

TOWN OF ATOKA, TENNESSEE

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016**

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INTRODUCTORY SECTION

**TOWN OF ATOKA, TENNESSEE
TOWN OFFICIALS
JUNE 30, 2016**

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
Henry Posey
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, 2016, 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, 2016, 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, schedule of changes in net pension liability (asset) and related ratios based on participation in the public employee pension plan of TCRS, and schedule of contributions based on participation in the public employee pension plan of TCRS on pages 5 through 12 and 45 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Atoka, Tennessee's basic financial statements. The introductory section, combining fund financial statements, schedules, and nonaccounting information 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative*

Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The combining fund financial statements, 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements, 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 and nonaccounting information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2016 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.

Whitcomb Jankeley & Davis, PLLC

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

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, 2016. 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 \$344,000, or 1 percent, from \$23,449,000 to \$23,793,000 as a result of this year's operations. Net position of our business-type activities decreased approximately 1 percent, and net position of our governmental activities increased 3 percent.
- During the year, the Town had revenues that were approximately \$398,000 more than total expenses for governmental programs and activities.
- For the Town's business-type activities, expenses exceeded revenues by approximately \$54,000.
- Total revenues in our governmental operations were approximately \$95,000 less than projected budgeted revenues for the year, but expenditures were approximately \$561,000 less than projected budgeted expenditures.
- The total net cost of running the Town of Atoka for the year ending June 30, 2016 (total cost of business-type and governmental programs net of direct program revenues) was approximately \$3,656,000.

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 8. 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, 2016**

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

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

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

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

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

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

- **Governmental funds** - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using 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, 2016

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 \$23,448,000 to \$23,793,000. 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	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 6,408	\$ 5,882	\$ 3,615	\$ 3,733	\$ 10,023	\$ 9,615
Capital assets	15,280	9,807	9,150	9,265	24,430	19,072
Other assets	152	188	35	41	187	229
Total assets	<u>21,840</u>	<u>15,877</u>	<u>12,800</u>	<u>13,039</u>	<u>34,640</u>	<u>28,916</u>
Deferred outflows ...	<u>244</u>	<u>92</u>	<u>49</u>	<u>22</u>	<u>293</u>	<u>114</u>
Long-term debt	5,186	-	2,969	3,114	8,155	3,114
Other liabilities	1,181	630	186	193	1,366	823
Total liabilities ...	<u>6,367</u>	<u>630</u>	<u>3,155</u>	<u>3,307</u>	<u>9,522</u>	<u>3,937</u>
Deferred inflows	<u>1,581</u>	<u>1,602</u>	<u>37</u>	<u>43</u>	<u>1,618</u>	<u>1,645</u>
Net Position						
Net investment in capital assets	9,458	9,807	6,180	6,150	15,638	15,957
Restricted	864	840	-	-	864	840
Unrestricted	<u>3,814</u>	<u>3,090</u>	<u>3,477</u>	<u>3,561</u>	<u>7,291</u>	<u>6,651</u>
Total Net Position	<u>\$ 14,136</u>	<u>\$ 13,737</u>	<u>\$ 9,657</u>	<u>\$ 9,711</u>	<u>\$ 23,793</u>	<u>\$ 23,448</u>

Table 2
Changes in Net Position
(in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Program revenues						
Charges for services	\$ 651	\$ 645	\$ 1,823	\$ 1,825	\$ 2,474	\$ 2,470

TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2016

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Program revenues - continued						
Operating grants and contributions	\$ 297	\$ 427	\$ -	\$ -	\$ 297	\$ 427
Capital grants and contributions	941	135	-	1,301	941	1,436
General revenues						
Local taxes	3,195	2,713	-	-	3,195	2,713
Intergovernmental revenues	833	3,711	-	-	833	3,711
(Loss) on disposal on capital assets	(94)	-	-	-	(94)	-
Other general revenues	41	114	24	23	65	137
Total revenues . .	<u>5,864</u>	<u>7,745</u>	<u>1,847</u>	<u>3,149</u>	<u>7,711</u>	<u>10,894</u>
Program expenses						
General government	645	494	-	-	645	494
Public safety	2,792	2,242	-	-	2,792	2,242
Solid waste	241	230	-	-	241	230
Highways and streets	1,189	753	-	-	1,189	753
Health, welfare recreation and education	582	518	-	-	582	518
Grants and contributions	14	24	-	-	14	24
Interest	3	-	-	-	3	-
Water-sewer	-	-	1,901	1,800	1,901	1,800
Total expenses . .	<u>5,466</u>	<u>4,261</u>	<u>1,901</u>	<u>1,800</u>	<u>7,367</u>	<u>6,061</u>
Increase (decrease) in net position	<u>\$ 398</u>	<u>\$ 3,484</u>	<u>\$ (54)</u>	<u>\$ 1,349</u>	<u>\$ 344</u>	<u>\$ 4,833</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

General government

SPECIFIC REVENUES

Charges for permits and various fees.

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2016**

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

All other governmental revenues are reported as General Revenues.

The cost of all governmental activities this year was \$5,465,663. 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 \$3,577,219 because some of the cost was paid by those who directly benefitted from the programs (\$651,109) or by other governments and organizations that subsidized certain programs with either operating grants and contributions (\$296,778) or capital grants and contributions (\$940,557). 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>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
General government	\$ 645	\$ 494	\$ 607	\$ 455
Public safety	2,792	2,242	1,718	1,887
Solid waste	241	230	(149)	(141)
Highways and streets	1,189	754	941	455
Health, welfare, recreation and education	582	518	442	375
Grants and contributions	14	23	14	23
Interest	3	-	3	-
Totals	<u>\$ 5,466</u>	<u>\$ 4,261</u>	<u>\$ 3,577</u>	<u>\$ 3,054</u>

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2016**

THE TOWN'S FUNDS

Water-Sewer Fund

Revenues of the Town's Water-Sewer Fund decreased by less than 1% from revenues of the prior year. Revenues and contributions in total, decreased by approximately \$1,302,000 (41%) due to subdivision dedications made by local developers made in the prior year. The Town's Water-Sewer Fund expenses during the current year increased by \$101,000 (5.6%).

Governmental Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet on page 15) reported a combined fund balance of \$3,789,789 which is a decrease from last year's total of \$3,834,289. The chief reasons for this decrease are given below. It must be pointed out that this decrease in governmental fund balances (\$44,500) is different from the increase in net position of governmental activities \$398,406 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, 2016 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 \$44,500 from the year ending June 30, 2016 is that expenditures increased by approximately \$6,172,000, due primarily to increases in capital expenditures related to construction of the Atoka Municipal Complex, partially offset by increases in local sales tax and intergovernmental revenues.

GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS

Expenditures for the year were approximately \$278,000 below original budgeted expenditures. The most significant variance were in public works, general government, and parks and recreation expenses.

Revenues for the year were approximately \$75,000 less than the original budget estimate of \$6,027,200 for the General Fund, Solid Waste Fund, State Street Aid Fund and Drug Fund. The most significant variance was lower intergovernmental revenues.

TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At year end, the Town had approximately \$24,430,000 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 \$5,358,000.

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>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 1,248	\$ 1,248	\$ 35	\$ 35	\$ 1,283	\$ 1,283
Construction in progress	1,533	559	-	-	1,533	559
Buildings and improvements	5,158	456	308	64	5,466	520
Equipment	1,103	1,114	143	186	1,246	1,300
Infrastructure	6,238	6,430	-	-	6,238	6,430
Water-Sewer System	-	-	8,664	8,980	8,664	8,980
Totals	<u>\$ 15,280</u>	<u>\$ 9,807</u>	<u>\$ 9,150</u>	<u>\$ 9,265</u>	<u>\$ 24,430</u>	<u>\$ 19,072</u>

This year's major additions for governmental activities included approximately \$974,000 in construction in progress, \$154,000 in equipment, \$54,000 in vehicles, and \$4,822,000 in buildings. This year's major disposals included approximately \$225,000 in buildings and \$15,000 in equipment related to the removal of the Town's old City Hall. Additions for business-type activities related primarily to new equipment purchases of approximately \$250,000, and upgrades to water and sewer facilities of approximately \$29,000.

Debt

At year end the Town had \$8,155,000 in debt outstanding versus \$3,115,000 last year, a net increase of \$5,040,000 as shown in Table 5, due to the net difference between new debt assumed in connection with building and road paving projects and current year payments made on existing debt.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenue Bonds and Notes (backed by specific tax and fee revenues)	<u>\$ 5,186</u>	<u>\$ -</u>	<u>\$ 2,969</u>	<u>\$ 3,115</u>	<u>\$ 8,155</u>	<u>\$ 3,115</u>

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2016**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Anticipated revenues and other financing sources for FY17 governmental funds are \$3,723,000 less than the final revenues and other financing sources for the year ended June 30, 2016. This reduction reflects the return to more normal fiscal operations after the reduction in grant/loan revenues related to the construction of the Atoka Municipal Complex.

Budget Expenditures for the governmental funds are projected at approximately \$3,428,000 less than prior year actual expenditures. The main reason for this decrease is the construction of the Atoka Municipal Complex and completion of road projects.

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, 2016

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 3,882,968	\$ 3,305,134	\$ 7,188,102
Investments - certificates of deposit	-	466,915	466,915
Taxes receivable, net	1,424,848	-	1,424,848
Accounts receivable, net	29,954	139,640	169,594
Receivables from other governments	490,211	-	490,211
Grants receivable	283,027	-	283,027
Internal balances	296,764	(296,764)	-
Restricted assets			
Capital assets not being depreciated			
Land	1,248,246	35,000	1,283,246
Construction in progress	1,532,866	-	1,532,866
Capital assets (net of accumulated depreciation)			
Buildings and improvements	5,157,631	308,078	5,465,709
Vehicles and equipment	1,102,700	143,095	1,245,795
Infrastructure	6,238,491	-	6,238,491
Utility plant in service	-	8,664,032	8,664,032
Net pension asset	151,602	35,336	186,938
TOTAL ASSETS	<u>21,839,308</u>	<u>12,800,466</u>	<u>34,639,774</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	244,045	49,002	293,047
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 22,083,353</u>	<u>\$ 12,849,468</u>	<u>\$ 34,932,821</u>
LIABILITIES			
Accounts payable	\$ 979,441	\$ 99,473	\$ 1,078,914
Accrued expenses	201,031	43,664	244,695
Customer deposits	-	42,921	42,921
Bonds payable			
Due within one year	257,040	149,756	406,796
Due in more than one year	4,929,180	2,819,257	7,748,437
TOTAL LIABILITIES	<u>6,366,692</u>	<u>3,155,071</u>	<u>9,521,763</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property tax	1,421,904	-	1,421,904
Deferred inflows - pension	159,152	37,097	196,249
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,581,056</u>	<u>37,097</u>	<u>1,618,153</u>
NET POSITION			
Net investment in capital assets	9,457,909	6,180,214	15,638,123
Restricted for			
Solid waste expenditures	429,623	-	429,623
Street expenditures	55,299	-	55,299
Drug enforcement	95,830	-	95,830
Grant programs	283,027	-	283,027
Unrestricted	3,813,917	3,477,086	7,291,003
TOTAL NET POSITION	<u>14,135,605</u>	<u>9,657,300</u>	<u>23,792,905</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 22,083,353</u>	<u>\$ 12,849,468</u>	<u>\$ 34,932,821</u>

See notes to financial statements

TOWN OF ATOKA, TENNESSEE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental activities							
General government	\$ 644,565	\$ 37,256	\$ -	\$ -	\$ (607,309)	\$ -	\$ (607,309)
Public safety	2,792,257	92,027	49,124	933,164	(1,717,942)	-	(1,717,942)
Solid waste	240,676	389,383	-	-	148,707	-	148,707
Highways and streets	1,188,688	-	247,654	-	(941,034)	-	(941,034)
Health, welfare, recreation and education	581,805	132,443	-	7,393	(441,969)	-	(441,969)
Grants and contributions	14,195	-	-	-	(14,195)	-	(14,195)
Interest	3,477	-	-	-	(3,477)	-	(3,477)
TOTAL GOVERNMENTAL ACTIVITIES	5,465,663	651,109	296,778	940,557	(3,577,219)	-	(3,577,219)
Business-type activities							
Water-sewer system	1,900,852	1,822,482	-	-	-	(78,370)	(78,370)
TOTAL BUSINESS-TYPE ACTIVITIES	1,900,852	1,822,482	-	-	-	(78,370)	(78,370)
TOTAL GOVERNMENT	\$ 7,366,515	\$ 2,473,591	\$ 296,778	\$ 940,557	(3,577,219)	(78,370)	(3,655,589)
GENERAL REVENUES							
Taxes							
Sales taxes					2,181,378	-	2,181,378
Property taxes					1,387,306	-	1,387,306
Alcoholic beverage taxes					311,189	-	311,189
TVA taxes					98,422	-	98,422
Cable TV taxes					15,105	-	15,105
Income and excise taxes					35,454	-	35,454
(Loss) on disposal of capital assets					(93,821)	-	(93,821)
Insurance recoveries					3,146	-	3,146
Investment earnings					14,197	24,468	38,665
Miscellaneous					23,249	-	23,249
TOTAL GENERAL REVENUES					3,975,625	24,468	4,000,093
CHANGE IN NET POSITION					398,406	(53,902)	344,504
NET POSITION							
Balance at July 1, 2015					13,737,199	9,711,202	23,448,401
Balance at June 30, 2016					<u>\$ 14,135,605</u>	<u>\$ 9,657,300</u>	<u>\$ 23,792,905</u>

See notes to financial statements

TOWN OF ATOKA, TENNESSEE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>GENERAL FUND</u>	<u>OTHER GOVERN- MENTAL FUNDS</u>	<u>TOTAL GOVERN- MENTAL FUNDS</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 3,301,137	\$ 581,831	\$ 3,882,968
Accounts receivable, net	-	29,954	29,954
Taxes receivable, net	1,424,848	-	1,424,848
Receivables from other governments	448,254	41,957	490,211
Grants receivable	283,027	-	283,027
Due from other funds	<u>296,764</u>	<u>-</u>	<u>296,764</u>
TOTAL ASSETS	<u>\$ 5,754,030</u>	<u>\$ 653,742</u>	<u>\$ 6,407,772</u>
LIABILITIES			
Accounts and contracts payable	\$ 906,451	\$ 72,990	\$ 979,441
Accrued expenses	<u>201,031</u>	<u>-</u>	<u>201,031</u>
TOTAL LIABILITIES	<u>1,107,482</u>	<u>72,990</u>	<u>1,180,472</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue			
Property taxes	1,421,904	-	1,421,904
State income tax	<u>15,607</u>	<u>-</u>	<u>15,607</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,437,511</u>	<u>-</u>	<u>1,437,511</u>
FUND BALANCE			
Restricted			
Solid waste expenditures	-	429,623	429,623
Street expenditures	-	55,299	55,299
Drug enforcement	-	95,830	95,830
Grant programs	283,027	-	283,027
Assigned			
Parks and recreation	671,281	-	671,281
Fire department	210,383	-	210,383
Subsequent year budget deficit	316,566	-	316,566
Unassigned	<u>1,727,780</u>	<u>-</u>	<u>1,727,780</u>
TOTAL FUND BALANCE	<u>3,209,037</u>	<u>580,752</u>	<u>3,789,789</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 5,754,030</u>	<u>\$ 653,742</u>	<u>\$ 6,407,772</u>

**TOWN OF ATOKA, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

	<u>TOTAL GOVERNMENTAL FUNDS</u>
TOTAL FUND BALANCE	
TOTAL GOVERNMENTAL FUNDS	\$ 3,789,789
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.	15,279,934
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet	(5,186,220)
Deferred outflows of resources related to pensions in which the consumption of net position will occur in a future period; therefore, it is not reported in the governmental funds	244,045
Deferred inflows of resources related to pensions in which the acquisition of net position will occur in a future period; therefore, it is not reported in the governmental funds	(159,152)
The net pension asset is not a financial resource and, therefore, is not reported in the governmental funds	151,602
Unavailable revenues are not available to pay for current period expenditures and therefore are reported as deferred inflows of resources in the funds.	<u>15,607</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 14,135,605</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, 2016

	<u>GENERAL FUND</u>	<u>OTHER GOVERN- MENTAL FUNDS</u>	<u>TOTAL GOVERN- MENTAL FUNDS</u>
REVENUES			
Local taxes	\$ 3,195,454	\$ -	\$ 3,195,454
Licenses and permits	25,256	-	25,256
Intergovernmental revenues	1,827,663	240,588	2,068,251
Charges of services	144,443	389,383	533,826
Fines and forfeitures	78,380	13,647	92,027
Miscellaneous revenues	37,446	-	37,446
TOTAL REVENUES	<u>5,308,642</u>	<u>643,618</u>	<u>5,952,260</u>
EXPENDITURES			
Current			
General government	2,628,901	-	2,628,901
Public safety	6,454,999	26,122	6,481,121
Solid waste	-	240,676	240,676
Highways and streets	690,696	566,886	1,257,582
Health, welfare, recreation, and education	560,174	-	560,174
Grants and contributions	14,195	-	14,195
Debt service	14,057	-	14,057
TOTAL EXPENDITURES	<u>10,363,022</u>	<u>833,684</u>	<u>11,196,706</u>
EXCESS OF REVENUES			
(UNDER) EXPENDITURES	(5,054,380)	(190,066)	(5,244,446)
OTHER FINANCING SOURCES			
Loan proceeds	5,196,800	-	5,196,800
Insurance recoveries	3,146	-	3,146
	<u>5,199,946</u>	<u>-</u>	<u>5,199,946</u>
NET CHANGE IN FUND BALANCE	145,566	(190,066)	(44,500)
FUND BALANCE			
Balance at July 1, 2015	<u>3,063,471</u>	<u>770,818</u>	<u>3,834,289</u>
Balance at June 30, 2016	<u>\$ 3,209,037</u>	<u>\$ 580,752</u>	<u>\$ 3,789,789</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, 2016

NET CHANGE IN FUND BALANCE -

TOTAL GOVERNMENTAL FUNDS \$ (44,500)

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	6,004,310
Depreciation expense	(437,855)

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

Loan proceeds	(5,196,800)
Loan principal payments	10,580

In the statement of activities, only the gain/loss on the disposition of capital assets is reported, whereas in the governmental funds, the proceeds from the disposition increase financial resources. Thus the change in net assets differs from the change in fund balance by the net cost of the capital assets.

(93,821)

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

139,793

The actuarially determined pension income does not consume current financial resources and, therefore, is not reported in the governmental funds. It is reported as a reduction of expenses in the statement of activities.

14,215

Some revenues will not be collected for several months after the Town's fiscal year end and are reported as unavailable revenues in the funds. This is the net difference between the amounts unavailable in the current and prior year

2,484

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 398,406**

See notes to financial statements

**TOWN OF ATOKA, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY (WATER-SEWER) FUND
JUNE 30, 2016**

ASSETS**CURRENT ASSETS**

Cash and cash equivalents	\$ 3,305,134
Investments - certificates of deposit	466,915
Accounts receivable, net	<u>139,640</u>
TOTAL CURRENT ASSETS	<u>3,911,689</u>

RESTRICTED ASSETS

Net pension asset	<u>35,336</u>
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NONCURRENT ASSETS**Capital Assets****Not being depreciated**

Land	<u>35,000</u>
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Being depreciated

Buildings and improvements	348,847
Vehicles and equipment	486,736
Utility plant in service	12,061,089
Less accumulated depreciation	<u>(3,781,467)</u>

Total Capital Assets, Net of

Accumulated Depreciation	<u>9,115,205</u>
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TOTAL NONCURRENT ASSETS	<u>9,150,205</u>
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TOTAL ASSETS	<u>13,097,230</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows - pension	<u>49,002</u>
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TOTAL ASSETS AND DEFERRED OUTFLOWS

OF RESOURCES	<u>\$ 13,146,232</u>
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LIABILITIES**CURRENT LIABILITIES**

Accounts and contracts payable	\$ 99,473
Accrued expenses	43,664
Due to other funds	296,764
Revenue bonds payable - current portion	149,756
Customer deposits	<u>42,921</u>
TOTAL CURRENT LIABILITIES	<u>632,578</u>

NONCURRENT LIABILITIES

Long term revenue bonds, less current portion	<u>2,819,257</u>
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TOTAL LIABILITIES	<u>3,451,835</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred inflows - pension	<u>37,097</u>
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NET POSITION

Net investment in capital assets	6,180,214
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Unrestricted	<u>3,477,086</u>
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TOTAL NET POSITION	<u>9,657,300</u>
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TOTAL LIABILITIES, DEFERRED INFLOWS

OF RESOURCES, AND NET POSITION	<u>\$ 13,146,232</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, 2016

OPERATING REVENUES

Metered sales and service	\$ 1,720,962
Connection fees	55,020
Tap fees	11,600
Penalties	30,822
Other operating income	<u>4,078</u>
TOTAL OPERATING REVENUES	<u>1,822,482</u>

OPERATING EXPENSES

Salaries and wages	341,601
Fringes	107,348
Maintenance services and supplies	257,683
Water purchased	375,800
Sewer fees	167,215
Office supplies	71,771
Utilities	85,162
Insurance	29,055
Depreciation	393,483
Miscellaneous	<u>33,551</u>
TOTAL OPERATING EXPENSES	<u>1,862,669</u>

OPERATING (LOSS) (40,187)

NONOPERATING REVENUES (EXPENSES)

Interest income	24,468
Interest expense	<u>(38,183)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(13,715)</u>

CHANGE IN NET POSITION (53,902)

NET POSITION

Balance at July 1, 2015	<u>9,711,202</u>
Balance at June 30, 2016	<u><u>\$ 9,657,300</u></u>

See notes to financial statements

**TOWN OF ATOKA, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY (WATER - SEWER) FUND
YEAR ENDED JUNE 30, 2016**

CASH FLOWS FROM

OPERATING ACTIVITIES

Cash received from customers	\$ 1,836,308
Cash payments to suppliers	(1,142,605)
Cash payments to employees for services	(335,683)
Cash payments for taxes	<u>(24,039)</u>
Net cash provided by operating activities	<u>333,981</u>

CASH FLOWS FROM NONCAPITAL

FINANCING ACTIVITIES

Decrease in due to other funds	<u>(28,927)</u>
Net cash (used) by noncapital financing activities	<u>(28,927)</u>

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

Purchase of capital assets	(278,835)
Payments on principal of long-term debt	(145,719)
Interest and fee payments on long-term debt	<u>(38,254)</u>
Net cash (used) by capital and related financing activities	<u>(462,808)</u>

**CASH FLOWS FROM
INVESTING ACTIVITIES**

Interest received	<u>22,604</u>
Net cash provided by investing activities	<u>22,604</u>

**NET DECREASE IN CASH AND
CASH EQUIVALENTS**

(135,150)

**CASH AND CASH EQUIVALENTS -
JULY 1, 2015**

3,440,284

**CASH AND CASH EQUIVALENTS -
JUNE 30, 2016**

\$ 3,305,134

See notes to financial statements

**TOWN OF ATOKA, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY (WATER -SEWER) FUND - CONTINUED
YEAR ENDED JUNE 30, 2016**

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

Operating (loss)	\$ (40,187)
Adjustments to reconcile operating (loss) to net cash provided by operating activities	
Depreciation	393,483
Net change in pension related accounts	(27,131)
(Increase) decrease in accounts receivable	13,826
Increase (decrease) in accounts payable	(11,928)
Increase (decrease) in accrued expenses	<u>5,918</u>
Total adjustments	<u>374,168</u>
Net cash provided by operating activities	<u>\$ 333,981</u>

**NONCASH INVESTING, CAPITAL
AND FINANCING ACTIVITIES**

Interest credited to certificates of deposit	\$ 1,864
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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, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
REVENUES				
Local taxes	\$ 2,960,000	\$ 2,960,000	\$ 3,195,454	\$ 235,454
Licenses and permits	23,000	23,000	25,256	2,256
Intergovernmental revenues	2,178,700	2,178,700	1,827,663	(351,037)
Charges for services	138,000	138,000	144,443	6,443
Fines and forfeitures	55,000	55,000	78,380	23,380
Miscellaneous revenues	49,000	49,000	37,446	(11,554)
TOTAL REVENUES	<u>5,403,700</u>	<u>5,403,700</u>	<u>5,308,642</u>	<u>(95,058)</u>
EXPENDITURES				
General government				
Legislative	52,360	52,360	41,984	(10,376)
Judicial	12,600	24,200	17,827	(6,373)
Finance and administration	2,524,859	2,574,859	2,443,014	(131,845)
Planning and inspection	103,020	153,020	126,076	(26,944)
Total general government	<u>2,692,839</u>	<u>2,804,439</u>	<u>2,628,901</u>	<u>(175,538)</u>
Public safety				
Police	3,697,273	3,797,273	3,857,058	59,785
Fire	2,480,106	2,530,106	2,597,941	67,835
Total public safety	<u>6,177,379</u>	<u>6,327,379</u>	<u>6,454,999</u>	<u>127,620</u>
Highways and streets				
Streets	555,751	755,751	690,696	(65,055)
Total highways and streets	<u>555,751</u>	<u>755,751</u>	<u>690,696</u>	<u>(65,055)</u>
Health, welfare, and recreation				
Parks and recreation	1,016,829	1,016,829	560,174	(456,655)
Total health, welfare, and recreation	<u>1,016,829</u>	<u>1,016,829</u>	<u>560,174</u>	<u>(456,655)</u>
Grants and contributions				
Donations	20,000	20,000	14,195	(5,805)
Total grants and contributions	<u>20,000</u>	<u>20,000</u>	<u>14,195</u>	<u>(5,805)</u>
Debt service				
Principal	-	-	10,580	10,580
Interest	-	-	3,477	3,477
	<u>-</u>	<u>-</u>	<u>14,057</u>	<u>14,057</u>
TOTAL EXPENDITURES	<u>10,462,798</u>	<u>10,924,398</u>	<u>10,363,022</u>	<u>(561,376)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(5,059,098)</u>	<u>(5,520,698)</u>	<u>(5,054,380)</u>	<u>466,318</u>
OTHER FINANCING SOURCES (USES)				
Loan proceeds	4,855,810	4,855,810	5,196,800	340,990
Insurance proceeds	-	-	3,146	3,146
Transfers in	150,000	150,000	-	(150,000)
Transfers out	(405,810)	(405,810)	-	405,810
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,600,000</u>	<u>4,600,000</u>	<u>5,199,946</u>	<u>599,946</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, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
NET CHANGE IN FUND				
BALANCE	\$ (459,098)	\$ (920,698)	\$ 145,566	\$ 1,066,264
FUND BALANCE				
Balance at July 1, 2015	<u>3,063,471</u>	<u>3,063,471</u>	<u>3,063,471</u>	<u>-</u>
Balance at June 30, 2016	<u>\$ 2,604,373</u>	<u>\$ 2,142,773</u>	<u>\$ 3,209,037</u>	<u>\$ 1,066,264</u>

See notes to financial statements

**TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

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, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

GOVERNMENT-WIDE FINANCIAL STATEMENTS - CONTINUED

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

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

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

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

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

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

The Town had the following funds at year end:

GOVERNMENTAL FUNDS

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

**TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2016**

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:

TOWN OF ATOKA TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - CONTINUED

Measurement Focus - Continued

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

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

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

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

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

**TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES - CONTINUED

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

INTERFUND 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, 2016, expenditures exceeded appropriations in the Drug and Solid Waste Funds by \$4,322 and \$676, respectively.

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.

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

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

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

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

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

CAPITAL ASSETS AND DEPRECIATION - CONTINUED

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).

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

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

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

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

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.

**TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

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

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

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

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

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.

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

GOVERNMENTAL FUND BALANCE - CONTINUED

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.

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

NOTE 2 - DEPOSITS

As of June 30, 2016, 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, 2016, including the applicable allowances for the uncollectible accounts, are as follows:

	<u>GENERAL FUND</u>	<u>SOLID WASTE FUND</u>	<u>STATE STREET AID FUND</u>	<u>WATER AND SEWER FUND</u>	<u>TOTAL</u>
Receivables					
Property taxes	\$ 1,491,141	\$ -	\$ -	\$ -	\$ 1,491,141
Accounts	-	29,954	-	140,294	170,248
Grants	283,027	-	-	-	283,027
Receivable from other governments	448,254	-	41,957	-	490,211
Other	-	-	-	-	-
Gross receivables	<u>2,222,422</u>	<u>29,954</u>	<u>41,957</u>	<u>140,294</u>	<u>2,434,627</u>
Less: Allowance for doubtful accounts	<u>(66,293)</u>	<u>-</u>	<u>-</u>	<u>(654)</u>	<u>(66,947)</u>
Net receivables	<u>\$ 2,156,129</u>	<u>\$ 29,954</u>	<u>\$ 41,957</u>	<u>\$ 139,640</u>	<u>\$ 2,367,680</u>

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2016

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>BALANCE</u> <u>JULY 1, 2015</u>	<u>ADDITIONS</u>	<u>TRANSFERS/ RETIREMENTS</u>	<u>BALANCE</u> <u>JUNE 30, 2016</u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 1,248,246	\$ -	\$ -	\$ 1,248,246
Construction in progress	<u>559,147</u>	<u>3,461,963</u>	<u>(2,488,244)</u>	<u>1,532,866</u>
Total	<u>1,807,393</u>	<u>3,461,963</u>	<u>(2,488,244)</u>	<u>2,781,112</u>
Other capital assets				
Buildings and improvements	744,420	4,822,265	(225,396)	5,341,289
Equipment	862,323	154,476	(15,435)	1,001,364
Vehicles	1,401,444	53,850	-	1,455,294
Infrastructure	<u>6,845,455</u>	<u>-</u>	<u>-</u>	<u>6,845,455</u>
Total other capital assets at historical cost	<u>9,853,642</u>	<u>5,030,591</u>	<u>(240,831)</u>	<u>14,643,402</u>
Less accumulated depreciation				
Buildings and improvements	(288,395)	(26,838)	131,575	(183,658)
Equipment	(405,062)	(76,737)	15,435	(466,364)
Vehicles	(744,966)	(142,628)	-	(887,594)
Infrastructure	<u>(415,312)</u>	<u>(191,652)</u>	<u>-</u>	<u>(606,964)</u>
Total accumulated depreciation	<u>(1,853,735)</u>	<u>(437,855)</u>	<u>147,010</u>	<u>(2,144,580)</u>
Other capital assets, net	<u>7,999,907</u>	<u>4,592,736</u>	<u>(93,821)</u>	<u>12,498,822</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 9,807,300</u>	<u>\$ 8,054,699</u>	<u>\$ (2,582,065)</u>	<u>\$ 15,279,934</u>
DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES FUNCTIONS AS FOLLOWS				
General government		\$ 18,975		
Public safety		164,139		
Public works		162,601		
Health, welfare, recreation and education		<u>92,140</u>		
TOTAL GOVERNMENTAL ACTIVITIES DEPRECIATION EXPENSE		<u>\$ 437,855</u>		

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2016

NOTE 4 - CAPITAL ASSETS - CONTINUED

	<u>BALANCE</u> <u>JULY 1, 2015</u>	<u>ADDITIONS</u>	<u>TRANSFERS/ RETIREMENTS</u>	<u>BALANCE</u> <u>JUNE 30, 2016</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 35,000	\$ -	\$ -	\$ 35,000
Total	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>35,000</u>
Other capital assets				
Buildings	98,847	250,000	-	348,847
Vehicles and equipment	486,738	-	-	486,738
Water distribution system	3,691,009	-	-	3,691,009
Sewer plant in operation	1,269,079	-	-	1,269,079
Sewer lines	<u>7,072,165</u>	<u>28,835</u>	<u>-</u>	<u>7,101,000</u>
Total other capital assets at historical cost	<u>12,617,838</u>	<u>278,835</u>	<u>-</u>	<u>12,896,673</u>
Less accumulated depreciation				
Buildings	(34,400)	(6,369)	-	(40,769)
Vehicles and equipment	(300,713)	(42,929)	-	(343,642)
Water distribution system	(876,631)	(107,505)	-	(984,136)
Sewer plant in operation	(689,526)	(35,494)	-	(725,020)
Sewer lines	<u>(1,486,714)</u>	<u>(201,186)</u>	<u>-</u>	<u>(1,687,900)</u>
Total accumulated depreciation	<u>(3,387,984)</u>	<u>(393,483)</u>	<u>\$ -</u>	<u>(3,781,467)</u>
Net depreciable assets	<u>9,229,854</u>	<u>(114,648)</u>	<u>-</u>	<u>9,115,206</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 9,264,854</u>	<u>\$ (114,648)</u>	<u>\$ -</u>	<u>\$ 9,150,206</u>
DEPRECIATION EXPENSE WAS CHARGED TO BUSINESS-TYPE ACTIVITIES FUNCTIONS AS FOLLOWS				
Water-sewer		<u>\$ 393,483</u>		

NOTE 5 - INTERFUND BALANCES

The composition of interfund balances as of June 30, 2016, is as follows:

Due to/from other funds		
<u>Fund Due From</u>	<u>Fund due to</u>	<u>Amount</u>
Water and Sewer Fund (major)	General Fund (major)	\$ 296,764

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.

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2016

NOTE 6 -LONG TERM DEBT

Governmental activities

Variable Rate Local Government Loan Program, Series 2015 - The original loan in the amount of \$5,500,000 was authorized on June 15, 2015 and is to be repaid in annual installments of principal ranging from \$195,994 to \$296,000 beginning May 25, 2017 and maturing on May 25, 2034. Interest is paid monthly at a variable rate (as determined by the Securities Industry and Finance Markets Association (SIFMA) rate) of 1.26% as of June 30, 2016. Proceeds from this loan have not been fully issued as of June 30, 2016. The balance of this loan at June 30, 2015 was \$4,790,994.

Pooled Financing Revenue Bonds, Series 2008 - The original bond was dated January 23, 2009 for \$1,000,000 and is to be paid in annual installments of principal ranging from \$17,000 to \$64,000 beginning May 25, 2010 and maturing on May 25, 2037. Interest is paid monthly at a variable rate (as determined by the Securities Industry and Financial Markets Association (SIFMA) rate) of .58% as of June 30, 2016. This note is split between governmental and business-type activities with the governmental activities funds paying 46.00% of the bond and the business-type activities paying 54.00%. The balance of this bond at June 30, 2016 was \$395,226 in the governmental activities and \$464,774 in the business-type activities, for a total of \$860,000.

Business activities

Water and Sewer Revenue and Tax Bonds, TN Municipal Bond Fund, Series 2004 - The original bond in the amount of \$941,698 was issued on August 17, 2006 and is to be paid in annual installments of principal ranging from \$698 to \$57,000 beginning May 25, 2007 and maturing on May 25, 2033. Interest is paid annually at a variable rate (as determined by the Securities Industry and Financial Markets Association (SIFMA) rate) of .58% as of June 30, 2016. The balance of the bond at June 30, 2016 was \$686,698.

State Revolving Fund Loan 2009 - The original loan in the amount of \$3,798,000 was authorized on February 11, 2010 and is to be paid in monthly installments of \$10,857 beginning February 1, 2012 and maturing on February 1, 2032. The loan is to be partially repaid with American Reinvestment and Recovery Act (ARRA) funds in the amount of \$1,899,000. A portion of this ARRA funding totaling \$1,519,200 represents principal forgiveness. Interest is paid monthly at a fixed rate of 1.44%. The balance of this loan at June 30, 2015 was \$1,817,540, 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, 2016

NOTE 6 -LONG TERM DEBT - CONTINUED

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

Year ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 257,040	\$ 61,903	\$ 149,756	\$ 31,760
2018	260,500	59,885	152,815	29,992
2019	264,420	56,670	156,437	28,192
2020	267,880	53,409	159,540	25,361
2021	271,340	50,109	163,666	24,496
2022-2026	1,413,200	199,558	878,436	93,246
2027-2031	1,511,360	110,620	990,527	40,991
2032-2036	911,414	22,236	282,901	3,845
2037	29,066	200	34,934	171
	<u>\$ 5,186,220</u>	<u>\$ 614,590</u>	<u>\$ 2,969,012</u>	<u>\$ 278,054</u>

Long-term liability activity for the year ended June 30, 2016 was as follows:

	BALANCE JULY 1, 2015	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2016	DUE WITHIN ONE YEAR
Governmental activities					
Variable Rate Local Government Loan Program, Series 2015	\$ -	\$ 4,790,994	\$ -	\$ 4,790,994	\$ 246,000
Pooled Financing Revenue Bonds, TN Municipal Bond Fund, Series 2008	-	405,806	10,580	395,226	11,040
	<u>\$ -</u>	<u>\$ 5,196,800</u>	<u>\$ 10,580</u>	<u>\$ 5,186,220</u>	<u>\$ 257,040</u>
Business-type Activities					
Water and Sewer Revenue and Tax Bonds, TN Municipal Bond Fund, Series 2004	\$ 716,698	\$ -	\$ 30,000	\$ 686,698	\$ 32,000
Pooled Financing Revenue Bonds, TN Municipal Bond Fund, Series 2008	477,194	-	12,420	464,774	12,960
State Revolving Fund Loan 2009	1,920,840	-	103,300	1,817,540	104,796
Totals	<u>\$ 3,114,732</u>	<u>\$ -</u>	<u>\$ 145,720</u>	<u>\$ 2,969,012</u>	<u>\$ 149,756</u>

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2016

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. During the year, the Town reduced its general liability insurance coverage by approximately 15% from coverage levels in place as of June 30, 2015. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

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. This contract is being renegotiated at the present time, and the parties are currently operating under the terms of the expired contract.

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

**TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2016**

NOTE 8 - COMMITMENTS AND CONTINGENCIES - CONTINUED

towns for their share of joint maintenance and operation expenses. The Town was billed \$106,579 by the City of Munford under this agreement for the year ended June 30, 2016. No party has the right to cancel or amend the agreement. The duration of the agreement is indefinite and continuing.

During April 2016, the Town entered into an agreement with a local paving company to pave existing Town streets at a cost of approximately \$413,000.

During May 2016, the Town entered into an agreement with a local construction company to replace a bridge within Town limits at a cost of \$106,500.

As of June 30, 2016, the amount of the unfulfilled bid award related to the construction of a new City Hall was approximately \$66,000.

The Town is a defendant in a lawsuit with a paving company in a matter regarding breach of contract. The Town is actively defending its position in the case, and the ultimate outcome of the lawsuit is unknown at this time. The Town believes that its insurance coverage is adequate to fully cover any amount of loss.

NOTE 9 - PENSION PLAN

General Information about the Pension Plan

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

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

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2016

NOTE 9 - PENSION PLAN - CONTINUED

General Information about the Pension Plan - Continued

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

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

EMPLOYEES COVERED BY BENEFIT TERMS - At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	22
Active employees	<u>47</u>
	<u><u>74</u></u>

CONTRIBUTIONS - Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The Town makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, the Actuarially Determined Contribution (ADC) for the Town was \$113,949 based on a rate of 7.40 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Town's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the cost of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

The Town's net pension liability (asset) was measured as of June 30, 2015, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2016

NOTE 9 - PENSION PLAN - CONTINUED

Net Pension Liability (Asset) - Continued

ACTUARIAL ASSUMPTIONS - The total pension liability as of June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included on the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2016

NOTE 9 - PENSION PLAN - CONTINUED

Net Pension Liability (Asset) - Continued

<u>ASSET CLASS</u>	<u>LONG-TERM EXPECTED REAL RATE OF RETURN</u>	<u>TARGET ALLOCATION</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	<u>1%</u>
Total		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

DISCOUNT RATE - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the Town will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	INCREASE (DECREASE)		
	TOTAL PENSION LIABILITY	PLAN FIDUCIARY NET POSITION	NET PENSION LIABILITY (ASSET)
	(a)	(b)	(a) - (b)
BALANCE AT 6/30/14	<u>\$ 1,659,735</u>	<u>\$ 1,888,827</u>	<u>\$ (229,092)</u>
CHANGES FOR THE YEAR			
Service cost	95,946	-	95,946
Interest	130,209	-	130,209
Differences between expected and actual experience	65,492	-	65,492
Contributions - employer	-	113,949	(113,949)
Contributions - employees	-	76,992	(76,992)
Net investment income	-	60,518	(60,518)
Benefit payments, including refunds of employee contributions	(39,114)	(39,114)	-
Administrative expense	<u>-</u>	<u>(1,966)</u>	<u>1,966</u>

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2016

NOTE 9 - PENSION PLAN - CONTINUED

Changes in Net Pension Liability (Asset) - Continued

	INCREASE (DECREASE)		
	TOTAL PENSION LIABILITY (a)	PLAN FIDUCIARY NET POSITION (b)	NET PENSION LIABILITY (ASSET) (a) - (b)
NET CHANGES	\$ 252,533	\$ 210,379	\$ 42,154
BALANCE AT 6/30/15	\$ 1,912,268	\$ 2,099,206	\$ (186,938)

SENSITIVITY OF THE NET PENSION LIABILITY (ASSET) TO CHANGES IN THE DISCOUNT RATE - The following presents the net pension liability (asset) of the Town calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% DECREASE (6.5%)	CURRENT DISCOUNT RATE (7.5%)	1% INCREASE (8.5%)
Town's net pension liability (asset)	\$ 109,651	\$ (186,938)	\$ (425,769)

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

PENSION INCOME - For the year ended June 30, 2016, the Town recognized pension income of \$16,529.

DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES - For the year ended June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual experience	\$ 58,943	\$ 110,981
Net difference between projected and actual earnings on pension plan investments	69,411	85,268
Contributions subsequent to the measurement date of June 30, 2015	164,693	-
Total	\$ 293,047	\$ 196,249

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2015," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2016

NOTE 9 - PENSION PLAN - CONTINUED

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

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

YEAR ENDED JUNE 30

2017	\$	(20,376)
2018		(20,376)
2019		(20,376)
2020		8,047
2021		(9,306)
Thereafter		(5,514)

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2014</u>	<u>2015</u>
TOTAL PENSION LIABILITY		
Service cost	\$ 100,284	\$ 95,946
Interest	126,895	130,209
Changes in benefit terms	-	-
Differences between actual and expected experience	(142,691)	65,492
Change of assumptions	-	-
Benefit payments, including refunds of employee contributions	(32,805)	(39,114)
Net change in total pension liability	<u>51,683</u>	<u>252,533</u>
TOTAL PENSION LIABILITY, BEGINNING OF YEAR	<u>1,608,052</u>	<u>1,659,735</u>
TOTAL PENSION LIABILITY, END OF YEAR	<u>\$ 1,659,735</u>	<u>\$ 1,912,268</u>
PLAN FIDUCIARY NET POSITION		
Contributions from employer	\$ 94,109	\$ 113,949
Contributions from employees	64,459	76,992
Net investment income	259,631	60,518
Benefit payments, including refunds of employee contributions	(32,805)	(39,114)
Administrative expense	(1,160)	(1,966)
Net change in plan fiduciary net position	384,234	210,379
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	<u>1,504,593</u>	<u>1,888,827</u>
PLAN FIDUCIARY NET POSITION, END OF YEAR	<u>\$ 1,888,827</u>	<u>\$ 2,099,206</u>
NET PENSION LIABILITY (ASSET)	<u>\$ (229,092)</u>	<u>\$ (186,938)</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	113.80%	109.78%
COVERED PAYROLL	<u>\$ 1,289,170</u>	<u>\$ 1,539,845</u>
NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED PAYROLL	(17.77)%	(12.14)%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will added to this schedule in future fiscal years until 10 years of information is available.

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	\$ 94,109	\$ 113,949	\$ 164,610
Contributions in relation to the actuarially determined contribution	<u>94,109</u>	<u>113,949</u>	<u>164,610</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,289,170	\$ 1,539,845	\$ 2,224,469
Contributions as a percentage covered employee payroll	7.30%	7.40%	7.40%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will added to this schedule in future fiscal years until 10 years of information is available.

NOTES TO SCHEDULE

Valuation date - Actuarially determined contribution rates for 2016 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	3 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

COMBINING FUND FINANCIAL STATEMENTS

**TOWN OF ATOKA, TENNESSEE
COMBINING BALANCE SHEET –
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>SOLID WASTE FUND</u>	<u>STATE STREET AID FUND</u>	<u>DRUG FUND</u>	<u>TOTAL NONMAJOR GOVERN- MENTAL FUNDS</u>
ASSETS				
Cash	\$ 419,952	\$ 66,049	\$ 95,830	\$ 581,831
Accounts receivable, net	29,954	-	-	29,954
Due from State of Tennessee	<u>-</u>	<u>41,957</u>	<u>-</u>	<u>41,957</u>
TOTAL ASSETS	<u>\$ 449,906</u>	<u>\$ 108,006</u>	<u>\$ 95,830</u>	<u>\$ 653,742</u>
LIABILITIES				
Accounts payable	<u>\$ 20,283</u>	<u>\$ 52,707</u>	<u>\$ -</u>	<u>\$ 72,990</u>
FUND BALANCE				
Restricted				
Solid waste expenditures	429,623	-	-	429,623
Street expenditures	-	55,299	-	55,299
Drug enforcement	<u>-</u>	<u>-</u>	<u>95,830</u>	<u>95,830</u>
TOTAL FUND BALANCES	<u>429,623</u>	<u>55,299</u>	<u>95,830</u>	<u>580,752</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 449,906</u>	<u>\$ 108,006</u>	<u>\$ 95,830</u>	<u>\$ 653,742</u>

TOWN OF ATOKA, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	<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	\$ -	\$ 158,049	\$ -	\$ 158,049
\$.03 gasoline tax	-	47,142	-	47,142
1989 gasoline tax increase	-	25,400	-	25,400
Federal grants	-	-	9,997	9,997
Total intergovernmental revenues ..	-	230,591	9,997	240,588
Charges for services	389,383	-	-	389,383
Fines and forfeitures	-	-	13,647	13,647
TOTAL REVENUES	<u>389,383</u>	<u>230,591</u>	<u>23,644</u>	<u>643,618</u>
EXPENDITURES				
Public safety				
Contractual services	-	-	800	800
Supplies	-	-	25,322	25,322
Total public safety	-	-	26,122	26,122
Solid waste				
Contractual services	240,676	-	-	240,676
Highways and streets				
Contractual services	-	566,886	-	566,886
TOTAL EXPENDITURES	<u>240,676</u>	<u>566,886</u>	<u>26,122</u>	<u>833,684</u>
NET CHANGE IN FUND				
BALANCE	148,707	(336,295)	(2,478)	(190,066)
FUND BALANCE				
Balance at July 1, 2015	280,916	391,594	98,308	770,818
Balance at June 30, 2016	<u>\$ 429,623</u>	<u>\$ 55,299</u>	<u>\$ 95,830</u>	<u>\$ 580,752</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, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
REVENUES				
Charges for services	\$ 390,000	\$ 390,000	\$ 389,383	\$ (617)
TOTAL REVENUES	<u>390,000</u>	<u>390,000</u>	<u>389,383</u>	<u>(617)</u>
EXPENDITURES				
Solid waste				
Contractual services	240,000	240,000	240,676	676
TOTAL EXPENDITURES	<u>240,000</u>	<u>240,000</u>	<u>240,676</u>	<u>676</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES .	150,000	150,000	148,707	(1,293)
OTHER FINANCING (USES)				
Transfer out	(150,000)	(150,000)	-	150,000
NET CHANGE IN FUND BALANCE	-	-	148,707	148,707
FUND BALANCE				
Balance at July 1, 2015	280,916	280,916	280,916	-
Balance at June 30, 2016	<u>\$ 280,916</u>	<u>\$ 280,916</u>	<u>\$ 429,623</u>	<u>\$ 148,707</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, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
REVENUES				
Gasoline and motor fuel tax ...	\$ 151,000	\$ 151,000	\$ 158,049	\$ 7,049
\$.03 gasoline tax	45,000	45,000	47,142	2,142
1989 gasoline tax increase	24,000	24,000	25,400	1,400
TOTAL REVENUES	<u>220,000</u>	<u>220,000</u>	<u>230,591</u>	<u>10,591</u>
EXPENDITURES				
Highways and streets				
Streets	<u>750,000</u>	<u>750,000</u>	<u>566,886</u>	<u>(183,114)</u>
TOTAL EXPENDITURES	<u>750,000</u>	<u>750,000</u>	<u>566,886</u>	<u>(183,114)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES ...	(530,000)	(530,000)	(336,295)	193,705
OTHER FINANCING SOURCES				
Transfers in	<u>405,810</u>	<u>405,810</u>	<u>-</u>	<u>(405,810)</u>
NET CHANGE IN FUND BALANCE	(124,190)	(124,190)	(336,295)	(212,105)
FUND BALANCE				
Balance at July 1, 2015	<u>391,594</u>	<u>391,594</u>	<u>391,594</u>	<u>-</u>
Balance at June 30, 2016	<u>\$ 267,404</u>	<u>\$ 267,404</u>	<u>\$ 55,299</u>	<u>\$ (212,105)</u>

TOWN OF ATOKA, TENNESSEE
DRUG FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
REVENUES				
Intergovernmental revenues . . .	\$ 3,500	\$ 3,500	\$ 9,997	\$ 6,497
Fines and forfeitures	10,000	10,000	13,647	3,647
Other revenues	-	-	-	-
TOTAL REVENUES	<u>13,500</u>	<u>13,500</u>	<u>23,644</u>	<u>10,144</u>
EXPENDITURES				
Public safety				
Police	<u>21,800</u>	<u>21,800</u>	<u>26,122</u>	<u>4,322</u>
TOTAL EXPENDITURES	<u>21,800</u>	<u>21,800</u>	<u>26,122</u>	<u>4,322</u>
NET CHANGE IN FUND				
BALANCE	(8,300)	(8,300)	(2,478)	5,822
FUND BALANCE				
Balance at July 1, 2015	<u>98,308</u>	<u>98,308</u>	<u>98,308</u>	-
Balance at June 30, 2016	<u>\$ 90,008</u>	<u>\$ 90,008</u>	<u>\$ 95,830</u>	<u>\$ 5,822</u>

**TOWN OF ATOKA, TENNESSEE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
YEAR ENDED JUNE 30, 2016**

REVENUES

Local taxes

Property taxes	\$1,387,306
Local sales tax	1,502,294
Wholesale beer tax	202,404
Liquor distributors tax	88,345
Cable TV tax	<u>15,105</u>
	<u>3,195,454</u>

Licenses and permits	<u>25,256</u>
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Intergovernmental revenues

State sales tax	679,084
State income tax	31,215
State beer tax	4,095
Petroleum special	17,063
State mixed drink tax	16,345
State excise tax	1,755
TVA tax	98,422
State reimbursements	11,400
County grants	27,727
Federal grants	807,248
State grants	<u>133,309</u>
	<u>1,827,663</u>

Charges for services

Parks and recreation	132,443
Rent income	<u>12,000</u>
	<u>144,443</u>

Fines and forfeitures	<u>78,380</u>
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Miscellaneous

Interest income	14,197
Miscellaneous	<u>23,249</u>
	<u>37,446</u>

TOTAL REVENUES	<u>5,308,642</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, 2016

EXPENDITURES

General government

Legislative

Personal services	\$ 36,273
Contractual services	<u>5,711</u>
	41,984

Judicial

Personal services	4,200
Contractual services	<u>13,627</u>
	17,827

Finance and Administration

Personal services	145,625
Contractual services	198,523
Supplies	78,188
Fixed charges	29,150
Capital Outlay	<u>1,991,528</u>
	2,443,014

Planning and inspection

Personal services	68,442
Contractual services	39,239
Supplies	13,490
Fixed charges	<u>4,905</u>
	126,076

Total general government 2,628,901

Public safety

Police

Personal services	1,229,084
Contractual services	115,054
Supplies	165,457
Fixed charges	84,506
Capital outlay	<u>2,262,957</u>
	3,857,058

Fire

Personal services	861,521
Contractual services	64,313
Supplies	156,754
Fixed charges	47,193
Capital outlay	<u>1,468,160</u>
	2,597,941

Total public safety 6,454,999

**TOWN OF ATOKA, TENNESSEE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - CONTINUED
YEAR ENDED JUNE 30, 2016**

EXPENDITURES - CONTINUED

Highways and streets	
Streets	
Personal services	\$ 225,019
Contractual services	136,868
Supplies	92,700
Fixed charges	17,466
Capital outlay	<u>218,643</u>
Total highways and streets	<u>690,696</u>
Health, welfare, and recreation	
Parks and recreation	
Personal services	190,164
Contractual services	86,864
Supplies	210,082
Fixed charges	10,042
Capital outlay	<u>63,022</u>
Total health, welfare, and recreation	<u>560,174</u>
Grants and contributions	
Grants and contributions	<u>14,195</u>
Total grants and contributions	<u>14,195</u>
Debt service	
Principal	10,580
Interest	<u>3,477</u>
Total debt service	<u>14,057</u>
TOTAL EXPENDITURES	<u>10,363,022</u>
EXCESS OF REVENUES (UNDER)	
EXPENDITURES	(5,054,380)
OTHER FINANCING SOURCES	
Loan proceeds	5,196,800
Insurance recoveries	<u>3,146</u>
TOTAL OTHER FINANCING SOURCES	<u>5,199,946</u>
NET CHANGE IN FUND BALANCE	145,566
FUND BALANCE	
Balance at July 1, 2015	<u>3,063,471</u>
Balance at June 30, 2016	<u><u>\$3,209,037</u></u>

**TOWN OF ATOKA, TENNESSEE
EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

<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, 2015</u>	<u>RECEIPTS</u>	<u>DISBURSE- MENTS</u>	<u>RECEIVABLE (UNAVAILABLE)/ RESTRICTED BALANCE AT JUNE 30, 2016</u>
<u>CASH FEDERAL AWARDS</u>						
U.S. Department of Homeland Security Passed through State of Tennessee - Department of Military Hazard Mitigation Grant	97.039	34101-34987	\$ - -	\$ (563,601) (563,601)	\$ 799,858 799,858	\$ 236,257 236,257
U.S. Department of Transportation Passed through State of Tennessee - Tennessee Department of Transportation Highway Planning and Construction Grant	20.205	115566.00	60,328	(60,328)	-	-
Highway Planning and Construction Grant	20.205	116795.01		-	7,393	7,393
Alcohol Open container Requirements	20.607	Z15GHS014		(5,000)	5,000	-
Alcohol Open container Requirements	20.607	Z16GHS014	-	(4,997)	4,997	-
			<u>60,328</u>	<u>(70,325)</u>	<u>17,390</u>	<u>7,393</u>
TOTAL CASH FEDERAL AWARDS			<u>\$ 60,328</u>	<u>\$ (633,926)</u>	<u>\$ 817,248</u>	<u>\$ 243,650</u>

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Town of Atoka, Tennessee (the "Town") under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Town has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**TOWN OF ATOKA, TENNESSEE
EXPENDITURES OF STATE AWARDS
YEAR ENDED JUNE 30, 2016**

<u>PROGRAM TITLE</u>	<u>GRANTOR'S NUMBER</u>	<u>RECEIVABLE (UNAVAILABLE)/ RESTRICTED BALANCE AT JULY 1, 2015</u>	<u>RECEIPTS</u>	<u>DISBURSE- MENTS</u>	<u>RECEIVABLE (UNAVAILABLE)/ RESTRICTED BALANCE AT JUNE 30, 2016</u>
<u>CASH STATE AWARDS</u>					
Department of Military Hazard Mitigation Grant	34101-34987	\$ -	\$ (93,633)	\$ 133,009	\$ 39,376
Department of Agriculture Tennessee Agriculture Enhancement Program	32510-17315	9,400	(9,400)	-	-
TOTAL CASH STATE AWARDS		<u>\$ 9,400</u>	<u>\$ (103,033)</u>	<u>\$ 133,009</u>	<u>\$ 39,376</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, 2016

YEAR ENDED	VARIABLE RATE LOCAL GOVERNMENT LOAN PROGRAM SERIES 2015		WATER AND SEWER REVENUE BOND SERIES 2004		WATER AND SEWER REVENUE BOND SERIES 2008	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2017	\$ 246,000	\$ 59,209	\$ 32,000	\$ 3,983	\$ 24,000	\$ 4,988
2018	249,000	57,267	33,000	3,797	25,000	4,849
2019	252,000	54,130	34,000	3,606	27,000	4,704
2020	255,000	50,954	35,000	2,409	28,000	4,547
2021	258,000	47,741	37,000	3,206	29,000	4,385
2022	261,000	44,491	38,000	2,991	31,000	4,217
2023	264,000	41,202	40,000	2,771	32,000	4,037
2024	267,000	37,875	41,000	2,539	34,000	3,851
2025	270,000	34,511	43,000	2,301	36,000	3,654
2026	273,000	31,109	45,000	2,051	37,000	3,445
2027	276,000	27,670	47,000	1,790	39,000	3,231
2028	279,000	24,192	48,000	1,518	41,000	3,004
2029	282,000	20,677	50,000	1,239	43,000	2,767
2030	286,000	17,123	52,000	949	45,000	2,517
2031	289,000	13,520	54,000	648	48,000	2,256
2032	292,000	9,878	57,000	335	50,000	1,978
2033	296,000	6,199	698	4	53,000	1,688
2034	195,994	2,470	-	-	55,000	1,380
2035	-	-	-	-	58,000	1,061
2036	-	-	-	-	61,000	725
2037	-	-	-	-	64,000	371
	<u>\$ 4,790,994</u>	<u>\$ 580,218</u>	<u>\$ 686,698</u>	<u>\$ 36,137</u>	<u>\$ 860,000</u>	<u>\$ 63,655</u>

TOWN OF ATOKA, TENNESSEE
DEBT SERVICE REQUIREMENTS TO MATURITY - CONTINUED
JUNE 30, 2016

YEAR ENDED	STATE REVOLVING FUND LOAN 2009		GRAND TOTALS
	PRINCIPAL	INTEREST	
2017	\$ 104,796	\$ 25,483	\$ 500,459
2018	106,315	23,964	503,192
2019	107,857	22,422	505,719
2020	109,420	20,860	506,190
2021	111,006	19,273	509,611
2022	112,615	17,664	511,978
2023	114,247	16,032	514,289
2024	115,903	14,376	516,544
2025	117,583	12,696	519,745
2026	119,288	10,991	521,884
2027	121,018	9,262	524,971
2028	122,772	7,507	526,993
2029	124,552	5,728	529,963
2030	126,356	3,923	533,868
2031	128,189	2,090	537,703
2032	75,623	363	487,177
2033	-	-	357,589
2034	-	-	254,844
2035	-	-	59,061
2036	-	-	61,725
2037	-	-	64,371
	<u>\$ 1,817,540</u>	<u>\$ 212,634</u>	<u>\$ 9,047,876</u>

**TOWN OF ATOKA, TENNESSEE
PROPERTY TAXES
YEAR ENDED JUNE 30, 2016**

<u>YEAR OF LEVY</u>	<u>BALANCE JULY1, 2015</u>	<u>ASSESSMENT</u>	<u>ADJUSTMENTS/ ABATEMENTS</u>	<u>COLLECTIONS</u>	<u>BALANCE JUNE 30, 2016</u>
2016	\$ -	\$ 1,421,904	\$ -	\$ -	\$1,421,904
2015	1,404,440	-	-	(1,365,849)	38,591
2014	26,485	-	-	(11,165)	15,320
2013	11,361	-	-	(5,719)	5,642
2012	6,032	-	-	(3,871)	2,161
2011	2,527	-	-	(528)	1,999
2010	2,295	-	-	(30)	2,265
2009	1,069	-	-	(144)	925
2008	1,233	-	-	-	1,233
2007	976	-	-	-	976
2006	<u>125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125</u>
	\$1,456,543	<u>\$ 1,421,904</u>	<u>\$ -</u>	<u>\$ (1,387,306)</u>	\$1,491,141
Allowance for uncollectible property taxes	<u>(44,008)</u>				<u>(66,293)</u>
Net receivables	<u>\$1,412,535</u>				<u>\$1,424,848</u>

<u>YEAR OF LEVY</u>	<u>ASSESSED VALUATION</u>	<u>TAX RATE PER \$100</u>	<u>ASSESSMENTS</u>
2016	\$ 177,737,975	\$ 0.80	\$ 1,421,904
2015	175,555,048	0.80	1,404,440
2014	171,874,697	0.56	953,888
2013	173,483,362	0.56	962,832
2012	172,693,140	0.56	958,446
2011	167,159,060	0.56	927,732
2010	157,468,810	0.56	873,935
2009	121,213,857	0.70	848,497
2008	109,202,777	0.70	764,419
2007	94,977,349	0.60	569,864

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 2013 have been turned over to Chancery Court for collection.

**TOWN OF ATOKA, TENNESSEE
UTILITY RATES AND NUMBER OF CUSTOMERS
JUNE 30, 2016**

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 2,919 water customers as of June 30, 2016.

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 2,448 sewer customers as of June 30, 2016.

TOWN OF ATOKA, TENNESSEE
NET POSITION OF WATER - SEWER FUND
JUNE 30, 2016

	<u>WATER</u>	<u>SEWER</u>	<u>COMBINED</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,242,716	\$ 2,062,418	\$ 3,305,134
Investments - certificates of deposit	233,457	233,458	466,915
Accounts receivable, net	<u>71,058</u>	<u>68,582</u>	<u>139,640</u>
TOTAL CURRENT ASSETS	<u>1,547,231</u>	<u>2,364,458</u>	<u>3,911,689</u>
RESTRICTED ASSETS			
Net pension asset	<u>17,668</u>	<u>17,668</u>	<u>35,336</u>
NONCURRENT ASSETS			
Capital Assets			
Not being depreciated			
Land	<u>17,500</u>	<u>17,500</u>	<u>35,000</u>
Being depreciated			
Buildings and improvements	174,424	174,423	348,847
Vehicles and equipment	243,368	243,368	486,736
Utility plant in service	3,691,009	8,370,080	12,061,089
Less accumulated depreciation	<u>(1,176,342)</u>	<u>(2,605,125)</u>	<u>(3,781,467)</u>
Total Capital Assets, Net of			
Accumulated Depreciation	<u>2,932,459</u>	<u>6,182,746</u>	<u>9,115,205</u>
TOTAL NONCURRENT ASSETS	<u>2,949,959</u>	<u>6,200,246</u>	<u>9,150,205</u>
TOTAL ASSETS	<u>4,514,858</u>	<u>8,582,372</u>	<u>13,097,230</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	<u>24,501</u>	<u>24,501</u>	<u>49,002</u>
TOTAL ASSETS AND DEFERRED			
OUTFLOWS OF RESOURCES	<u>\$ 4,539,359</u>	<u>\$ 8,606,873</u>	<u>\$ 13,146,232</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts and contracts payable	\$ 49,737	\$ 49,736	\$ 99,473
Accrued expenses	21,832	21,832	43,664
Due to other funds	148,382	148,382	296,764
Revenue bonds payable - current portion	22,480	127,276	149,756
Customer deposits	<u>21,461</u>	<u>21,460</u>	<u>42,921</u>
TOTAL CURRENT LIABILITIES	<u>263,892</u>	<u>368,686</u>	<u>632,578</u>
NONCURRENT LIABILITIES			
Long term revenue bonds, less			
current portion	<u>501,606</u>	<u>2,317,651</u>	<u>2,819,257</u>
TOTAL LIABILITIES	<u>765,498</u>	<u>2,686,337</u>	<u>3,451,835</u>

TOWN OF ATOKA, TENNESSEE
NET POSITION OF WATER - SEWER FUND - CONTINUED
JUNE 30, 2016

	<u>WATER</u>	<u>SEWER</u>	<u>COMBINED</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	\$ 18,548	\$ 18,549	\$ 37,097
NET POSITION			
Net investment in capital assets	2,425,873	3,754,341	6,180,214
Unrestricted	<u>1,329,440</u>	<u>2,147,646</u>	<u>3,477,086</u>
TOTAL NET POSITION	<u>3,755,313</u>	<u>5,901,987</u>	<u>9,657,300</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 4,539,359</u>	<u>\$ 8,606,873</u>	<u>\$ 13,146,232</u>

**TOWN OF ATOKA, TENNESSEE
REVENUES, EXPENSES AND CHANGES
IN NET POSITION OF WATER - SEWER FUND
YEAR ENDED JUNE 30, 2016**

	<u>WATER</u>	<u>SEWER</u>	<u>COMBINED</u>
OPERATING REVENUES			
Metered sales and service	\$ 875,736	\$ 845,226	\$ 1,720,962
Connection fees	43,650	11,370	55,020
Tap fees	-	11,600	11,600
Penalties	15,411	15,411	30,822
Other operating income	<u>2,039</u>	<u>2,039</u>	<u>4,078</u>
TOTAL OPERATING REVENUES	<u>936,836</u>	<u>885,646</u>	<u>1,822,482</u>
OPERATING EXPENSES			
Salaries and wages	170,801	170,800	341,601
Fringes	53,674	53,674	107,348
Maintenance services and supplies	128,841	128,842	257,683
Water purchased	375,800	-	375,800
Sewer fees	-	167,215	167,215
Office supplies	35,886	35,885	71,771
Utilities	42,581	42,581	85,162
Insurance	14,527	14,528	29,055
Depreciation	132,154	261,329	393,483
Miscellaneous	<u>16,775</u>	<u>16,776</u>	<u>33,551</u>
TOTAL OPERATING EXPENSES	<u>971,039</u>	<u>891,630</u>	<u>1,862,669</u>
OPERATING (LOSS)	<u>(34,203)</u>	<u>(5,984)</u>	<u>(40,187)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	12,234	12,234	24,468
Interest expense	<u>(5,602)</u>	<u>(32,581)</u>	<u>(38,183)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>6,632</u>	<u>(20,347)</u>	<u>(13,715)</u>
CHANGE IN NET POSITION	(27,571)	(26,331)	(53,902)
NET POSITION			
Balance at July 1, 2015	<u>3,782,884</u>	<u>5,928,318</u>	<u>9,711,202</u>
Balance at June 30, 2016	<u><u>\$ 3,755,313</u></u>	<u><u>\$ 5,901,987</u></u>	<u><u>\$ 9,657,300</u></u>

TOWN OF ATOKA, TENNESSEE
CASH FLOWS OF WATER - SEWER FUND
YEAR ENDED JUNE 30, 2016

	<u>WATER</u>	<u>SEWER</u>	<u>COMBINED</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 945,271	\$ 871,037	\$ 1,836,308
Cash payments to suppliers	(675,593)	(467,012)	(1,142,605)
Cash payments to employees for services	(167,878)	(167,805)	(335,683)
Cash payments for taxes	(12,019)	(12,020)	(24,039)
Net cash provided by operating activities	<u>89,781</u>	<u>244,200</u>	<u>333,981</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Decrease in due to other funds	(14,463)	(14,464)	(28,927)
Net cash (used) by noncapital financing activities	<u>(14,463)</u>	<u>(14,464)</u>	<u>(28,927)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(125,000)	(153,835)	(278,835)
Payments on principal of long-term debt	(21,210)	(124,509)	(145,719)
Interest and fee payments on long-term debt	(5,602)	(32,652)	(38,254)
Net cash (used) by capital and related financing activities	<u>(151,812)</u>	<u>(310,996)</u>	<u>(462,808)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>11,302</u>	<u>11,302</u>	<u>22,604</u>
Net cash provided by investing activities	<u>11,302</u>	<u>11,302</u>	<u>22,604</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(65,192)	(69,958)	(135,150)
CASH AND CASH EQUIVALENTS - JULY 1, 2015	<u>1,307,908</u>	<u>2,132,376</u>	<u>3,440,284</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2016	<u>\$ 1,242,716</u>	<u>\$ 2,062,418</u>	<u>\$ 3,305,134</u>

TOWN OF ATOKA, TENNESSEE
CASH FLOWS OF WATER - SEWER FUND - CONTINUED
YEAR ENDED JUNE 30, 2016

	<u>WATER</u>	<u>SEWER</u>	<u>COMBINED</u>
RECONCILIATION OF OPERATING			
(LOSS) TO NET CASH PROVIDED			
BY OPERATING ACTIVITIES			
Operating (loss)	\$ (34,203)	\$ (5,984)	\$ (40,187)
Adjustments to reconcile operating (loss) to net cash provided by operating activities			
Depreciation	132,154	261,329	393,483
Net change in pension related accounts	(13,566)	(13,565)	(27,131)
(Increase) decrease in accounts receivable ...	8,435	5,391	13,826
Increase (decrease) in accounts payable	(5,962)	(5,966)	(11,928)
Increase (decrease) in accrued expenses	<u>2,923</u>	<u>2,995</u>	<u>5,918</u>
Total adjustments	<u>123,984</u>	<u>250,184</u>	<u>374,168</u>
Net cash provided by operating activities	<u>\$ 89,781</u>	<u>\$ 244,200</u>	<u>\$ 333,981</u>
NONCASH INVESTING, CAPITAL, AND			
FINANCING ACTIVITIES			
Interest credited to certificates of deposit	\$ 932	\$ 932	\$ 1,864

NONACCOUNTING INFORMATION



AWWA Free Water Audit Software: Reporting Worksheet

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

Water Audit Report for: Atoka Water System (0000033)
Reporting Year: 2015 7/2015 - 6/2016

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

----- Enter grading in column 'E' and 'J' ----->

Volume from own sources: + ?	<u>n/a</u>	<u> </u>	MG/Yr	+ ?	<u> </u>	<u> </u>	MG/Yr
Water imported: + ?	<u>9</u>	<u>191.920</u>	MG/Yr	+ ?	<u>3</u>	<u>1.00%</u>	<u>-1.800</u>
Water exported: + ?	<u>n/a</u>	<u> </u>	MG/Yr	+ ?	<u>4</u>	<u> </u>	<u> </u>

Master Meter and Supply Error Adjustments

Pcnt: Value: MG/Yr
 Enter negative % or value for under-registration
 Enter positive % or value for over-registration

WATER SUPPLIED: 193.720 MG/Yr

AUTHORIZED CONSUMPTION

Billed metered: + ? 9 183.648 MG/Yr
 Billed unmetered: + ? n/a MG/Yr
 Unbilled metered: + ? n/a MG/Yr
 Unbilled unmetered: + ? 8 0.200 MG/Yr

AUTHORIZED CONSUMPTION: ? 183.848 MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

Apparent Losses

Unauthorized consumption: + ? 9 0.200 MG/Yr
 Customer metering inaccuracies: + ? 9 0.459 MG/Yr
 Systematic data handling errors: + ? 8 0.500 MG/Yr

Apparent Losses: ? 1.159 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: ? 8.713 MG/Yr

WATER LOSSES: 9.872 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: ? 10.072 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: + ? 8 58.0 miles
 Number of active AND inactive service connections: + ? 8 2,950
 Service connection density: ? 51 conn./mile main

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

Average length of customer service line: + ? 9 40.0 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: + ? 7 78.0 psi

COST DATA

Total annual cost of operating water system: + ? 10 \$592,400 \$/Year
 Customer retail unit cost (applied to Apparent Losses): + ? 10 \$3.50 \$/1000 gallons (US)
 Variable production cost (applied to Real Losses): + ? 10 \$2.00 \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 91 out of 100 ***

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

PRIORITY AREAS FOR ATTENTION:

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

1: Water imported

2: Billed metered

3: Systematic data handling errors



AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0

American Water Works Association.
Copyright © 2014, All Rights Reserved.Water Audit Report for: **Atoka Water System (0000033)**Reporting Year: **2015** **7/2015 - 6/2016**

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 91 out of 100 ***

System Attributes:

Apparent Losses:	1.159	MG/Yr
+ Real Losses:	8.713	MG/Yr
= Water Losses:	9.872	MG/Yr

? Unavoidable Annual Real Losses (UARL): **21.53** MG/YrAnnual cost of Apparent Losses: **\$4,057**Annual cost of Real Losses: **\$17**Valued at **Variable Production Cost**
Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:

Non-revenue water as percent by volume of Water Supplied: **5.2%**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: **8.09** gallons/connection/dayReal Losses per length of main per day*: **N/A**Real Losses per service connection per day per psi pressure: **0.10** gallons/connection/day/psiFrom Above, Real Losses = Current Annual Real Losses (CARL): **8.71** million gallons/year? Infrastructure Leakage Index (ILI) [CARL/UARL]: **0.40**

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Atoka, Tennessee, as of and for the year ended June 30, 2016, 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 December 7, 2016.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness (Item No. 2016-001).

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Atoka, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as Items 2016-002, 2016-003, and 2016-004.

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.

Whitcomb Jarboe & Davis, P.C.

Covington, Tennessee
December 7, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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 Compliance Supplement* that could have a direct and material effect on each of the Town of Atoka, Tennessee's major federal programs for the year ended June 30, 2016. Town of Atoka, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Atoka, Tennessee's major federal programs 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 each of its major federal programs for the year ended June 30, 2016.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Whitcomb Humphrey & Davis, P.C.

Covington, Tennessee
December 7, 2016

**TOWN OF ATOKA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the Town of Atoka, Tennessee were prepared in accordance with GAAP.
2. A material weakness relating to the audit of the financial statements is reported in the Report on Compliance and Internal Control at pages 68 and 69.
3. Three instances of noncompliance material to the financial statements of the Town of Atoka, Tennessee, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal programs are disclosed. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs of the Town of Atoka, Tennessee expresses an unmodified opinion on the major federal program.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The program tested as a major program was: U.S. Department of Homeland Security - Hazard Mitigation Grant - CFDA #97.039.
8. The threshold for distinguishing between Type A and B programs was \$750,000.
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, 2016**

FINDINGS - FINANCIAL STATEMENT AUDIT

Material Weakness

Item No. 2016-001: Material Adjustments

Condition: Adjustments have been prepared when necessary to correct material misstatements in the financial statements. During the current year, General Fund account balances were adjusted to reflect the correct amount of accounts payable. This adjustment increased liabilities and expenditures by approximately \$196,000. Account balances were adjusted to reflect the correct amount of beginning fund balance. This adjustment increased beginning fund balance of the Solid Waste Fund by approximately \$141,000 and decreased beginning fund balances of the General Fund and State Street Aid Fund by approximately \$129,000 and \$12,000, respectively.

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

Effect: A material audit adjustment was 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 audit.

Compliance and Other Matters

Item No. 2016-002: Budget Overruns

Condition: The Town experienced four line-item cost overruns versus the amended budget in the General Fund in amounts ranging from approximately \$3,000 to approximately \$68,000, and one line-item cost overrun (total basis) in the Solid Waste and Drug Funds of approximately \$700 and \$4,000, respectively.

Criteria: State requirements dictate that in instances where cost overruns become evident, 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, 2016**

FINDINGS - FINANCIAL STATEMENT AUDIT - CONTINUED

Compliance and Other Matters - Continued

Item No. 2016-002: Budget Overruns - Continued

Client response: The Town prepares budget amendments periodically in order to comply with State requirements, but the amended amounts remained insufficient in certain accounts. We will continue our practice of amending budgets when necessary and work diligently to include all costs in future budget amendments.

Item No. 2016-003: Retainage Funds Not Escrowed

Condition: It was noted on the Town's City Hall construction contract that retainage funds were not deposited into a separate interest-bearing escrow account with a third party.

Criteria: TCA 66-34-104 requires that whenever, in any contract for the improvement of real property \$500,000 or greater, a certain amount or percentage of the contract price is retained, the retained amount shall be deposited in a separate interest-bearing, escrow account with a third party which must be established upon the withholding of any retainage.

Effect: The Town is in violation of State statute, and the possibility exists of penalties owed to the owner of the retained funds.

Recommendation: We recommend that steps be taken to ensure that escrow accounts be set up for any contract for the improvement of real property \$500,000 or greater once the withholding of retainage commences.

Client response: This was an oversight on the part of the Town. We will implement the recommendation for all qualifying construction contracts in the future.

Item No. 2016-004: Utility Losses

Condition: During the year, the Town's Water-Sewer Fund reported a net loss of approximately \$54,000.

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

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

**TOWN OF ATOKA, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED JUNE 30, 2016**

FINDINGS - FINANCIAL STATEMENT AUDIT - CONTINUED

Compliance and Other Matters - Continued

Item No. 2016-004: Utility Losses - Continued

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

Client response: We will continue monitoring expenses of the Water-Sewer Fund in order to maintain expenses at minimal levels. We are also working on a rate increase that should ensure ongoing profits in the Water-Sewer Fund.

**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM
AUDIT**

None

**TOWN OF ATOKA, TENNESSEE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDING JUNE 30, 2016**

Financial Statement Findings

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2015-001	Material Adjustments (Original Finding 2010-003)	Repeated (2016-001)
2015-002	Budget Overruns (Original Finding (2013-001)	Repeated (2016-002)



TOWN OF ATOKA

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

CORRECTIVE ACTION PLAN

For the Year Ended June 30, 2016

Department of Homeland Security

Town of Atoka, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2016.

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, 2016

The findings from the June 30, 2016 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS - FINANCIAL STATEMENT AUDIT

Material Weaknesses

Item No. 2016-001: Material Adjustments

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.

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 audit.

Compliance and Other Matters

Item No. 2016-002: Budget Overruns

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

Action taken: The Town prepares budget amendments periodically in order to comply with State requirements, but the amended amounts remained insufficient in certain accounts. We will continue our practice of amending budgets when necessary and work diligently include all costs in future budget amendments.

Item No. 2016-003: Retainage Funds Not Escrowed

Recommendation: We recommend that steps be taken to ensure that escrow accounts be set up for any contract for the improvement of real property \$500,000 or greater once the withholding of retainage commences.

Action taken: This was an oversight on the part of the Town. We will implement the recommendation for all qualifying construction contracts in the future.

Item No. 2016-004: Utility Losses

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

Action taken: We will continue monitoring expenses of the Water-Sewer Fund in order to maintain expenses at minimal levels. We are also working on a rate increase that should ensure ongoing profits in the Water-Sewer Fund.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM

None

If the Department of Homeland Security has questions regarding this plan, please call Town Recorder Deborah Pickard at (901) 837-5300.

Respectfully,



Brian Koral
Town Administrator
Town of Atoka, Tennessee