

TOWN OF ATOKA, TENNESSEE

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014**

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INTRODUCTORY SECTION

**TOWN OF ATOKA, TENNESSEE
TOWN OFFICIALS
JUNE 30, 2014**

Mayor

Daryl Walker

Aldermen

Walker Adams
Barry Akin
Danny Feldmayer
Brett Giannini
Bobby Hutchison
Mike Joyner

Department Heads

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

Brian Koral
Debbie Pickard (CMFO Designee)
Jessie Poole
Alan Barkelew
Daniel Lovett
Brian Peel

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Atoka, Tennessee as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Atoka, Tennessee's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion

on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Atoka, Tennessee as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The combining fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information

has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements 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 do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2015 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* in considering the Town of Atoka, Tennessee's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Whitson Jenkins, Davis, LLC". The signature is written in a cursive, flowing style.

Covington, Tennessee
March 12, 2015

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

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, 2014. Please read it in conjunction with the Town's financial statements, which begin on page 13.

FINANCIAL HIGHLIGHTS

- The Town's total net position increased by approximately \$1,210,000, or 6.9 percent, from \$17,415,000 to \$18,625,000 as a result of this year's operations. Net position of our business-type activities increased approximately 2.6 percent, and net position of our governmental activities increased 10.8 percent.
- During the year, the Town had revenues that were approximately \$999,000 more than total expenses for governmental programs and activities.
- For the Town's business-type activities, revenues and contributions exceeded expenses by approximately \$211,000.
- Total revenues in our governmental operations were approximately \$373,000 more than projected budgeted revenues for the year, but expenditures were approximately \$197,000 less than projected budgeted expenditures.
- The total net cost of running the Town of Atoka for the year ending June 30, 2014 (total cost of business-type and governmental programs net of direct program revenues) was approximately \$2,067,000.

USING THIS ANNUAL REPORT

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

REPORTING THE TOWN AS A WHOLE

Our analysis of the Town as a whole begins on page 7. One of the most important questions asked about its finances is "Is the Town as a whole better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS- CONTINUED
YEAR ENDED JUNE 30, 2014**

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

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

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

- **Governmental activities** - Most of the Town's basic services are reported here, including general administration, police, fire, public works, and parks departments. Property taxes, sales taxes, and 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 10. The fund financial statements provide detailed information about the most significant funds, not the Town as a whole. Some funds are required to be established by state law and by bond covenants. However, the Mayor and Board of Aldermen establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds, governmental and proprietary, use different accounting approaches.

- **Governmental funds** - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using 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 Position and the Statement of Activities) and governmental funds in reconciliations to the fund financial statements.
- **Proprietary funds** - When the Town charges customers for the services it provides - whether to outside customers or to other units of the Town - these services are generally reported in

TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2014

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

THE TOWN AS A WHOLE

The Town's combined net position increased from a year ago from approximately \$17,415,000 to \$18,625,000. Looking at the net position and net expenses of governmental and business-type activities separately, however, is necessary because state laws prohibit intermingling the assets, and each activity must stand on its own. Our analysis below focuses on the net position (Table 1) changes from the prior year.

Table 1
Net Position
(in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 5,398	\$ 6,433	\$ 3,776	\$ 3,603	\$ 9,174	\$ 10,036
Capital assets	6,203	4,614	8,150	8,104	14,353	12,718
Total assets	11,601	11,047	11,926	11,707	23,527	22,754
Long-term debt	-	-	3,371	3,203	3,371	3,203
Other liabilities	386	808	191	351	577	1,159
Total liabilities	386	808	3,562	3,554	3,948	4,362
Deferred inflows	954	977	-	-	954	977
Net Position						
Net investment in capital assets	6,194	4,222	4,755	4,745	10,949	8,967
Restricted	1,368	654	-	-	1,368	654
Unrestricted	2,699	4,386	3,609	3,408	6,308	7,794
Total Net Position	\$ 10,261	\$ 9,262	\$ 8,364	\$ 8,153	\$ 18,625	\$ 17,415

Table 2
Changes in Net Position
(in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Program revenues						
Charges for services	\$ 529	\$ 339	\$ 1,869	\$ 1,871	\$ 2,398	\$ 2,210
Operating grants and contributions	278	343	-	-	278	343
Capital grants and contributions	678	55	-	89	678	144

TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2014

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General revenues . . .						
Local taxes	\$ 2,452	\$ 2,216	\$ -	\$ -	\$ 2,452	\$ 2,216
Intergovernmental revenues	746	696	-	-	746	696
Other general revenues	54	42	25	26	79	68
Total revenues . .	<u>4,737</u>	<u>3,691</u>	<u>1,894</u>	<u>1,986</u>	<u>6,631</u>	<u>5,677</u>
Program expenses						
General government	488	517	-	-	488	517
Public safety	1,861	1,675	-	-	1,861	1,675
Solid waste	219		-		219	
Highways and streets	680	771	-	-	680	771
Health, welfare recreation and education	474	334	-	-	474	334
Grants and contributions	16	11	-	-	16	11
Water-sewer	-	-	1,683	1,759	1,683	1,759
Total expenses . .	<u>3,738</u>	<u>3,308</u>	<u>1,683</u>	<u>1,759</u>	<u>5,421</u>	<u>5,067</u>
Increase (decrease) in net position	<u>\$ 999</u>	<u>\$ 383</u>	<u>\$ 211</u>	<u>\$ 227</u>	<u>\$ 1,210</u>	<u>\$ 610</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.

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2014**

<u>FUNCTION</u>	<u>SPECIFIC REVENUES</u>
Solid waste	Charges for solid waste pickup.
Highways and streets	Specific operating grants include gas taxes since the State of Tennessee imposes this tax, and gas taxes are reported as an operating grant specific to streets.
Health, welfare, recreation and education	Grants are listed as operating grants and contributions.

All other governmental revenues are reported as General Revenues.

The cost of all governmental activities this year was \$3,737,886. However, as shown in the Statement of Activities on page 14, the amount that our taxpayers ultimately financed for these activities through Town taxes was only \$2,253,269 because some of the cost was paid by those who directly benefitted from the programs (\$528,834) or by other governments and organizations that subsidized certain programs with grants and contributions (\$955,783). 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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General government	\$ 488	\$ 517	\$ 445	\$ 484
Public safety	1,861	1,675	1,651	1,549
Solid waste	219		(86)	
Highways and streets	680	771	445	340
Health, welfare, recreation and education	474	334	(219)	187
Grants and contributions	16	11	16	11
Totals	<u>\$ 3,738</u>	<u>\$ 3,308</u>	<u>\$ 2,253</u>	<u>\$ 2,571</u>

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2014**

THE TOWN'S FUNDS

Water-Sewer Fund

Revenues of the Town's Water-Sewer Fund decreased by approximately 0.1% from revenues of the prior year. Revenues and contributions in total, decreased by approximately \$89,000 (4.6%) due primarily to a current year decrease in forgiveness of debt related to funding of a sewer expansion project in the prior year. The Town's Water-Sewer Fund expenses during the current year decreased by \$76,000 (4.3%).

Governmental Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet on page 15) reported a combined fund balance of \$4,038,862 which is a decrease from last year's total of \$4,563,445. The chief reasons for this decrease are given below. It must be pointed out that this decrease in governmental fund balances (\$524,583) is different from the increase in net position of governmental activities (\$999,286) 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, 2014 and do not take into account governmental capital assets and depreciation, since in this basis capital asset acquisitions are considered expenditures when incurred, and the asset is not recognized as carrying value into future periods. Also, depreciation is not recognized since the assets were considered "expensed" when acquired. A detail explanation of these differences is given in the reconciliation on page 18.

The chief reason for the decrease in fund balances of \$524,583 from the year ending June 30, 2013 is that expenditures increased by approximately \$911,000 due to increases in routine budgeted activities and capital expenditures related to the Meade Lake Road and Nancy Lane Park capital projects, partially offset by increases in local sales tax and intergovernmental revenues.

GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS

Expenditures for the year were approximately \$856,000 above original budgeted expenditures. The most significant variance was public works expenditures delayed in prior periods but incurred in the current year.

Revenues for the year were approximately \$373,000 more than the original budget estimate of \$4,408,350 for General Fund, Solid Waste Fund, State Street Aid Fund and Drug Fund. The most significant variance was higher than anticipated local tax revenues.

TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At year end, the Town had approximately \$14,353,000 invested in capital assets, including police and fire equipment, buildings, park facilities, and water and sewer lines. (See Table 4 below.) This amount represents a net increase from last year of approximately \$1,636,000.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 1,248	\$ 1,248	\$ 35	\$ 35	\$ 1,283	\$ 1,283
Construction in progress	441	987	264	18	705	1,005
Buildings and improvements	476	496	68	72	544	568
Equipment	424	462	193	165	617	627
Infrastructure	3,614	1,420	-	-	3,614	1,420
Water-Sewer System	-	-	7,590	7,814	7,590	7,814
Totals	<u>\$ 6,203</u>	<u>\$ 4,613</u>	<u>\$ 8,150</u>	<u>\$ 8,104</u>	<u>\$ 14,353</u>	<u>\$ 12,717</u>

This year's major additions for governmental activities included approximately \$54,000 in equipment, \$31,000 in vehicles, and \$1,421,000 in park and street infrastructure. Additions for business-type activities related primarily to construction in progress of approximately \$246,000, new equipment purchases of approximately \$69,000, and upgrades to water and sewer facilities of approximately \$66,000.

Debt

At year end the Town had \$3,370,711 in debt outstanding versus \$3,358,658 last year, a net decrease of \$12,053 as shown in Table 5, due to the net difference between new debt assumed in connection with the sewer expansion project and current year payments made on existing debt. During the fiscal year 2015, the Town expects to retire two of the outstanding bond series.

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

	<u>Business-Type Activities</u>	
	<u>2014</u>	<u>2013</u>
Revenue Bonds and Notes (backed by specific tax and fee revenues)	<u>\$ 3,371</u>	<u>\$ 3,359</u>

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2014**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Revenues for our fiscal year 2015 governmental funds are projected at approximately \$23,500 less than final revenues for the year ended June 30, 2014. The main reasons for this are anticipated decreases in state grants and state gas tax revenues.

Total budgeted expenditures for governmental funds are projected at approximately \$223,000 less than prior year actual expenditures. The main reasons for this decrease are decreased capital outlay expenditures for highway and streets and parks and recreation purposes.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

TOWN OF ATOKA, TENNESSEE
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
Cash and cash equivalents	\$ 2,958,384	\$ 3,499,509	\$ 6,457,893
Investments - certificates of deposit	-	465,050	465,050
Taxes receivable, net	955,928	-	955,928
Accounts receivable, net	23,254	138,384	161,638
Receivables from other governments	447,436	-	447,436
Grants receivable	677,512	-	677,512
Receivable - other	8,308	-	8,308
Internal balances	326,916	(326,916)	-
Capital assets not being depreciated			
Land	1,248,246	35,000	1,283,246
Construction in progress	441,002	263,840	704,842
Capital assets (net of accumulated depreciation)			
Buildings and improvements	475,911	68,237	544,148
Vehicles and equipment	424,289	193,272	617,561
Infrastructure	3,613,437	-	3,613,437
Utility plant in service	-	7,590,109	7,590,109
TOTAL ASSETS	<u>\$ 11,600,623</u>	<u>\$ 11,926,485</u>	<u>\$ 23,527,108</u>
LIABILITIES			
Accounts and contracts payable	\$ 293,477	\$ 117,084	\$ 410,561
Accrued expenses	66,657	31,385	98,042
Unearned revenue			
Reimbursements made in advance			
of work performed	25,834	-	25,834
Customer deposits	-	42,921	42,921
Bonds payable			
Due within one year	-	159,781	159,781
Due in more than one year	-	3,210,930	3,210,930
TOTAL LIABILITIES	<u>385,968</u>	<u>3,562,101</u>	<u>3,948,069</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property tax	953,888	-	953,888
NET POSITION			
Net investment in capital assets	6,193,765	4,755,472	10,949,237
Restricted for			
Solid waste expenditures	139,708	-	139,708
Street expenditures	403,645	-	403,645
Drug enforcement	126,102	-	126,102
Grant programs	672,512	-	672,512
Repair and replacement	25,834	-	25,834
Unrestricted	2,699,201	3,608,912	6,308,113
TOTAL NET POSITION	<u>10,260,767</u>	<u>8,364,384</u>	<u>18,625,151</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 11,600,623</u>	<u>\$ 11,926,485</u>	<u>\$ 23,527,108</u>

See notes to financial statements

**TOWN OF ATOKA, TENNESSEE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES
Governmental activities						
General government	\$ 488,055	\$ 42,755	\$ -	\$ -	\$ (445,300)	\$ -
Public safety	1,860,848	76,882	37,918	95,468	(1,650,780)	-
Solid waste	219,497	305,303	-	-	85,806	-
Highways and streets	680,048	-	234,154	-	(445,894)	-
Health, welfare, recreation and education	473,738	104,094	6,200	582,043	218,599	-
Grants and contributions	15,700	-	-	-	(15,700)	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>3,737,886</u>	<u>528,834</u>	<u>278,272</u>	<u>677,511</u>	<u>(2,253,269)</u>	<u>-</u>
Business-type activities						
Water-sewer system	1,682,920	1,869,488	-	-	-	186,568
TOTAL BUSINESS-TYPE ACTIVITIES	<u>1,682,920</u>	<u>1,869,488</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>186,568</u>
TOTAL GOVERNMENT	<u>\$ 5,420,806</u>	<u>\$ 2,398,322</u>	<u>\$ 278,272</u>	<u>\$ 677,511</u>	<u>(2,253,269)</u>	<u>(2,066,701)</u>
GENERAL REVENUES						
Taxes						
Sales taxes					1,756,486	-
Property taxes					978,370	-
Alcoholic beverage taxes					306,782	-
TVA taxes					92,791	-
Cable TV taxes					26,414	-
Income and excise taxes					37,056	-
Telecommunications taxes					269	-
Insurance recoveries					21,460	-
Investment earnings					16,510	24,801
Miscellaneous					16,417	-
TOTAL GENERAL REVENUES					<u>3,252,555</u>	<u>24,801</u>
CHANGE IN NET POSITION					999,286	211,369
NET POSITION						
Balance at July 1, 2013					9,261,481	8,153,015
Balance at June 30, 2014					<u>\$ 10,260,767</u>	<u>\$ 8,364,384</u>
						<u>\$ 18,625,151</u>

See notes to financial statements

TOWN OF ATOKA, TENNESSEE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>GENERAL FUND</u>	<u>OTHER GOVERN- MENTAL FUNDS</u>	<u>TOTAL GOVERN- MENTAL FUNDS</u>
ASSETS			
Cash and cash equivalents	\$ 2,346,426	\$ 611,958	\$ 2,958,384
Accounts receivable, net	-	23,254	23,254
Taxes receivable, net	955,928	-	955,928
Receivables from other governments	408,108	39,328	447,436
Grants receivable	672,512	5,000	677,512
Receivable - other	-	8,308	8,308
Due from other funds	<u>326,916</u>	<u>-</u>	<u>326,916</u>
TOTAL ASSETS	<u>\$ 4,709,890</u>	<u>\$ 687,848</u>	<u>\$ 5,397,738</u>
LIABILITIES			
Accounts and contracts payable	\$ 275,084	\$ 18,393	\$ 293,477
Accrued liabilities	66,657	-	66,657
Unearned revenue			
Reimbursements made in advance of work performed	<u>25,834</u>	<u>-</u>	<u>25,834</u>
TOTAL LIABILITIES	<u>367,575</u>	<u>18,393</u>	<u>385,968</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue			
Property taxes	953,888	-	953,888
Grants	-	5,000	5,000
State income tax	<u>14,020</u>	<u>-</u>	<u>14,020</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>967,908</u>	<u>5,000</u>	<u>972,908</u>
FUND BALANCE			
Restricted			
Solid waste expenditures	-	139,708	139,708
Street expenditures	-	403,645	403,645
Drug enforcement	-	121,102	121,102
Grant programs	672,512	-	672,512
Repair and replacement	25,834	-	25,834
Assigned			
Parks and recreation	406,285	-	406,285
Fire department	208,990	-	208,990
Subsequent year budget deficit	289,674	-	289,674
Unassigned	<u>1,771,112</u>	<u>-</u>	<u>1,771,112</u>
TOTAL FUND BALANCE	<u>3,374,407</u>	<u>664,455</u>	<u>4,038,862</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 4,709,890</u>	<u>\$ 687,848</u>	<u>\$ 5,397,738</u>

See notes to financial statements

**TOWN OF ATOKA, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

	<u>TOTAL GOVERNMENTAL FUNDS</u>
TOTAL FUND BALANCE	
TOTAL GOVERNMENTAL FUNDS	\$ 4,038,862
 AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	6,202,885
Unavailable revenues are not available to pay for current period expenditures and therefore are reported as deferred inflows of resources in the funds.	<u>19,020</u>
 NET POSITION OF GOVERNMENTAL ACTIVITIES	 <u><u>\$ 10,260,767</u></u>

See notes to financial statements

TOWN OF ATOKA TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	<u>GENERAL FUND</u>	<u>OTHER GOVERN- MENTAL FUNDS</u>	<u>TOTAL GOVERN- MENTAL FUNDS</u>
REVENUES			
Local taxes	\$ 2,452,527	\$ -	\$ 2,452,527
Licenses and permits	26,561	-	26,561
Intergovernmental revenues	1,544,069	219,490	1,763,559
Charges of services	120,288	305,303	425,591
Fines and forfeitures	60,473	16,209	76,682
Miscellaneous revenues	<u>36,242</u>	<u>-</u>	<u>36,242</u>
TOTAL REVENUES	<u>4,240,160</u>	<u>541,002</u>	<u>4,781,162</u>
EXPENDITURES			
General government	781,259	-	781,259
Public safety	1,811,830	28,358	1,840,188
Solid waste	-	219,497	219,497
Highways and streets	981,044	232,369	1,213,413
Health, welfare, recreation, and education	1,257,148	-	1,257,148
Grants and contributions	<u>15,700</u>	<u>-</u>	<u>15,700</u>
TOTAL EXPENDITURES	<u>4,846,981</u>	<u>480,224</u>	<u>5,327,205</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(606,821)	60,778	(546,043)
OTHER FINANCING SOURCES			
Insurance recoveries	<u>21,460</u>	<u>-</u>	<u>21,460</u>
NET CHANGE IN FUND BALANCE	(585,361)	60,778	(524,583)
FUND BALANCE			
Balance at July 1, 2013, as restated	<u>3,959,768</u>	<u>603,677</u>	<u>4,563,445</u>
Balance at June 30, 2014	<u>\$ 3,374,407</u>	<u>\$ 664,455</u>	<u>\$ 4,038,862</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, 2014**

**NET CHANGE IN FUND BALANCE -
TOTAL GOVERNMENTAL FUNDS \$ (524,583)**

**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	1,804,236
Depreciation expense	(214,917)

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

This is the net difference between the amounts unavailable in the current and prior years..	(65,450)
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 999,286

**TOWN OF ATOKA, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY (WATER-SEWER) FUND
JUNE 30, 2014**

ASSETS**CURRENT ASSETS**

Cash and cash equivalents	\$ 3,499,509
Investments - certificates of deposit	465,050
Accounts receivable, net	<u>138,384</u>
TOTAL CURRENT ASSETS	<u>4,102,943</u>

NONCURRENT ASSETS**Capital Assets****Not being depreciated**

Land	35,000
Construction in progress	<u>263,840</u>
	<u>298,840</u>

Being depreciated

Buildings and improvements	98,847
Vehicles and equipment	450,563
Utility plant in service	10,318,360
Less accumulated depreciation	<u>(3,016,152)</u>

Total Capital Assets, Net of

Accumulated Depreciation	<u>7,851,618</u>
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TOTAL NONCURRENT ASSETS	<u>8,150,458</u>
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TOTAL ASSETS	<u>\$ 12,253,401</u>
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LIABILITIES AND NET POSITION**CURRENT LIABILITIES**

Accounts and contracts payable	\$ 117,084
Accrued expenses	31,385
Due to other funds	326,916
Revenue bonds payable - current portion	159,781
Customer deposits	<u>42,921</u>
TOTAL CURRENT LIABILITIES	<u>678,087</u>

NONCURRENT LIABILITIES

Long term revenue bonds, less current portion	<u>3,210,930</u>
TOTAL LIABILITIES	<u>3,889,017</u>

NET POSITION

Net investment in capital assets	4,755,472
Unrestricted	<u>3,608,912</u>
TOTAL NET POSITION	<u>8,364,384</u>

TOTAL LIABILITIES AND

NET POSITION	<u>\$ 12,253,401</u>
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See notes to financial statements

TOWN OF ATOKA, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY (WATER-SEWER) FUND
YEAR ENDED JUNE 30, 2014

OPERATING REVENUES

Metered sales and service	\$ 1,743,251
Connection fees	65,175
Tap fees	18,000
Penalties	36,663
Other operating income	<u>6,399</u>
TOTAL OPERATING REVENUES	<u>1,869,488</u>

OPERATING EXPENSES

Salaries and wages	305,251
Fringes	122,749
Maintenance services and supplies	192,034
Water purchased	372,197
Sewer fees	122,753
Office supplies	32,179
Utilities	52,405
Insurance	27,777
Depreciation	333,549
Miscellaneous	<u>58,050</u>
TOTAL OPERATING EXPENSES	<u>1,618,944</u>

OPERATING INCOME 250,544

NONOPERATING REVENUES (EXPENSES)

Interest income	24,801
Interest expense	<u>(63,976)</u>
TOTAL NONOPERATING	
REVENUES (EXPENSES)	<u>(39,175)</u>

CHANGE IN NET POSITION 211,369

NET POSITION

Balance at July 1, 2013	<u>8,153,015</u>
Balance at June 30, 2014	<u><u>\$ 8,364,384</u></u>

See notes to financial statements

**TOWN OF ATOKA, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY (WATER - SEWER) FUND
YEAR ENDED JUNE 30, 2014**

CASH FLOWS FROM

OPERATING ACTIVITIES

Cash received from customers	\$ 1,859,021
Cash payments to suppliers	(1,000,486)
Cash payments to employees for services	(291,083)
Cash payments for taxes	<u>(23,296)</u>
Net cash provided by operating activities	<u>544,156</u>

CASH FLOWS FROM NONCAPITAL

FINANCING ACTIVITIES

Decrease in due to other funds	<u>(49,545)</u>
Net cash (used) by noncapital financing activities	<u>(49,545)</u>

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

Purchase of capital assets	(356,095)
Proceeds from long-term debt	168,028
Payments on principal of long-term debt	(155,975)
Interest and fee payments on long-term debt	<u>(63,160)</u>
Net cash (used) by capital and related financing activities	<u>(407,202)</u>

**CASH FLOWS FROM
INVESTING ACTIVITIES**

Interest received	<u>23,293</u>
Net cash provided by investing activities	<u>23,293</u>

**NET INCREASE IN CASH AND
CASH EQUIVALENTS**

110,702

**CASH AND CASH EQUIVALENTS -
JULY 1, 2013**

3,388,807

**CASH AND CASH EQUIVALENTS -
JUNE 30, 2014**

\$ 3,499,509

See notes to financial statements

**TOWN OF ATOKA, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY (WATER -SEWER) FUND - CONTINUED
YEAR ENDED JUNE 30, 2014**

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

Operating income	\$ 250,544
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	333,549
(Increase) in accounts receivable	(10,467)
(Decrease) in accounts payable	(53,152)
Increase in accrued expenses	<u>23,682</u>
Total adjustments	<u>293,612</u>
Net cash provided by operating activities	<u>\$ 544,156</u>

**NONCASH INVESTING, CAPITAL
AND FINANCING ACTIVITIES**

Interest credited to certificates of deposit	\$ 1,508
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See notes to financial statements

TOWN OF ATOKA, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2014

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
REVENUES				
Local taxes	\$ 2,079,500	\$ 2,079,500	\$ 2,452,527	\$ 373,027
Licenses and permits	23,000	23,000	26,561	3,561
Intergovernmental revenues .	1,396,000	1,396,000	1,544,069	148,069
Charges for services	131,900	131,900	120,288	(11,612)
Fines and forfeitures	60,000	60,000	60,473	473
Miscellaneous revenues	<u>63,500</u>	<u>63,500</u>	<u>36,242</u>	<u>(27,258)</u>
TOTAL REVENUES ...	<u>3,753,900</u>	<u>3,753,900</u>	<u>4,240,160</u>	<u>486,260</u>
EXPENDITURES				
General government				
Legislative	63,295	63,295	40,681	(22,614)
Judicial	10,100	12,000	13,203	1,203
Finance and administration .	357,971	575,000	637,681	62,681
Planning and inspection	<u>94,245</u>	<u>94,245</u>	<u>89,694</u>	<u>(4,551)</u>
Total general government	<u>525,611</u>	<u>744,540</u>	<u>781,259</u>	<u>36,719</u>
Public safety				
Police	1,403,898	1,403,898	1,412,087	8,189
Fire	<u>434,450</u>	<u>455,000</u>	<u>399,743</u>	<u>(55,257)</u>
Total public safety	<u>1,838,348</u>	<u>1,858,898</u>	<u>1,811,830</u>	<u>(47,068)</u>
Highways and streets				
Streets	<u>857,917</u>	<u>1,175,000</u>	<u>981,044</u>	<u>(193,956)</u>
Total highways and streets	<u>857,917</u>	<u>1,175,000</u>	<u>981,044</u>	<u>(193,956)</u>
Health, welfare, and recreation				
Parks and recreation	<u>731,194</u>	<u>1,200,000</u>	<u>1,257,148</u>	<u>57,148</u>
Total health, welfare, and recreation	<u>731,194</u>	<u>1,200,000</u>	<u>1,257,148</u>	<u>57,148</u>

See notes to financial statements

TOWN OF ATOKA, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - CONTINUED
YEAR ENDED JUNE 30, 2014

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
EXPENDITURES - CONTINUED				
Grants and contributions				
Donations	\$ 8,500	\$ 15,700	\$ 15,700	\$ -
Total grants and contributions	8,500	15,700	15,700	-
TOTAL EXPENDITURES ...	<u>3,961,570</u>	<u>4,994,138</u>	<u>4,846,981</u>	<u>(147,157)</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES ...	 (207,670)	 (1,240,238)	 (606,821)	 633,417
 OTHER FINANCING SOURCES				
Insurance recoveries	-	-	21,460	21,460
 NET CHANGE IN FUND BALANCE	 (207,670)	 (1,240,238)	 (585,361)	 654,877
 FUND BALANCE				
Balance at July 1, 2013, as restated	<u>3,959,768</u>	<u>3,959,768</u>	<u>3,959,768</u>	<u>-</u>
 Balance at June 30, 2014	<u>\$ 3,752,098</u>	<u>\$ 2,719,530</u>	<u>\$ 3,374,407</u>	<u>\$ 654,877</u>

See notes to financial statements

**TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

**TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

GOVERNMENT-WIDE FINANCIAL STATEMENTS - CONTINUED

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

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

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

FUND FINANCIAL STATEMENTS - Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, 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 only major funds for the Town are the General Fund and the Water-Sewer Fund.

The Town had the following funds at year end:

GOVERNMENTAL FUNDS

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

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FUND FINANCIAL STATEMENTS - CONTINUED

GOVERNMENTAL FUNDS - CONTINUED

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

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

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

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

PROPRIETARY FUND FINANCIAL STATEMENTS - Proprietary fund financial statements include a statement of net position, a statement of revenues, expenses, and changes in fund net position, and a statement of cash flows for each major proprietary fund. The Proprietary or Enterprise Fund is used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Town of Atoka Water-Sewer Fund.

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

Measurement Focus - On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus 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, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - 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 position (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 position.

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

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

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

UNEARNED REVENUE - Unearned revenue arises when resources are received by the Town before it has a legal claim to them, as when reimbursements for repairs and maintenance costs are received in advance of the work performed.

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

**TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 fund financial statements. Interfund receivables and payables between funds are eliminated in the Statement of Net Position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

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, 2014, expenditures exceeded appropriations in the Solid Waste Fund by \$3,497.

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.

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

CAPITAL ASSETS AND DEPRECIATION - The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. The Town does not have a formally adopted capitalization policy, but generally only assets with an individual cost of at least \$4,500 and an estimated useful life in excess of one year are capitalized.

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

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

**TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2014**

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 Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

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

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

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

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

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. Long-term debt consists of bonds 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 payments of principal and interest are reported as expenditures.

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

- Net investment in capital assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those

**TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

GOVERNMENT-WIDE NET POSITION - CONTINUED

assets. Debt related to unspent proceeds or other restricted cash is excluded from the determination.

- Restricted - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation, less any related liabilities.
- Unrestricted - All other net position that do not meet the definition of the above categories.

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

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

NOTE 2 - DEPOSITS

As of June 30, 2014, 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, 2014, including the applicable allowances for the uncollectible accounts, are as follows:

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2014

NOTE 3 - RECEIVABLES - CONTINUED

	<u>GENERAL FUND</u>	<u>SOLID WASTE FUND</u>	<u>STATE STREET AID FUND</u>	<u>DRUG FUND</u>	<u>WATER AND SEWER FUND</u>	<u>TOTAL</u>
Receivables						
Property taxes	\$ 1,008,459	\$ -	\$ -	\$ -	\$ -	\$ 1,008,459
Accounts	-	23,254	-	-	139,038	162,292
Grants	672,512	-	-	5,000	-	677,512
Receivable from other governments	408,108	-	39,328	-	-	447,436
Other	-	-	-	8,308	-	8,308
Gross receivables	<u>2,089,079</u>	<u>23,254</u>	<u>39,328</u>	<u>13,308</u>	<u>139,038</u>	<u>2,304,007</u>
Less: Allowance for doubtful accounts	<u>(52,531)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(654)</u>	<u>(53,185)</u>
Net receivables	<u>\$ 2,036,548</u>	<u>\$ 23,254</u>	<u>\$ 39,328</u>	<u>\$ 13,308</u>	<u>\$ 138,384</u>	<u>\$ 2,250,822</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>BALANCE JULY 1, 2013</u>	<u>ADDITIONS</u>	<u>TRANSFERS/ RETIREMENTS</u>	<u>BALANCE JUNE 30, 2014</u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 1,248,246	\$ -	\$ -	\$ 1,248,246
Construction in progress	<u>987,407</u>	<u>297,843</u>	<u>(844,248)</u>	<u>441,002</u>
	<u>2,235,653</u>	<u>297,843</u>	<u>(844,248)</u>	<u>1,689,248</u>
Other capital assets				
Buildings and improvements	744,420	-	-	744,420
Equipment	520,246	53,613	-	573,859
Vehicles	826,964	30,870	-	857,834
Infrastructure	<u>1,572,930</u>	<u>2,266,158</u>	<u>-</u>	<u>3,839,088</u>
Total other capital assets at historical cost	<u>3,664,560</u>	<u>2,350,641</u>	<u>-</u>	<u>6,015,201</u>
Less accumulated depreciation				
Buildings and improvements	(248,869)	(19,640)	-	(268,509)
Equipment	(311,579)	(41,287)	-	(352,866)
Vehicles	(573,758)	(80,780)	-	(654,538)
Infrastructure	<u>(152,441)</u>	<u>(73,210)</u>	<u>-</u>	<u>(225,651)</u>
Total accumulated depreciation	<u>(1,286,647)</u>	<u>(214,917)</u>	<u>-</u>	<u>(1,501,564)</u>
Other capital assets, net	<u>2,377,913</u>	<u>2,135,724</u>	<u>-</u>	<u>4,513,637</u>

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2014

NOTE 4 - CAPITAL ASSETS - CONTINUED

	<u>BALANCE</u> <u>JULY 1, 2013</u>	<u>ADDITIONS</u>	<u>TRANSFERS/ RETIREMENTS</u>	<u>BALANCE</u> <u>JUNE 30, 2014</u>
GOVERNMENTAL ACTIVITIES - CONTINUED				
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	\$ 4,613,566	\$ 2,433,567	\$ (844,248)	\$ 6,202,885
DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES FUNCTIONS AS FOLLOWS				
General government		\$ 13,819		
Public safety		83,983		
Highways and streets		52,898		
Health, welfare, recreation and education		<u>64,217</u>		
TOTAL GOVERNMENTAL ACTIVITIES DEPRECIATION EXPENSE		<u>\$ 214,917</u>		
	<u>BALANCE</u> <u>JULY 1, 2013</u>	<u>ADDITIONS</u>	<u>TRANSFERS/ RETIREMENTS</u>	<u>BALANCE</u> <u>JUNE 30, 2014</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 35,000	\$ -	\$ -	\$ 35,000
Construction in progress	<u>18,004</u>	<u>263,840</u>	<u>(18,004)</u>	<u>263,840</u>
Total	<u>53,004</u>	<u>263,840</u>	<u>(18,004)</u>	<u>298,840</u>
Other capital assets				
Buildings	98,847	-	-	98,847
Vehicles and equipment	381,674	68,889	-	450,563
Water distribution system	2,566,054	16,800	-	2,582,854
Sewer plant in operation	1,269,079	-	-	1,269,079
Sewer lines	<u>6,417,583</u>	<u>48,844</u>	<u>-</u>	<u>6,466,427</u>
Total other capital assets at historical cost	<u>10,733,237</u>	<u>134,533</u>	<u>-</u>	<u>10,867,770</u>
Less accumulated depreciation				
Buildings	(26,820)	(3,790)	-	(30,610)
Vehicles and equipment	(216,866)	(40,425)	-	(257,291)
Water distribution system	(712,246)	(72,271)	-	(784,517)
Sewer plant in operation	(618,538)	(35,494)	-	(654,032)
Sewer lines	<u>(1,108,133)</u>	<u>(181,569)</u>	<u>-</u>	<u>(1,289,702)</u>

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2014

NOTE 4 - CAPITAL ASSETS - CONTINUED

	<u>BALANCE</u> <u>JULY 1, 2013</u>	<u>ADDITIONS</u>	<u>TRANSFERS/ RETIREMENTS</u>	<u>BALANCE</u> <u>JUNE 30, 2014</u>
BUSINESS-TYPE ACTIVITIES - CONTINUED				
Less accumulated depreciation - continued				
Total accumulated depreciation	\$ (2,682,603)	\$ (333,549)	\$ -	\$ (3,016,152)
Net depreciable assets	<u>8,050,634</u>	<u>(199,016)</u>	<u>-</u>	<u>7,851,618</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 8,103,638</u>	<u>\$ 64,824</u>	<u>\$ (18,004)</u>	<u>\$ 8,150,458</u>
DEPRECIATION EXPENSE WAS CHARGED TO BUSINESS-TYPE ACTIVITIES FUNCTIONS AS FOLLOWS				
Water-sewer		<u>\$ 333,549</u>		

NOTE 5 - INTERFUND BALANCES

The composition of interfund balances as of June 30, 2014, is as follows:

<u>Due to/from other funds</u>		<u>Amount</u>
<u>Fund Due From</u>	<u>Fund due to</u>	
Water and Sewer Fund (major)	General Fund (major)	<u>\$ 326,916</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 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, 2014 was \$205,240. During August 2014, the Water and Sewer Revenue Bonds, Series 1999 were paid in full by the Town.

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2014

NOTE 6 -LONG TERM DEBT - CONTINUED

Business activities - continued:

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, 2014 was \$100,945. During August 2014, the Water and Sewer Revenue and Tax Bonds, Series 2000 were paid in full by the Town.

Water and Sewer Revenue and Tax Bonds, TN Municipal Bond Fund, Series 2004 - The original bond in the amount of \$941,698 was issued on August 17, 2006 and is to be paid in annual installments of principal ranging from \$698 to \$57,000 beginning May 25, 2007 and maturing on May 25, 2033. Interest is paid annually at a variable rate (as determined by the Securities Industry and Financial Markets Association (SIFMA) rate) of .25% as of June 30, 2014. The balance of the bond at June 30, 2014 was \$745,698.

Pooled Financing Revenue Bonds, TN Municipal Bond Fund, Series 2008 - The original bond in the amount of \$1,000,000 was authorized 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 (as determined by the Securities Industry and Financial Markets Association (SIFMA) rate) of .25% as of June 30, 2014. Proceeds from this bond issuance have not been fully issued as of June 30, 2014. The balance of this bond at June 30, 2014 was \$296,164.

State Revolving Fund Loan 2009 - The original loan in the amount of \$3,798,000 was authorized on February 11, 2010 and is to be paid in monthly installments of \$10,857 beginning February 1, 2012 and maturing on February 1, 2032. The loan is to be partially repaid with American Reinvestment and Recovery Act (ARRA) funds in the amount of \$1,899,000. A portion of this ARRA funding totaling \$1,519,200 represents principal forgiveness. Interest is paid monthly at a fixed rate of 1.44%. The balance of this loan at June 30, 2014 was \$2,022,664, net of ARRA forgiveness of \$1,508,939.

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

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2014

NOTE 6 -LONG TERM DEBT - CONTINUED

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

Year ending June 30,	Business Type	
	Principal	Interest
2015	\$ 159,781	\$ 46,699
2016	163,627	44,726
2017	168,510	42,710
2018	172,442	40,638
2019	177,411	38,523
2020-2024	958,275	158,986
2025-2029	924,211	98,219
2030-2034	577,826	36,230
2035-2038	<u>68,628</u>	<u>5,955</u>
	<u>\$3,370,711</u>	<u>\$ 512,686</u>

Long-term liability activity for the year ended June 30, 2014 was as follows:

	BALANCE JULY 1, 2013	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2014	DUE WITHIN ONE YEAR
Business-type Activities:					
Water and Sewer Revenue and Tax Series 1999	\$ 209,839	\$ -	\$ 4,599	\$ 205,240	\$ 4,836
Water and Sewer Revenue and Tax Bonds, Series 2000	102,953	-	2,008	100,945	2,121
Water and Sewer Revenue and Tax Bonds TN Municipal Bond Fund, Series 2004	773,698	-	28,000	745,698	29,000
Pooled Financing Revenue Bonds, TN Municipal Bond Fund, Series 2008	149,136	168,028	21,000	296,164	22,000
State Revolving Fund Loan Loan 2009	<u>2,123,032</u>	<u>-</u>	<u>100,368</u>	<u>2,022,664</u>	<u>101,824</u>
Totals	<u>\$ 3,358,658</u>	<u>\$ 168,028</u>	<u>\$ 155,975</u>	<u>\$ 3,370,711</u>	<u>\$ 159,781</u>

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2014

NOTE 7 - RISK MANAGEMENT

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

The Town continues to carry commercial insurance for all other risks of loss, including certain general liability, worker's compensation, property and casualty insurance, and employee health, life, and accident insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years. There was no significant reduction in the amount of coverage provided during this year.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Town does not operate any water producing plant and equipment, but purchases water for its customers from two suppliers, an adjacent utility district and an adjacent city. The current contract term with the utility district is for ten years beginning January 1, 2014. Either party may terminate the contract by providing a notice of termination three years in advance, beginning in the seventh year of the contract. The current contract term with the adjacent city is for twenty years beginning June 1, 1996. The Town may terminate the contract by providing a notice of the termination six months in advance.

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

The Town is a party to a wastewater treatment agreement (as amended November 1989) with the adjacent City of Munford and Town of Brighton which was entered into in connection with the construction of joint wastewater facilities. Each party paid for their proportionate share of construction costs and is carrying such costs as capital assets on their books and records. The City of Munford maintains and operates the joint facilities. The City of Munford bills the other two towns for their share of joint maintenance and operation expenses. The Town was billed \$79,747

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2014

NOTE 8 - COMMITMENTS AND CONTINGENCIES - CONTINUED

by the City of Munford under this agreement for the year ended June 30, 2014. No party has the right to cancel or amend the agreement. The duration of the agreement is indefinite and continuing.

As of June 30, 2014, the amount of unfulfilled construction contracts related to the 2013 Water System Improvements and Meade Lake Resurfacing Project were approximately \$105,000 and \$75,000, respectively.

NOTE 9 - 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 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, 15th 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, 2011 was 7.30% 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.

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2014

NOTE 9 - RETIREMENT PLAN - CONTINUED

For the year ending June 30, 2014, the Town's annual pension cost of \$94,109 to TCRS was equal to the Town's required and actual contributions. The required contribution was determined as part of the July 1, 2011 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 3.0 percent annual rate of inflation, (c) 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), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 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 ten-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, 2011 was 7 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

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, 2014	\$ 94,109	100.00%	\$ 0.00
June 30, 2013	\$ 91,862	100.00%	\$ 0.00
June 30, 2012	\$ 83,927	100.00%	\$ 0.00

As of July 1, 2013, the most recent actuarial valuation date, the plan was 89.35% percent funded. The actuarial accrued liability (AAL) for benefits was \$1.64 million, and the actuarial value of assets was \$1.46 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.17 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1.39 million, and the ratio of the UAAL to the covered payroll was 12.58%.

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.

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2014

NOTE 9 - RETIREMENT PLAN - CONTINUED

(Dollar amounts in thousands)

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF PLAN ASSETS (a)	ACTUARIAL ACCRUED LIABILITY (AAL) -ENTRY AGE (b)	UNFUNDED AAL (UAAL) (b)-(a)	FUNDED RATIO (a/b)	COVERED PAYROLL (c)	UAAL AS A PERCENTAGE OF COVERED PAYROLL ((b-a)/(c))
July 1, 2013	\$ 1,465	\$ 1,639	\$ 175	89.35%	\$ 1,388	12.58%
July 1, 2011	\$ 1,074	\$ 1,303	\$ 229	82.45%	\$ 998	22.90%
July 1, 2009	\$ 629	\$ 726	\$ 97	86.63%	\$ 944	10.28%

NOTE 10 - RESTATEMENT OF BEGINNING BALANCES

Upon commencement of solid waste services during the year ended June 30, 2013, such operations were accounted for as a department of the General Fund. It was later determined that state law requires activities related to the management of solid waste be accounted for in either a special revenue fund or enterprise fund, unless prohibited by GAAP. Accordingly, a special revenue fund was established for solid waste services, effective July 1, 2013. A reconciliation of the prior year ending fund balance to the current year beginning fund balance for the General Fund and the Solid Waste Fund are as follows:

	<u>General Fund</u>	<u>Solid Waste Fund</u>
Beginning fund balance	\$ 4,013,670	\$ -
Adjustment to establish Solid Waste Fund	<u>(53,902)</u>	<u>53,902</u>
Beginning fund balances, as restated	<u>\$ 3,959,768</u>	<u>\$ 53,902</u>

There was no effect on the change in net position for the preceding year ended June 30, 2013.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF ATOKA, TENNESSEE
RETIREMENT PLAN - ANALYSIS OF FUNDING PROGRESS
JUNE 30, 2014

SCHEDULE OF FUNDING PROGRESS

(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>ANNUAL COVERED PAYROLL (C)</u>	<u>UAAL AS A PERCENTAGE OF COVERED PAYROLL ((b) - (b)) / (c)</u>
July 1, 2013	\$ 1,465	\$ 1,639	\$ 175	89.35 %	\$ 1,388	12.58 %
July 1, 2011	\$ 1,074	\$ 1,303	\$ 229	82.45 %	\$ 998	22.90 %
July 1, 2009	\$ 629	\$ 726	\$ 97	86.63 %	\$ 944	10.28 %

COMBINING FUND FINANCIAL STATEMENTS

**TOWN OF ATOKA, TENNESSEE
COMBINING BALANCE SHEET –
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>SOLID WASTE FUND</u>	<u>STATE STREET AID FUND</u>	<u>DRUG FUND</u>	<u>TOTAL NONMAJOR GOVERN- MENTAL FUNDS</u>
ASSETS				
Cash	\$ 134,847	\$ 364,317	\$ 112,794	\$ 611,958
Accounts receivable, net	23,254	-	-	23,254
Due from State of Tennessee	-	39,328	-	39,328
Grants receivable	-	-	5,000	5,000
Receivable - other	-	-	8,308	8,308
TOTAL ASSETS	<u>\$ 158,101</u>	<u>\$ 403,645</u>	<u>\$ 126,102</u>	<u>\$ 687,848</u>
LIABILITIES				
Accounts payable	\$ 18,393	\$ -	\$ -	\$ 18,393
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - grants	-	-	5,000	5,000
FUND BALANCE				
Restricted				
Solid waste expenditures	139,708	-	-	139,708
Street expenditures	-	403,645	-	403,645
Drug enforcement	-	-	121,102	121,102
TOTAL FUND BALANCES	<u>139,708</u>	<u>403,645</u>	<u>121,102</u>	<u>664,455</u>
TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
	<u>\$ 158,101</u>	<u>\$ 403,645</u>	<u>\$ 126,102</u>	<u>\$ 687,848</u>

TOWN OF ATOKA, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	<u>SOLID WASTE FUND</u>	<u>STATE STREET AID FUND</u>	<u>DRUG FUND</u>	<u>TOTAL OTHER GOVERN- MENTAL FUNDS</u>
REVENUES				
Intergovernmental revenues				
Gasoline and motor fuel tax	\$ -	\$ 148,792	\$ -	\$ 148,792
\$.03 gasoline tax	-	44,319	-	44,319
1989 gasoline tax increase	-	23,879	-	23,879
Federal grants	-	-	2,500	2,500
Total intergovernmental revenues . .	-	216,990	2,500	219,490
Charges for services	305,303	-	-	305,303
Fines and forfeitures	-	-	16,209	16,209
TOTAL REVENUES	<u>305,303</u>	<u>216,990</u>	<u>18,709</u>	<u>541,002</u>
EXPENDITURES				
Public safety				
Supplies	-	-	14,725	14,725
Capital outlay	-	-	13,633	13,633
Total public safety	-	-	28,358	28,358
Solid waste				
Contractual services	219,497	-	-	219,497
Highways and streets				
Contractual services	-	232,369	-	232,369
TOTAL EXPENDITURES	<u>219,497</u>	<u>232,369</u>	<u>28,358</u>	<u>480,224</u>
NET CHANGE IN FUND BALANCE	85,806	(15,379)	(9,649)	60,778
FUND BALANCE				
Balance at July 1, 2013, as restated	53,902	419,024	130,751	603,677
Balance at June 30, 2014	<u>\$ 139,708</u>	<u>\$ 403,645</u>	<u>\$ 121,102</u>	<u>\$ 664,455</u>

SCHEDULES

**TOWN OF ATOKA, TENNESSEE
SOLID WASTE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2014**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
REVENUES				
Charges for services	\$ 360,000	\$ 360,000	\$ 305,303	\$(54,697)
TOTAL REVENUES	<u>360,000</u>	<u>360,000</u>	<u>305,303</u>	<u>\$(54,697)</u>
EXPENDITURES				
Solid waste				
Contractual services	<u>216,000</u>	<u>216,000</u>	<u>219,497</u>	<u>3,497</u>
TOTAL EXPENDITURES	<u>216,000</u>	<u>216,000</u>	<u>219,497</u>	<u>3,497</u>
NET CHANGE IN FUND BALANCE	144,000	144,000	85,806	(58,194)
FUND BALANCE				
Balance at July 1, 2013, as restated ..	<u>53,902</u>	<u>53,902</u>	<u>53,902</u>	<u>-</u>
Balance at June 30, 2014	<u>\$ 197,902</u>	<u>\$ 197,902</u>	<u>\$ 139,708</u>	<u>\$(58,194)</u>

**TOWN OF ATOKA, TENNESSEE
STATE STREET AID FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2014**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
REVENUES				
Gasoline and motor fuel tax . . .	\$ 225,000	\$ 225,000	\$ 148,792	\$ (76,208)
\$.03 gasoline tax	-	-	44,319	44,319
1989 gasoline tax increase	-	-	23,879	23,879
TOTAL REVENUES	<u>225,000</u>	<u>225,000</u>	<u>216,990</u>	<u>(8,010)</u>
EXPENDITURES				
Highways and streets				
Streets	<u>225,000</u>	<u>245,000</u>	<u>232,369</u>	<u>(12,631)</u>
TOTAL EXPENDITURES	<u>225,000</u>	<u>245,000</u>	<u>232,369</u>	<u>(12,631)</u>
NET CHANGE IN FUND BALANCE	-	(20,000)	(15,379)	4,621
FUND BALANCE				
Balance at July 1, 2013	<u>419,024</u>	<u>419,024</u>	<u>419,024</u>	<u>-</u>
Balance at June 30, 2014	<u>\$ 419,024</u>	<u>\$ 399,024</u>	<u>\$ 403,645</u>	<u>\$ 4,621</u>

**TOWN OF ATOKA, TENNESSEE
 DRUG FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2014**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
REVENUES				
Intergovernmental revenues . . .	\$ 3,850	\$ 3,850	\$ 2,500	\$ (1,350)
Fines and forfeitures	65,000	65,000	16,209	(48,791)
Other revenues	600	600	-	(600)
TOTAL REVENUES	<u>69,450</u>	<u>69,450</u>	<u>18,709</u>	<u>(50,741)</u>
EXPENDITURES				
Public safety				
Police	<u>69,450</u>	<u>69,450</u>	<u>28,358</u>	<u>(41,092)</u>
TOTAL EXPENDITURES	<u>69,450</u>	<u>69,450</u>	<u>28,358</u>	<u>(41,092)</u>
NET CHANGE IN FUND BALANCE	-	-	(9,649)	(9,649)
FUND BALANCE				
Balance at July 1, 2013	<u>130,751</u>	<u>130,751</u>	<u>130,751</u>	-
Balance at June 30, 2014	<u>\$ 130,751</u>	<u>\$ 130,751</u>	<u>\$ 121,102</u>	<u>\$ (9,649)</u>

TOWN OF ATOKA, TENNESSEE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
YEAR ENDED JUNE 30, 2014

REVENUES

Local taxes

Property taxes	\$ 978,370
Local sales tax	1,157,269
Wholesale beer tax	211,521
Liquor distributors tax	78,953
Cable TV tax	<u>26,414</u>
	<u>2,452,527</u>

Licenses and permits	<u>26,561</u>
----------------------------	---------------

Intergovernmental revenues

State sales tax	599,486
State income tax	28,039
State beer tax	3,969
Petroleum special	17,163
State mixed drink tax	12,339
State excise tax	2,050
TVA tax	92,791
State reimbursements	10,200
County grants	45,454
Federal grants	504,279
State grants	<u>228,299</u>
	<u>1,544,069</u>

Charges for services

Parks and recreation	104,094
Property maintenance	4,194
Rent income	<u>12,000</u>
	<u>120,288</u>

Fines and forfeitures	<u>60,473</u>
-----------------------------	---------------

Miscellaneous

Interest income	16,510
Donations	3,315
Miscellaneous	<u>16,417</u>
	<u>36,242</u>

TOTAL REVENUES	<u>4,240,160</u>
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TOWN OF ATOKA, TENNESSEE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - CONTINUED
YEAR ENDED JUNE 30, 2014

EXPENDITURES

General government

Legislative

Personal services	\$ 36,938
Contractual services	<u>3,743</u>
	40,681

Judicial

Personal services	3,600
Contractual services	<u>9,603</u>
	13,203

Finance and Administration

Personal services	136,307
Contractual services	130,885
Supplies	27,430
Fixed charges	36,036
Capital Outlay	<u>307,023</u>
	637,681

Planning and inspection

Personal services	63,269
Contractual services	15,653
Supplies	8,305
Fixed charges	<u>2,467</u>
	89,694

Total general government 781,259

Public safety

Police

Personal services	1,051,384
Contractual services	132,407
Supplies	119,645
Fixed charges	58,961
Capital outlay	<u>49,690</u>
	1,412,087

Fire

Contractual services	374,024
Supplies	21,279
Fixed charges	<u>4,440</u>
	399,743
Total public safety	<u>1,811,830</u>

**TOWN OF ATOKA, TENNESSEE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - CONTINUED
YEAR ENDED JUNE 30, 2014**

EXPENDITURES - CONTINUED

Highways and streets	
Streets	
Personal services	\$ 175,415
Contractual services	21,022
Supplies	188,605
Fixed charges	9,739
Capital outlay	<u>586,263</u>
Total highways and streets	<u>981,044</u>
Health, welfare, and recreation	
Parks and recreation	
Personal services	147,439
Contractual services	47,767
Supplies	200,580
Fixed charges	13,735
Capital outlay	<u>847,627</u>
Total health, welfare, and recreation	<u>1,257,148</u>
Grants and contributions	
Grants and contributions	<u>15,700</u>
Total grants and contributions	<u>15,700</u>
TOTAL EXPENDITURES	<u>4,846,981</u>
EXCESS OF REVENUES (UNDER)	
EXPENDITURES	(606,821)
OTHER FINANCING SOURCES	
Insurance recoveries	<u>21,460</u>
NET CHANGE IN FUND BALANCE	(585,361)
FUND BALANCE	
Balance at July 1, 2013, as restated	<u>3,959,768</u>
Balance at June 30, 2014	<u>\$3,374,407</u>

**TOWN OF ATOKA, TENNESSEE
EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS- THROUGH GRANTOR'S NUMBER</u>	<u>RECEIVABLE (UNAVAILABLE)/ RESTRICTED BALANCE AT JULY 1, 2013</u>	<u>RECEIPTS</u>	<u>DISBURSE- MENTS</u>	<u>RECEIVABLE (UNAVAILABLE)/ RESTRICTED BALANCE AT JUNE 30, 2014</u>
<u>CASH FEDERAL AWARDS</u>						
U.S. Department of Homeland Security						
Passed through State of Tennessee - Tennessee						
Emergency Management Agency						
Hazard Mitigation Grant	97.039	34101-11713	\$ -	\$ -	\$ 77,554	\$ 77,554
U.S. Department of Transportation						
Passed through State of Tennessee - Tennessee						
Department of Transportation						
Highway Planning and Construction Grant	20.205	115566.00	35,392	(35,392)	424,234	424,234
High Visibility Law Enforcement Campaigns	20.607	Z13GHS311	-	(4,991)	4,991	-
			<u>35,392</u>	<u>(40,383)</u>	<u>429,225</u>	<u>424,234</u>
TOTAL CASH FEDERAL AWARDS			<u>\$ 35,392</u>	<u>\$ (40,383)</u>	<u>\$ 506,779</u>	<u>\$ 501,788</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, 2014**

<u>PROGRAM TITLE</u>	<u>GRANTOR'S NUMBER</u>	<u>RECEIVABLE (UNAVAILABLE)/ RESTRICTED BALANCE AT JULY 1, 2013</u>	<u>RECEIPTS</u>	<u>DISBURSE- MENTS</u>	<u>RECEIVABLE (UNAVAILABLE)/ RESTRICTED BALANCE AT JUNE 30, 2014</u>
<u>CASH STATE AWARDS</u>					
Tennessee Emergency Management Agency Hazard Mitigation Grant	34101-11713	\$ -	\$	\$ 12,914	12,914
Department of Environment and Conservation Local Parks and Recreation Fund	32701-01552	-	(54,691)	212,500	157,809
Tennessee Recreation Initiative Program	GG-12-35925-00	13,670	(16,555)	2,885	-
		13,670	(71,246)	215,385	157,809
TOTAL CASH STATE AWARDS		<u>\$ 13,670</u>	<u>\$ (71,246)</u>	<u>\$ 228,299</u>	<u>\$ 170,723</u>

Note: Significant Accounting Policies

All of the state 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 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
DEBT SERVICE REQUIREMENTS TO MATURITY
JUNE 30, 2014

YEAR ENDED	WATER AND SEWER REVENUE BOND SERIES 1999		WATER AND SEWER REVENUE BOND SERIES 2000		WATER AND SEWER REVENUE BOND SERIES 2004	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2015	\$ 4,836	\$ 10,140	\$ 2,121	\$ 5,499	\$ 29,000	\$ 1,864
2016	5,086	9,890	2,241	5,379	30,000	1,792
2017	5,347	9,629	2,367	5,253	32,000	1,717
2018	5,626	9,350	2,501	5,119	33,000	1,637
2019	5,912	9,064	2,642	4,978	34,000	1,554
2020	6,217	8,759	2,791	4,829	35,000	1,469
2021	6,537	8,439	2,948	4,672	37,000	1,382
2022	6,874	8,102	3,114	4,506	38,000	1,289
2023	7,237	7,739	3,290	4,330	40,000	1,194
2024	7,600	7,376	3,476	4,144	41,000	1,094
2025	7,990	6,986	3,672	3,948	43,000	992
2026	8,402	6,574	3,879	3,741	45,000	884
2027	8,835	6,141	4,098	3,522	47,000	772
2028	9,289	5,687	4,329	3,291	48,000	654
2029	9,767	5,209	4,573	3,047	50,000	534
2030	10,270	4,706	4,831	2,789	52,000	409
2031	10,799	4,177	5,104	2,516	54,000	279
2032	11,355	3,621	5,391	2,229	57,000	144
2033	11,945	3,031	5,695	1,925	698	2
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	15,817	120	7,093	527	-	-
2038	-	-	5,701	133	-	-
	<u>\$ 205,240</u>	<u>\$ 140,169</u>	<u>\$ 100,945</u>	<u>\$ 80,149</u>	<u>\$ 745,698</u>	<u>\$ 19,662</u>

TOWN OF ATOKA, TENNESSEE
DEBT SERVICE REQUIREMENTS TO MATURITY - CONTINUED
JUNE 30, 2014

<u>YEAR ENDED</u>	<u>WATER AND SEWER REVENUE BOND SERIES 2008</u>		<u>STATE REVOLVING FUND LOAN 2009</u>		<u>GRAND TOTALS</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	
2015	\$ 22,000	\$ 740	\$ 101,824	\$ 28,456	\$ 206,480
2016	23,000	685	103,300	26,980	208,353
2017	24,000	628	104,796	25,483	211,220
2018	25,000	568	106,315	23,964	213,080
2019	27,000	505	107,857	22,422	215,934
2020	28,000	438	109,420	20,860	217,783
2021	29,000	368	111,006	19,273	220,625
2022	31,000	295	112,615	17,664	223,459
2023	32,000	218	114,247	16,032	226,287
2024	34,000	138	115,903	14,376	229,107
2025	21,164	53	117,583	12,696	218,084
2026	-	-	119,288	10,991	198,759
2027	-	-	121,018	9,262	200,648
2028	-	-	122,772	7,507	201,529
2029	-	-	124,552	5,728	203,410
2030	-	-	126,356	3,923	205,284
2031	-	-	128,189	2,090	207,154
2032	-	-	75,623	363	155,726
2033	-	-	-	-	23,296
2034	-	-	-	-	22,596
2035	-	-	-	-	22,596
2036	-	-	-	-	22,596
2037	-	-	-	-	23,557
2038	-	-	-	-	5,834
	<u>\$ 296,164</u>	<u>\$ 4,636</u>	<u>\$ 2,022,664</u>	<u>\$ 268,070</u>	<u>\$ 3,883,397</u>

**TOWN OF ATOKA, TENNESSEE
PROPERTY TAXES
YEAR ENDED JUNE 30, 2014**

<u>YEAR OF LEVY</u>	<u>BALANCE JULY1, 2013</u>	<u>ASSESSMENT</u>	<u>ADJUSTMENTS/ ABATEMENTS</u>	<u>COLLECTIONS</u>	<u>BALANCE JUNE 30, 2014</u>
2014	\$ -	\$ 953,888	\$ -	\$ -	\$ 953,888
2013	977,039		-	(949,567)	27,472
2012	34,782	-	-	(20,462)	14,320
2011	10,657	-	-	(3,778)	6,879
2010	6,759	-	-	(4,483)	2,276
2009	1,102	-	-	(30)	1,072
2008	1,357	-	-	-	1,357
2007	1,026	-	-	(50)	976
2006	<u>219</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>219</u>
	\$1,032,941	<u>\$ 953,888</u>	<u>\$ -</u>	<u>\$ (978,370)</u>	\$1,008,459
Allowance for uncollectible property taxes	<u>(47,092)</u>				<u>(52,531)</u>
Net receivables	<u>\$ 985,849</u>				<u>\$ 955,928</u>

<u>YEAR OF LEVY</u>	<u>ASSESSED VALUATION</u>	<u>TAX RATE PER \$100</u>	<u>ASSESSMENTS</u>
2013	\$ 171,874,697	\$ 0.56	\$ 953,888
2012	173,483,362	0.56	962,832
2011	172,693,140	0.56	958,446
2010	167,159,060	0.56	927,732
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

Delinquent Property Taxes

Uncollected taxes for years prior to 2006 have been charged off for financial reporting purposes. Such amounts are not significant. Uncollected taxes for tax years prior to 2011 have been turned over to Chancery Court for collection.

**TOWN OF ATOKA, TENNESSEE
UTILITY RATES AND NUMBER OF CUSTOMERS
JUNE 30, 2014**

Water Rates

Inside City limits

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

Outside City limits

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

The Town had 2,852 water customers as of June 30, 2014.

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 2,393 sewer customers as of June 30, 2014.

AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0
American Water Works Association.
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Water Audit Report for: **Atoka Water System (0000033)**
Reporting Year: **2014** **7/2013 - 6/2014**

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

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

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

WATER SUPPLIED

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

Master Meter and Supply Error Adjustments

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

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

WATER SUPPLIED: MG/Yr

AUTHORIZED CONSUMPTION

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

Click here: ?
for help using option
buttons below

Pcnt: Value:
 MG/Yr

Use buttons to select
percentage of water
supplied
OR
value

AUTHORIZED CONSUMPTION: ? MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

MG/Yr

Apparent Losses

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

Pcnt: Value:
 MG/Yr

MG/Yr
 MG/Yr

Apparent Losses: ? MG/Yr

Real Losses (Current Annual Real Losses or CARL)

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

WATER LOSSES: MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: ? MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

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

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

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

COST DATA

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

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 90 out of 100 ***

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

PRIORITY AREAS FOR ATTENTION:

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

1: Water imported

2: Customer metering inaccuracies

3: Billed metered



AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0

American Water Works Association.
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Water Audit Report for: **Atoka Water System (0000033)**Reporting Year: **2014** | **7/2013 - 6/2014**

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 90 out of 100 ***

System Attributes:

	Apparent Losses:	1.159	MG/Yr
+	Real Losses:	9.524	MG/Yr
=	Water Losses:	10.683	MG/Yr

? Unavoidable Annual Real Losses (UARL): 21.15 MG/YrAnnual cost of Apparent Losses: \$4,057Annual cost of Real Losses: \$19Valued at **Variable Production Cost**

Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:

Non-revenue water as percent by volume of Water Supplied: 5.6%Non-revenue water as percent by cost of operating system: 0.8% Real Losses valued at Variable Production Cost

Operational Efficiency:

Apparent Losses per service connection per day: 1.08 gallons/connection/dayReal Losses per service connection per day: 8.85 gallons/connection/dayReal Losses per length of main per day*: N/AReal Losses per service connection per day per psi pressure: 0.11 gallons/connection/day/psiFrom Above, Real Losses = Current Annual Real Losses (CARL): 9.52 million gallons/year? Infrastructure Leakage Index (ILI) [CARL/UARL]: 0.45

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

TOWN OF ATOKA, TENNESSEE
NET POSITION OF WATER - SEWER FUND
JUNE 30, 2014

	<u>WATER</u>	<u>SEWER</u>	<u>COMBINED</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,469,487	\$ 2,030,022	\$ 3,499,509
Investments - certificates of deposit	232,525	232,525	465,050
Accounts receivable, net	71,960	66,424	138,384
TOTAL CURRENT ASSETS	<u>1,773,972</u>	<u>2,328,971</u>	<u>4,102,943</u>
NONCURRENT ASSETS			
Capital Assets			
Not being depreciated			
Land	17,500	17,500	35,000
Construction in progress	263,840	-	263,840
	<u>281,340</u>	<u>17,500</u>	<u>298,840</u>
Being depreciated			
Buildings and improvements	49,424	49,423	98,847
Vehicles and equipment	225,282	225,281	450,563
Utility plant in service	2,582,854	7,735,506	10,318,360
Less accumulated depreciation	(928,468)	(2,087,684)	(3,016,152)
Total Capital Assets, Net of			
Accumulated Depreciation	<u>1,929,092</u>	<u>5,922,526</u>	<u>7,851,618</u>
TOTAL NONCURRENT ASSETS	<u>2,210,432</u>	<u>5,940,026</u>	<u>8,150,458</u>
TOTAL ASSETS	<u>\$ 3,984,404</u>	<u>\$ 8,268,997</u>	<u>\$ 12,253,401</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts and contracts payable	\$ 70,679	\$ 46,405	\$ 117,084
Accrued expenses	15,693	15,692	31,385
Due to other funds	163,458	163,458	326,916
Revenue bonds payable - current portion	28,979	130,802	159,781
Customer deposits	21,461	21,460	42,921
TOTAL CURRENT LIABILITIES	<u>300,270</u>	<u>377,817</u>	<u>678,087</u>
NONCURRENT LIABILITIES			
Long term revenue bonds, less			
current portion	<u>645,045</u>	<u>2,565,885</u>	<u>3,210,930</u>
TOTAL LIABILITIES	<u>945,315</u>	<u>2,943,702</u>	<u>3,889,017</u>
NET POSITION			
Net investment in capital assets	1,512,134	3,243,338	4,755,472
Unrestricted	<u>1,526,955</u>	<u>2,081,957</u>	<u>3,608,912</u>
TOTAL NET POSITION	<u>3,039,089</u>	<u>5,325,295</u>	<u>8,364,384</u>
TOTAL LIABILITIES AND			
NET POSITION	<u>\$ 3,984,404</u>	<u>\$ 8,268,997</u>	<u>\$ 12,253,401</u>

**TOWN OF ATOKA, TENNESSEE
REVENUES, EXPENSES AND CHANGES
IN NET POSITION OF WATER - SEWER FUND
YEAR ENDED JUNE 30, 2014**

	<u>WATER</u>	<u>SEWER</u>	<u>COMBINED</u>
OPERATING REVENUES			
Metered sales and service	\$ 889,349	\$ 853,902	\$ 1,743,251
Connection fees	52,605	12,570	65,175
Tap fees	-	18,000	18,000
Penalties	18,331	18,332	36,663
Other operating income	<u>3,199</u>	<u>3,200</u>	<u>6,399</u>
TOTAL OPERATING REVENUES	<u>963,484</u>	<u>906,004</u>	<u>1,869,488</u>
OPERATING EXPENSES			
Salaries and wages	152,626	152,625	305,251
Fringes	61,375	61,374	122,749
Maintenance services and supplies	96,017	96,017	192,034
Water purchased	372,197	-	372,197
Sewer fees	-	122,753	122,753
Office supplies	16,090	16,089	32,179
Utilities	26,203	26,202	52,405
Insurance	13,889	13,888	27,777
Depreciation	94,379	239,170	333,549
Miscellaneous	<u>29,025</u>	<u>29,025</u>	<u>58,050</u>
TOTAL OPERATING EXPENSES	<u>861,801</u>	<u>757,143</u>	<u>1,618,944</u>
OPERATING INCOME	<u>101,683</u>	<u>148,861</u>	<u>250,544</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	12,400	12,401	24,801
Interest expense	<u>(17,441)</u>	<u>(46,535)</u>	<u>(63,976)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(5,041)</u>	<u>(34,134)</u>	<u>(39,175)</u>
CHANGE IN NET POSITION	96,642	114,727	211,369
NET POSITION			
Balance at July 1, 2013	<u>2,942,447</u>	<u>5,210,568</u>	<u>8,153,015</u>
Balance at June 30, 2014	<u>\$ 3,039,089</u>	<u>\$ 5,325,295</u>	<u>\$ 8,364,384</u>

TOWN OF ATOKA, TENNESSEE
CASH FLOWS OF WATER - SEWER FUND
YEAR ENDED JUNE 30, 2014

	<u>WATER</u>	<u>SEWER</u>	<u>COMBINED</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 956,969	\$ 902,052	\$ 1,859,021
Cash payments to suppliers	(624,967)	(375,519)	(1,000,486)
Cash payments to employees for services	(145,542)	(145,541)	(291,083)
Cash payments for taxes	(11,648)	(11,648)	(23,296)
Net cash provided by operating activities	<u>174,812</u>	<u>369,344</u>	<u>544,156</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Decrease in due to other funds	(24,773)	(24,772)	(49,545)
Net cash (used) by noncapital financing activities	<u>(24,773)</u>	<u>(24,772)</u>	<u>(49,545)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(274,770)	(81,325)	(356,095)
Proceeds from long-term debt	84,014	84,014	168,028
Payments on principal of long-term debt	(42,550)	(113,425)	(155,975)
Interest and fee payments on long-term debt	(17,033)	(46,127)	(63,160)
Net cash (used) by capital and related financing activities	<u>(250,339)</u>	<u>(156,863)</u>	<u>(407,202)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>11,647</u>	<u>11,646</u>	<u>23,293</u>
Net cash provided by investing activities	<u>11,647</u>	<u>11,646</u>	<u>23,293</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(88,653)	199,355	110,702
CASH AND CASH EQUIVALENTS - JULY 1, 2013	<u>1,558,140</u>	<u>1,830,667</u>	<u>3,388,807</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2014	<u>\$ 1,469,487</u>	<u>\$ 2,030,022</u>	<u>\$ 3,499,509</u>

TOWN OF ATOKA, TENNESSEE
CASH FLOWS OF WATER - SEWER FUND - CONTINUED
YEAR ENDED JUNE 30, 2014

	<u>WATER</u>	<u>SEWER</u>	<u>COMBINED</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 101,683	\$ 148,861	\$ 250,544
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	94,379	239,170	333,549
(Increase) in accounts receivable	(6,515)	(3,952)	(10,467)
(Decrease) in accounts payable	(26,576)	(26,576)	(53,152)
Increase in accrued expenses	<u>11,841</u>	<u>11,841</u>	<u>23,682</u>
Total adjustments	<u>73,129</u>	<u>220,483</u>	<u>293,612</u>
Net cash provided by operating activities	<u>\$ 174,812</u>	<u>\$ 369,344</u>	<u>\$ 544,156</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Interest credited to certificates of deposit	\$ 753	\$ 755	\$ 1,508

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Atoka, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Atoka, Tennessee's basic financial statements and have issued our report thereon dated March 12, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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

deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness (Item No. 2010-003).

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as Item No. 2013-001.

Town of Atoka Tennessee's Responses to Findings

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

Purpose of this Report

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



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR 1-133**

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

Report on Compliance for Each Major Federal Program

We have audited the 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 the Town of Atoka, Tennessee's major federal program for the year ended June 30, 2014. The Town of Atoka, Tennessee's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town of Atoka, Tennessee's major federal program based on our audit of the types of compliance requirements referred to above. 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 the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Atoka, Tennessee's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Atoka, Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the Town of Atoka, Tennessee is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Atoka, Tennessee's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program 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 the 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Covington, Tennessee
March 12, 2015



**TOWN OF ATOKA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of the Town of Atoka, Tennessee.
2. A significant deficiency disclosed during the audit of the financial statements is reported in the Report on Internal Control and Compliance at pages 62 and 63. The significant deficiency is reported as a material weakness.
3. An instance of noncompliance material to the financial statements of the Town of Atoka, Tennessee, which is required to be reported in accordance with *Government Auditing Standards*, was disclosed during the audit and is reported in the Report on Internal Control and Compliance at pages 62 and 63.
4. No significant deficiencies relating to the audit of the major federal programs are reported in the Report on Compliance and Internal Control at pages 64 and 65.
5. The auditor's report on compliance for the major federal award programs of the Town of Atoka, Tennessee expresses an unmodified opinion.
6. There were no audit findings relative to the major federal award programs of the Town of Atoka, Tennessee.
7. The program tested as a major program is : U.S. Department of Transportation - Highway Planning and Construction Grant - CFDA #20.205.
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, 2014**

FINDINGS - FINANCIAL STATEMENTS AUDIT

Material Weakness

Item No. 2010-003: Adjustment of General Ledger Account Balances

Condition: Annually since 2010, adjustments have been proposed when necessary to correct material misstatements in the financial statements. During the current year, a material transaction of the General Fund relating to the correction of beginning fund balance caused by an improper reversal of a prior year legal expenditure, and a material transaction of both the General Fund and Solid Waste Fund relating to restatement of beginning fund balances caused by the establishment of the Solid Waste Fund, were not recorded and necessitated adjustment of the Town's financial statements.

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

Client response: The Town's general ledger account balances are adjusted at year-end by our outside CPA. We will continue our efforts to ensure that all material transactions are provided to our outside CPA for proper accounting and recording in the general ledger before commencement of the fiscal year June 30, 2015 audit.

Compliance and Other Matters

Item No. 2013-001: Budget Overruns

Condition: As was the case in 2013, the Town again experienced budget overruns in 2014. The Town had four line-item budget overruns in the General Fund. Total expenditures exceeded the budgeted amount in the Solid Waste Fund.

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

Effect: Certain expenditures exceeded budgeted amounts.

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

**TOWN OF ATOKA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED JUNE 30, 2014**

FINDINGS - FINANCIAL STATEMENTS AUDIT - CONTINUED

Compliance and Other Matters - Continued

Item No. 2013-001: Budget Overruns - Continued

Client response: The Town prepared budget amendments in order to comply with State requirements, but the amended amounts remained insufficient. We will strive to include all expenditures in any fiscal year June 30, 2015 budget amendments.

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, 2014**

PRIOR AUDIT FINDINGS

Items not corrected - Repeated in Schedule of Findings and Questioned Costs

Item No. 2010-003: Adjustment of General Ledger Account Balances

Item No. 2013-001: Budget Overruns

QUESTIONED COSTS

There were no prior questioned costs.

**TOWN OF ATOKA, TENNESSEE
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2014**

U.S. Department of Transportation

The Town of Atoka, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2014.

Name and address of independent public accounting firm:

Whitehorn Tankersley & Davis, PLLC
110 East Pleasant Avenue
Covington, TN 38019

Audit period:

Year ended June 30, 2014

The findings from the June 30, 2014 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

FINDINGS - FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

Item No. 2010-003: Adjustment of General Ledger Account Balances

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

Action Taken: The Town's general ledger account balances are adjusted at year-end by our outside CPA. We will continue our efforts to ensure that all material transactions are provided to our outside CPA for proper accounting and recording in the general ledger before commencement of the fiscal year June 30, 2015 audit.

COMPLIANCE AND OTHER MATTERS

Item No. 2013-001: Budget Overruns

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

Action Taken: The Town prepared budget amendments in order to comply with State requirements, but the amended amounts remained insufficient. We will strive to include all expenditures in any fiscal year June 30, 2015 budget amendments.

**TOWN OF ATOKA, TENNESSEE
CORRECTIVE ACTION PLAN - CONTINUED
YEAR ENDED JUNE 30, 2014**

FINDINGS - FEDERAL AWARD PROGRAM AUDIT

None

If the U.S. Department of Transportation has questions regarding this plan, please call Debbie Pickard, Town Recorder at 901-837-5300.

