810	0.56	873,935
2009	121,213,857	0.70	848,497

Delinquent Property Taxes

Uncollected taxes for years prior to 2008 have been charged off for financial reporting purposes. Such amounts are not significant. Uncollected taxes for tax years prior to 2015 have been turned over to Chancery Court for collection.

**TOWN OF ATOKA, TENNESSEE
UTILITY RATES AND NUMBER OF CUSTOMERS
JUNE 30, 2018**

Water Rates

Inside City limits

First 1,000 gallons	\$ 10.00
Over 1,000 gallons	\$3.85 per 1,000 gallons

Outside City limits

First 1,000 gallons	\$ 12.88
Over 1,000 gallons	\$5.17 per 1,000 gallons

The Town had approximately 3,000 water customers as of June 30, 2018.

Sewer Rates

Inside City limits

Minimum	\$ 6.88
Per 1,000 gallons	\$ 3.50

Outside City limits

Minimum	\$ 8.91
Per 1,000 gallons	\$ 3.50

The City had approximately 2,600 sewer customers as of June 30, 2018.

TOWN OF ATOKA, TENNESSEE
NET POSITION OF WATER - SEWER FUND
JUNE 30, 2018

	<u>WATER</u>	<u>SEWER</u>	<u>COMBINED</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,094,023	\$ 1,976,383	\$ 3,070,406
Investments - certificates of deposit	234,920	234,920	469,840
Accounts receivable, net	91,504	77,947	169,451
Inventory	-	69,718	69,718
Due from other funds	845	845	1,690
TOTAL CURRENT ASSETS	<u>1,421,292</u>	<u>2,359,813</u>	<u>3,781,105</u>
RESTRICTED ASSETS			
Net pension asset	<u>8,613</u>	<u>8,612</u>	<u>17,225</u>
NONCURRENT ASSETS			
Capital Assets			
Not being depreciated			
Land	17,500	17,500	35,000
Construction in progress	<u>27,500</u>	<u>-</u>	<u>27,500</u>
	<u>45,000</u>	<u>17,500</u>	<u>62,500</u>
Being depreciated			
Buildings and improvements	174,424	174,423	348,847
Vehicles and equipment	309,652	309,652	619,304
Utility plant in service	3,700,922	8,370,080	12,071,002
Less accumulated depreciation	<u>(1,452,148)</u>	<u>(3,132,691)</u>	<u>(4,584,839)</u>
Total Capital Assets, Net of			
Accumulated Depreciation	<u>2,732,850</u>	<u>5,721,464</u>	<u>8,454,314</u>
TOTAL NONCURRENT ASSETS	<u>2,777,850</u>	<u>5,738,964</u>	<u>8,516,814</u>
TOTAL ASSETS	<u>4,207,755</u>	<u>8,107,389</u>	<u>12,315,144</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	35,671	35,672	71,343
Deferred outflows - OPEB	<u>47</u>	<u>47</u>	<u>94</u>
	<u>35,718</u>	<u>35,719</u>	<u>71,437</u>
TOTAL ASSETS AND DEFERRED			
OUTFLOWS OF RESOURCES	<u>\$ 4,243,473</u>	<u>\$ 8,143,108</u>	<u>\$ 12,386,581</u>

TOWN OF ATOKA, TENNESSEE
NET POSITION OF WATER - SEWER FUND - CONTINUED
JUNE 30, 2018

	<u>WATER</u>	<u>SEWER</u>	<u>COMBINED</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 75,864	\$ 48,364	\$ 124,228
Accrued expenses	19,847	19,847	39,694
Revenue bonds payable - current portion	24,290	132,147	156,437
Customer deposits	21,361	21,360	42,721
Due to other funds	<u>1,762</u>	<u>1,761</u>	<u>3,523</u>
TOTAL CURRENT LIABILITIES	<u>143,124</u>	<u>223,479</u>	<u>366,603</u>
NONCURRENT LIABILITIES			
Long term revenue bonds, less current portion	455,106	2,054,849	2,509,955
Net OPEB liability	<u>5,035</u>	<u>5,034</u>	<u>10,069</u>
TOTAL NONCURRENT LIABILITIES ...	<u>460,141</u>	<u>2,059,883</u>	<u>2,520,024</u>
TOTAL LIABILITIES	<u>603,265</u>	<u>2,283,362</u>	<u>2,886,627</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	6,116	6,115	12,231
Deferred inflows - OPEB	<u>303</u>	<u>303</u>	<u>606</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>6,419</u>	<u>6,418</u>	<u>12,837</u>
NET POSITION			
Net investment in capital assets	2,270,954	3,551,968	5,822,922
Restricted for pension	2,497	2,497	4,994
Unrestricted	<u>1,360,338</u>	<u>2,298,863</u>	<u>3,659,201</u>
TOTAL NET POSITION	<u>3,633,789</u>	<u>5,853,328</u>	<u>9,487,117</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
	<u>\$ 4,243,473</u>	<u>\$ 8,143,108</u>	<u>\$ 12,386,581</u>

**TOWN OF ATOKA, TENNESSEE
REVENUES, EXPENSES AND CHANGES
IN NET POSITION OF WATER - SEWER FUND
YEAR ENDED JUNE 30, 2018**

	<u>WATER</u>	<u>SEWER</u>	<u>COMBINED</u>
OPERATING REVENUES			
Metered sales and service	\$ 944,553	\$ 871,556	\$ 1,816,109
Connection fees	71,765	14,125	85,890
Tap fees	-	88,200	88,200
Penalties	13,937	13,937	27,874
Other operating income	1,116	1,116	2,232
TOTAL OPERATING REVENUES	<u>1,031,371</u>	<u>988,934</u>	<u>2,020,305</u>
OPERATING EXPENSES			
Salaries and wages	190,329	190,329	380,658
Fringes	62,946	62,946	125,892
Maintenance services and supplies	173,935	173,934	347,869
Water purchased	422,416	-	422,416
Sewer fees	-	168,553	168,553
Office supplies	67,922	67,921	135,843
Utilities	43,436	43,437	86,873
Insurance	19,321	19,320	38,641
Legal and professional services	29,128	29,129	58,257
Depreciation	135,310	265,539	400,849
Miscellaneous	22,577	22,576	45,153
TOTAL OPERATING EXPENSES	<u>1,167,320</u>	<u>1,043,684</u>	<u>2,211,004</u>
OPERATING (LOSS)	<u>(135,949)</u>	<u>(54,750)</u>	<u>(190,699)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	11,222	11,222	22,444
Interest expense	(11,135)	(35,099)	(46,234)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>87</u>	<u>(23,877)</u>	<u>(23,790)</u>
CHANGE IN NET POSITION	(135,862)	(78,627)	(214,489)
NET POSITION			
Balance at July 1, 2017	3,774,113	5,936,416	9,710,529
Cumulative effect of a change in accounting principle	<u>(4,462)</u>	<u>(4,461)</u>	<u>(8,923)</u>
Balance at July 1, 2017, as restated	<u>3,769,651</u>	<u>5,931,955</u>	<u>9,701,606</u>
Balance at June 30, 2018	<u>\$ 3,633,789</u>	<u>\$ 5,853,328</u>	<u>\$ 9,487,117</u>

**TOWN OF ATOKA, TENNESSEE
CASH FLOWS OF WATER - SEWER FUND
YEAR ENDED JUNE 30, 2018**

	<u>WATER</u>	<u>SEWER</u>	<u>COMBINED</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,025,786	\$ 992,591	\$ 2,018,377
Cash payments to suppliers	(830,558)	(589,752)	(1,420,310)
Cash payments to employees for services	(190,278)	(190,279)	(380,557)
Cash payments for taxes	(13,992)	(13,992)	(27,984)
Net cash provided (used) by operating activities	(9,042)	198,568	189,526
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Increase in due to other funds	1,762	1,761	3,523
Decrease in due from other funds	285	284	569
Net cash provided by noncapital financing activities	2,047	2,045	4,092
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(33,234)	(33,234)	(66,468)
Payments on principal of long-term debt	(22,210)	(130,655)	(152,865)
Interest and fee payments on long-term debt	(11,176)	(35,139)	(46,315)
Net cash (used) by capital and related financing activities	(66,620)	(199,028)	(265,648)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investment	(586)	(586)	(1,172)
Interest received	11,222	11,222	22,444
Net cash provided by investing activities	10,636	10,636	21,272
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(62,979)	12,221	(50,758)
CASH AND CASH EQUIVALENTS - JULY 1, 2017	1,157,002	1,964,162	3,121,164
CASH AND CASH EQUIVALENTS - JUNE 30, 2018	<u>\$ 1,094,023</u>	<u>\$ 1,976,383</u>	<u>\$ 3,070,406</u>

TOWN OF ATOKA, TENNESSEE
CASH FLOWS OF WATER - SEWER FUND - CONTINUED
YEAR ENDED JUNE 30, 2018

	<u>WATER</u>	<u>SEWER</u>	<u>COMBINED</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating (loss)	\$ (135,949)	\$ (54,750)	\$ (190,699)
Adjustments to reconcile operating (loss) to net cash provided by operating activities			
Depreciation	135,310	265,539	400,849
Net change in pension related accounts	(3,584)	(3,585)	(7,169)
Net change in OPEB related accounts	829	829	1,658
(Increase) decrease in accounts receivable ...	(5,585)	3,657	(1,928)
(Increase) decrease in inventory	-	(13,057)	(13,057)
Increase (decrease) in accounts payable	(114)	(115)	(229)
Increase (decrease) in accrued expenses	51	50	101
Total adjustments	<u>126,907</u>	<u>253,318</u>	<u>380,225</u>
Net cash provided (used) by operating activities	<u>\$ (9,042)</u>	<u>\$ 198,568</u>	<u>\$ 189,526</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Liabilities incurred for acquisition of capital assets	\$ 27,500	\$ -	\$ 27,500

NONACCOUNTING INFORMATION

AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0
American Water Works Association.
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? Click to access definition
+ Click to add a comment

Water Audit Report for: **Atoka Water System (0000033)**
Reporting Year: **2017** **7/2017 - 6/2018**

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: **MILLION GALLONS (US) PER YEAR**

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

WATER SUPPLIED

Volume from own sources: + ? MG/Yr
Water imported: + ? MG/Yr
Water exported: + ? MG/Yr

Master Meter and Supply Error Adjustments

Enter grading in column 'E' and 'J' -----> Pcnt: Value:
+ ? MG/Yr
+ ? MG/Yr

Enter negative % or value for under-registration
Enter positive % or value for over-registration

WATER SUPPLIED: MG/Yr

AUTHORIZED CONSUMPTION

Billed metered: + ? MG/Yr
Billed unmetered: + ? MG/Yr
Unbilled metered: + ? MG/Yr
Unbilled unmetered: + ? MG/Yr

Click here: ?
for help using option
buttons below

Pcnt: Value:
 MG/Yr

Use buttons to select
percentage of water
supplied
OR
value

AUTHORIZED CONSUMPTION: ? MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

MG/Yr

Apparent Losses

Unauthorized consumption: + ? MG/Yr
Customer metering inaccuracies: + ? MG/Yr
Systematic data handling errors: + ? MG/Yr

Pcnt: Value:
 MG/Yr

MG/Yr
 MG/Yr

Apparent Losses: ? MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: ? MG/Yr

WATER LOSSES: MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: ? MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: + ? miles
Number of active AND inactive service connections: + ?
Service connection density: ? conn./mile main

Are customer meters typically located at the curbside or property line?

Average length of customer service line: + ? ft (length of service line, beyond the property boundary, that is the responsibility of the utility)
Average length of customer service line has been set to zero and a data grading score of 10 has been applied
Average operating pressure: + ? psi

COST DATA

Total annual cost of operating water system: + ? \$/Year
Customer retail unit cost (applied to Apparent Losses): + ? \$/1000 gallons (US)
Variable production cost (applied to Real Losses): + ? \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 92 out of 100 ***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Water imported

2: Billed metered

3: Systematic data handling errors



AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0

American Water Works Association.
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Water Audit Report for: **Atoka Water System (0000033)**

Reporting Year: **2017** **7/2017 - 6/2018**

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 92 out of 100 ***

System Attributes:

Apparent Losses:	0.700	MG/Yr
+ Real Losses:	18.331	MG/Yr
= Water Losses:	19.031	MG/Yr

? Unavoidable Annual Real Losses (UARL): **23.81** MG/Yr

Annual cost of Apparent Losses: **\$2,450**

Annual cost of Real Losses: **\$36,661** Valued at **Variable Production Cost**

Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:

Non-revenue water as percent by volume of Water Supplied: **9.6%**

Non-revenue water as percent by cost of operating system: **8.1%** Real Losses valued at Variable Production Cost

Operational Efficiency:

Apparent Losses per service connection per day: **0.57** gallons/connection/day

Real Losses per service connection per day: **15.04** gallons/connection/day

Real Losses per length of main per day*: **N/A**

Real Losses per service connection per day per psi pressure: **0.19** gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): **18.33** million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: **0.77**

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

**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**

Honorable Daryl Walker, Mayor
Members of the Board of Aldermen
Town of Atoka, Tennessee
Atoka, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Atoka, Tennessee, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Atoka, Tennessee's basic financial statements and have issued our report thereon dated January 23, 2019.

Internal Control Over Financial Reporting

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

Our 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 have not been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 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. We consider the deficiency described in the accompanying Schedule of Findings and Responses to be a material weakness (Item No. 2018-001).

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Atoka, Tennessee's financial statements are 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as Items No. 2018-002 and 2018-003.

Town of Atoka Tennessee's Responses to Findings

The Town of Atoka, Tennessee's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Town of Atoka, Tennessee's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Whitehorn Jankeusly & Davis, PLLC

**TOWN OF ATOKA, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2018**

Material Weakness

Item No. 2018-001: Material Adjustments

Condition: Adjustments have been prepared when necessary to correct material misstatements in the financial statements. During the current year, General Fund account balances were adjusted to reflect the correct amount of accounts payable. This adjustment increased liabilities and expenditures by approximately \$173,000. Solid Waste Fund account balances were adjusted to reflect the correct amount of accounts receivable. This adjustment increased assets and revenues by approximately \$41,000.

Criteria: The financial statements should be fairly stated and free of material misstatement before commencement of the audit.

Cause: Certain transactions were not recorded properly during the year-end close process.

Effect: Material audit adjustments were made to the Town's records.

Recommendation: We recommend Town officials ensure that all material transactions are recorded and properly classified in the Town's records before being submitted for audit.

Client response: We concur with this finding.

Compliance and Other Matters

Item No. 2018-002: Budget Overruns

Condition: During the current year, the Town experienced one departmental cost overrun in the General Fund of approximately \$41,000. Total expenditures out exceeded the budgeted amount of the Solid Waste Fund by approximately \$86,000. Total expenditures exceeded the budget of the Drug Fund by approximately \$5,000.

Criteria: State requirements dictate that in instances where cost overruns become evident, budget amendments should be approved to cover the additional expenditures.

Cause: Some budget amendments were overlooked due to a transition of the Town Administrator position, which is responsible for development and maintenance of Town budgets and amendments. The Town prepares budget amendments periodically in order to comply with State requirements, but the amended amounts remained insufficient in certain accounts.

Effect: Certain expenditures exceeded budgeted amounts.

**TOWN OF ATOKA, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
YEAR ENDED JUNE 30, 2018**

Compliance and Other Matters - Continued

Item No. 2018-002: Budget Overruns - Continued

Recommendation: We recommend that sufficient budget amendments be adopted to keep expenditures within budgeted amounts.

Client response: We concur with this finding.

Item No. 2018-003: Utility Losses

Condition: During the current year, the Town's Water-Sewer Fund reported an operating loss of approximately \$191,000.

Criteria: TCA 7-82-403 requires utility rates to be established that will produce revenue sufficient to provide for all operating expenses of the system (there should not be a loss).

Cause: Revenues were insufficient to cover all operating expenses of the Water-Sewer Fund.

Effect: The Town is in violation of the State statute and is not operating the Water-Sewer Fund to cover all operating expenses.

Recommendation: Along with establishing sufficient rates, the Town should also monitor its monthly financial statements to determine when expenses may need to be limited in order to avoid incurring a loss for the year.

Client response: We concur with this finding.

**TOWN OF ATOKA, TENNESSEE
SCHEDULE OF PRIOR YEAR'S FINDINGS
YEAR ENDING JUNE 30, 2018**

Financial Statement Findings

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2017-001	Material Adjustments (Original Finding 2010-003)	Repeated (2018-001)
2017-002	Budget Overruns (Original Finding 2013-001)	Repeated (2018-002)



TOWN OF ATOKA
 334 Atoka-Munford Avenue
 Atoka, Tennessee 38004
 Phone: (901) 837-5300
www.TownofAtoka.com

TOWN OF ATOKA, TENNESSEE MANAGEMENT'S CORRECTIVE ACTION PLAN YEAR ENDED JUNE 30, 2018

We reviewed the financial statement findings and recommendations with management to provide an opportunity for their response as required by *Tennessee Code Annotated*, Section 9-3-Part 4. Management's corrective action plans for all financial statement findings are presented below.

Corrective Action - Financial Statement Findings

Item 2018-001: Material Adjustments

Response and corrective action plan prepared by: Debbie Pickard, Recorder

Person responsible for implementing the corrective action: Same as above

Anticipated completion date of corrective action: June 30, 2019

Repeat finding: Yes

Reason why corrective action was not taken - PY: Certain transactions were not recorded properly during the year-end close process.

Planned corrective action: The Town's general ledger account balances are adjusted at year-end by our outside CPA. We will continue our efforts to ensure that all material transactions are provided to our outside CPA for proper accounting and recording in the general ledger before commencement of the audit.

Item 2018-002: Budget Overruns

Response and corrective action plan prepared by: Debbie Pickard, Recorder

Person responsible for implementing the corrective action: Same as above

Anticipated completion date of corrective action: June 30, 2019

Repeat finding: Yes

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S CORRECTIVE ACTION PLAN - CONTINUED
YEAR ENDED JUNE 30, 2018**

Corrective Action - Financial Statement Findings Item 2018-002 - Continued

Reason why corrective action was not taken - PY: Some budget amendments were overlooked due to a transition of the Town Administrator position, which is responsible for development and maintenance of Town budgets and amendments. The Town prepares budget amendments periodically in order to comply with State requirements, but the amended amounts remained insufficient in certain accounts.

Planned corrective action: We will continue our practice of amending budgets when necessary and work diligently to include all costs in future budget amendments..

Item 2018-003: Utility Losses

Response and corrective action plan prepared by: Debbie Pickard, Recorder

Person responsible for implementing the corrective action: Same as above

Anticipated completion date of corrective action: June 30, 2019

Repeat finding: No

Reason why corrective action was not taken - PY: N/A

Planned corrective action: We will continue working toward monitoring actual versus budget reports throughout the year in order to make timely decisions regarding revenues, expenses, and budgets.



Recorder

