

TOWN OF ATOKA, TENNESSEE

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017**

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

Town Officials - Unaudited	1
----------------------------------	---

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT	2-4
---	------------

MANAGEMENT'S DISCUSSION AND ANALYSIS	5-12
---	-------------

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements

Statement of Net Position	13
---------------------------------	----

Statement of Activities	14
-------------------------------	----

Fund Financial Statements

Balance Sheet - Governmental Funds	15
--	----

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	16
---	----

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	17
--	----

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	18
--	----

Statement of Net Position – Proprietary (Water-Sewer) Fund	19
--	----

Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary (Water-Sewer) Fund	20
---	----

Statement of Cash Flows - Proprietary (Water-Sewer) Fund	21-22
--	-------

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	23-25
--	-------

TABLE OF CONTENTS - CONTINUED

	Page
Notes to Financial Statements	26-46
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS	47
Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS	48
COMBINING FUND FINANCIAL STATEMENTS	
Combining Balance Sheet - Nonmajor Governmental Funds	49
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds	50
SCHEDULES	
Statement of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual - Solid Waste Fund	51
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - State Street Aid Fund	52
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - Drug Fund	53
Expenditures of Federal Awards	54
Expenditures of State Awards	55
Debt Service Requirements to Maturity	56-57
Property Taxes	58
Utility Rates and Number of Customers	59
Net Position of Water-Sewer Fund	60-61

TABLE OF CONTENTS - CONTINUED

	Page
Revenues, Expenses, and Changes in Net Position of Water-Sewer Fund	62
Cash Flows of Water-Sewer Fund	63-64
NONACCOUNTING INFORMATION	
AWWA Reporting Worksheet - Unaudited	65
AWWA System Attributes and Performance Indicators - Unaudited	66
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 <i>GOVERNMENT AUDITING STANDARDS</i>	67-68
SCHEDULE OF FINDINGS AND RESPONSES	69
SCHEDULE OF PRIOR YEAR'S FINDINGS	70
MANAGEMENT'S CORRECTIVE ACTION PLAN - Unaudited	71-72

INTRODUCTORY SECTION

**TOWN OF ATOKA, TENNESSEE
TOWN OFFICIALS
JUNE 30, 2017**

Mayor

Daryl Walker

Aldermen

Walker Adams
Barry Akin
Danny Feldmayer
Brett Giannini
Mike Joyner
Darry Marshall

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
Cliff Evans

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Atoka, Tennessee as of and for the year ended June 30, 2017, 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, 2017, 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 47 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2017 on our consideration of the Town of Atoka, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Atoka, Tennessee's internal control over financial reporting and compliance.

Whithorn Jenkins & Davis, PLLC

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

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, 2017. 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 \$337,000, or 1 percent, from \$23,793,000 to \$24,130,000 as a result of this year's operations. Net position of our business-type activities increased approximately 1 percent, and net position of our governmental activities increased 2 percent.
- During the year, the Town had revenues that were approximately \$284,000 more than total expenses for governmental programs and activities.
- For the Town's business-type activities, revenues exceeded expenses by approximately \$53,000.
- Total revenues in our governmental operations were approximately \$686,000 less than projected budgeted revenues for the year, but expenditures were approximately \$2,386,000 less than projected budgeted expenditures.
- The total net cost of running the Town of Atoka for the year ending June 30, 2017 (total cost of business-type and governmental programs net of direct program revenues) was approximately \$3,787,000.

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, 2017**

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, 2017

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 \$23,793,000 to \$24,130,000. 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 5,949	\$ 6,408	\$ 3,816	\$ 3,615	\$ 9,765	\$ 10,023
Capital assets	15,612	15,280	8,824	9,150	24,436	24,430
Other assets	79	152	24	35	103	187
Total assets	<u>21,640</u>	<u>21,840</u>	<u>12,664</u>	<u>12,800</u>	<u>34,304</u>	<u>34,640</u>
Deferred outflows . . .	<u>352</u>	<u>244</u>	<u>69</u>	<u>49</u>	<u>421</u>	<u>293</u>
Long-term debt	5,632	5,186	2,819	2,969	8,451	8,155
Other liabilities	425	1,181	180	186	605	1,366
Total liabilities	<u>6,057</u>	<u>6,367</u>	<u>2,999</u>	<u>3,155</u>	<u>9,056</u>	<u>9,522</u>
Deferred inflows	<u>1,516</u>	<u>1,581</u>	<u>23</u>	<u>37</u>	<u>1,539</u>	<u>1,618</u>
Net Position						
Net investment in capital assets	9,980	9,458	6,005	6,180	15,985	15,638
Restricted	313	864	1	-	314	864
Unrestricted	<u>4,126</u>	<u>3,814</u>	<u>3,705</u>	<u>3,477</u>	<u>7,831</u>	<u>7,291</u>
Total Net Position	<u>\$ 14,419</u>	<u>\$ 14,136</u>	<u>\$ 9,711</u>	<u>\$ 9,657</u>	<u>\$ 24,130</u>	<u>\$ 23,793</u>

Table 2
Changes in Net Position
(in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program revenues						
Charges for services	\$ 674	\$ 651	\$ 2,005	\$ 1,823	\$ 2,679	\$ 2,474

TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2017

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Program revenues - continued						
Operating grants and contributions	\$ 316	\$ 297	\$ -	\$ -	\$ 316	\$ 297
Capital grants and contributions	444	941	-	-	444	941
General revenues						
Local taxes	3,218	3,195	-	-	3,218	3,195
Intergovernmental revenues	828	833	-	-	828	833
Gain on disposal on capital assets	9	(94)	-	-	9	(94)
Other general revenues	45	41	24	24	69	65
Total revenues	<u>5,534</u>	<u>5,864</u>	<u>2,029</u>	<u>1,847</u>	<u>7,563</u>	<u>7,711</u>
Program expenses						
General government	676	645	-	-	676	645
Public safety	2,736	2,792	-	-	2,736	2,792
Solid waste	244	241	-	-	244	241
Highways and streets	883	1,189	-	-	883	1,189
Health, welfare recreation and education	597	582	-	-	597	582
Grants and contributions	19	14	-	-	19	14
Interest	95	3	-	-	95	3
Water-sewer	-	-	1,976	1,901	1,976	1,901
Total expenses	<u>5,250</u>	<u>5,466</u>	<u>1,976</u>	<u>1,901</u>	<u>7,226</u>	<u>7,367</u>
Increase (decrease) in net position	<u>\$ 284</u>	<u>\$ 398</u>	<u>\$ 53</u>	<u>\$ (54)</u>	<u>\$ 337</u>	<u>\$ 344</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, 2017**

<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 \$5,250,087. 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 \$3,815,734 because some of the cost was paid by those who directly benefitted from the programs (\$674,260) or by other governments and organizations that subsidized certain programs with either operating grants and contributions (\$315,987) or capital grants and contributions (\$444,106). 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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
General government	\$ 676	\$ 645	\$ 628	\$ 607
Public safety	2,736	2,792	2,535	1,718
Solid waste	244	241	(168)	(149)
Highways and streets	883	1,189	620	941
Health, welfare, recreation and education	597	582	87	442
Grants and contributions	19	14	19	14
Interest	95	3	95	3
Totals	<u>\$ 5,250</u>	<u>\$ 5,466</u>	<u>\$ 3,816</u>	<u>\$ 3,577</u>

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2017**

THE TOWN'S FUNDS

Water-Sewer Fund

Operating revenues of the Town's Water-Sewer Fund increased by \$182,738 (10%) from revenues of the prior year. The Town's Water-Sewer Fund operating expenses during the current year increased by \$69,963 (3.8%).

Governmental Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet on page 15) reported a combined fund balance of \$4,056,120 which is an increase from last year's total of \$3,789,789. The chief reasons for this increase are given below. It must be pointed out that this increase in governmental fund balances \$266,331 is different from the increase in net position of governmental activities \$283,965 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, 2017 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 increase in fund balances of \$266,331 from the year ending June 30, 2017 is that expenditures decreased by approximately \$5,217,049, due primarily to decreases in capital expenditures related to construction of the Atoka Municipal Complex, partially offset by increases in local sales taxes.

GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS

Expenditures for the year were approximately \$2,477,737 below original budgeted expenditures. The most significant variance were in public works, general government, and highways and streets expenses.

Revenues for the year were approximately \$646,873 less than the original budget estimate of \$6,153,327 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, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At year end, the Town had approximately \$24,436,000 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 \$6,000.

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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 1,248	\$ 1,248	\$ 35	\$ 35	\$ 1,283	\$ 1,283
Construction in progress	111	1,533	-	-	111	1,533
Buildings and improvements	6,574	5,158	299	308	6,873	5,466
Equipment	1,073	1,103	169	143	1,242	1,246
Infrastructure	6,606	6,238	-	-	6,606	6,238
Water-Sewer System	-	-	8,321	8,664	8,321	8,664
Totals	<u>\$ 15,612</u>	<u>\$ 15,280</u>	<u>\$ 8,824</u>	<u>\$ 9,150</u>	<u>\$ 24,436</u>	<u>\$ 24,430</u>

This year's major changes for governmental activities included an approximately \$1,422,000 decrease in construction in progress, \$73,000 increase in equipment, \$49,000 increase in vehicles, \$560,000 increase in infrastructure, and an \$1,553,000 increase in buildings. This year's major disposals included approximately \$69,000 in vehicles and \$5,000 in equipment. Additions for business-type activities related primarily to new equipment purchases of approximately \$66,000, and upgrades to water and sewer facilities of approximately \$10,000.

Debt

At year end the Town had \$8,450,000 in debt outstanding versus \$8,155,000 last year, a net increase of \$295,000 as shown in Table 5, due to the net difference between new debt assumed in connection with building 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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>

Revenue Bonds and Notes (backed by specific tax and fee revenues)	<u>\$ 5,631</u>	<u>\$ 5,186</u>	<u>\$ 2,819</u>	<u>\$ 2,969</u>	<u>\$ 8,450</u>	<u>\$ 8,155</u>
---	-----------------	-----------------	-----------------	-----------------	-----------------	-----------------

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2017**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Anticipated revenues and other financing sources for Fiscal Year End June 30, 2018 governmental funds are \$1,246,000 more than the final revenues and other financing sources for the year ended June 30, 2017. This increase reflects higher sales tax and grant revenue projection due to better economic conditions and anticipated grant funds.

Budget Expenditures for the governmental funds are projected at approximately \$1,037,000 more than prior year actual expenditures. The primary reason for this increase is due to increased capital outlay expenditures for roads and street improvements.

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, 2017

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash in bank	\$ 3,931,144	\$ 3,121,164	\$ 7,052,308
Investments - certificates of deposit	-	468,668	468,668
Taxes receivable, net	1,454,241	-	1,454,241
Deposits	5,000	-	5,000
Accounts receivable, net	35,100	167,523	202,623
Receivables from other governments	492,081	-	492,081
Grants receivable	33,857	-	33,857
Inventory	-	56,661	56,661
Internal balances	(2,259)	2,259	-
Restricted assets			
Capital assets not being depreciated			
Land	1,248,246	35,000	1,283,246
Construction in progress	110,670	-	110,670
Capital assets (net of accumulated depreciation)			
Buildings and improvements	6,574,000	298,663	6,872,663
Vehicles and equipment	1,072,835	169,061	1,241,896
Infrastructure	6,606,149	-	6,606,149
Utility plant in service	-	8,320,971	8,320,971
Net pension asset	79,209	23,552	102,761
TOTAL ASSETS	<u>21,640,273</u>	<u>12,663,522</u>	<u>34,303,795</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	352,095	68,556	420,651
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 21,992,368</u>	<u>\$ 12,732,078</u>	<u>\$ 34,724,446</u>
LIABILITIES			
Bank overdraft	\$ 4,732	\$ -	\$ 4,732
Accounts payable	236,953	96,957	333,910
Accrued expenses	183,708	39,674	223,382
Customer deposits	-	42,721	42,721
Bonds payable			
Due within one year	260,500	152,815	413,315
Due in more than one year	5,370,870	2,666,442	8,037,312
TOTAL LIABILITIES	<u>6,056,763</u>	<u>2,998,609</u>	<u>9,055,372</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property tax	1,443,849	-	1,443,849
Deferred inflows - pension	72,186	22,940	95,126
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,516,035</u>	<u>22,940</u>	<u>1,538,975</u>
NET POSITION			
Net investment in capital assets	9,980,530	6,004,438	15,984,968
Restricted for			
Solid waste expenditures	185,574	-	185,574
Street expenditures	20,407	-	20,407
Drug enforcement	61,546	-	61,546
Grant programs	38,857	-	38,857
Pensions	7,023	612	7,635
Unrestricted	4,125,633	3,705,479	7,831,112
TOTAL NET POSITION	<u>14,419,570</u>	<u>9,710,529</u>	<u>24,130,099</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 21,992,368</u>	<u>\$ 12,732,078</u>	<u>\$ 34,724,446</u>

See notes to financial statements

TOWN OF ATOKA, TENNESSEE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

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	\$ 676,401	\$ 48,281	\$ -	\$ -	\$ (628,120)	\$ -	\$ (628,120)
Public safety	2,735,770	79,939	52,572	68,361	(2,534,898)	-	(2,534,898)
Solid waste	243,436	411,525	-	-	168,089	-	168,089
Highways and streets	882,661	-	263,415	-	(619,246)	-	(619,246)
Health, welfare, recreation and education	597,429	134,515	-	375,745	(87,169)	-	(87,169)
Grants and contributions	19,421	-	-	-	(19,421)	-	(19,421)
Interest	94,969	-	-	-	(94,969)	-	(94,969)
TOTAL GOVERNMENTAL ACTIVITIES	5,250,087	674,260	315,987	444,106	(3,815,734)	-	(3,815,734)
Business-type activities							
Water-sewer system	1,975,905	2,005,220	-	-	-	29,315	29,315
TOTAL BUSINESS-TYPE ACTIVITIES	1,975,905	2,005,220	-	-	-	29,315	29,315
TOTAL GOVERNMENT	\$ 7,225,992	\$ 2,679,480	\$ 315,987	\$ 444,106	(3,815,734)	29,315	(3,786,419)
GENERAL REVENUES							
Taxes							
Sales taxes					2,216,693	-	2,216,693
Property taxes					1,411,446	-	1,411,446
Alcoholic beverage taxes					296,624	-	296,624
TVA taxes					94,630	-	94,630
Cable TV taxes					8,068	-	8,068
Income and excise taxes					18,579	-	18,579
Gain on disposal of capital assets					8,568	-	8,568
Insurance recoveries					10,838	-	10,838
Investment earnings					12,819	23,914	36,733
Miscellaneous					21,434	-	21,434
TOTAL GENERAL REVENUES					4,099,699	23,914	4,123,613
CHANGE IN NET POSITION					283,965	53,229	337,194
NET POSITION							
Balance at July 1, 2016					14,135,605	9,657,300	23,792,905
Balance at June 30, 2017					\$ 14,419,570	\$ 9,710,529	\$ 24,130,099

See notes to financial statements

TOWN OF ATOKA, TENNESSEE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	GENERAL FUND	OTHER GOVERN- MENTAL FUNDS	TOTAL GOVERN- MENTAL FUNDS
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 3,694,821	\$ 236,323	\$ 3,931,144
Deposits	-	5,000	5,000
Accounts receivable, net	-	35,100	35,100
Taxes receivable, net	1,454,241	-	1,454,241
Receivables from other governments	451,727	40,354	492,081
Grants receivable	-	33,857	33,857
TOTAL ASSETS	<u>\$ 5,600,789</u>	<u>\$ 350,634</u>	<u>\$ 5,951,423</u>
LIABILITIES			
Bank overdraft	\$ -	\$ 4,732	\$ 4,732
Accounts payable	197,435	39,518	236,953
Accrued expenses	183,708	-	183,708
Due to other funds	2,259	-	2,259
TOTAL LIABILITIES	<u>383,402</u>	<u>44,250</u>	<u>427,652</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue			
Property taxes	1,443,849	-	1,443,849
State income tax	9,915	-	9,915
Grants	-	13,887	13,887
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,453,764</u>	<u>13,887</u>	<u>1,467,651</u>
FUND BALANCE			
Restricted			
Solid waste expenditures	-	185,574	185,574
Street expenditures	-	20,407	20,407
Drug enforcement	-	61,546	61,546
Grant programs	-	24,970	24,970
Assigned			
Parks and recreation	414,083	-	414,083
Fire department	211,121	-	211,121
Subsequent year budget deficit	357,872	-	357,872
Unassigned	2,780,547	-	2,780,547
TOTAL FUND BALANCE	<u>3,763,623</u>	<u>292,497</u>	<u>4,056,120</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 5,600,789</u>	<u>\$ 350,634</u>	<u>\$ 5,951,423</u>

See notes to financial statements

**TOWN OF ATOKA, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

	<u>TOTAL GOVERNMENTAL FUNDS</u>
TOTAL FUND BALANCE	
TOTAL GOVERNMENTAL FUNDS	\$ 4,056,120
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.	15,611,900
Long-term liabilities, including lease obligations payable, are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet	(5,631,370)
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	352,095
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	(72,186)
The net pension asset is not a financial resource and, therefore, is not reported in the governmental funds	79,209
Unavailable revenues are not available to pay for current period expenditures and therefore are reported as deferred inflows of resources in the funds.	<u>23,802</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 14,419,570</u></u>

See notes to financial statements

TOWN OF ATOKA TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	<u>GENERAL FUND</u>	<u>OTHER GOVERN- MENTAL FUNDS</u>	<u>TOTAL GOVERN- MENTAL FUNDS</u>
REVENUES			
Local taxes	\$ 3,218,062	\$ -	\$ 3,218,062
Licenses and permits	35,695	-	35,695
Intergovernmental revenues	1,325,445	254,434	1,579,879
Charges of services	147,101	411,525	558,626
Fines and forfeitures	73,630	6,309	79,939
Miscellaneous revenues	28,549	5,704	34,253
TOTAL REVENUES	<u>4,828,482</u>	<u>677,972</u>	<u>5,506,454</u>
EXPENDITURES			
Current			
General government	706,312	-	706,312
Public safety	2,788,250	47,809	2,836,059
Solid waste	-	243,436	243,436
Highways and streets	550,004	262,481	812,485
Health, welfare, recreation, and education	1,009,935	-	1,009,935
Grants and contributions	19,421	-	19,421
Debt service	352,009	-	352,009
TOTAL EXPENDITURES	<u>5,425,931</u>	<u>553,726</u>	<u>5,979,657</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(597,449)	124,246	(473,203)
OTHER FINANCING SOURCES (USES)			
Loan proceeds	702,190	-	702,190
Transfers in	412,501	-	412,501
Proceeds from capital asset sales	26,506	-	26,506
Insurance recoveries	10,838	-	10,838
Transfers out	-	(412,501)	(412,501)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,152,035</u>	<u>(412,501)</u>	<u>739,534</u>
NET CHANGE IN FUND BALANCE	554,586	(288,255)	266,331
FUND BALANCE			
Balance at July 1, 2016	<u>3,209,037</u>	<u>580,752</u>	<u>3,789,789</u>
Balance at June 30, 2017	<u>\$ 3,763,623</u>	<u>\$ 292,497</u>	<u>\$ 4,056,120</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, 2017**

**NET CHANGE IN FUND BALANCE -
TOTAL GOVERNMENTAL FUNDS** \$ 266,331

**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	887,305
Depreciation expense	(537,397)

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	(702,190)
Loan principal payments	257,040

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.

(17,938)

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

154,209

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.

(31,587)

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

8,192

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 283,965

See notes to financial statements

**TOWN OF ATOKA, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY (WATER-SEWER) FUND
JUNE 30, 2017**

ASSETS**CURRENT ASSETS**

Cash and cash equivalents	\$ 3,121,164
Investments - certificates of deposit	468,668
Accounts receivable, net	167,523
Inventory	56,661
Due from other funds	<u>2,259</u>
TOTAL CURRENT ASSETS	<u>3,816,275</u>

RESTRICTED ASSETS

Net pension asset	<u>23,552</u>
-------------------------	---------------

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

Land	<u>35,000</u>
------------	---------------

Being depreciated

Buildings and improvements	348,847
Vehicles and equipment	552,836
Utility plant in service	12,071,002
Less accumulated depreciation	<u>(4,183,990)</u>

Total Capital Assets, Net of

Accumulated Depreciation	<u>8,788,695</u>
---------------------------------------	-------------------------

TOTAL NONCURRENT ASSETS	<u>8,823,695</u>
--------------------------------------	-------------------------

TOTAL ASSETS	<u>12,663,522</u>
---------------------------	--------------------------

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows - pension	<u>68,556</u>
-----------------------------------	---------------

**TOTAL ASSETS AND DEFERRED OUTFLOWS
OF RESOURCES**

\$ <u>12,732,078</u>

LIABILITIES**CURRENT LIABILITIES**

Accounts payable	\$ 96,957
Accrued expenses	39,674
Revenue bonds payable - current portion	152,815
Customer deposits	<u>42,721</u>

TOTAL CURRENT LIABILITIES	<u>332,167</u>
--	-----------------------

NONCURRENT LIABILITIES

Long term revenue bonds, less current portion	<u>2,666,442</u>
---	------------------

TOTAL LIABILITIES	<u>2,998,609</u>
--------------------------------	-------------------------

DEFERRED INFLOWS OF RESOURCES

Deferred inflows - pension	<u>22,940</u>
----------------------------------	---------------

NET POSITION

Net investment in capital assets	6,004,438
--	-----------

Restricted for pension	612
------------------------------	-----

Unrestricted	<u>3,705,479</u>
--------------------	------------------

TOTAL NET POSITION	<u>9,710,529</u>
---------------------------------	-------------------------

TOTAL LIABILITIES, DEFERRED INFLOWS

OF RESOURCES, AND NET POSITION	<u>\$ 12,732,078</u>
---	-----------------------------

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, 2017

OPERATING REVENUES

Metered sales and service	\$ 1,818,752
Connection fees	81,075
Tap fees	66,600
Penalties	31,280
Other operating income	<u>7,513</u>
TOTAL OPERATING REVENUES	<u>2,005,220</u>

OPERATING EXPENSES

Salaries and wages	350,725
Fringes	108,076
Maintenance services and supplies	303,189
Water purchased	381,916
Sewer fees	179,805
Office supplies	52,891
Utilities	90,772
Insurance	24,106
Depreciation	402,523
Miscellaneous	<u>38,629</u>
TOTAL OPERATING EXPENSES	<u>1,932,632</u>

OPERATING INCOME	<u>72,588</u>
-------------------------------	----------------------

NONOPERATING REVENUES (EXPENSES)

Interest income	23,914
Interest expense	<u>(43,273)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(19,359)</u>

CHANGE IN NET POSITION	53,229
-------------------------------------	---------------

NET POSITION

Balance at July 1, 2016	<u>9,657,300</u>
Balance at June 30, 2017	<u><u>\$ 9,710,529</u></u>

See notes to financial statements

**TOWN OF ATOKA, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY (WATER - SEWER) FUND
YEAR ENDED JUNE 30, 2017**

CASH FLOWS FROM

OPERATING ACTIVITIES

Cash received from customers	\$ 1,977,137
Cash payments to suppliers	(1,234,222)
Cash payments to employees for services	(354,777)
Cash payments for taxes	<u>(26,266)</u>
Net cash provided by operating activities	<u>361,872</u>

CASH FLOWS FROM NONCAPITAL

FINANCING ACTIVITIES

Decrease in due to other funds	(296,764)
Increase in due from other funds	<u>(2,259)</u>
Net cash (used) by noncapital financing activities	<u>(299,023)</u>

CASH FLOWS FROM CAPITAL AND

RELATED FINANCING ACTIVITIES

Purchase of capital assets	(76,013)
Payments on principal of long-term debt	(149,756)
Interest and fee payments on long-term debt	<u>(43,211)</u>
Net cash (used) by capital and related financing activities	<u>(268,980)</u>

CASH FLOWS FROM

INVESTING ACTIVITIES

Interest received	<u>22,161</u>
Net cash provided by investing activities	<u>22,161</u>

NET (DECREASE) IN CASH AND

CASH EQUIVALENTS	(183,970)
-------------------------------	-----------

CASH AND CASH EQUIVALENTS -

JULY 1, 2016	<u>3,305,134</u>
---------------------------	------------------

CASH AND CASH EQUIVALENTS -

JUNE 30, 2017	<u>\$ 3,121,164</u>
----------------------------	---------------------

See notes to financial statements

**TOWN OF ATOKA, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY (WATER -SEWER) FUND - CONTINUED
YEAR ENDED JUNE 30, 2017**

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

Operating income	\$ 72,588
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	402,523
Net change in pension related accounts	(21,927)
(Increase) decrease in accounts receivable	(27,883)
(Increase) decrease in inventory	(56,661)
Increase (decrease) in accounts payable	(2,516)
Increase (decrease) in accrued expenses	(4,052)
Increase (decrease) in customer deposits	(200)
Total adjustments	<u>289,284</u>
Net cash provided by operating activities	<u>\$ 361,872</u>

**NONCASH INVESTING, CAPITAL
AND FINANCING ACTIVITIES**

Interest credited to certificates of deposit	\$ 1,753
--	----------

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, 2017

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
REVENUES				
Local taxes				
Property taxes	\$ -	\$ -	\$ 1,411,446	\$ -
Local sales tax	-	-	1,520,921	-
Wholesale beer tax	-	-	186,192	-
Wholesale liquor tax	-	-	91,435	-
Cable TV franchise tax	-	-	8,068	-
	<u>3,138,000</u>	<u>3,138,000</u>	<u>3,218,062</u>	<u>80,062</u>
Intergovernmental revenues				
State income and excise tax	-	-	24,274	-
State beer tax	-	-	4,049	-
State mixed drink tax	-	-	14,947	-
Petroleum special	-	-	16,940	-
State sales tax	-	-	695,772	-
State reimbursements	-	-	18,000	-
TVA tax	-	-	94,630	-
County grants	-	-	27,727	-
State grants	-	-	7,623	-
Federal grants	-	-	421,483	-
	<u>2,066,327</u>	<u>2,066,327</u>	<u>1,325,445</u>	<u>(740,882)</u>
Charges for services				
Parks and recreation	-	-	134,515	-
Rent income	-	-	12,586	-
	<u>156,500</u>	<u>156,500</u>	<u>147,101</u>	<u>(9,399)</u>
Fines and forfeitures	<u>65,000</u>	<u>65,000</u>	<u>73,630</u>	<u>8,630</u>
Licenses and permits	<u>25,000</u>	<u>25,000</u>	<u>35,695</u>	<u>10,695</u>
Other				
Interest income	-	-	12,456	-
Miscellaneous	-	-	16,093	-
	<u>64,000</u>	<u>64,000</u>	<u>28,549</u>	<u>(35,451)</u>
TOTAL REVENUES	<u>5,514,827</u>	<u>5,514,827</u>	<u>4,828,482</u>	<u>(686,345)</u>
EXPENDITURES				
General government				
Legislative board				
Personal services	-	-	36,063	-
Contractual services	-	-	11,023	-
	<u>46,500</u>	<u>46,500</u>	<u>47,086</u>	<u>586</u>
Judicial				
Personal services	-	-	4,200	-
Contractual services	-	-	10,521	-
	<u>16,200</u>	<u>22,200</u>	<u>14,721</u>	<u>(7,479)</u>

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

See notes to financial statements

TOWN OF ATOKA, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - CONTINUED
YEAR ENDED JUNE 30, 2017

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
EXPENDITURES - CONTINUED				
General government - continued				
Finance and administration				
Personal services	\$ -	\$ -	\$ 146,308	\$ -
Contractual services	-	-	167,971	-
Supplies	-	-	62,662	-
Fixed charges	-	-	27,219	-
Capital outlay	-	-	98,702	-
	<u>1,601,508</u>	<u>1,601,508</u>	<u>502,862</u>	<u>(1,098,646)</u>
Planning and inspection				
Personal services	-	-	73,437	-
Contractual services	-	-	51,242	-
Supplies	-	-	10,657	-
Fixed charges	-	-	6,307	-
	<u>125,683</u>	<u>175,683</u>	<u>141,643</u>	<u>(34,040)</u>
Total general government	<u>1,789,891</u>	<u>1,845,891</u>	<u>706,312</u>	<u>(1,139,579)</u>
Public safety				
Police				
Personal services	-	-	1,230,122	-
Contractual services	-	-	125,299	-
Supplies	-	-	111,114	-
Fixed charges	-	-	71,886	-
Capital outlay	-	-	135,952	-
	<u>1,528,584</u>	<u>1,793,584</u>	<u>1,674,373</u>	<u>(119,211)</u>
Fire				
Personal services	-	-	864,084	-
Contractual services	-	-	48,062	-
Supplies	-	-	101,918	-
Fixed charges	-	-	49,612	-
Capital outlay	-	-	50,201	-
	<u>1,104,836</u>	<u>1,120,436</u>	<u>1,113,877</u>	<u>(6,559)</u>
Total public safety	<u>2,633,420</u>	<u>2,914,020</u>	<u>2,788,250</u>	<u>(125,770)</u>
Highways and streets				
Streets				
Personal services	-	-	240,863	-
Contractual services	-	-	127,262	-
Supplies	-	-	82,963	-
Fixed charges	-	-	21,085	-
Capital outlay	-	-	77,831	-
Total public works	<u>1,669,970</u>	<u>1,669,970</u>	<u>550,004</u>	<u>(1,119,966)</u>

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

See notes to financial statements

TOWN OF ATOKA, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - CONTINUED
YEAR ENDED JUNE 30, 2017

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
EXPENDITURES - CONTINUED				
Health, welfare, recreation and education				
Parks and recreation				
Personal services	\$ -	\$ -	\$ 202,812	\$ -
Contractual services	-	-	77,551	-
Supplies	-	-	212,330	-
Fixed charges	-	-	20,371	-
Capital outlay	-	-	496,871	-
Total health, welfare, recreation and education	<u>1,093,113</u>	<u>1,093,113</u>	<u>1,009,935</u>	<u>(83,178)</u>
Grants and contributions				
Donations	-	-	19,421	-
Total grants and contributions	<u>20,000</u>	<u>20,000</u>	<u>19,421</u>	<u>(579)</u>
Debt service				
Principal	-	-	257,040	-
Interest	-	-	94,969	-
Total debt service	<u>50,000</u>	<u>269,400</u>	<u>352,009</u>	<u>82,609</u>
TOTAL EXPENDITURES	<u>7,256,394</u>	<u>7,812,394</u>	<u>5,425,931</u>	<u>(2,386,463)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,741,567)	(2,297,567)	(597,449)	1,700,118
OTHER FINANCING SOURCES				
Loan proceeds	-	-	702,190	-
Transfers in	-	-	412,501	-
Proceeds from capital asset sales	-	-	26,506	-
Insurance proceeds	-	-	10,838	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,425,000</u>	<u>1,425,000</u>	<u>1,152,035</u>	<u>(272,965)</u>
NET CHANGE IN FUND BALANCE	(316,567)	(872,567)	554,586	1,427,153
FUND BALANCE				
Balance at July 1, 2016	<u>3,209,037</u>	<u>3,209,037</u>	<u>3,209,037</u>	-
Balance at June 30, 2017	<u>\$ 2,892,470</u>	<u>\$ 2,336,470</u>	<u>\$ 3,763,623</u>	<u>\$ 1,427,153</u>

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

See notes to financial statements

**TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017**

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, 2017**

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, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FUND FINANCIAL STATEMENTS - CONTINUED

GOVERNMENTAL FUNDS - CONTINUED

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

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

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

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

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

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

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

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

**TOWN OF ATOKA TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 20176**

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, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES - CONTINUED

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

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

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

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

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

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

For the year ended June 30, 2017, expenditures (transfers out) exceeded appropriations in the Solid Waste Fund by approximately \$244,000. The excess expenditures (transfers out) of the Solid Waste Fund were covered by available fund balance.

**TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

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

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

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

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

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. 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.

**TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

GOVERNMENTAL FUND BALANCE - CONTINUED

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

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

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

Unassigned - All amounts not included in other spendable classifications.

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

NOTE 2 - DEPOSITS

As of June 30, 2017, the Town's bank balances of cash deposits were entirely insured by either federal depository insurance or by the Bank Collateral Pool of The State of Tennessee.

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2017

NOTE 3 - RECEIVABLES

Receivables as of June 30, 2017, 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>DRUG FUND</u>	<u>WATER AND SEWER FUND</u>	<u>TOTAL</u>
Receivables						
Property taxes	\$ 1,523,544	\$ -	\$ -	\$ -	\$ -	\$ 1,523,544
Accounts	-	35,100	-	-	168,177	203,277
Grants	13,887	-	-	19,970	-	33,857
Receivable from other governments	451,727	-	40,354	-	-	492,081
Gross receivables	<u>1,989,158</u>	<u>35,100</u>	<u>40,354</u>	<u>19,970</u>	<u>168,177</u>	<u>2,252,759</u>
Less: Allowance for doubtful accounts	(69,303)	-	-	-	(654)	(69,957)
Net receivables	<u>\$ 1,919,855</u>	<u>\$ 35,100</u>	<u>\$ 40,354</u>	<u>\$ 19,970</u>	<u>\$ 167,523</u>	<u>\$ 2,182,802</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>BALANCE JULY 1, 2016</u>	<u>ADDITIONS</u>	<u>TRANSFERS/ RETIREMENTS</u>	<u>BALANCE JUNE 30, 2017</u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 1,248,246	\$ -	\$ -	\$ 1,248,246
Construction in progress	<u>1,532,866</u>	<u>45,932</u>	<u>(1,468,128)</u>	<u>110,670</u>
Total	<u>2,781,112</u>	<u>45,932</u>	<u>(1,468,128)</u>	<u>1,358,916</u>
Other capital assets				
Buildings and improvements	5,341,289	1,553,408	-	6,894,697
Equipment	1,001,364	78,239	(5,250)	1,074,353
Vehicles	1,455,294	117,961	(69,414)	1,503,841
Infrastructure	<u>6,845,455</u>	<u>559,893</u>	<u>-</u>	<u>7,405,348</u>
Total other capital assets at historical cost	<u>14,643,402</u>	<u>2,309,501</u>	<u>(74,664)</u>	<u>16,878,239</u>
Less accumulated depreciation				
Buildings and improvements	(183,658)	(137,039)	-	(320,697)
Equipment	(466,364)	(86,133)	3,150	(549,347)
Vehicles	(887,594)	(121,990)	53,572	(956,012)
Infrastructure	<u>(606,964)</u>	<u>(192,235)</u>	<u>-</u>	<u>(799,199)</u>
Total accumulated depreciation	<u>(2,144,580)</u>	<u>(537,397)</u>	<u>56,722</u>	<u>(2,625,255)</u>
Other capital assets, net	<u>12,498,822</u>	<u>1,772,104</u>	<u>(17,942)</u>	<u>14,252,984</u>

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2017

NOTE 4 - CAPITAL ASSETS - CONTINUED

	<u>BALANCE</u> <u>JULY 1, 2016</u>	<u>ADDITIONS</u>	<u>TRANSFERS/ RETIREMENTS</u>	<u>BALANCE</u> <u>JUNE 30, 2017</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 15,279,934</u>	<u>\$ 1,818,036</u>	<u>\$ (1,486,070)</u>	<u>\$ 15,611,900</u>
DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES FUNCTIONS AS FOLLOWS				
General government		\$ 78,445		
Public safety		209,701		
Public works		158,533		
Health, welfare, recreation and education		<u>90,718</u>		
TOTAL GOVERNMENTAL ACTIVITIES DEPRECIATION EXPENSE		<u>\$ 537,397</u>		

	<u>BALANCE</u> <u>JULY 1, 2016</u>	<u>ADDITIONS</u>	<u>TRANSFERS/ RETIREMENTS</u>	<u>BALANCE</u> <u>JUNE 30, 2017</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	<u>\$ 35,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,000</u>
Total	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>35,000</u>
Other capital assets				
Buildings	348,847	-	-	348,847
Vehicles and equipment	486,738	66,100	-	552,838
Water distribution system	3,691,009	9,913	-	3,700,922
Sewer plant in operation	1,269,079	-	-	1,269,079
Sewer lines	<u>7,101,000</u>	<u>-</u>	<u>-</u>	<u>7,101,000</u>
Total other capital assets at historical cost	<u>12,896,673</u>	<u>76,013</u>	<u>-</u>	<u>12,972,686</u>
Less accumulated depreciation				
Buildings	(40,769)	(9,415)	-	(50,184)
Vehicles and equipment	(343,642)	(40,135)	-	(383,777)
Water distribution system	(984,136)	(115,722)	-	(1,099,858)
Sewer plant in operation	(725,020)	(35,494)	-	(760,514)
Sewer lines	<u>(1,687,900)</u>	<u>(201,757)</u>	<u>-</u>	<u>(1,889,657)</u>
Total accumulated depreciation	<u>(3,781,467)</u>	<u>(402,523)</u>	<u>-</u>	<u>(4,183,990)</u>
Net depreciable assets	<u>9,115,206</u>	<u>(326,510)</u>	<u>-</u>	<u>8,788,696</u>

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2017

NOTE 4 - CAPITAL ASSETS - CONTINUED

	<u>BALANCE</u> <u>JULY 1, 2016</u>	<u>ADDITIONS</u>	<u>TRANSFERS/ RETIREMENTS</u>	<u>BALANCE</u> <u>JUNE 30, 2017</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	\$ 9,150,206	\$ (326,510)	\$ -	\$ 8,823,696
DEPRECIATION EXPENSE WAS CHARGED TO BUSINESS-TYPE ACTIVITIES FUNCTIONS AS FOLLOWS				
Water-sewer		\$ 402,523		

NOTE 5 - INTERFUND BALANCES

The composition of interfund balances as of June 30, 2017, is as follows:

<u>Due to/from other funds</u>		<u>Amount</u>
<u>Fund Due From</u>	<u>Fund due to</u>	
General Fund (major)	Water-Sewer Fund (major)	\$ 2,259

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

NOTE 6 -LONG TERM DEBT

Governmental activities

Variable Rate Local Government Loan Program, Series 2015 - The original loan in the amount of \$5,500,000 was authorized on June 15, 2015 and is to be repaid in annual installments of principal ranging from \$249,000 to \$300,000 beginning May 25, 2017 and maturing on May 25, 2036. Interest is paid monthly at a variable rate (as determined by the Securities Industry and Finance Markets Association (SIFMA) rate) of 1.65% as of June 30, 2017. The balance of this loan at June 30, 2017 was \$5,247,184.

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 .94% as of June 30, 2017. 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, 2017 was \$384,186 in the governmental activities and \$451,814 in the business-type activities, for a total of \$836,000.

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2017

NOTE 6 -LONG TERM DEBT - CONTINUED

Business activities

Water and Sewer Revenue and Tax Bonds, TN Municipal Bond Fund, Series 2004 - The original bond in the amount of \$941,698 was issued on August 17, 2006 and is to be paid in annual installments of principal ranging from \$698 to \$57,000 beginning May 25, 2007 and maturing on May 25, 2033. Interest is paid annually at a variable rate (as determined by the Securities Industry and Financial Markets Association (SIFMA) rate) of .94% as of June 30, 2017. The balance of the bond at June 30, 2017 was \$654,698.

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, 2017 was \$1,712,745, net of ARRA forgiveness of \$1,508,939.

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

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

Year ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 260,500	\$ 90,194	\$ 152,815	\$ 34,361
2019	264,420	85,977	156,437	32,382
2020	267,880	81,702	159,540	30,364
2021	271,340	77,374	163,666	28,305
2022	275,260	72,992	167,355	26,102
2023-2027	1,431,880	297,232	900,159	97,862
2028-2032	1,532,420	179,048	961,073	38,210
2033-2037	<u>1,327,670</u>	<u>53,242</u>	<u>158,212</u>	<u>4,592</u>
	<u>\$ 5,631,370</u>	<u>\$ 937,761</u>	<u>\$ 2,819,257</u>	<u>\$ 292,178</u>

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2017

NOTE 6 - LONG TERM DEBT - CONTINUED

Long-term liability activity for the year ended June 30, 2017 was as follows:

	<u>BALANCE</u> <u>JULY 1, 2016</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2017</u>	<u>DUE WITHIN</u> <u>ONE YEAR</u>
Governmental activities					
Variable Rate Local Government					
Loan Program, Series 2015	\$ 4,790,994	\$ 702,190	\$ 246,000	\$ 5,247,184	\$ 249,000
Pooled Financing Revenue Bonds, TN Municipal Bond Fund, Series 2008	<u>395,226</u>	<u>-</u>	<u>11,040</u>	<u>384,186</u>	<u>11,500</u>
	<u>\$ 5,186,220</u>	<u>\$ 702,90</u>	<u>\$ 257,040</u>	<u>\$ 5,631,370</u>	<u>\$ 260,500</u>
Business-type Activities					
Water and Sewer Revenue and Tax					
Bonds, Series 2004	\$ 686,698	\$ -	\$ 32,000	\$ 654,698	\$ 33,000
Pooled Financing Revenue Bonds, TN Municipal Bond Fund, Series 2008	464,774	-	12,960	451,814	13,500
State Revolving Fund					
Loan 2009	<u>1,817,541</u>	<u>-</u>	<u>104,796</u>	<u>1,712,745</u>	<u>106,315</u>
Totals	<u>\$ 2,969,013</u>	<u>\$ -</u>	<u>\$ 149,756</u>	<u>\$ 2,819,257</u>	<u>\$ 152,815</u>

NOTE 7 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town considers it to be more economically feasible to participate in a public entity risk pool as opposed to purchasing commercial insurance for certain general liability, worker's compensation, and property and casualty insurance. As such, the Town participates in the Tennessee Municipal League Risk Management Pool (TML), which is a public entity risk pool consisting of member political subdivisions of the State of Tennessee. The Town pays an annual premium to the TML pool for its certain general liability, worker's compensation, and property and casualty insurance. Each political subdivision that has participated in the TML pool is subject to assessment if the funds it paid as premiums are insufficient to meet the obligations of the TML pool. The TML pool may reinsure through the Local Government Reinsurance Fund of Tennessee or a commercial insurance company.

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

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2017

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 six years beginning May 1, 2017. The Town may terminate the contract by providing a notice of the termination two years in advance.

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

The Town is a party to a wastewater treatment agreement (as amended November 1989) with the adjacent City of Munford and Town of Brighton which was entered into in connection with the construction of joint wastewater facilities. Each party paid for their proportionate share of construction costs and is carrying such costs as capital assets on their books and records. The City of Munford maintains and operates the joint facilities. The City of Munford bills the other two towns for their share of joint maintenance and operation expenses. The Town was billed \$121,855 by the City of Munford under this agreement for the year ended June 30, 2017. No party has the right to cancel or amend the agreement. The duration of the agreement is indefinite and continuing.

During May 2017, the Town entered into an agreement with a local construction company to replace a bridge within Town limits at a cost of \$299,728.

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 - SUBSEQUENT EVENTS

During July 2017, a contract was awarded in the amount of approximately \$86,000 for paving certain streets within Town limits.

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2017

NOTE 10 - INTERFUND TRANSFERS

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

Fund	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:	\$ 412,501	\$ -
Solid Waste Fund	<u>-</u>	<u>412,501</u>
Total	<u>\$ 412,501</u>	<u>\$ 412,501</u>

NOTE 11 - 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 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.

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2017

NOTE 11 - PENSION PLAN - CONTINUED

General Information about the Pension Plan - Continued

EMPLOYEES COVERED BY BENEFIT TERMS - At the measurement date of June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	25
Active employees	<u>51</u>
	<u>83</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, 2017, the employer contributions for the Town were \$181,361 based on a rate of 7.50 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Town's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the cost of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

The Town's net pension liability (asset) was measured as of June 30, 2016, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

ACTUARIAL ASSUMPTIONS - The total pension liability as of June 30, 2016 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

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2017

NOTE 11 - PENSION PLAN - CONTINUED

Net Pension Liability (Asset) - Continued

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, 2016 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:

<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.

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2017

NOTE 11 - PENSION PLAN - CONTINUED

Net Pension Liability (Asset) - Continued

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 (a)	PLAN FIDUCIARY NET POSITION (b)	NET PENSION LIABILITY (ASSET) (a) - (b)
BALANCE AT 6/30/15	\$ 1,912,268	\$ 2,099,206	\$ (186,938)
CHANGES FOR THE YEAR			
Service cost	144,386	-	144,386
Interest	152,581	-	152,581
Differences between expected and actual experience	119,097	-	119,097
Contributions - employer	-	164,611	(164,611)
Contributions - employees	-	111,224	(111,224)
Net investment income	-	58,741	(58,741)
Benefit payments, including refunds of employee contributions	(44,491)	(44,491)	-
Administrative expense	-	(3,845)	3,845
Other changes	-	1,156	(1,156)
NET CHANGES	371,573	287,396	84,177
BALANCE AT 6/30/16	\$ 2,283,841	\$ 2,386,602	\$ (102,761)

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2017

NOTE 11 - PENSION PLAN - CONTINUED

Changes in Net Pension Liability (Asset) - Continued

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)	\$ 255,014	\$ (102,761)	\$ (389,698)

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

PENSION EXPENSE - For the year ended June 30, 2017, the Town recognized pension expense of \$36,729.

DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES - For the year ended June 30, 2017, 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	\$ 158,258	\$ (95,126)
Net difference between projected and actual earnings on pension plan investments	81,032	-
Contributions subsequent to the measurement date of June 30, 2016	181,361	-
Total	\$ 420,651	\$ (95,126)

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2016," 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, 2017

NOTE 11 - 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	\$	14,312
2018		14,312
2019		42,735
2020		25,382
2021		3,927
Thereafter		43,496

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

Payable to the Pension Plan

At June 30, 2017, the Town reported a payable of \$33,642 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>
TOTAL PENSION LIABILITY			
Service cost	\$ 100,284	\$ 95,946	\$ 144,386
Interest	126,895	130,209	152,581
Changes in benefit terms	-	-	-
Differences between actual and expected experience	(142,691)	65,492	119,097
Change of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(32,805)	(39,114)	(44,491)
Net change in total pension liability	<u>51,683</u>	<u>252,533</u>	<u>371,573</u>
TOTAL PENSION LIABILITY, BEGINNING OF YEAR	<u>1,608,052</u>	<u>1,659,735</u>	<u>1,912,268</u>
TOTAL PENSION LIABILITY, END OF YEAR	<u>\$ 1,659,735</u>	<u>\$ 1,912,268</u>	<u>\$ 2,283,841</u>
PLAN FIDUCIARY NET POSITION			
Contributions from employer	\$ 94,109	\$ 113,949	\$ 164,611
Contributions from employees	64,459	76,992	111,224
Net investment income	259,631	60,518	58,741
Benefit payments, including refunds of employee contributions	(32,805)	(39,114)	(44,491)
Administrative expense	(1,160)	(1,966)	(3,845)
Other	-	-	1,156
Net change in plan fiduciary net position	<u>384,234</u>	<u>210,379</u>	<u>287,396</u>
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	<u>1,504,593</u>	<u>1,888,827</u>	<u>2,099,206</u>
PLAN FIDUCIARY NET POSITION, END OF YEAR	<u>\$ 1,888,827</u>	<u>\$ 2,099,206</u>	<u>\$ 2,386,602</u>
NET PENSION LIABILITY (ASSET)	<u>\$ (229,092)</u>	<u>\$ (186,938)</u>	<u>\$ (102,761)</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	113.80%	109.78%	104.50%
COVERED PAYROLL	<u>\$ 1,289,170</u>	<u>\$ 1,539,845</u>	<u>\$ 2,224,469</u>
NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED PAYROLL	(17.77)%	(12.14)%	(4.62)%

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

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution	\$ 94,109	\$ 113,949	\$ 164,610	\$ 181,361
Contributions in relation to the actuarially determined contribution	<u>94,109</u>	<u>113,949</u>	<u>164,610</u>	<u>181,361</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,289,170	\$ 1,539,845	\$ 2,224,469	\$ 2,418,169
Contributions as a percentage covered employee payroll ..	7.30%	7.40%	7.40%	7.50%

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

NOTES TO SCHEDULE

Valuation date - Actuarially determined contribution rates for 2017 were calculated based on the July 1, 2015 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	Varies by year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

COMBINING FUND FINANCIAL STATEMENTS

**TOWN OF ATOKA, TENNESSEE
COMBINING BALANCE SHEET –
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	<u>SOLID WASTE FUND</u>	<u>STATE STREET AID FUND</u>	<u>DRUG FUND</u>	<u>TOTAL NONMAJOR GOVERN- MENTAL FUNDS</u>
ASSETS				
Cash	\$ 170,757	\$ -	\$ 65,566	\$ 236,323
Deposits	-	5,000	-	5,000
Accounts receivable, net	35,100	-	-	35,100
Grants receivable	-	13,887	19,970	33,857
Due from State of Tennessee ..	-	40,354	-	40,354
TOTAL ASSETS	<u><u>\$ 205,857</u></u>	<u><u>\$ 59,241</u></u>	<u><u>\$ 85,536</u></u>	<u><u>\$ 350,634</u></u>
LIABILITIES				
Bank overdraft	\$ -	\$ 4,732	\$ -	\$ 4,732
Accounts payable	20,283	15,215	4,020	39,518
TOTAL LIABILITIES	<u><u>20,283</u></u>	<u><u>19,947</u></u>	<u><u>4,020</u></u>	<u><u>44,250</u></u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue				
Grants	-	13,887	-	13,887
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>-</u></u>	<u><u>13,887</u></u>	<u><u>-</u></u>	<u><u>13,887</u></u>
FUND BALANCE				
Restricted				
Grant programs	-	5,000	19,970	24,970
Solid waste expenditures	185,574	-	-	185,574
Street expenditures	-	20,407	-	20,407
Drug enforcement	-	-	61,546	61,546
TOTAL FUND BALANCES	<u><u>185,574</u></u>	<u><u>25,407</u></u>	<u><u>81,516</u></u>	<u><u>292,497</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 205,857</u></u>	<u><u>\$ 59,241</u></u>	<u><u>\$ 85,536</u></u>	<u><u>\$ 350,634</u></u>

TOWN OF ATOKA, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	<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	\$ -	\$ 159,702	\$ -	\$ 159,702
\$.03 gasoline tax	-	47,366	-	47,366
1989 gasoline tax increase	-	25,521	-	25,521
Federal grants	-	-	21,845	21,845
Total intergovernmental revenues	-	232,589	21,845	254,434
Charges for services	411,525	-	-	411,525
Fines and forfeitures	-	-	6,309	6,309
Other revenues	363	-	5,341	5,704
TOTAL REVENUES	<u>411,888</u>	<u>232,589</u>	<u>33,495</u>	<u>677,972</u>
EXPENDITURES				
Public safety				
Supplies	-	-	20,062	20,062
Capital outlay	-	-	27,747	27,747
Total public safety	-	-	47,809	47,809
Solid waste				
Contractual services	243,436	-	-	243,436
Highways and streets				
Contractual services	-	262,481	-	262,481
TOTAL EXPENDITURES	<u>243,436</u>	<u>262,481</u>	<u>47,809</u>	<u>553,726</u>
EXCESS OF REVENUES OVER EXPENDITURES	168,452	(29,892)	(14,314)	124,246
OTHER FINANCING IN FUND BALANCE	<u>(412,501)</u>	-	-	<u>(412,501)</u>
NET CHANGE IN FUND BALANCE	(244,049)	(29,892)	(14,314)	(288,255)
FUND BALANCE				
Balance at July 1, 2016	429,623	55,299	95,830	580,752
Balance at June 30, 2017	<u>\$ 185,574</u>	<u>\$ 25,407</u>	<u>\$ 81,516</u>	<u>\$ 292,497</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, 2017

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
REVENUES				
Charges for services	\$ 390,000	\$ 390,000	\$ 411,525	\$ 21,525
Other revenues	-	-	363	363
TOTAL REVENUES	<u>390,000</u>	<u>390,000</u>	<u>411,888</u>	<u>21,888</u>
EXPENDITURES				
Solid waste				
Contractual services	<u>240,000</u>	<u>240,000</u>	<u>243,436</u>	<u>3,436</u>
TOTAL EXPENDITURES	<u>240,000</u>	<u>240,000</u>	<u>243,436</u>	<u>3,436</u>
EXCESS OF REVENUES OVER EXPENDITURES	150,000	150,000	168,452	18,452
OTHER FINANCING (USES)				
Transfer out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(412,501)</u>	<u>(262,501)</u>
NET CHANGE IN FUND BALANCE	-	-	(244,049)	(244,049)
FUND BALANCE				
Balance at July 1, 2016	<u>429,623</u>	<u>429,623</u>	<u>429,623</u>	-
Balance at June 30, 2017	<u>\$ 429,623</u>	<u>\$ 429,623</u>	<u>\$ 185,574</u>	<u>\$ (244,049)</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, 2017

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
REVENUES				
Gasoline and motor fuel tax . . .	\$ 235,000	\$ 235,000	\$ 159,702	\$ (75,298)
\$.03 gasoline tax	-	-	47,366	47,366
1989 gasoline tax increase	-	-	25,521	25,521
TOTAL REVENUES	<u>235,000</u>	<u>235,000</u>	<u>232,589</u>	<u>(2,411)</u>
EXPENDITURES				
Highways and streets				
Streets	<u>250,000</u>	<u>350,000</u>	<u>262,481</u>	<u>(87,519)</u>
TOTAL EXPENDITURES	<u>250,000</u>	<u>350,000</u>	<u>262,481</u>	<u>(87,519)</u>
NET CHANGE IN FUND BALANCE	(15,000)	(115,000)	(29,892)	85,108
FUND BALANCE				
Balance at July 1, 2016	<u>55,299</u>	<u>55,299</u>	<u>55,299</u>	-
Balance at June 30, 2017	<u>\$ 40,299</u>	<u>\$ (59,701)</u>	<u>\$ 25,407</u>	<u>\$ 85,108</u>

TOWN OF ATOKA, TENNESSEE
DRUG FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
REVENUES				
Intergovernmental revenues . . .	\$ 3,500	\$ 3,500	\$ 21,845	\$ 18,345
Fines and forfeitures	10,000	10,000	6,309	(3,691)
Other revenues	-	-	5,341	5,341
TOTAL REVENUES	<u>13,500</u>	<u>13,500</u>	<u>33,495</u>	<u>19,995</u>
EXPENDITURES				
Public safety				
Police	<u>21,800</u>	<u>55,000</u>	<u>47,809</u>	<u>(7,191)</u>
TOTAL EXPENDITURES	<u>21,800</u>	<u>55,000</u>	<u>47,809</u>	<u>(7,191)</u>
NET CHANGE IN FUND BALANCE	(8,300)	(41,500)	(14,314)	27,186
FUND BALANCE				
Balance at July 1, 2016	<u>95,830</u>	<u>95,830</u>	<u>95,830</u>	<u>-</u>
Balance at June 30, 2017	<u>\$ 87,530</u>	<u>\$ 54,330</u>	<u>\$ 81,516</u>	<u>\$ 27,186</u>

**TOWN OF ATOKA, TENNESSEE
EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

<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, 2016</u>	<u>RECEIPTS</u>	<u>DISBURSE- MENTS</u>	<u>RECEIVABLE (UNAVAILABLE)/ RESTRICTED BALANCE AT JUNE 30, 2017</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	\$ 236,257	\$ (281,995)	\$ 45,738	\$ -
U.S. Department of Justice Bulletproof Vest Partnership	16.607	N/A	-	(1,875)	1,875	-
Passed through State of Tennessee -Tennessee Department of Finance and Administration, Office of Criminal Justice Programs Byrne Justice Assistance Grant	16.738	N/A	-	-	15,000	15,000
			-	(1,875)	16,875	15,000
U.S. Department of Transportation Passed through State of Tennessee - Tennessee Department of Transportation Highway Planning and Construction Grant	20.205	116795.01	7,393	(383,138)	375,745	-
Passed through State of Tennessee - Tennessee Department of Safety and Homeland Security Alcohol Open container Requirements	20.607	Z17THS093	-	-	4,970	4,970
			7,393	(383,138)	380,715	4,970
TOTAL CASH FEDERAL AWARDS			<u>\$ 243,650</u>	<u>\$ (667,008)</u>	<u>\$ 443,328</u>	<u>\$ 19,970</u>

Note: Significant Accounting Policies

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

**TOWN OF ATOKA, TENNESSEE
EXPENDITURES OF STATE AWARDS
YEAR ENDED JUNE 30, 2017**

<u>PROGRAM TITLE</u>	<u>GRANTOR'S NUMBER</u>	<u>RECEIVABLE (UNAVAILABLE)/ RESTRICTED BALANCE AT JULY 1, 2016</u>	<u>RECEIPTS</u>	<u>DISBURSE- MENTS</u>	<u>RECEIVABLE (UNAVAILABLE)/ RESTRICTED BALANCE AT JUNE 30, 2017</u>
<u>CASH STATE AWARDS</u>					
Department of Military Hazard Mitigation Grant	34101-34987	\$ 39,376	\$ (46,999)	\$ 7,623	\$ -
Department of Transportation Community Transportation Planning Grant	2601	-	(13,887)	13,887	-
TOTAL CASH STATE AWARDS		<u>\$ 39,376</u>	<u>\$ (60,886)</u>	<u>\$ 21,510</u>	<u>\$ -</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, 2017

YEAR ENDED	VARIABLE RATE LOCAL GOVERNMENT LOAN PROGRAM SERIES 2015		WATER AND SEWER REVENUE AND TAX BOND SERIES 2004		POOLED FINANCING REVENUE BOND SERIES 2008	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2018	\$ 249,000	\$ 86,579	\$ 33,000	\$ 6,154	\$ 25,000	\$ 7,858
2019	252,000	82,470	34,000	5,844	27,000	7,623
2020	255,000	78,312	35,000	5,524	28,000	7,370
2021	258,000	74,105	37,000	5,195	29,000	7,106
2022	261,000	69,848	38,000	4,748	31,000	6,834
2023	264,000	65,541	40,000	4,490	32,000	6,542
2024	267,000	61,185	41,000	4,114	34,000	6,242
2025	270,000	56,780	43,000	3,729	36,000	5,922
2026	273,000	52,325	45,000	3,325	37,000	5,584
2027	276,000	47,820	47,000	2,902	39,000	5,236
2028	279,000	43,266	48,000	2,460	41,000	4,869
2029	282,000	38,663	50,000	2,009	43,000	4,484
2030	286,000	34,010	52,000	1,539	45,000	4,080
2031	289,000	29,291	54,000	1,050	48,000	3,657
2032	292,000	24,522	57,000	542	50,000	3,205
2033	296,000	19,704	698	7	53,000	2,735
2034	299,000	14,820	-	-	55,000	2,237
2035	300,000	9,887	-	-	58,000	1,720
2036	299,184	4,947	-	-	61,000	1,175
2037	-	-	-	-	64,000	602
	<u>\$ 5,247,184</u>	<u>\$ 894,075</u>	<u>\$ 654,698</u>	<u>\$ 53,632</u>	<u>\$ 836,000</u>	<u>\$ 95,081</u>

TOWN OF ATOKA, TENNESSEE
DEBT SERVICE REQUIREMENTS TO MATURITY - CONTINUED
JUNE 30, 2017

<u>YEAR ENDED</u>	<u>STATE REVOLVING FUND LOAN 2009</u>		<u>GRAND TOTALS</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	
2018	\$ 106,315	\$ 23,964	\$ 537,870
2019	107,857	22,422	539,216
2020	109,420	20,860	539,486
2021	111,006	19,273	540,685
2022	112,615	17,664	541,709
2023	114,247	16,032	542,852
2024	115,903	14,376	543,820
2025	117,583	12,696	545,710
2026	119,288	10,991	546,513
2027	121,018	9,262	548,238
2028	122,772	7,507	548,874
2029	124,552	5,728	550,436
2030	126,356	3,923	552,908
2031	128,189	2,090	555,277
2032	75,624	363	503,256
2033	-	-	372,144
2034	-	-	371,057
2035	-	-	369,607
2036	-	-	366,306
2037	-	-	64,602
	<u>\$ 1,712,745</u>	<u>\$ 187,151</u>	<u>\$ 9,680,566</u>

**TOWN OF ATOKA, TENNESSEE
PROPERTY TAXES
YEAR ENDED JUNE 30, 2017**

<u>YEAR OF LEVY</u>	<u>BALANCE JULY1, 2016</u>	<u>ASSESSMENT</u>	<u>ADJUSTMENTS/ ABATEMENTS</u>	<u>COLLECTIONS</u>	<u>BALANCE JUNE 30, 2017</u>
2017	\$ -	\$ 1,443,849	\$ -	\$ -	\$1,443,849
2016	1,421,904	-	-	(1,376,340)	45,564
2015	38,591	-	-	(20,907)	17,684
2014	15,320	-	-	(10,042)	5,278
2013	5,642	-	-	(3,588)	2,054
2012	2,161	-	-	(271)	1,890
2011	1,999	-	-	(98)	1,901
2010	2,265	-	-	(68)	2,197
2009	925	-	-	(7)	918
2008	1,233	-	-	-	1,233
2007	976	-	-	-	976
2006	<u>125</u>	<u>-</u>	<u>-</u>	<u>(125)</u>	<u>-</u>
	\$1,491,141	<u>\$ 1,443,849</u>	<u>\$ -</u>	<u>\$ (1,411,446)</u>	\$1,523,544
Allowance for uncollectible property taxes	<u>(66,293)</u>				<u>(69,303)</u>
Net receivables	<u>\$1,424,848</u>				<u>\$1,454,241</u>

<u>YEAR OF LEVY</u>	<u>ASSESSED VALUATION</u>	<u>TAX RATE PER \$100</u>	<u>ASSESSMENTS</u>
2017	\$ 180,481,086	\$ 0.80	\$ 1,443,849
2016	177,737,975	0.80	1,421,904
2015	175,555,048	0.80	1,404,440
2014	171,874,697	0.56	953,888
2013	173,483,362	0.56	962,832
2012	172,693,140	0.56	958,446
2011	167,159,060	0.56	927,732
2010	157,468,810	0.56	873,935
2009	121,213,857	0.70	848,497
2008	109,202,777	0.70	764,419

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 2014 have been turned over to Chancery Court for collection.

**TOWN OF ATOKA, TENNESSEE
UTILITY RATES AND NUMBER OF CUSTOMERS
JUNE 30, 2017**

Water Rates

Inside City limits

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

Outside City limits

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

The Town had 2,991 water customers as of June 30, 2017.

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 2,506 sewer customers as of June 30, 2017.

TOWN OF ATOKA, TENNESSEE
NET POSITION OF WATER - SEWER FUND
JUNE 30, 2017

	<u>WATER</u>	<u>SEWER</u>	<u>COMBINED</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,157,002	\$ 1,964,162	\$ 3,121,164
Investments - certificates of deposit	234,334	234,334	468,668
Accounts receivable, net	85,919	81,604	167,523
Inventory	-	56,661	56,661
Due from other funds	1,130	1,129	2,259
TOTAL CURRENT ASSETS	<u>1,478,385</u>	<u>2,337,890</u>	<u>3,816,275</u>
RESTRICTED ASSETS			
Net pension asset	<u>11,776</u>	<u>11,776</u>	<u>23,552</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	276,418	276,418	552,836
Utility plant in service	3,700,922	8,370,080	12,071,002
Less accumulated depreciation	<u>(1,316,838)</u>	<u>(2,867,152)</u>	<u>(4,183,990)</u>
Total Capital Assets, Net of			
Accumulated Depreciation	<u>2,834,926</u>	<u>5,953,769</u>	<u>8,788,695</u>
TOTAL NONCURRENT ASSETS	<u>2,852,426</u>	<u>5,971,269</u>	<u>8,823,695</u>
TOTAL ASSETS	<u>4,342,587</u>	<u>8,320,935</u>	<u>12,663,522</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	<u>34,278</u>	<u>34,278</u>	<u>68,556</u>
TOTAL ASSETS AND DEFERRED			
OUTFLOWS OF RESOURCES	<u>\$ 4,376,865</u>	<u>\$ 8,355,213</u>	<u>\$ 12,732,078</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 48,478	\$ 48,479	\$ 96,957
Accrued expenses	19,837	19,837	39,674
Revenue bonds payable - current portion	23,250	129,565	152,815
Customer deposits	<u>21,361</u>	<u>21,360</u>	<u>42,721</u>
TOTAL CURRENT LIABILITIES	<u>112,926</u>	<u>219,241</u>	<u>332,167</u>
NONCURRENT LIABILITIES			
Long term revenue bonds, less			
current portion	<u>478,356</u>	<u>2,188,086</u>	<u>2,666,442</u>
TOTAL LIABILITIES	<u>591,282</u>	<u>2,407,327</u>	<u>2,998,609</u>

TOWN OF ATOKA, TENNESSEE
NET POSITION OF WATER - SEWER FUND - CONTINUED
JUNE 30, 2017

	<u>WATER</u>	<u>SEWER</u>	<u>COMBINED</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	\$ 11,470	\$ 11,470	\$ 22,940
NET POSITION			
Net investment in capital assets	2,350,820	3,653,618	6,004,438
Restricted for pension	306	306	612
Unrestricted	<u>1,422,987</u>	<u>2,282,492</u>	<u>3,705,479</u>
TOTAL NET POSITION	<u>3,774,113</u>	<u>5,936,416</u>	<u>9,710,529</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 4,376,865</u>	<u>\$ 8,355,213</u>	<u>\$ 12,732,078</u>

**TOWN OF ATOKA, TENNESSEE
REVENUES, EXPENSES AND CHANGES
IN NET POSITION OF WATER - SEWER FUND
YEAR ENDED JUNE 30, 2017**

	<u>WATER</u>	<u>SEWER</u>	<u>COMBINED</u>
OPERATING REVENUES			
Metered sales and service	\$ 932,804	\$ 885,948	\$ 1,818,752
Connection fees	70,145	10,930	81,075
Tap fees	-	66,600	66,600
Penalties	15,640	15,640	31,280
Other operating income	<u>3,757</u>	<u>3,756</u>	<u>7,513</u>
TOTAL OPERATING REVENUES	<u>1,022,346</u>	<u>982,874</u>	<u>2,005,220</u>
OPERATING EXPENSES			
Salaries and wages	175,363	175,362	350,725
Fringes	54,038	54,038	108,076
Maintenance services and supplies	151,595	151,594	303,189
Water purchased	381,916	-	381,916
Sewer fees	-	179,805	179,805
Office supplies	26,445	26,446	52,891
Utilities	45,386	45,386	90,772
Insurance	12,053	12,053	24,106
Depreciation	140,497	262,026	402,523
Miscellaneous	<u>19,315</u>	<u>19,314</u>	<u>38,629</u>
TOTAL OPERATING EXPENSES	<u>1,006,608</u>	<u>926,024</u>	<u>1,932,632</u>
OPERATING INCOME	<u>15,738</u>	<u>56,850</u>	<u>72,588</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	11,957	11,957	23,914
Interest expense	<u>(8,895)</u>	<u>(34,378)</u>	<u>(43,273)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>3,062</u>	<u>(22,421)</u>	<u>(19,359)</u>
CHANGE IN NET POSITION	18,800	34,429	53,229
NET POSITION			
Balance at July 1, 2016	<u>3,755,313</u>	<u>5,901,987</u>	<u>9,657,300</u>
Balance at June 30, 2017	<u>\$ 3,774,113</u>	<u>\$ 5,936,416</u>	<u>\$ 9,710,529</u>

**TOWN OF ATOKA, TENNESSEE
CASH FLOWS OF WATER - SEWER FUND
YEAR ENDED JUNE 30, 2017**

	<u>WATER</u>	<u>SEWER</u>	<u>COMBINED</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,007,385	\$ 969,752	\$ 1,977,137
Cash payments to suppliers	(689,837)	(544,385)	(1,234,222)
Cash payments to employees for services	(177,389)	(177,388)	(354,777)
Cash payments for taxes	(13,133)	(13,133)	(26,266)
Net cash provided by operating activities	<u>127,026</u>	<u>234,846</u>	<u>361,872</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Decrease in due to other funds	(148,382)	(148,382)	(296,764)
Increase in due from other funds	(1,130)	(1,129)	(2,259)
Net cash (used) by noncapital financing activities	<u>(149,512)</u>	<u>(149,511)</u>	<u>(299,023)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(42,964)	(33,049)	(76,013)
Payments on principal of long-term debt	(22,480)	(127,276)	(149,756)
Interest and fee payments on long-term debt	(8,864)	(34,347)	(43,211)
Net cash (used) by capital and related financing activities	<u>(74,308)</u>	<u>(194,672)</u>	<u>(268,980)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>11,080</u>	<u>11,081</u>	<u>22,161</u>
Net cash provided by investing activities	<u>11,080</u>	<u>11,081</u>	<u>22,161</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(85,714)	(98,256)	(183,970)
CASH AND CASH EQUIVALENTS - JULY 1, 2016	<u>1,242,716</u>	<u>2,062,418</u>	<u>3,305,134</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2017	<u>\$ 1,157,002</u>	<u>\$ 1,964,162</u>	<u>\$ 3,121,164</u>

TOWN OF ATOKA, TENNESSEE
CASH FLOWS OF WATER - SEWER FUND - CONTINUED
YEAR ENDED JUNE 30, 2017

	<u>WATER</u>	<u>SEWER</u>	<u>COMBINED</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 15,738	\$ 56,850	\$ 72,588
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	140,497	262,026	402,523
Net change in pension related accounts	(10,963)	(10,964)	(21,927)
(Increase) decrease in accounts receivable ...	(14,861)	(13,022)	(27,883)
(Increase) decrease in inventory	-	(56,661)	(56,661)
Increase (decrease) in accounts payable	(1,259)	(1,257)	(2,516)
Increase (decrease) in accrued expenses	(2,026)	(2,026)	(4,052)
Increase (decrease) in customer deposits	(100)	(100)	(200)
Total adjustments	<u>111,288</u>	<u>177,996</u>	<u>289,284</u>
Net cash provided by operating activities	<u>\$ 127,026</u>	<u>\$ 234,846</u>	<u>\$ 361,872</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Interest credited to certificates of deposit	\$ 877	\$ 876	\$ 1,753

NONACCOUNTING INFORMATION



AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0
American Water Works Association
Copyright © 2014, All Rights Reserved

? Click to access definition
+ Click to add a comment

Water Audit Report for: **Atoka Water System (0000033)**
Reporting Year: **2016** **7/2016 - 6/2017**

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

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

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

WATER SUPPLIED

Volume from own sources: + ? MG/Yr + ? MG/Yr
Water imported: + ? 203.329 MG/Yr + ? 1.00% MG/Yr
Water exported: + ? MG/Yr + ? MG/Yr

Master Meter and Supply Error Adjustments

Pcnt: Value: MG/Yr
1.00% 1.800 MG/Yr
3 1.00% MG/Yr
4 MG/Yr

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

WATER SUPPLIED: **205.129** MG/Yr

AUTHORIZED CONSUMPTION

Billed metered: + ? 188.850 MG/Yr
Billed unmetered: + ? MG/Yr
Unbilled metered: + ? MG/Yr
Unbilled unmetered: + ? 0.200 MG/Yr

AUTHORIZED CONSUMPTION: **189.050** MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

16.079 MG/Yr

Apparent Losses

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

Apparent Losses: **1.159** MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: ? **14.920** MG/Yr

WATER LOSSES: **16.079** MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: **16.279** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: + ? 62.0 miles
Number of active AND inactive service connections: + ? 3,340
Service connection density: ? conn./mile main

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

Average length of customer service line: + ? 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: + ? 78.0 psi

COST DATA

Total annual cost of operating water system: + ? \$489,604 \$/Year
Customer retail unit cost (applied to Apparent Losses): + ? \$3.50 \$/1000 gallons (US)
Variable production cost (applied to Real Losses): + ? \$2.00 \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

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

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

PRIORITY AREAS FOR ATTENTION:

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

1: Water imported

2: Billed metered

3: Systematic data handling errors



AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0

American Water Works Association.
Copyright © 2014, All Rights Reserved.Water Audit Report for: **Atoka Water System (0000033)**Reporting Year: **2016** **7/2016 - 6/2017**

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

System Attributes:

Apparent Losses:	1.159	MG/Yr
+ Real Losses:	14.920	MG/Yr
= Water Losses:	16.079	MG/Yr

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

Annual cost of Apparent Losses: \$4,057

Annual cost of Real Losses: \$30

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: 7.9%

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: 0.95 gallons/connection/day

Real Losses per service connection per day: 12.24 gallons/connection/day

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

Real Losses per service connection per day per psi pressure: 0.16 gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 14.92 million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: 0.63

* 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, 2017, 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 21, 2017.

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 Responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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

deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses to be a material weakness (Item No. 2017-001).

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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as Item No. 2017-002.

Town of Atoka Tennessee's Responses to Findings

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

Purpose of this Report

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



Covington, Tennessee
December 21, 2017

**TOWN OF ATOKA, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2017**

Material Weakness

Item No. 2017-001: Material Adjustments

Condition: Adjustments have been prepared when necessary to correct material misstatements in the financial statements. During the current year, State Street Aid Fund account balances were adjusted to reflect the correct amount of accounts payable. This adjustment increased liabilities and expenditures by approximately \$14,000. Drug Fund account balances were adjusted to reflect the correct amount of grants receivable. This adjustment increased assets and revenues by approximately \$20,000.

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

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

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

Client response: We concur with this finding.

Compliance and Other Matters

Item No. 2017-002: Budget Overruns

Condition: Annually since 2013, the Town has incurred budget overruns. During the current year, the Town experienced two departmental cost overruns in the General Fund aggregating approximately \$83,000. Total expenditures and transfers out exceeded the budgeted amount in the Solid Waste Fund by approximately \$244,000, consisting of one departmental and one transfer out budget overrun. The fund budget of the State Street Aid Fund, as approved, resulted in a deficit fund balance of approximately \$60,000.

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 and transfers out within budgeted amounts, and when approving budgets, ensure that adequate fund balances are present to cover all anticipated expenditures.

Client response: We concur with this finding.

**TOWN OF ATOKA, TENNESSEE
SCHEDULE OF PRIOR YEAR'S FINDINGS
YEAR ENDING JUNE 30, 2017**

Financial Statement Findings

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2016-001	Material Adjustments (Original Finding 2010-003)	Repeated (2017-001)
2016-002	Budget Overruns (Original Finding 2013-001)	Repeated (2017-002)
2016-003	Retainage Funds Not Escrowed (Original Finding 2016-003)	Corrected
2016-004	Utility Losses (Original Finding 2016-004)	Corrected

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2017**

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

Corrective Action - Financial Statement Findings

FINDING 2017-001

ADJUSTMENTS HAVE BEEN PROPOSED WHEN NECESSARY TO CORRECT MATERIAL MISSTATEMENTS IN THE FINANCIAL STATEMENTS. DURING THE CURRENT YEAR, EXPENDITURES AND PAYABLES OF THE STATE STREET AID FUND WERE UNDERSTATED BY APPROXIMATELY \$14,000, RESPECTIVELY. GRANT RECEIVABLES AND REVENUES OF THE DRUG FUND WERE UNDERSTATED BY APPROXIMATELY \$20,000, RESPECTIVELY.

Response and Corrective Action Plan Prepared by:

Debbie Pickard, Recorder,
Town of Atoka, Tennessee

Person Responsible for Implementing the Corrective Action:

Same

Anticipated Completion Date of Corrective Action:

June 30, 2018

Repeat Finding:

Yes

Reason Why Corrective Action Was Not Taken - PY

All material transactions were not provided to our outside CPA for proper accounting and recording in the general ledger before commencement of the audit.

Planned Corrective Action:

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

FINDING 2017-002

ANNUALLY SINCE 2013, THE TOWN HAS INCURRED BUDGET OVERRUNS. DURING THE CURRENT YEAR, THE TOWN EXPERIENCED TWO DEPARTMENTAL COST OVERRUNS IN THE GENERAL FUND AGGREGATING APPROXIMATELY \$83,000. TOTAL EXPENDITURES AND TRANSFERS OUT EXCEEDED THE BUDGETED AMOUNT IN THE SOLID WASTE FUND BY APPROXIMATELY \$244,000, CONSISTING OF ONE DEPARTMENTAL AND ONE TRANSFER OUT BUDGET OVERRUN. THE FINAL BUDGET OF THE STATE STREET AID FUND, AS

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S CORRECTIVE ACTION PLAN - CONTINUED
YEAR ENDED JUNE 30, 2017**

FINDING 2017-002 - CONTINUED

**APPROVED, RESULTED IN A DEFICIT FUND BALANCE OF
APPROXIMATELY \$60,000.**

Response and Corrective Action Plan Prepared by:	Debbie Pickard, Recorder, Town of Atoka, Tennessee
Person Responsible for Implementing the Corrective Action:	Same
Anticipated Completion Date of Corrective Action:	June 30, 2018
Repeat Finding:	Yes
Reason Why Corrective Action Was Not Taken - PY	Periodic budget amendments were made but were insufficient in certain departments while other amendments created deficit fund balances.

Planned Corrective Action:

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 the practice of amending budgets when necessary and work diligently to include all cost in future budget amendments. In the future, we will also be cognizant of the fact that budget amendments should be amounts that does not create deficit fund balances at year-end for any of the Town's funds.