

TOWN OF ATOKA, TENNESSEE

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2010**

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INTRODUCTORY SECTION

**TOWN OF ATOKA, TENNESSEE
TOWN OFFICIALS
JUNE 30, 2010**

Mayor

Charles Walker

Aldermen

Earl Billings
Tommy Rogers
Bobby Hutchison
Brett Giannini
Danny Feldmayer
Chris McConnell

Department Heads

Recorder
Police Chief
Fire Chief
Town Administrator
Public Works Director
Assistant Recorder

Donna Billings
Jessie Poole
Jay Bonson
Mark Johnson
Mike Billings
Debbie Pickard

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

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, 2010, which collectively comprise the Town's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Town of Atoka, Tennessee's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof and the budgetary comparisons for the General Fund and Drug Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2011 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That

report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and retirement plan-analysis of funding progress as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Atoka, Tennessee's financial statements as a whole. The introductory section, individual fund financial statements, and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of the Town of Atoka, Tennessee. The individual fund financial statements and schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the financial statements and in our opinion are fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

As discussed in Note 11, subsequent to the original issuance of the financial statements for the year ended June 30, 2010, it was discovered that although the Drug Fund met the criteria to be treated as a major fund, it was not presented as a major fund. Accordingly, the accompanying financial statements have been corrected to present the Drug Fund as a major fund.

A handwritten signature in blue ink, reading "William L. Jenkins, PE". The signature is written in a cursive, flowing style.

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

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, 2010. Please read it in conjunction with the Town's financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- The Town's total net assets increased by a total of 16.5% percent as a result of this year's operations. Net assets of our business-type activities (Water-Sewer Fund) increased approximately 10% percent, and net assets of our governmental activities increased 23%.
- During the year, the Town had revenues that were \$1,299,055 more than total expenses for governmental programs and activities.
- For the Town's business-type activities, revenues and contributions exceeded expenses by \$547,181.
- Total revenues in our governmental operations were approximately \$569,000 more than projected budgeted revenues for the year, and expenditures were approximately \$413,000 more than projected budgeted expenditures.
- The total net cost of running the Town of Atoka for the year ending June 30, 2010 (total cost of Business-type and governmental programs net of direct program revenues) was approximately \$865,700.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 12 - 13) 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 14. For governmental activities, these fund statements tell how these 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 6. 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 Assets 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, 2010**

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 assets and changes in them. The Town's net assets - 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 assets 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 Assets 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 local 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 9. 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 an accounting method called 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 Assets 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 proprietary funds. Proprietary funds are reported in the same way that all activities are

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2010**

reported in the Statement of Net Assets 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 assets increased from a year ago - increasing from \$11,157,617 to \$13,003,853. Looking at the net assets 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 assets (Table 1) changes from the prior year.

**Table 1
Net Assets
(in Thousands)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 4,817	\$ 4,757	\$ 2,837	\$ 2,430	\$ 7,654	\$ 7,187
Capital assets	<u>3,466</u>	<u>2,152</u>	<u>5,878</u>	<u>4,616</u>	<u>9,344</u>	<u>6,768</u>
Total assets	<u>8,283</u>	<u>6,909</u>	<u>8,715</u>	<u>7,046</u>	<u>16,998</u>	<u>13,955</u>
Long-term debt	-	-	1,809	1,440	1,809	1,440
Other liabilities	<u>1,300</u>	<u>1,225</u>	<u>885</u>	<u>132</u>	<u>2,185</u>	<u>1,357</u>
Total liabilities ...	<u>1,300</u>	<u>1,225</u>	<u>2,694</u>	<u>1,572</u>	<u>3,994</u>	<u>2,797</u>
Net Assets						
Invested in capital assets, net of debt .	3,271	2,024	3,322	3,174	6,593	5,198
Restricted	210	89	13	13	223	102
Unrestricted	<u>3,502</u>	<u>3,571</u>	<u>2,686</u>	<u>2,287</u>	<u>6,188</u>	<u>5,858</u>
Total Net Assets	<u>\$ 6,983</u>	<u>\$ 5,684</u>	<u>\$ 6,021</u>	<u>\$ 5,474</u>	<u>\$ 13,004</u>	<u>\$ 11,158</u>

**Table 2
Changes in Net Assets
(in Thousands)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Program revenues						
Charges for services	\$ 174	\$ 156	\$ 1,553	\$ 1,729	\$ 1,727	\$ 1,885
Operating grants and contributions	- 256	253	-	-	256	253
Capital grants	675	-	249	-	924	-

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2010**

**Table 2
Changes in Net Assets - Continued
(in Thousands)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
General revenues						
Local taxes	\$ 910	\$ 851	\$ -	\$ -	\$ 910	\$ 851
Intergovernmental revenues	1,635	1,549	-	-	1,635	1,549
Other general revenues	<u>124</u>	<u>704</u>	<u>43</u>	<u>43</u>	<u>167</u>	<u>747</u>
Total revenues ..	<u>3,774</u>	<u>3,513</u>	<u>1,845</u>	<u>1,772</u>	<u>5,619</u>	<u>5,285</u>
Program expenses						
General government	383	404	-	-	383	404
Public safety	1,363	1,322	-	-	1,363	1,322
Highways and streets	595	415	-	-	595	415
Health, welfare recreation and education	120	73	-	-	120	73
Grants and contributions	14	-	-	-	14	-
Water-sewer	-	-	<u>1,298</u>	<u>1,245</u>	<u>1,298</u>	<u>1,245</u>
Total expenses ..	<u>2,475</u>	<u>2,214</u>	<u>1,298</u>	<u>1,245</u>	<u>3,773</u>	<u>3,459</u>
Increase (decrease) in net assets	<u>\$ 1,299</u>	<u>\$ 1,299</u>	<u>\$ 547</u>	<u>\$ 527</u>	<u>\$ 1,846</u>	<u>\$ 1,826</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.

Public safety

Police fines and forfeitures; grants are listed under both operating grants and contributions and capital grants and contributions.

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; other grants are listed as capital grants and contributions.

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2010**

FUNCTION**SPECIFIC REVENUES**

Health, welfare,
recreation and education

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 \$2,475,427. However, as shown in the Statement of Activities on page 13, the amount that our taxpayers ultimately financed for these activities through Town taxes was only \$1,369,979 because some of the cost was paid by those who directly benefitted from the programs (\$174,043) or by other governments and organizations that subsidized certain programs with grants and contributions (\$931,405). 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>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
General government	\$ 383	\$ 404	\$ 345	\$ 330
Public safety	1,363	1,322	1,199	1,200
Highways and streets	595	415	(28)	202
Health, welfare, recreation and education	120	73	(160)	73
Grants and contributions	14	-	14	-
Totals	<u>\$ 2,475</u>	<u>\$ 2,214</u>	<u>\$ 1,370</u>	<u>\$ 1,805</u>

Business-type Activities

Revenues of the Town's Water-Sewer Fund decreased by 10% from revenues of the prior year. Revenues and contributions in total, increased by \$73,207 (4%) due primarily to forgiveness of debt related to ARRA funding of a sewer expansion project. The Town's expenses during the current year increased by \$53,461 (4.3%).

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2010**

THE TOWN'S FUNDS

Governmental Activities

As the Town completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of \$3,513,074 which is decreased from last year's total of \$3,531,634. The chief reasons for this decrease are given below. It must be pointed out that this decrease in governmental fund balances (\$18,560) is different from the increase in net assets of governmental funds (\$1,299,055) 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, 2010 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 15.

The chief reasons for the decrease in fund balances of \$18,560 from the year ending June 30, 2009 are as follows:

- General government expenses increased significantly over prior year expenses, primarily due to land purchases totaling \$260,000.
- Highways and streets expenses increased from 289,000 to 981,000 due to much needed road improvements.
- Parks and recreation expenses included capital outlay expenses of \$567,000 connected with the Town's new park.

GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS

The expenditures for the year were approximately \$336,000 above original budgeted expenditures. The most significant variances were expenditures connected with highways and streets and park capital outlay expenditures.

Revenues were approximately \$592,000 more than the original budget estimate of \$3,179,000 for General Fund, State Street Aid Fund and Drug Fund. The chief variances were various state grants of \$316,000 and higher than anticipated local taxes.

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2010**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At year end, the Town had \$9,344,638 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 \$2,576,000.

**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>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$ 1,234	\$ 974	\$ 35	\$ 35	\$ 1,269	\$ 1,009
Construction in progress	567	-	1,349	2	1,916	2
Buildings and improvements	545	564	83	87	628	651
Equipment	291	305	164	103	455	408
Infrastructure	829	309	-	-	829	309
Water-Sewer System	-	-	4,247	4,389	4,247	4,389
Totals	<u>\$ 3,466</u>	<u>\$ 2,152</u>	<u>\$ 5,878</u>	<u>\$ 4,616</u>	<u>\$ 9,344</u>	<u>\$ 6,768</u>

This year's major additions for governmental activities included \$529,000 in infrastructure improvements and \$567,000 in park improvements. Additions for business-type activities related primarily to the expansion of the Town's sewer system.

Debt

At year end the Town had \$1,809,074 in debt outstanding versus \$1,439,905 last year, a net increase of \$369,169 as shown in Table 5 - due to new debt assumed in connection with the sewer expansion project and the acquisition of a backhoe.

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

	<u>Business-Type Activities</u>	
	<u>2010</u>	<u>2009</u>
Lease Obligation	\$ 41	\$ -
Revenue Bonds and Notes (backed by specific tax and fee revenues)	1,768	1,440
Totals	<u>\$ 1,809</u>	<u>\$ 1,440</u>

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2010**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Revenues for our FY 2011 year governmental funds are projected at \$871,559 less than final revenues for our year ending June 30, 2010. The main reason for this is state grants of approximately \$671,000 not previously budgeted. Not counting this grant revenue, our 2011 budget reflects a decrease of \$201,000 over our last year actual revenue.

Total budgeted expenditures for governmental funds are projected at approximately \$663,000 less than our prior year actual expenditures. The reason for this difference is related to our infrastructure and park projects related to state grants.

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 ASSETS
JUNE 30, 2010

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash in bank	\$ 3,381,630	\$ 1,769,754	\$ 5,151,384
Investments - certificates of deposit	-	994,313	994,313
Taxes receivable, net	937,493	-	937,493
Accounts receivable, net	-	107,645	107,645
Receivables from other governments	313,572	-	313,572
Accrued interest	-	3,072	3,072
Grants receivable	80,167	-	80,167
Internal balances	83,145	(83,145)	-
Unamortized bond cost	-	11,121	11,121
Restricted Assets			
Cash for construction	20,978	21,510	42,488
Cash for debt service	-	12,933	12,933
Capital assets not being depreciated:			
Land	1,233,546	35,000	1,268,546
Construction in progress	567,191	1,349,047	1,916,238
Capital assets (net of accumulated depreciation):			
Buildings and improvements	545,205	83,397	628,602
Vehicles and equipment	291,086	164,017	455,103
Infrastructure	829,249	-	829,249
Utility plant in service	-	4,246,900	4,246,900
TOTAL ASSETS	<u>\$ 8,283,262</u>	<u>\$ 8,715,564</u>	<u>\$ 16,998,826</u>
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts and contracts payable	\$ 336,705	\$ 829,945	\$ 1,166,650
Accrued expenses	36,031	12,564	48,595
Customer deposits	-	42,921	42,921
Deferred revenue - property tax	927,732	-	927,732
Bonds payable			
Due within one year	-	68,304	68,304
Due in more than one year	-	1,699,865	1,699,865
Obligation under capital lease			
Due within one year	-	19,947	19,947
Due in more than one year	-	20,959	20,959
TOTAL LIABILITIES	<u>1,300,468</u>	<u>2,694,505</u>	<u>3,994,973</u>
NET ASSETS			
Invested in capital assets, net of related debt	3,271,018	3,322,169	6,593,187
Restricted for			
Street expenditures	151,711	-	151,711
Drug enforcement	58,093	-	58,093
Debt service (expendable)	-	12,933	12,933
Unrestricted	3,501,972	2,685,957	6,187,929
TOTAL NET ASSETS	<u>6,982,794</u>	<u>6,021,059</u>	<u>13,003,853</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,283,262</u>	<u>\$ 8,715,564</u>	<u>\$ 16,998,826</u>

See notes to financial statements

**TOWN OF ATOKA, TENNESSEE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental activities							
General government	\$ 382,533	\$ 37,504	\$ -	\$ -	\$ (345,029)	\$ -	\$ (345,029)
Public safety	1,363,367	136,539	22,727	4,725	(1,199,376)	-	(1,199,376)
Highways and streets	595,366	-	242,006	390,947	37,587	-	37,587
Health, welfare, recreation and education	119,811	-	-	280,000	160,189	-	160,189
Grants and contributions	14,350	-	-	-	(14,350)	-	(14,350)
TOTAL GOVERNMENTAL ACTIVITIES	2,475,427	174,043	264,733	675,672	(1,360,979)	-	(1,360,979)
Business-type activities							
Water-sewer system	1,297,937	1,553,281	-	248,951	-	504,295	504,295
TOTAL BUSINESS-TYPE ACTIVITIES	1,297,937	1,553,281	-	248,951	-	504,295	504,295
TOTAL GOVERNMENT	\$ 3,773,364	\$ 1,727,324	\$ 264,733	\$ 924,623	(1,360,979)	504,295	(856,684)
GENERAL REVENUES							
Taxes							
Sales taxes					1,294,347	-	1,294,347
Property taxes					895,402	-	895,402
Alcoholic beverage taxes					266,294	-	266,294
TVA taxes					88,983	-	88,983
Cable TV taxes					15,313	-	15,313
Income and excise taxes					10,676	-	10,676
Investment earnings					43,684	42,886	86,570
Miscellaneous					45,335	-	45,335
TOTAL GENERAL REVENUES					2,660,034	42,886	2,702,920
CHANGE IN NET ASSETS					1,299,055	547,181	1,846,236
NET ASSETS							
Balance at July 1, 2009					5,683,739	5,473,878	11,157,617
Balance at June 30, 2010					<u>\$ 6,982,794</u>	<u>\$ 6,021,059</u>	<u>\$ 13,003,853</u>

See notes to financial statements

TOWN OF ATOKA, TENNESSEE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>GENERAL FUND</u>	<u>DRUG FUND</u>	<u>OTHER GOVERN- MENTAL FUND</u>	<u>TOTAL GOVERN- MENTAL FUNDS</u>
ASSETS				
Cash and cash equivalents	\$ 2,955,036	315,093	\$ 111,501	\$ 3,381,630
Taxes receivable, net	937,493	-	-	937,493
Receivables from other governments	273,362	-	40,210	313,572
Grants receivable	80,167	-	-	80,167
Due from other funds	340,145	-	-	340,145
Restricted Assets				
Cash and cash equivalents on deposit				
Construction	<u>20,978</u>	<u>-</u>	<u>-</u>	<u>20,978</u>
TOTAL ASSETS	<u>\$ 4,607,181</u>	<u>\$ 315,093</u>	<u>\$ 151,711</u>	<u>\$ 5,073,985</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts and contracts payable	\$ 315,727	-	\$ -	\$ 315,727
Accrued liabilities	36,031	-	-	36,031
Due to other funds	-	257,000	-	257,000
Deferred revenue	931,175	-	-	931,175
LIABILITIES PAYABLE FROM RESTRICTED ASSETS				
Accounts and contracts payable	<u>20,978</u>	<u>-</u>	<u>-</u>	<u>20,978</u>
TOTAL LIABILITIES	<u>1,303,911</u>	<u>257,000</u>	<u>-</u>	<u>1,560,911</u>
FUND BALANCE				
Unreserved, undesignated reported in				
State street aid fund	-	-	151,711	151,711
Drug fund	-	58,093	-	58,093
General fund	<u>3,303,270</u>	<u>-</u>	<u>-</u>	<u>3,303,270</u>
TOTAL FUND BALANCE	<u>3,303,270</u>	<u>58,093</u>	<u>151,711</u>	<u>3,513,074</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 4,607,181</u>	<u>\$ 315,093</u>	<u>\$ 151,711</u>	<u>\$ 5,073,985</u>

See notes to financial statements

**TOWN OF ATOKA, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010**

	<u>TOTAL GOVERNMENTAL FUNDS</u>
TOTAL FUND BALANCE	
TOTAL GOVERNMENTAL FUNDS	\$ 3,513,074
 AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	3,466,277
Deferred revenues are not available to pay for current period expenditures and therefore are deferred in the governmental funds balance sheet	<u>3,443</u>
 NET ASSETS OF GOVERNMENTAL ACTIVITIES	 <u>\$ 6,982,794</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, 2010

	<u>GENERAL FUND</u>	<u>DRUG FUND</u>	<u>OTHER GOVERN- MENTAL FUND</u>	<u>TOTAL GOVERN- MENTAL FUNDS</u>
REVENUES				
Local taxes	\$ 1,937,520	\$ -	\$ -	\$ 1,937,520
Licenses and permits	37,504	-	-	37,504
Intergovernmental revenues	1,350,151	4,725	215,581	1,570,457
Fines and forfeits	93,601	42,938	-	136,539
Miscellaneous revenues	<u>88,687</u>	<u>332</u>	<u>-</u>	<u>89,019</u>
TOTAL REVENUES	<u>3,507,463</u>	<u>47,995</u>	<u>215,581</u>	<u>3,771,039</u>
EXPENDITURES				
General government	633,374	-	-	633,374
Public safety	1,345,085	6,064	-	1,351,149
Highways and streets	980,818	-	137,010	1,117,828
Health, welfare, recreation and education	672,898	-	-	672,898
Grants and contributions	<u>14,350</u>	<u>-</u>	<u>-</u>	<u>14,350</u>
TOTAL EXPENDITURES	<u>3,646,525</u>	<u>6,064</u>	<u>137,010</u>	<u>3,789,599</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(139,062)	41,931	78,571	(18,560)
FUND BALANCE				
Balance at July 1, 2009	<u>3,442,332</u>	<u>16,162</u>	<u>73,140</u>	<u>3,531,634</u>
Balance at June 30, 2010	<u>\$ 3,303,270</u>	<u>\$ 58,093</u>	<u>\$ 151,711</u>	<u>\$ 3,513,074</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, 2010**

**NET CHANGE IN FUND BALANCE -
TOTAL GOVERNMENTAL FUNDS \$ (18,560)**

**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	1,426,705
Depreciation expense	(112,533)

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

This is the net difference between the amounts deferred in the current and prior years.	3,443
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 1,299,055

**TOWN OF ATOKA, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY (WATER-SEWER) FUND
JUNE 30, 2010**

ASSETS**CURRENT ASSETS**

Cash and cash equivalents	\$ 1,769,754
Investments - certificates of deposit	994,313
Accrued interest	3,072
Accounts receivable, net	<u>107,645</u>
TOTAL CURRENT ASSETS	<u>2,874,784</u>

NONCURRENT ASSETS**Restricted Assets**

Cash for construction	21,510
Cash for debt service	<u>12,933</u>
Total Restricted Assets	<u>34,443</u>

Capital Assets**Not being depreciated**

Land	35,000
Construction in progress	<u>1,349,047</u>
	<u>1,384,047</u>

Being depreciated

Buildings and improvements	98,847
Vehicles and equipment	275,127
Utility plant in service	6,015,328
Less accumulated depreciation	<u>(1,894,988)</u>
Total Capital Assets, Net of	
Accumulated Depreciation	<u>4,494,314</u>

Other Assets

Unamortized debt expense	<u>11,121</u>
TOTAL NONCURRENT ASSETS	<u>5,923,925</u>

TOTAL ASSETS	<u>\$ 8,798,709</u>
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TOWN OF ATOKA, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY (WATER-SEWER) FUND - CONTINUED
JUNE 30, 2010

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts and contracts payable	\$ 808,435
Accrued expenses	12,564
Due to other funds	83,145
Current portion of revenue bonds payable	68,304
Obligation under capital lease - current portion	19,947
Customer deposits	<u>42,921</u>
TOTAL CURRENT LIABILITIES	<u>1,035,316</u>

CURRENT LIABILITIES PAYABLE

FROM RESTRICTED ASSETS

Accounts and contracts payable	<u>21,510</u>
TOTAL CURRENT LIABILITIES	
PAYABLE FROM RESTRICTED	
ASSETS	<u>21,510</u>

NONCURRENT LIABILITIES

Long term revenue bonds, less current portion	1,699,865
Obligation under capital lease, less current portion	<u>20,959</u>
TOTAL NONCURRENT LIABILITIES	<u>1,720,824</u>
TOTAL LIABILITIES	<u>2,777,650</u>

NET ASSETS

Invested in capital assets, net of related debt	3,322,169
Restricted for debt service (expendable)	12,933
Unrestricted	<u>2,685,957</u>

TOTAL NET ASSETS **6,021,059**

TOTAL LIABILITIES AND NET ASSETS **\$ 8,798,709**

TOWN OF ATOKA, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY (WATER-SEWER) FUND
YEAR ENDED JUNE 30, 2010

OPERATING REVENUES

Metered sales and service	\$ 1,414,321
Connection fees	74,740
Tap fees	29,400
Penalties	28,608
Other operating income	<u>6,212</u>
TOTAL OPERATING REVENUES	<u>1,553,281</u>

OPERATING EXPENSES

Operating and transmission salaries	225,871
Fringes	22,628
Maintenance services and supplies	229,111
Water purchased	377,496
Sewer fees	123,722
Office supplies	13,873
Utilities	59,405
Insurance	12,003
Depreciation	184,878
Amortization	1,985
Miscellaneous	<u>14,908</u>
TOTAL OPERATING EXPENSES	<u>1,265,880</u>

OPERATING INCOME 287,401

NONOPERATING REVENUES (EXPENSES)

Interest income	(42,886)
Interest expense	<u>32,057</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(10,829)</u>

INCOME BEFORE CAPITAL CONTRIBUTIONS 298,230

CAPITAL CONTRIBUTIONS 248,951

CHANGE IN NET ASSETS 547,181

NET ASSETS

Balance at July 1, 2009	<u>5,473,878</u>
Balance at June 30, 2010	<u><u>\$ 6,021,059</u></u>

See notes to financial statements

**TOWN OF ATOKA, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY (WATER - SEWER) FUND
YEAR ENDED JUNE 30, 2010**

**CASH FLOWS FROM
OPERATING ACTIVITIES**

Cash received from customers	\$ 1,555,051
Cash payments to suppliers	(794,626)
Cash payments to employees for services	(227,546)
Cash payments for taxes	<u>(22,628)</u>
Net cash provided by operating activities	<u>510,251</u>

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

Decrease in bank overdraft	(27,932)
Decrease in due to other funds	<u>(103,943)</u>
Net cash (used) by noncapital financing activities	<u>(131,875)</u>

**CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES**

Purchase of fixed assets	(637,464)
Proceeds from long-term debt	676,348
Payments on principal of long-term debt	(99,134)
Payments on principal under capital lease obligation	(22,019)
Interest and fee payments on long-term debt	<u>(32,953)</u>
Net cash (used) by capital and related financing activities	<u>(115,222)</u>

**CASH FLOWS FROM
INVESTING ACTIVITIES**

Maturities of investments	972,419
Purchases of investments	(994,312)
Interest received	<u>40,534</u>
Net cash provided by investing activities	<u>18,641</u>

**NET INCREASE IN CASH AND
CASH EQUIVALENTS**

281,795

**CASH AND CASH EQUIVALENTS -
JULY 1, 2009**

1,522,402

**CASH AND CASH EQUIVALENTS -
JUNE 30, 2010**

\$ 1,804,197

See notes to financial statements

**TOWN OF ATOKA, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY (WATER -SEWER) FUND - CONTINUED
YEAR ENDED JUNE 30, 2010**

**RECONCILIATION OF ENDING CASH AND
CASH EQUIVALENTS TO LINE ITEMS
IN STATEMENT OF NET ASSETS**

Unrestricted cash and cash equivalents	\$ 1,769,754
Restricted cash and cash equivalents	
Construction	21,510
Debt service	<u>12,933</u>
Cash and cash equivalents	<u>\$ 1,804,197</u>

See notes to financial statements

**TOWN OF ATOKA, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY (WATER -SEWER) FUND - CONTINUED
YEAR ENDED JUNE 30, 2010**

**RECONCILIATION OF OPERATING
INCOME TO NET CASH PROVIDED
BY OPERATING ACTIVITIES**

Operating income	\$	287,401
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation		184,878
Amortization		1,985
(Increase) decrease in accounts receivable		1,770
Increase (decrease) in accounts payable		35,892
Increase (decrease) in accrued expenses		<u>(1,675)</u>
Total adjustments		<u>222,850</u>
Net cash provided by operating activities	\$	<u>(510,251)</u>

**Noncash investing, capital, and
financing activities:**

Liabilities incurred for acquisition of capital assets	\$	747,117
Equipment purchased through dealer lease financing	\$	62,925
Forgiveness of debt	\$	248,951

See notes to financial statements

TOWN OF ATOKA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ACTUAL AND BUDGET - GENERAL FUND
YEAR ENDED JUNE 30, 2010

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
REVENUES				
Local taxes	\$ 1,780,903	\$ 1,780,903	\$ 1,937,520	\$ 156,617
Licenses and permits	32,000	32,000	37,504	5,504
Intergovernmental revenues ...	1,034,227	1,034,227	1,350,151	315,924
Fines and forfeitures	65,000	65,000	93,601	28,601
Miscellaneous revenues	<u>26,000</u>	<u>26,000</u>	<u>88,687</u>	<u>62,687</u>
TOTAL REVENUES ..	<u>2,938,130</u>	<u>2,938,130</u>	<u>3,507,463</u>	<u>569,333</u>
EXPENDITURES				
General government				
Legislative	23,700	23,700	18,634	(5,066)
Judicial	10,400	10,400	12,252	1,852
Finance and administration .	517,400	517,400	567,986	50,586
Planning and inspection	<u>68,530</u>	<u>68,530</u>	<u>34,502</u>	<u>(34,028)</u>
Total general government	<u>620,030</u>	<u>620,030</u>	<u>633,374</u>	<u>13,344</u>
Public safety				
Police	1,091,773	1,091,773	1,001,230	(90,543)
Fire	<u>340,330</u>	<u>340,330</u>	<u>343,855</u>	<u>3,525</u>
Total public safety	<u>1,432,103</u>	<u>1,432,103</u>	<u>1,345,085</u>	<u>(87,018)</u>
Highways and Streets				
Streets	<u>686,212</u>	<u>686,212</u>	<u>980,818</u>	<u>294,606</u>
Total highways and streets	<u>686,212</u>	<u>686,212</u>	<u>980,818</u>	<u>294,606</u>
Health, welfare, recreation, and education				
Parks and recreation	<u>487,700</u>	<u>487,700</u>	<u>672,898</u>	<u>185,198</u>
Total health, welfare, recreation, and education	<u>487,700</u>	<u>487,700</u>	<u>672,898</u>	<u>185,198</u>
Grants and contributions				
Donations	<u>7,500</u>	<u>7,500</u>	<u>14,350</u>	<u>6,850</u>
Total health, welfare, and recreation	<u>7,500</u>	<u>7,500</u>	<u>14,350</u>	<u>6,850</u>

See notes to financial statements

TOWN OF ATOKA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ACTUAL AND BUDGET - GENERAL FUND - CONTINUED
YEAR ENDED JUNE 30, 2010

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
EXPENDITURES - CONTINUED				
TOTAL EXPENDITURES	<u>\$3,233,545</u>	<u>\$3,233,545</u>	<u>\$3,646,525</u>	<u>\$ 412,980</u>
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	(295,415)	(295,415)	(139,062)	156,353
FUND BALANCE				
Balance at July 1, 2009	<u>3,442,332</u>	<u>3,442,332</u>	<u>3,442,332</u>	<u>-</u>
Balance at June 30, 2010	<u>\$3,146,917</u>	<u>\$3,146,917</u>	<u>\$3,303,270</u>	<u>\$ 156,353</u>

See notes to financial statements

**TOWN OF ATOKA, TENNESSEE
DRUG FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - ACTUAL AND BUDGET
YEAR ENDED JUNE 30, 2010**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
REVENUES				
Intergovernmental revenues . . .	\$ -	\$ -	\$ 4,725	\$ 4,725
Fines and forfeitures	41,000	41,000	42,938	1,938
Other revenues	<u>-</u>	<u>-</u>	<u>332</u>	<u>332</u>
TOTAL REVENUES	<u>41,000</u>	<u>41,000</u>	<u>47,995</u>	<u>6,995</u>
EXPENDITURES				
Public safety				
Police	<u>20,000</u>	<u>20,000</u>	<u>6,064</u>	<u>(13,936)</u>
TOTAL EXPENDITURES	<u>20,000</u>	<u>20,000</u>	<u>6,064</u>	<u>(13,936)</u>
EXCESS OF REVENUES OVER EXPENDITURES	21,000	21,000	41,931	20,931
FUND BALANCE				
Balance at July 1, 2009	<u>16,162</u>	<u>16,162</u>	<u>16,162</u>	<u>-</u>
Balance at June 30, 2010	<u>\$ 37,162</u>	<u>\$ 37,162</u>	<u>\$ 58,093</u>	<u>\$ 20,931</u>

**TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Atoka, Tennessee, (the "Town") operates under an Aldermen-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the Town conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

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, as set forth in GASB Statement No. 14, "The Financial 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.

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. Governments are also required to follow Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) pronouncements issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB ASC pronouncements issued after that date to its business-type activities, the Town has chosen not to do so.

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 Statement of Net Assets, 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 assets are reported in three parts - invested in capital assets, net of related debt;

**TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

GOVERNMENT-WIDE FINANCIAL STATEMENTS - CONTINUED

restricted net assets; and unrestricted net assets. All interfund balances are eliminated in the government-wide Statement of Net Assets.

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 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, sales, or gas 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 assets 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, liabilities, 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 major funds for the Town are the General Fund, Drug Fund, and the Water-Sewer Fund.

**TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FUND FINANCIAL STATEMENTS - CONTINUED

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.

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

State Street Aid Fund, used to account for the Town's share of gas tax revenues supplied by the State of Tennessee. Expenditures are legally 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 - 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 Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined below:

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

- 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.

**TOWN OF ATOKA TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

MEASUREMENT FOCUS - CONTINUED

- 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 assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

BASIS OF ACCOUNTING - In the government-wide Statement of Net Assets 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.

INTERFUND TRANSACTIONS - 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 statement of net assets. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). Interfund receivables and payables between funds are eliminated in the statement of net assets.

**TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, 2010, expenditures exceeded appropriations in the General Fund by \$412,980.

INVENTORIES AND INTERPERIOD ALLOCATIONS - Inventories 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 - All short-term investments having an original maturity date no longer than three (3) months are considered cash equivalents for purposes of reporting cash flows.

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.

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 association, money market funds approved by the state director of local finance, 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.

**TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 were related 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.

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.

AMORTIZATION - Bond costs in the Proprietary Fund are amortized over the applicable terms of maturity of each issuance on a straight-line basis.

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 formal capitalization policy, but generally only assets with an individual cost of at least \$4,500 and an estimated useful life in excess of one year are capitalized.

Government-wide 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).

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

CAPITAL ASSETS AND DEPRECIATION - CONTINUED

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 Assets. 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 statements.

RESTRICTED ASSETS - Certain proceeds from bond issues, certain resources set aside for this repayment, as well as certain other cash and investments, are classified as restricted assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants and/or external parties. The Town elects to use restricted assets before unrestricted assets when the situation arises where either can be used.

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 statements. Long-term debt consists of bonds payable and capital lease obligations payable.

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

EQUITY CLASSIFICATIONS - Equity is classified in the government-wide statements as net assets and displayed in three components:

- Invested in capital assets, net of related debt - Consists of capital assets including restricted 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.

**TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2010**

EQUITY CLASSIFICATIONS - CONTINUED

- Restricted net assets - Consists of net assets 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.
- Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

For the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide statements.

NOTE 2 - DEPOSITS

As of June 30, 2010, 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.

NOTE 3 - RECEIVABLES

Receivables as of June 30, 2010 for the Town's individual major funds in the aggregate, including the applicable allowances for the uncollectible accounts are as follows:

	<u>GENERAL</u>	<u>WATER AND SEWER FUND</u>	<u>TOTAL</u>
Receivables:			
Property taxes	\$ 972,009	\$ -	\$ 972,009
Accounts	<u>-</u>	<u>109,141</u>	<u>109,141</u>
Gross receivables	<u>972,009</u>	<u>109,141</u>	<u>1,081,150</u>
Less: Allowance for doubtful accounts	<u>(34,516)</u>	<u>(1,496)</u>	<u>(36,012)</u>
Net receivables	<u>\$ 937,493</u>	<u>\$ 107,645</u>	<u>\$ 1,045,138</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue consisted of the following:

	<u>GOVERNMENT- WIDE FINANCIAL STATEMENTS</u>	<u>FUND FINANCIAL STATEMENTS</u>
GENERAL FUND		
Property taxes receivable	\$ 927,732	\$ 927,732
State income tax	<u>-</u>	<u>3,443</u>
	<u>\$ 927,732</u>	<u>\$ 931,175</u>

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2010

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>BALANCE</u> <u>JULY 1, 2009</u>	<u>ADDITIONS</u>	<u>TRANSFERS/ RETIREMENTS</u>	<u>BALANCE</u> <u>JUNE 30, 2010</u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 973,546	\$ 260,000	\$ -	\$ 1,233,546
Construction in progress	<u>-</u>	<u>567,191</u>	<u>-</u>	<u>567,191</u>
	<u>973,546</u>	<u>827,191</u>	<u>-</u>	<u>1,800,737</u>
Other capital assets				
Buildings and improvements	736,220	-	-	736,220
Equipment	360,361	26,782	-	387,143
Vehicles	599,337	43,888	-	643,225
Infrastructure	<u>342,323</u>	<u>528,844</u>	<u>-</u>	<u>871,167</u>
Total other capital assets at historical cost	<u>2,038,241</u>	<u>599,514</u>	<u>-</u>	<u>2,637,755</u>
Less accumulated depreciation				
Buildings and improvements	(172,548)	(18,467)	-	(191,015)
Equipment	(183,445)	(39,241)	-	(222,686)
Vehicles	(470,917)	(45,679)	-	(516,596)
Infrastructure	<u>(32,772)</u>	<u>(9,146)</u>	<u>-</u>	<u>(41,918)</u>
Total accumulated depreciation	<u>(859,682)</u>	<u>(112,533)</u>	<u>-</u>	<u>(972,215)</u>
Other capital assets, net	<u>1,178,559</u>	<u>486,981</u>	<u>-</u>	<u>1,665,540</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	<u><u>\$ 2,152,105</u></u>	<u><u>\$ 1,314,172</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,466,277</u></u>
DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES FUNCTIONS AS FOLLOWS				
General government		\$ 9,159		
Public safety		66,388		
Public works		22,882		
Health, welfare, recreation and education		<u>14,104</u>		
TOTAL GOVERNMENTAL ACTIVITIES DEPRECIATION EXPENSE		<u><u>\$ 112,533</u></u>		

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2010

NOTE 4 - CAPITAL ASSETS - CONTINUED

	<u>BALANCE</u> <u>JULY 1, 2009</u>	<u>ADDITIONS</u>	<u>TRANSFERS/ RETIREMENTS</u>	<u>BALANCE</u> <u>JUNE 30, 2010</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 35,000	\$ -	\$ -	\$ 35,000
Construction in progress	<u>1,754</u>	<u>1,347,293</u>	<u>-</u>	<u>1,349,047</u>
Total	<u>36,754</u>	<u>1,347,293</u>	<u>-</u>	<u>1,384,047</u>
Other capital assets				
Buildings	98,847	-	-	98,847
Vehicles and equipment	188,620	86,507	-	275,127
Water distribution system	2,071,130	-	-	2,071,130
Sewer plant in operation	1,237,119	-	-	1,237,119
Sewer lines	<u>2,694,079</u>	<u>13,000</u>	<u>-</u>	<u>2,707,079</u>
Total other capital assets at historical cost	<u>6,289,795</u>	<u>99,507</u>	<u>-</u>	<u>6,389,302</u>
Less accumulated depreciation				
Buildings	(11,660)	(3,790)	-	(15,450)
Vehicles and equipment	(85,601)	(25,509)	-	(111,110)
Water distribution system	(454,818)	(57,092)	-	(511,910)
Sewer plant in operation	(489,689)	(30,928)	-	(520,617)
Sewer lines	<u>(668,342)</u>	<u>(67,559)</u>	<u>-</u>	<u>(735,901)</u>
Total accumulated depreciation	<u>(1,710,110)</u>	<u>(184,878)</u>	<u>-</u>	<u>(1,894,988)</u>
Net depreciable assets	<u>4,579,685</u>	<u>(85,371)</u>	<u>-</u>	<u>4,494,314</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 4,616,439</u>	<u>\$ 1,261,922</u>	<u>\$ -</u>	<u>\$ 5,878,361</u>
DEPRECIATION EXPENSE WAS CHARGED TO BUSINESS-TYPE ACTIVITIES FUNCTIONS AS FOLLOWS				
Water-sewer		<u>\$ 184,878</u>		

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2010

NOTE 5 - INTERFUND BALANCES

The composition of interfund balances as of June 30, 2010, is as follows:

Due to/from other funds		
<u>Fund Due From</u>	<u>Fund due to</u>	<u>Amount</u>
Water and Sewer Fund (major)	General Fund (major)	\$ 83,145
Drug Fund (major)	General Fund (major)	<u>257,000</u>
		<u>\$ 340,145</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

Business activities:

Water Revenue Bonds, Series 1973 - The original bond in the amount of \$64,000 was issued on June 19, 1973 and is to be paid in annual installments of principal ranging from \$1,000 to \$4,000 beginning on July 1, 1973 and maturing July 1, 2011. Interest is to be paid bi-annually at a rate of 5.00%. The balance of the bond at June 30, 2010 was \$7,000.

Water and Sewer Revenue and Tax Refunding Bonds, Series 1998 - The original bond in the amount of \$465,000 was issued on October 6, 1998 and is to be paid in annual installments of principal ranging from \$25,000 to \$50,000 beginning March 1, 1999 and maturing on March 1, 2010. Interest is to be paid bi-annually at a rate ranging from 3.90 - 4.80%. The bond was paid off during the year ended June 30, 2010.

Water and Sewer Revenue Bonds, Series 1999 - The original bond in the amount of \$250,000 was issued on July 26, 2000 and is to be paid in monthly installments of \$1,248 beginning July 10, 2000 and maturing on June 10, 2037. The interest rate on this bond is 5.13%. The balance of the bond at June 30, 2010 was \$221,553.

Water and Sewer Revenue and Tax Bonds, Series 2000 - The original bond in the amount of \$121,000 was issued on August 25, 2000 and is to be paid in monthly installments of \$635 beginning September 10, 2000 and maturing on March 10, 2038. The interest rate on this bond is 5.50%. The balance of the bond at June 30, 2010 was \$108,355.

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 of .93% as of June 30, 2010. The balance of the bond at June 30, 2010 was \$851,698.

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2010

NOTE 6 -LONG TERM DEBT - CONTINUED

Business activities - continued:

Pooled Financing Revenue Bonds, TN Municipal Bond Fund, Series 2008 - The original bond in the amount of \$1,000,000 was issued on January 23, 2009 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 of .25% as of June 30, 2010. The balance of this bond at June 30, 2010 was \$206,136.

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 \$1,790 beginning July 1, 2010 and maturing on July 1, 2030. 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 rate of 1.44%. The total proceeds of the loan have not been fully drawn as of June 30, 2010. The balance of this loan at June 30, 2010 was \$373,426, net of ARRA forgiveness of \$248,951.

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

<u>Year ending June 30,</u>	<u>Business Type</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 68,304	\$ 30,529
2012	71,405	29,924
2013	69,958	28,983
2014	72,533	28,106
2015	75,128	27,198
2016-2020	400,529	121,074
2021-2025	348,090	93,404
2026-2030	413,813	60,646
2031-2035	200,080	26,180
2036-2038	48,328	3,150
	<u>\$ 1,768,168</u>	<u>\$ 449,194</u>

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2010

NOTE 6 -LONG TERM DEBT - CONTINUED

Business activities - continued:

Long-term liability activity for the year ended June 30, 2010 was as follows:

	<u>BALANCE</u> <u>JULY 1, 2009</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2010</u>	<u>DUE WITHIN</u> <u>ONE YEAR</u>
Business-type Activities:					
Water Revenue Bonds,					
Series 1973	\$ 10,000	\$ -	\$ 3,000	\$ 7,000	\$ 3,000
Water and Sewer Revenue and Tax					
Refunding Bonds, Series 1998 ..	50,000	-	50,000	-	-
Water and Sewer Revenue Bond,					
Series 1999	225,075	-	3,522	221,553	3,957
Water and Sewer Revenue and Tax					
Bonds, Series 2000	109,967	-	1,612	108,355	1,703
Water and Sewer Revenue and Tax					
Bonds TN Municipal Bond Fund,					
Series 2004	875,698	-	24,000	851,698	25,000
Pooled Financing Revenue Bonds,					
TN Municipal Bond Fund,					
Series 2008	169,165	53,971	17,000	206,136	18,000
State Revolving Fund Loan					
Loan 2009	-	<u>622,377</u>	<u>248,951</u>	<u>373,426</u>	<u>16,664</u>
Totals	<u>\$1,439,905</u>	<u>\$ 676,348</u>	<u>\$ 348,085</u>	<u>\$1,768,168</u>	<u>\$ 68,304</u>

NOTE 7 - CAPITAL LEASES

During fiscal year 2010, the Town entered into a capital lease agreement for the purchase of a backhoe, at which time an initial payment of \$22,019 was paid. The balance of the lease has an implicit interest rate of 5.06% per annum and is payable in 2 annual principal and interest installments of \$22,019 beginning April 1, 2011.

Included in equipment in the accompanying Statement of Net Assets is \$62,925 capitalized cost relating to this lease. Depreciation expense reported in the Statement of Net Assets includes \$1,124 for the equipment under capital lease.

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2010

NOTE 7 - CAPITAL LEASES- CONTINUED

The following is a schedule by years of future minimum payments required under the lease together with its present value at June 30, 2010:

<u>YEARS</u>	<u>AMOUNTS</u>
2011	\$ 22,019
2012	<u>22,019</u>
Total minimum lease payments	44,038
Less amount representing interest	<u>(3,132)</u>
	40,906
Less current portion	<u>(19,947)</u>
	<u><u>\$ 20,959</u></u>

Total interest expense for year ended June 30, 2010 was \$0.

At the end of the capital lease agreement, title to the backhoe will pass to the Town.

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. As such, the Town participates in the Tennessee Municipal League Risk Management Pool (TML), which is a public entity risk pool consisting of member political subdivisions of the State of Tennessee. The Town pays an annual premium to the TML pool for its insurance coverage. Each political subdivision that has participated in the TML pool is subject to assessment if the funds it paid as premiums are insufficient to meet the obligations of the TML pool. The TML pool may reinsure through the Local Government Reinsurance Fund of Tennessee or a commercial insurance company.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years. There was no significant reduction in the amount of coverage provided during this year.

**TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2010**

NOTE 9 - COMMITMENTS AND CONTINGENCIES

The Town does not currently operate its existing 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 22, 2008. Either party may terminate the contract by providing a notice of termination three years in advance. The current contract term with the adjacent city is for twenty years beginning June 1, 1996. The Town may terminate the contract by providing a notice of the termination six months in advance.

As of June 30, 2010, unfulfilled construction contracts related to sewer expansion and parks and recreation totaled \$2,015,614 and \$91,360 respectively.

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 Towns of Munford and Brighton which was entered into in connection with the construction of joint wastewater facilities. Each town paid for their proportionate share of construction costs and is carrying such costs as capital assets on their books and records. The Town of Munford maintains and operates the joint facilities. The Town of Munford bills the other two towns for their share of joint maintenance and operation expenses. The Town was billed \$123,722 by the Town of Munford under this agreement for the year ended June 30, 2010. No party has the right to cancel or amend the agreement. The duration of the agreement is indefinite and continuing.

The Town has been named as a defendant along with other individuals, businesses, and governmental entities in a combination of two lawsuits arising from an auto accident on Highway 51. The Town is denying all liability associated with the auto accident. The Town is actively defending its position in both cases, and the ultimate outcomes of the lawsuits are unknown at this time.

NOTE 10 - RETIREMENT PLAN

Employees of the Town are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of

**TOWN OF ATOKA TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2010**

NOTE 10 - RETIREMENT PLAN - CONTINUED

service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Town participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.tn.gov/treasury/tcrs/ps.

The Town requires employees to contribute 5.0 percent of earnable compensation. The Town is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2010 was 7.96% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Town is established and may be amended by the TCRS Board of Trustees.

For the year ending June 30, 2010, the Town's annual pension cost of \$76,865 to TCRS was equal to the Town's required and actual contributions. The required contribution was determined as part of the July 1, 2007 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 13 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2010

NOTE 10 - RETIREMENT PLAN - CONTINUED

TREND INFORMATION

<u>FISCAL YEAR ENDING</u>	<u>ANNUAL PENSION COST (APC)</u>	<u>PERCENTAGE OF APC CONTRIBUTED</u>	<u>NET PENSION OBLIGATION</u>
June 30, 2010	\$ 76,865	100.00%	\$ 0.00
June 30, 2009	\$ 72,284	100.00%	\$ 0.00
June 30, 2008	\$ 68,682	100.00%	\$ 0.00

As of July 1, 2009, the most recent actuarial valuation date, the plan was 64.75% percent funded. The actuarial accrued liability (AAL) for benefits was \$0.97 million, and the actuarial value of assets was \$0.63 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.34 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.94 million, and the ratio of the UAAL to the covered payroll was 36.28%.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

(Dollar amounts in thousands)

<u>ACTUARIAL VALUATION DATE</u>	<u>ACTUARIAL VALUE OF PLAN ASSETS (a)</u>	<u>ACTUARIAL ACCRUED LIABILITY (AAL) -ENTRY AGE (b)</u>	<u>UNFUNDED AAL (UAAL) (b)-(a)</u>	<u>FUNDED RATIO (a/b)</u>	<u>COVERED PAYROLL (c)</u>	<u>UAAL AS A PERCENTAGE OF COVERED PAYROLL ((b-a)/(c))</u>
July 01, 2009	\$629	\$971	\$342	64.75%	\$944	36.28%
July 01, 2007	\$444	\$636	\$192	69.81%	\$656	29.27%

**TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2010**

NOTE 11 - RE-ISSUANCE OF FINANCIAL STATEMENTS

Subsequent to the original issuance of the financial statements for the year ended June 30, 2010, it was discovered that although the Drug Fund met the criteria to be treated as a major fund, it was not presented as a major fund. Accordingly, the accompanying financial statements have been corrected to present the Drug Fund as a major fund.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF ATOKA, TENNESSEE
RETIREMENT PLAN - ANALYSIS OF FUNDING PROGRESS
JUNE 30, 2010

SCHEDULE OF FUNDING PROGRESS

(dollar amounts in thousands)

<u>ACTUARIAL VALUATION DATE</u>	<u>ACTUARIAL VALUE OF ASSETS (A)</u>	<u>ACTUARIAL ACCRUED LIABILITY (AAL) (B)</u>	<u>UNFUNDED AAL (UAAL) (B) - (A)</u>	<u>FUNDED RATIO (A) / (B)</u>	<u>COVERED PAYROLL (C)</u>	<u>UAAL AS A PERCENTAGE OF COVERED PAYROLL ((B) - (A)) / (C)</u>
July 01, 2009	\$ 629	\$ 971	\$ 342	64.75 %	\$ 944	36.28 %
July 01, 2007	\$ 444	\$ 636	\$ 192	69.81 %	\$ 656	29.27 %

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method went into effect during the year of 2007 actuarial valuation, therefore only the two most recent valuations are presented.

INDIVIDUAL FUND FINANCIAL STATEMENTS

**TOWN OF ATOKA, TENNESSEE
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND
JUNE 30, 2010**

	<u>STATE STREET AID FUND</u>
ASSETS	
Cash	\$ 111,501
Due from State of Tennessee	<u>40,210</u>
TOTAL ASSETS	<u><u>\$ 151,711</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Due to other funds	\$ <u>-</u>
TOTAL LIABILITIES	<u>-</u>
FUND BALANCE	
Unreserved-undesignated	<u>151,711</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 151,711</u></u>

**TOWN OF ATOKA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2010**

	<u>STATE STREET AID FUND</u>
REVENUES	
Intergovernmental revenues	
State of Tennessee gasoline tax	\$ <u>215,581</u>
TOTAL REVENUES	<u>215,581</u>
EXPENDITURES	
Highways and streets	
Supplies	<u>137,010</u>
Total highways and streets	<u>137,010</u>
TOTAL EXPENDITURES	<u>137,010</u>
EXCESS OF REVENUES OVER EXPENDITURES	78,571
FUND BALANCE	
Balance at July 1, 2009	<u>73,140</u>
Balance at June 30, 2010	<u>\$ 151,711</u>

**TOWN OF ATOKA, TENNESSEE
STATE STREET AID FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - ACTUAL AND BUDGET
YEAR ENDED JUNE 30, 2010**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
REVENUES				
Intergovernmental revenues . . .	\$ 200,000	\$ 200,000	\$ 215,581	\$ 15,581
TOTAL REVENUES	<u>200,000</u>	<u>200,000</u>	<u>215,581</u>	<u>15,581</u>
EXPENDITURES				
Highways and streets				
Streets	<u>200,000</u>	<u>200,000</u>	<u>137,010</u>	<u>(62,990)</u>
TOTAL EXPENDITURES	<u>200,000</u>	<u>200,000</u>	<u>137,010</u>	<u>(62,990)</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	-	78,571	78,571
FUND BALANCE				
Balance at July 1, 2009	<u>73,140</u>	<u>73,140</u>	<u>73,140</u>	<u>-</u>
Balance at June 30, 2010	<u>\$ 73,140</u>	<u>\$ 73,140</u>	<u>\$ 151,711</u>	<u>\$ 78,571</u>

**TOWN OF ATOKA, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
YEAR ENDED JUNE 30, 2010**

REVENUES

Local taxes

Property taxes	\$ 895,402
Local sales tax	774,113
Wholesale beer tax	166,298
Liquor distributors tax	86,394
Cable TV tax	<u>15,313</u>
	<u>1,937,520</u>

Licenses and permits	<u>37,504</u>
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Intergovernmental revenues

State sales tax	519,530
State income tax	6,885
State beer tax	4,009
State transportation - PSA	17,425
State mixed drink tax	9,594
State excise tax	347
Telecommunications tax	704
TVA tax	88,983
State reimbursements	9,000
County grants	22,727
State grants	<u>670,947</u>
	<u>1,350,151</u>

Fines and forfeitures	<u>93,601</u>
-----------------------------	---------------

Miscellaneous

Interest income	43,352
Donations	40,107
Miscellaneous	<u>5,228</u>
	<u>88,687</u>

TOTAL REVENUES	<u>3,507,463</u>
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EXPENDITURES

General government

Legislative

Personal services	7,953
Contractual services	<u>10,681</u>
	<u>18,634</u>

Judicial

Personal services	2,600
Contractual services	<u>9,652</u>
	<u>12,252</u>

**TOWN OF ATOKA, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - CONTINUED
YEAR ENDED JUNE 30, 2010**

EXPENDITURES - CONTINUED

General government - continued

Finance and Administration

Personal services	\$ 219,449
Contractual services	39,081
Supplies	30,100
Fixed charges	19,356
Capital outlay	<u>260,000</u>
	<u>567,986</u>

Planning and inspection

Personal services	17,621
Contractual services	14,943
Supplies	<u>1,938</u>
	<u>34,502</u>

Total general government	<u>633,374</u>
--------------------------------	----------------

Public safety

Police

Personal services	769,984
Contractual services	47,436
Supplies	83,441
Fixed charges	50,194
Capital outlay	<u>50,175</u>
	<u>1,001,230</u>

Fire

Contractual services	326,936
Supplies	9,888
Fixed charges	<u>7,031</u>
	<u>343,855</u>

Total public safety	<u>1,345,085</u>
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Highways and streets

Streets

Personal services	48,059
Contractual services	895
Supplies	377,916
Fixed charges	8,605
Capital outlay	<u>545,343</u>

Total highways and streets	<u>980,818</u>
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**TOWN OF ATOKA, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - CONTINUED
YEAR ENDED JUNE 30, 2010**

EXPENDITURES - CONTINUED

Health, welfare, recreation, and education

Parks and recreation

Personal services	\$ 46,764
Contractual services	8,635
Supplies	45,213
Fixed charges	5,095
Capital outlay	<u>567,191</u>

Total health, welfare, recreation

and education 672,898

Grants and contributions

Grants and contributions 14,350

Total grants and contributions 14,350

TOTAL EXPENDITURES 3,646,525

EXCESS OF REVENUES (UNDER)

EXPENDITURES (139,062)

FUND BALANCE

Balance at June 30, 2009 3,442,332

Balance at June 30, 2010 \$3,303,270

SCHEDULES

**TOWN OF ATOKA, TENNESSEE
EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTO/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	(RECEIVABLE) DEFERRED/ RESERVE BALANCE AT JULY 1, 2009	RECEIPTS	DISBURSE- MENTS	(RECEIVABLE) DEFERRED/ RESERVE BALANCE AT JUNE 30, 2010
<u>CASH FEDERAL AWARDS</u>						
U.S. Environmental Protection Agency						
Passed through State of Tennessee						
Capitalization Grants for Clean Water						
State Revolving Funds						
Loan	66.458	N/A	\$ -	\$ 311,188	\$ (311,188)	\$ -
Loan (ARRA)	66.458	N/A	-	62,238	(62,238)	-
Principal Forgiveness (ARRA)	66.458	N/A	-	248,951	(248,951)	-
			<u>-</u>	<u>622,377</u>	<u>(622,377)</u>	<u>-</u>
TOTAL CASH FEDERAL AWARDS			<u>\$ -</u>	<u>\$ 622,377</u>	<u>\$ (622,377)</u>	<u>\$ -</u>

Note: Significant Accounting Policies

All of the federal awards are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred.

**TOWN OF ATOKA, TENNESSEE
EXPENDITURES OF STATE AWARDS
YEAR ENDED JUNE 30, 2010**

<u>PROGRAM TITLE</u>	<u>GRANTOR'S NUMBER</u>	<u>(RECEIVABLE) DEFERRED/ RESERVE BALANCE AT JULY 1, 2009</u>	<u>RECEIPTS</u>	<u>DISBURSE- MENTS</u>	<u>(RECEIVABLE) DEFERRED/ RESERVE BALANCE AT JUNE 30, 2010</u>
<u>CASH AWARDS</u>					
Department of Transportation					
Bridge Grant Program 1990	84455-3420-04	\$ -	\$ 390,947	\$ (471,114)	\$ (80,167)
Highways Safety Grant	PT-09-06	-	4,725	(4,725)	-
Total Department of Transportation		-	395,672	(475,839)	(80,167)
Department of Environment and Conservation					
Local Park and Recreation Fund	GG-09-26728-00	-	280,000	(280,000)	-
TOTAL CASH STATE AWARDS		\$ -	\$ 675,672	\$ (755,839)	\$ (80,167)

TOWN OF ATOKA, TENNESSEE
DEBT SERVICE REQUIREMENTS TO MATURITY
JUNE 30, 2010

YEAR ENDED	WATER REVENUE BOND SERIES 1973		WATER AND SEWER REVENUE BOND SERIES 1999		WATER AND SEWER REVENUE BOND SERIES 2000	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2011	\$ 3,000	\$ 375	\$ 3,957	\$ 11,019	\$ 1,703	\$ 5,917
2012	4,000	100	4,160	10,816	1,799	5,821
2013	-	-	4,373	10,603	1,901	5,719
2014	-	-	4,599	10,377	2,008	5,612
2015	-	-	4,836	10,140	2,121	5,499
2016	-	-	5,086	9,890	2,241	5,379
2017	-	-	5,347	9,629	2,367	5,253
2018	-	-	5,626	9,350	2,501	5,119
2019	-	-	5,912	9,064	2,642	4,978
2020	-	-	6,217	8,759	2,791	4,829
2021	-	-	6,537	8,439	2,948	4,672
2022	-	-	6,874	8,102	3,114	4,506
2023	-	-	7,237	7,739	3,290	4,330
2024	-	-	7,600	7,376	3,476	4,144
2025	-	-	7,990	6,986	3,672	3,948
2026	-	-	8,402	6,574	3,879	3,741
2027	-	-	8,835	6,141	4,098	3,522
2028	-	-	9,289	5,687	4,329	3,291
2029	-	-	9,767	5,209	4,573	3,047
2030	-	-	10,270	4,706	4,831	2,789
2031	-	-	10,799	4,177	5,104	2,516
2032	-	-	11,355	3,621	5,391	2,229
2033	-	-	11,945	3,031	5,695	1,925
2034	-	-	12,553	2,423	6,017	1,603
2035	-	-	13,167	1,809	6,356	1,264
2036	-	-	13,779	1,197	6,715	905
2037	-	-	15,041	387	7,093	527
2038	-	-	-	-	5,700	134
2039	-	-	-	-	-	-
2040	-	-	-	-	-	-
2041	-	-	-	-	-	-
2042	-	-	-	-	-	-
2043	-	-	-	-	-	-
	<u>\$ 7,000</u>	<u>\$ 475</u>	<u>\$ 221,554</u>	<u>\$ 183,251</u>	<u>\$ 108,355</u>	<u>\$ 103,219</u>

TOWN OF ATOKA, TENNESSEE
DEBT SERVICE REQUIREMENTS TO MATURITY - CONTINUED
JUNE 30, 2010

YEAR ENDED	WATER AND SEWER REVENUE BOND SERIES 2004		WATER AND SEWER REVENUE BOND SERIES 2008	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2011	\$ 25,000	\$ 7,921	\$ 18,000	\$ 465
2012	26,000	7,688	19,000	470
2013	27,000	7,447	20,000	423
2014	28,000	7,195	21,000	373
2015	29,000	6,935	22,000	320
2016	30,000	6,665	23,000	265
2017	32,000	6,386	24,000	208
2018	33,000	6,089	25,000	148
2019	34,000	5,782	27,000	85
2020	35,000	5,466	7,136	18
2021	37,000	5,140	-	-
2022	38,000	4,796	-	-
2023	40,000	4,443	-	-
2024	41,000	4,071	-	-
2025	43,000	3,689	-	-
2026	45,000	3,290	-	-
2027	47,000	2,871	-	-
2028	48,000	2,434	-	-
2029	50,000	1,987	-	-
2030	52,000	1,522	-	-
2031	54,000	1,039	-	-
2032	57,000	537	-	-
2033	698	6	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
2039	-	-	-	-
2040	-	-	-	-
2041	-	-	-	-
2042	-	-	-	-
2043	-	-	-	-
	<u>\$ 851,698</u>	<u>\$ 103,399</u>	<u>\$ 206,136</u>	<u>\$ 2,775</u>

TOWN OF ATOKA, TENNESSEE
DEBT SERVICE REQUIREMENTS TO MATURITY - CONTINUED
JUNE 30, 2010

YEAR ENDED	STATE REVOLVING FUND LOAN 2009		GRAND TOTALS
	PRINCIPAL	INTEREST	
2011	\$ 16,644	\$ 4,832	\$ 98,833
2012	16,446	5,029	101,329
2013	16,684	4,791	98,941
2014	16,926	4,549	100,639
2015	17,171	4,304	102,326
2016	17,420	4,055	104,001
2017	17,673	3,802	106,665
2018	17,929	3,546	108,308
2019	18,189	3,286	110,938
2020	18,452	3,023	91,691
2021	18,720	2,755	86,211
2022	18,991	2,484	86,687
2023	19,266	2,209	88,514
2024	19,546	1,929	89,142
2025	19,829	1,646	90,760
2026	20,116	1,359	92,361
2027	20,408	1,067	93,942
2028	20,704	771	94,505
2029	21,004	471	96,058
2030	21,308	167	97,593
2031	-	-	77,635
2032	-	-	80,133
2033	-	-	23,300
2034	-	-	22,596
2035	-	-	22,596
2036	-	-	22,596
2037	-	-	23,048
2038	-	-	5,834
2039	-	-	-
2040	-	-	-
2041	-	-	-
2042	-	-	-
2043	-	-	-
	<u>\$ 373,426</u>	<u>\$ 56,075</u>	<u>\$ 2,217,362</u>

**TOWN OF ATOKA, TENNESSEE
PROPERTY TAXES
YEAR ENDED JUNE 30, 2010**

<u>YEAR OF LEVY</u>	<u>BALANCE JULY1, 2009</u>	<u>ASSESSMENTS/ ADJUSTMENTS</u>	<u>COLLECTIONS</u>	<u>BALANCE JUNE 30, 2010</u>
2009	\$ -	\$ 881,207	\$ 848,578	\$ 32,629
2008	32,026	(444)	23,544	8,038
2007	11,792	(579)	8,506	2,707
2006	4,455	-	3,745	710
2005	1,025	-	832	193
2004	78	-	78	-
2003	-	-	-	-
2002	-	-	-	-
2001	-	-	-	-
2000	-	-	-	-
	<u>\$ 49,376</u>	<u>\$ 880,184</u>	<u>\$ 885,283</u>	44,277

Estimated 2010 levy due October 1, 2010
considered as deferred revenue

927,732

Reserve for delinquent property taxes

(34,516)

Total taxes receivable

\$ 937,493

<u>YEAR OF LEVY</u>	<u>ASSESSED VALUATION</u>	<u>TAX RATE PER \$100</u>	<u>ASSESSMENTS</u>
2009	\$ 157,468,810	\$ 0.56	\$ 873,935
2008	121,213,857	0.70	848,497
2007	109,202,777	0.70	764,419
2006	94,977,349	0.60	569,864
2005	81,149,771	0.60	486,899
2004	70,355,071	0.60	422,130
2003	63,453,666	0.60	380,722
2002	54,793,268	0.10	224,652
2001	43,414,273	0.30	130,243
2000	37,860,699	0.25	94,652

Delinquent Property Taxes

Uncollected taxes for years prior to 2004 have been charged off for financial reporting purposes. Such amounts are not significant. Uncollected taxes for tax years prior to 2009 have been turned over to Chancery Court for collection.

**TOWN OF ATOKA, TENNESSEE
UTILITY RATES AND NUMBER OF CUSTOMERS
JUNE 30, 2010**

Water Rates

Inside City limits

First 1,500 gallons	\$ 10.00
Over 1,500 gallons	\$3.50 per 1,000 gallons

Outside City limits

First 1,500 gallons	\$ 12.88
Over 1,500 gallons	\$4.70 per 1,000 gallons

The Town had 2,439 water customers as of June 30, 2010.

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 1,857 water customers as of June 30, 2010.

**TOWN OF ATOKA, TENNESSEE
UNACCOUNTED FOR WATER
YEAR ENDED JUNE 30, 2010**

(ALL AMOUNTS IN GALLONS)

A	Water Treated and Purchased	
B	Water pumped	0
C	Water purchased	<u>193,929,000</u>
D	Total water treated and purchased (sum lines B and C)	<u>193,929,000</u>
E	Accounted for water	
F	Water sold	176,450,178
G	Metered for consumption (in house usage)	0
H	Fire department(s) usage	0
I	Flushing	0
J	Tank cleaning/filling	0
K	Street cleaning	0
L	Bulk sales	0
M	Water bill adjustments	<u>0</u>
N	Total accounted for water (sum lines F thru M)	<u>176,450,178</u>
O	Unaccounted for water (line D minus line N)	<u>17,478,822</u>
P	Percent Unaccounted for Water (line O divided by line D times 100)	<u>9.01 %</u>
Q	Other (explain) Explain other: None	

All amounts included in this schedule are supported by documentation on file at the water system. If no support is on file for a line item or if the line item is not applicable, a "0" is shown.

TOWN OF ATOKA, TENNESSEE
NET ASSETS OF WATER - SEWER FUND
JUNE 30, 2010

	<u>WATER</u>	<u>SEWER</u>	<u>COMBINED</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$1,052,785	\$ 716,969	\$1,769,754
Investments - certificates of deposit	497,157	497,156	994,313
Accrued interest	1,536	1,536	3,072
Accounts receivable, net	<u>55,954</u>	<u>51,691</u>	<u>107,645</u>
TOTAL CURRENT ASSETS	<u>1,607,432</u>	<u>1,267,352</u>	<u>2,874,784</u>
NONCURRENT ASSETS			
Restricted Assets			
Cash for construction	-	21,510	21,510
Cash for debt service	<u>6,467</u>	<u>6,466</u>	<u>12,933</u>
Total Restricted Assets	<u>6,467</u>	<u>27,976</u>	<u>34,443</u>
Capital Assets			
Not being depreciated			
Land	17,500	17,500	35,000
Construction in progress	<u>-</u>	<u>1,349,047</u>	<u>1,349,047</u>
	<u>17,500</u>	<u>1,366,547</u>	<u>1,384,047</u>
Being depreciated			
Buildings	49,424	49,423	98,847
Vehicles and equipment	137,564	137,563	275,127
Utility plant in operation	2,071,130	3,944,198	6,015,328
Less accumulated depreciation	<u>(574,838)</u>	<u>(1,320,150)</u>	<u>(1,894,988)</u>
Total Capital Assets, Net of			
Accumulated Depreciation	<u>1,683,280</u>	<u>2,811,034</u>	<u>4,494,314</u>
Other Assets			
Unamortized bond cost	<u>5,561</u>	<u>5,560</u>	<u>11,121</u>
TOTAL NONCURRENT ASSETS	<u>1,712,808</u>	<u>4,211,117</u>	<u>5,923,925</u>
TOTAL ASSETS	<u>\$3,320,240</u>	<u>\$5,478,469</u>	<u>\$8,798,709</u>

TOWN OF ATOKA, TENNESSEE
NET ASSETS OF WATER - SEWER FUND - CONTINUED
JUNE 30, 2010

	<u>WATER</u>	<u>SEWER</u>	<u>COMBINED</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts and contracts payable	\$ 30,660	\$ 777,775	\$ 808,435
Accrued expenses	6,282	6,282	12,564
Due to other funds	41,573	41,572	83,145
Current portion of revenue bonds payable	25,830	42,474	68,304
Obligation under capital lease -			
current portion	9,974	9,973	19,947
Customer deposits	<u>21,461</u>	<u>21,460</u>	<u>42,921</u>
TOTAL CURRENT LIABILITIES	<u>135,780</u>	<u>899,536</u>	<u>1,035,316</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS			
Accounts and contracts payable	<u>-</u>	<u>21,510</u>	<u>21,510</u>
TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	<u>-</u>	<u>21,510</u>	<u>21,510</u>
NONCURRENT LIABILITIES			
Long term revenue bonds, less			
current portion	671,542	1,028,323	1,699,865
Obligation under capital lease,			
less current portion	<u>10,480</u>	<u>10,479</u>	<u>20,959</u>
TOTAL NONCURRENT LIABILITIES	<u>682,022</u>	<u>1,038,802</u>	<u>1,720,824</u>
TOTAL LIABILITIES	<u>817,802</u>	<u>1,959,848</u>	<u>2,777,650</u>
NET ASSETS			
Invested in capital assets, net of			
related debt	982,600	2,339,569	3,322,169
Restricted for debt service (expendable)	6,467	6,466	12,933
Unrestricted	<u>1,513,371</u>	<u>1,172,586</u>	<u>2,685,957</u>
TOTAL NET ASSETS	<u>2,502,438</u>	<u>3,518,621</u>	<u>6,021,059</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,320,240</u>	<u>\$5,478,469</u>	<u>\$8,798,709</u>

**TOWN OF ATOKA, TENNESSEE
REVENUES, EXPENSES AND CHANGES
IN NET ASSETS OF WATER AND SEWER FUND
YEAR ENDED JUNE 30, 2010**

	<u>WATER</u>	<u>SEWER</u>	<u>COMBINED</u>
OPERATING REVENUES			
Metered sales and service	\$ 749,025	\$ 665,296	\$1,414,321
Connection fees	64,030	10,710	74,740
Tap fees	-	29,400	29,400
Penalties	14,304	14,304	28,608
Other operating income	<u>3,106</u>	<u>3,106</u>	<u>6,212</u>
TOTAL OPERATING REVENUES	<u>830,465</u>	<u>722,816</u>	<u>1,553,281</u>
 OPERATING EXPENSES			
Salaries and wages	112,936	112,935	225,871
Fringes	11,314	11,314	22,628
Maintenance services and supplies	95,730	133,381	229,111
Water purchased	377,496	-	377,496
Sewer fees	-	123,722	123,722
Office supplies	6,937	6,936	13,873
Utilities	29,703	29,702	59,405
Insurance	6,002	6,001	12,003
Depreciation	71,742	113,136	184,878
Amortization	993	992	1,985
Miscellaneous	<u>7,454</u>	<u>7,454</u>	<u>14,908</u>
TOTAL OPERATING EXPENSES	<u>720,307</u>	<u>545,573</u>	<u>1,265,880</u>
 OPERATING INCOME	<u>110,158</u>	<u>177,243</u>	<u>287,401</u>
 NONOPERATING REVENUES (EXPENSES)			
Interest income	(21,443)	(21,443)	(42,886)
Interest expense	<u>15,550</u>	<u>16,507</u>	<u>32,057</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(5,893)</u>	<u>(4,936)</u>	<u>(10,829)</u>
 INCOME BEFORE CAPITAL CONTRIBUTIONS	<u>116,051</u>	<u>182,179</u>	<u>298,230</u>
 CAPITAL CONTRIBUTIONS	<u>-</u>	<u>248,951</u>	<u>248,951</u>
 CHANGE IN NET ASSETS	116,051	431,130	547,181
 NET ASSETS			
Balance at July 1, 2009	<u>2,386,387</u>	<u>3,087,491</u>	<u>5,473,878</u>
 Balance at June 30, 2010	<u>\$ 2,502,438</u>	<u>\$3,518,621</u>	<u>\$6,021,059</u>

TOWN OF ATOKA, TENNESSEE
CASH FLOWS OF WATER AND SEWER FUND
YEAR ENDED JUNE 30, 2010

	<u>WATER</u>	<u>SEWER</u>	<u>COMBINED</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 831,385	\$ 723,666	\$1,555,051
Cash payments to suppliers	(516,131)	(278,495)	(794,626)
Cash payments to employees for services	(113,774)	(113,772)	(227,546)
Cash payments for taxes	<u>(11,314)</u>	<u>(11,314)</u>	<u>(22,628)</u>
Net cash provided by operating activities	<u>190,166</u>	<u>320,085</u>	<u>510,251</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Decrease in bank overdraft	(13,966)	(13,966)	(27,932)
Decrease in due to other funds	<u>(51,971)</u>	<u>(51,972)</u>	<u>(103,943)</u>
Net cash (used) by noncapital financing activities	<u>(65,937)</u>	<u>(65,938)</u>	<u>(131,875)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of fixed assets	(12,144)	(625,320)	(637,464)
Proceeds from long-term debt	26,986	649,362	676,348
Payments on principal of long-term debt	(49,567)	(49,567)	(99,134)
Payments on principal under capital lease obligation	(11,009)	(11,010)	(22,019)
Interest and fee payments on long-term debt	<u>(15,998)</u>	<u>(16,955)</u>	<u>(32,953)</u>
Net cash (used) by capital and related financing activities	<u>(61,732)</u>	<u>(53,490)</u>	<u>(115,222)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Maturities of investments	486,210	486,209	972,419
Purchases of investments	(497,156)	(497,156)	(994,312)
Interest received	<u>20,267</u>	<u>20,267</u>	<u>40,534</u>
Net cash provided by investing activities	<u>9,321</u>	<u>9,320</u>	<u>18,641</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	71,818	209,977	281,795

TOWN OF ATOKA, TENNESSEE
CASH FLOWS OF WATER AND SEWER FUND - CONTINUED
YEAR ENDED JUNE 30, 2010

	<u>WATER</u>	<u>SEWER</u>	<u>COMBINED</u>
CASH AND CASH EQUIVALENTS -			
JULY 1, 2009	\$ 987,434	\$ 534,968	\$1,522,402
CASH AND CASH EQUIVALENTS -			
JUNE 30, 2010	<u>\$1,059,252</u>	<u>\$ 744,945</u>	<u>\$1,804,197</u>
RECONCILIATION OF ENDING CASH AND			
CASH EQUIVALENTS TO LINE ITEMS IN			
STATEMENT OF NET ASSETS			
Unrestricted cash and cash equivalents	\$1,052,785	\$ 716,969	\$1,769,754
Restricted cash and cash equivalents			
Construction	-	21,510	21,510
Debt service	<u>6,467</u>	<u>6,466</u>	<u>12,933</u>
Cash and cash equivalents	<u>\$1,059,252</u>	<u>\$ 744,945</u>	<u>\$1,804,197</u>

TOWN OF ATOKA, TENNESSEE
CASH FLOWS OF WATER AND SEWER FUND - CONTINUED
YEAR ENDED JUNE 30, 2010

	<u>WATER</u>	<u>SEWER</u>	<u>COMBINED</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 110,158	\$ 177,243	\$ 287,401
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	71,742	113,136	184,878
Amortization	992	993	1,985
(Increase) decrease in accounts receivable	920	850	1,770
Increase (decrease) in accounts payable ..	7,192	28,700	35,892
Increase (decrease) in accrued expenses ..	<u>(838)</u>	<u>(837)</u>	<u>(1,675)</u>
Total adjustments	<u>80,008</u>	<u>142,842</u>	<u>222,850</u>
Net cash provided by operating activities	<u>\$ 190,166</u>	<u>\$ 320,085</u>	<u>\$ 510,251</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Liabilities incurred for acquisition of capital assets	\$ -	\$ 747,117	\$ 747,117
Equipment purchased through dealer lease financing	\$ 31,463	\$ 31,462	\$ 62,925
Forgiveness of debt	\$ -	\$ 248,951	\$ 248,951

**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**

To the Mayor and Members of the Board of Aldermen
Town of Atoka, Tennessee

We have audited 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, 2010, which collectively comprise the Town of Atoka, Tennessee's basic financial statements and have issued our report thereon dated August 4, 2011 except for the matter discussed in Note 11, as to which the date is January 19, 2012. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Town of Atoka, Tennessee's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Atoka, Tennessee's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weakness have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs (Items 2010-01, 2010-02 and 2010-03) to be material weaknesses.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that we reported to management and those charged with governance in a separate letter dated August 4, 2011.

The Town of Atoka, Tennessee's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Town of Atoka, Tennessee's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Mayor and Board of Aldermen, Tennessee Comptroller of the Treasury, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink, reading "Stephen J. Lindsey & Jones, PLLC". The signature is written in a cursive, flowing style.

August 4, 2011

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

COMPLIANCE

We have audited Town of Atoka, Tennessee's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Town of Atoka, Tennessee's major federal programs for the year ended June 30, 2010. Town of Atoka, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Town of Atoka, Tennessee's management. Our responsibility is to express an opinion on Town of Atoka, Tennessee's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Atoka, Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Town of Atoka, Tennessee's compliance with those requirements.

In our opinion, Town of Atoka, Tennessee, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

INTERNAL CONTROL OVER COMPLIANCE

Management of Town of Atoka, Tennessee, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Town of Atoka, Tennessee's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of Atoka, Tennessee's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Mayor and Aldermen, Tennessee Comptroller of the Treasury, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Whitson Zakenberg & Davis, PLLC

**TOWN OF ATOKA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Town of Atoka, Tennessee.
2. Three significant deficiencies disclosed during the audit of the financial statements are reported in the Report on Compliance and Internal Control at pages 65 and 66 and in this Schedule of Findings and Questioned Costs. All three significant deficiencies are reported as material weaknesses.
3. No instances of noncompliance material to the financial statements of the Town of Atoka, Tennessee, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs of the Town of Atoka, Tennessee expresses an unqualified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with section 510(a) of *OMB Circular A-133*.
7. The program tested as a major program was: U.S. Environmental Protection Agency - Capitalization Grants for Clean Water State Revolving Funds (CFDA #66.458 and ARRA #66.458).
8. The threshold for distinguishing between Type A and B programs was \$300,000.
9. The Town of Atoka, Tennessee was determined not to be a low-risk auditee.

**TOWN OF ATOKA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED JUNE 30, 2010**

FINDINGS - FINANCIAL STATEMENT AUDIT

Deficiencies in Internal Control

Item No. 2010-01: Unrecorded Bank Account

Condition: The Town's "Atoka Annual Celebration" bank account, and activity therein, was not recorded in the Town's general ledger.

Criteria: Effective internal control procedures dictate that all assets and transactions of the Town should be under general ledger controls.

Effect: The existence of an unrecorded bank account creates the opportunity whereby a theft of cash, and the concealment thereof, could occur without being detected by management and those charged with governance.

Recommendation: We recommend that the balances of all bank accounts, and activity therein, should be recorded in the Town's general ledger.

Client response: We will ensure going forward that our outside CPA records the bank account and related transactions in the general ledger.

Item 2010-02: Actual Expenditures Exceeded Budget

Condition: Actual expenditures exceeded the amount appropriated in the approved budget for the Town's General Fund by \$412,980.

Criteria: State statutes assign the responsibility of the budgeting process and establish budgetary authority for municipal expenditures.

Effect: The Town has expenditures in excess of budgeted amounts.

Recommendation: The Town should monitor the expenditures and compare to the budget on a recurring basis. If expenditures are anticipated to exceed the budget, the Town should amend the budget.

Client response: In the future, we will take steps to ensure that budgets are amended as appropriate when additional costs are expected.

**TOWN OF ATOKA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED JUNE 30, 2010**

FINDINGS - FINANCIAL STATEMENT AUDIT - CONTINUED

Deficiencies in Internal Control - Continued

Item No. 2010-03: Adjustment of General Ledger Account Balances

Condition: Material transactions of the General Fund related to accounts payable and unrecorded bank accounts, and unrestricted net assets and capital contributions of the Water-Sewer Fund were not recorded properly and necessitated adjustments of the Town's financial statements. The Town's general ledger account balances are adjusted at year-end by an outside CPA.

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

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

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

Client response: We will continue coordinating our efforts with our outside CPA to ensure that all material transactions are properly accounted for and recorded in the general ledger at year-end before commencement of the audit.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM

None.

**TOWN OF ATOKA, TENNESSEE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND QUESTIONED COSTS
YEAR ENDING JUNE 30, 2010**

Items corrected: 09-1