

TOWN OF ATOKA, TENNESSEE

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019**

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	19-20
--	-------

Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary (Water-Sewer) Fund	21
---	----

Statement of Cash Flows - Proprietary (Water-Sewer) Fund	22-23
--	-------

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	24-26
--	-------

TABLE OF CONTENTS - CONTINUED

	Page
Notes to Financial Statements	27-47
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	48-49
Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS	50-51
COMBINING FUND FINANCIAL STATEMENTS	
Combining Balance Sheet - Nonmajor Governmental Funds	52
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds	53
SCHEDULES	
Statement of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual - Solid Waste Fund	54
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - State Street Aid Fund	55
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - Drug Fund	56
Expenditures of Federal Awards	57
Debt Service Requirements to Maturity	58-60
Changes in Long-Term Debt by Individual Issue	61
Property Taxes	62
Utility Rates and Number of Customers	63
Net Position of Water-Sewer Fund	64-65

TABLE OF CONTENTS - CONTINUED

	Page
Revenues, Expenses, and Changes in Net Position of Water-Sewer Fund	66
Cash Flows of Water-Sewer Fund	67-68
NONACCOUNTING INFORMATION	
AWWA Reporting Worksheet - Unaudited	69
AWWA System Attributes and Performance Indicators - Unaudited	70
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>	71-72
SCHEDULE OF FINDINGS AND RESPONSES	73-75
SCHEDULE OF PRIOR YEAR'S FINDINGS	76
MANAGEMENT'S CORRECTIVE ACTION PLAN - Unaudited	77-79

INTRODUCTORY SECTION

**TOWN OF ATOKA, TENNESSEE
TOWN OFFICIALS
JUNE 30, 2019**

Mayor

Daryl Walker

Aldermen

Walker Adams
Barry Akin
Guy Critelli
Danny Feldmayer
Brett Giannini
John Harber

Department Heads

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

Athanasia Lewis
Debbie Pickard (CMFO Designee)
Jessie Poole
Henry Posey
Daniel Lovett
Vacant position

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, 2019, 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, 2019, 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 48 through 51 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 February 20, 2020 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.

Whitcomb Tankersley & Davis, PLLC

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

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, 2019. Please read it in conjunction with the Town's financial statements, which begin on page 13.

FINANCIAL HIGHLIGHTS

- The Town's total net position decreased by approximately \$142,000, or .6 percent, from approximately \$23,904,000 to \$23,762,000 as a result of this year's operations. Net position of our business-type activities decreased approximately 5.4 percent, and net position of our governmental activities increased approximately 2.6 percent.
- During the year, the Town had revenues that were approximately \$376,000 more than total expenses for governmental programs and activities.
- For the Town's business-type activities, expenses exceeded revenues by approximately \$518,000.
- Total revenues and transfers in for our governmental operations were approximately \$1,238,000 less than projected budgeted revenues for the year, but expenditures and transfers out were approximately \$1,558,000 less than projected budgeted expenditures.
- The total net cost of running the Town of Atoka for the year ending June 30, 2019 (total cost of business-type and governmental programs net of direct program revenues) was approximately \$5,173,000.

USING THIS ANNUAL REPORT

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

REPORTING THE TOWN AS A WHOLE

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

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS- CONTINUED
YEAR ENDED JUNE 30, 2019**

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

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

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

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

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

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

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

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2019**

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

THE TOWN AS A WHOLE

The Town's combined net position decreased from a year ago from approximately \$23,904,000 to \$23,762,000. 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)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 5,605	\$ 5,963	\$ 3,126	\$ 3,778	\$ 8,731	\$ 9,741
Capital assets	16,388	16,166	8,721	8,517	25,109	24,683
Other assets	309	103	53	17	362	120
Total assets	<u>22,302</u>	<u>22,232</u>	<u>11,900</u>	<u>12,312</u>	<u>34,202</u>	<u>34,544</u>
Deferred outflows ...	<u>399</u>	<u>429</u>	<u>68</u>	<u>71</u>	<u>467</u>	<u>500</u>
Long-term debt	5,107	5,371	2,510	2,666	7,617	8,037
Other liabilities	414	628	463	217	877	845
Total liabilities ...	<u>5,521</u>	<u>5,999</u>	<u>2,973</u>	<u>2,883</u>	<u>8,494</u>	<u>8,882</u>
Deferred inflows	<u>2,387</u>	<u>2,245</u>	<u>26</u>	<u>13</u>	<u>2,413</u>	<u>2,258</u>
Net Position						
Net investment in capital assets	11,276	10,795	5,956	5,823	17,232	16,618
Restricted	424	394	26	5	450	399
Unrestricted	<u>3,093</u>	<u>3,228</u>	<u>2,987</u>	<u>3,659</u>	<u>6,080</u>	<u>6,887</u>
Total Net Position	<u>\$ 14,793</u>	<u>\$ 14,417</u>	<u>\$ 8,969</u>	<u>\$ 9,487</u>	<u>\$ 23,762</u>	<u>\$ 23,904</u>

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Program revenues						
Charges for services	\$ 1,017	\$ 951	\$ 2,133	\$ 2,020	\$ 3,150	\$ 2,971

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2019**

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Program revenues - continued						
Operating grants and contributions	\$ 440	\$ 409	\$ -	\$ -	\$ 440	\$ 409
Capital grants and contributions	-	146	-	-	-	146
General revenues						
Local taxes	4,173	3,360	-	-	4,173	3,360
Intergovernmental revenues	1,002	945	-	-	1,002	945
(Loss) on disposal on capital assets	-	-	(379)	-	(379)	-
Other general revenues	<u>26</u>	<u>31</u>	<u>209</u>	<u>22</u>	<u>235</u>	<u>53</u>
Total revenues . .	<u>6,658</u>	<u>5,842</u>	<u>1,963</u>	<u>2,042</u>	<u>8,621</u>	<u>7,884</u>
Program expenses						
General government	669	670	-	-	669	670
Public safety	3,116	2,869	-	-	3,116	2,869
Solid waste	409	326	-	-	409	326
Highways and streets	1,250	1,051	-	-	1,250	1,051
Health, welfare recreation and education	689	736	-	-	689	736
Grants and 19 contributions	13	19	-	-	13	19
Interest	136	119	-	-	136	119
Water-sewer	-	-	<u>2,481</u>	<u>2,257</u>	<u>2,481</u>	<u>2,257</u>
Total expenses . .	<u>6,282</u>	<u>5,790</u>	<u>2,481</u>	<u>2,257</u>	<u>8,763</u>	<u>8,047</u>
Increase (decrease) in net position	<u>\$ 376</u>	<u>\$ 52</u>	<u>\$ (518)</u>	<u>\$ (215)</u>	<u>\$ (142)</u>	<u>\$ (163)</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, 2019**

<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 \$6,282,572. However, as shown in the Statement of Activities on page 14, the amount that our taxpayers ultimately financed for these activities through Town taxes was only \$4,824,848 because some of the cost was paid by those who directly benefitted from the programs (\$1,017,268) or by other governments and organizations that subsidized certain programs with either operating grants and contributions (\$440,456) or capital grants and contributions (\$0). 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
General government	\$ 669	\$ 670	\$ 486	\$ 498
Public safety	3,116	2,869	2,958	2,699
Solid waste	409	326	(165)	(148)
Highways and streets	1,250	1,051	898	714
Health, welfare, recreation and education	689	736	498	383
Grants and contributions	13	19	13	19
Interest	136	119	136	119
Totals	<u>\$ 6,282</u>	<u>\$ 5,790</u>	<u>\$ 4,824</u>	<u>\$ 4,284</u>

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2019**

THE TOWN'S FUNDS

Water-Sewer Fund

Operating revenues of the Town's Water-Sewer Fund increased by approximately \$113,000 (5.5%) from revenues of the prior year. The Town's Water-Sewer Fund operating expenses during the current year increased by approximately \$222,000 (10%).

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 \$2,949,343 which is a decrease from last year's total of \$3,218,206. The chief reasons for this decrease are given below. It must be pointed out that this decrease in governmental fund balances \$268,863 is different from the increase in net position of governmental activities \$376,332 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, 2019 and do not take into account governmental capital assets and depreciation, since in this basis capital asset acquisitions are considered expenditures when incurred, and the asset is not recognized as carrying value into future periods. Also, depreciation is not recognized since the assets were considered "expensed" when acquired. A detail explanation of these differences is given in the reconciliation on page 18.

The chief reason for the decrease in fund balances of \$268,863 from the year ending June 30, 2018 is that expenditures increased by approximately \$246,000, due primarily to necessary capital expenditures for highways and streets infrastructure and repairs.

GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS

Revenues and transfers in for the year were approximately \$1,245,000 below original budgeted revenues and transfers in. The most significant variance was lower intergovernmental revenues.

Expenditures and transfers out for the year were approximately \$1,207,000 below original budgeted expenditures and transfers out. The most significant variances were in public safety, highways and streets; and health, welfare, recreation and education expenditures.

TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2019

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At year end, the Town had approximately \$25,108,000 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 \$424,000.

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 1,248	\$ 1,248	\$ 35	\$ 35	\$ 1,283	\$ 1,283
Construction in progress	226	605	-	28	226	633
Buildings and improvements	6,243	6,413	280	289	6,523	6,702
Vehicles and equipment	925	1,078	139	189	1,064	1,267
Infrastructure	7,746	6,823	-	-	7,746	6,823
Water-Sewer System	-	-	8,266	7,976	8,266	7,976
Totals	<u>\$ 16,388</u>	<u>\$ 16,167</u>	<u>\$ 8,720</u>	<u>\$ 8,517</u>	<u>\$ 25,108</u>	<u>\$ 24,684</u>

This year's major changes for governmental activities included an approximately \$379,000 decrease in construction in progress, \$13,000 increase in equipment, \$65,000 increase in vehicles, \$1,160,000 increase in infrastructure, and a \$6,400 increase in buildings. Additions for business-type activities related primarily to water-sewer system improvements of approximately \$1,039,000.

Debt

At year end the Town had approximately \$7,617,000 in debt outstanding versus approximately \$8,038,000 last year, a net decrease of approximately \$421,000 as shown in Table 5, due to current year payments made on existing debt.

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

Governmental Activities		Business-Type Activities		Total	
2019	2018	2019	2018	2019	2018

Revenue Bonds and Notes (backed by specific tax and fee revenues)	<u>\$ 5,107</u>	<u>\$ 5,372</u>	<u>\$ 2,510</u>	<u>\$ 2,666</u>	<u>\$ 7,617</u>	<u>\$ 8,038</u>
---	-----------------	-----------------	-----------------	-----------------	-----------------	-----------------

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2019**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Anticipated revenues and other financing sources for Fiscal Year End June 30, 2020 governmental funds are approximately \$1,399,000 more than the final revenues and other financing sources for the year ended June 30, 2019. This increase reflects additional grant funding and a property tax rate increase.

Anticipated expenditures and other financing uses for Fiscal Year End June 30, 2020 governmental funds are approximately \$1,487,000 more than the final expenditures and other financing uses for the year ended June 30, 2019. The primary reason for this increase is due to increased capital outlay expenditures for highways and streets and parks and recreation.

During January 2020, a contract was awarded in the amount of approximately \$864,000 for parks and recreation improvements within Town limits. The project cost will be paid for 80% by grant funding and 20% by Town matching funds.

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, 2019

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
Cash in bank	\$ 2,762,584	\$ 2,210,393	\$ 4,972,977
Investments - certificates of deposit	-	478,831	478,831
Taxes receivable, net	2,234,480	-	2,234,480
Accounts receivable, net	48,793	211,540	260,333
Receivables from other governments	549,113	-	549,113
Receivable - other	-	180,828	180,828
Grants receivable	9,181	-	9,181
Inventory	-	45,275	45,275
Internal balances	439	(439)	-
Restricted assets			
Capital assets not being depreciated			
Land	1,248,246	35,000	1,283,246
Construction in progress	225,711	-	225,711
Capital assets (net of accumulated depreciation)			
Buildings and improvements	6,243,418	280,379	6,523,797
Vehicles and equipment	924,953	139,199	1,064,152
Infrastructure	7,746,372	-	7,746,372
Utility plant in service	-	8,266,094	8,266,094
Net pension asset	309,096	53,049	362,145
TOTAL ASSETS	<u>22,302,386</u>	<u>11,900,149</u>	<u>34,202,535</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	398,635	68,415	467,050
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 22,701,021</u>	<u>\$ 11,968,564</u>	<u>\$ 34,669,585</u>
LIABILITIES			
Accounts payable	\$ 252,386	\$ 372,396	\$ 624,782
Accrued expenses	161,961	46,410	208,371
Customer deposits	-	43,921	43,921
Bonds payable			
Due within one year	267,880	159,540	427,420
Due in more than one year	4,839,447	2,350,403	7,189,850
TOTAL LIABILITIES	<u>5,521,674</u>	<u>2,972,670</u>	<u>8,494,344</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property tax	2,231,870	-	2,231,870
Deferred inflows - pension	154,871	26,580	181,451
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,386,741</u>	<u>26,580</u>	<u>2,413,321</u>
NET POSITION			
Net investment in capital assets	11,275,725	5,955,965	17,231,690
Restricted for			
Solid waste expenditures	101,551	-	101,551
Street expenditures	93,356	-	93,356
Drug enforcement	65,664	-	65,664
Grant programs	9,181	-	9,181
Pensions	154,225	26,469	180,694
Unrestricted	3,092,904	2,986,880	6,079,784
TOTAL NET POSITION	<u>14,792,606</u>	<u>8,969,314</u>	<u>23,761,920</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 22,701,021</u>	<u>\$ 11,968,564</u>	<u>\$ 34,669,585</u>

See notes to financial statements

**TOWN OF ATOKA, TENNESSEE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

		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
FUNCTIONS/PROGRAMS							
Governmental activities							
General government	\$ 669,411	\$ 183,353	\$ -	\$ -	\$ (486,058)	\$ -	\$ (486,058)
Public safety	3,116,290	69,823	88,929	-	(2,957,538)	-	(2,957,538)
Solid waste	408,618	573,831	-	-	165,213	-	165,213
Highways and streets	1,249,904	-	351,527	-	(898,377)	-	(898,377)
Health, welfare, recreation and education	688,483	190,261	-	-	(498,222)	-	(498,222)
Grants and contributions	13,450	-	-	-	(13,450)	-	(13,450)
Interest	136,416	-	-	-	(136,416)	-	(136,416)
TOTAL GOVERNMENTAL ACTIVITIES	6,282,572	1,017,268	440,456	-	(4,824,848)	-	(4,824,848)
Business-type activities							
Water-sewer system	2,481,312	2,133,231	-	-	-	(348,081)	(348,081)
TOTAL BUSINESS-TYPE ACTIVITIES	2,481,312	2,133,231	-	-	-	(348,081)	(348,081)
TOTAL GOVERNMENT	\$ 8,763,884	\$ 3,150,499	\$ 440,456	\$ -	(4,824,848)	(348,081)	(5,172,929)
GENERAL REVENUES							
Taxes							
Sales taxes					2,541,880	-	2,541,880
Property taxes					2,169,420	-	2,169,420
Alcoholic beverage taxes					318,267	-	318,267
TVA taxes					112,191	-	112,191
Cable TV taxes					9,792	-	9,792
Income and excise taxes					23,301	-	23,301
(Loss) on disposal of capital assets					-	(378,595)	(378,595)
Insurance recoveries					-	180,828	180,828
Investment earnings					13,899	28,045	41,944
Miscellaneous					12,430	-	12,430
TOTAL GENERAL REVENUES					5,201,180	(169,722)	5,031,458
CHANGE IN NET POSITION					376,332	(517,803)	(141,471)
NET POSITION							
Balance at July 1, 2018					<u>14,416,274</u>	<u>9,487,117</u>	<u>23,903,391</u>
Balance at June 30, 2019					<u>\$ 14,792,606</u>	<u>\$ 8,969,314</u>	<u>\$ 23,761,920</u>

See notes to financial statements

TOWN OF ATOKA, TENNESSEE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>GENERAL FUND</u>	<u>OTHER GOVERN- MENTAL FUNDS</u>	<u>TOTAL GOVERN- MENTAL FUNDS</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 2,544,547	\$ 218,037	\$ 2,762,584
Accounts receivable, net	-	48,793	48,793
Taxes receivable, net	2,234,480	-	2,234,480
Receivables from other governments	491,601	57,512	549,113
Grants receivable	9,181	-	9,181
Due from other funds	<u>2,130</u>	<u>-</u>	<u>2,130</u>
TOTAL ASSETS	<u>\$ 5,281,939</u>	<u>\$ 324,342</u>	<u>\$ 5,606,281</u>
LIABILITIES			
Accounts payable	\$ 190,306	\$ 62,080	\$ 252,386
Accrued expenses	161,961	-	161,961
Due to other funds	<u>-</u>	<u>1,691</u>	<u>1,691</u>
TOTAL LIABILITIES	<u>352,267</u>	<u>63,771</u>	<u>416,038</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue			
Property taxes	2,231,870	-	2,231,870
State income tax	<u>9,030</u>	<u>-</u>	<u>9,030</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,240,900</u>	<u>-</u>	<u>2,240,900</u>
FUND BALANCE			
Restricted			
Solid waste expenditures	-	101,551	101,551
Street expenditures	-	93,356	93,356
Drug enforcement	-	65,664	65,664
Grant programs	9,181	-	9,181
Assigned			
Parks and recreation	259,403	-	259,403
Fire department	213,072	-	213,072
Subsequent year budget deficit	411,471	-	411,471
Unassigned	<u>1,795,645</u>	<u>-</u>	<u>1,795,645</u>
TOTAL FUND BALANCE	<u>2,688,772</u>	<u>260,571</u>	<u>2,949,343</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 5,281,939</u>	<u>\$ 324,342</u>	<u>\$ 5,606,281</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, 2019**

	<u>TOTAL GOVERNMENTAL FUNDS</u>
TOTAL FUND BALANCE	
TOTAL GOVERNMENTAL FUNDS	\$ 2,949,343
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	16,388,700
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	(5,107,327)
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	398,635
Deferred inflows of resources related to pensions in which the acquisition of net position will occur in future periods; therefore, it is not reported in the governmental funds	(154,871)
The net pension asset is not a financial resource and, therefore, is not reported in the governmental funds	309,096
Unavailable revenues are not available to pay for current period expenditures and therefore are reported as deferred inflows of resources in the funds.	<u>9,030</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 14,792,606</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, 2019

	<u>GENERAL FUND</u>	<u>OTHER GOVERN- MENTAL FUNDS</u>	<u>TOTAL GOVERN- MENTAL FUNDS</u>
REVENUES			
Local taxes	\$ 4,173,011	\$ -	\$ 4,173,011
Licenses and permits	79,205	-	79,205
Intergovernmental revenues	1,109,252	335,711	1,444,963
Charges for services	204,561	573,831	778,392
Fines and forfeitures	49,527	10,765	60,292
Miscellaneous revenues	<u>115,401</u>	<u>10,307</u>	<u>125,708</u>
TOTAL REVENUES	<u>5,730,957</u>	<u>930,614</u>	<u>6,661,571</u>
EXPENDITURES			
Current			
General government	602,073	-	602,073
Public safety	3,004,185	44,582	3,048,767
Solid waste	-	408,618	408,618
Highways and streets	1,532,268	299,861	1,832,129
Health, welfare, recreation, and education	624,572	-	624,572
Grants and contributions	13,450	-	13,450
Debt service	<u>400,825</u>	<u>-</u>	<u>400,825</u>
TOTAL EXPENDITURES	<u>6,177,373</u>	<u>753,061</u>	<u>6,930,434</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(446,416)	177,553	(268,863)
OTHER FINANCING SOURCES (USES)			
Transfers in	250,000	-	250,000
Transfers out	<u>-</u>	<u>(250,000)</u>	<u>(250,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>250,000</u>	<u>(250,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(196,416)	(72,447)	(268,863)
FUND BALANCE			
Balance at July 1, 2018	<u>2,885,188</u>	<u>333,018</u>	<u>3,218,206</u>
Balance at June 30, 2019	<u>\$ 2,688,772</u>	<u>\$ 260,571</u>	<u>\$ 2,949,343</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, 2019**

**NET CHANGE IN FUND BALANCE -
TOTAL GOVERNMENTAL FUNDS** \$ (268,863)

**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	866,339
Depreciation expense	(644,029)

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

Loan proceeds	-
Loan principal payments	264,409

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

161,494

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

(65,352)

OPEB 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

65,001

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

(2,667)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 376,332**

See notes to financial statements

**TOWN OF ATOKA, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY (WATER-SEWER) FUND
JUNE 30, 2019**

ASSETS**CURRENT ASSETS**

Cash and cash equivalents	\$ 2,210,393
Investments - certificates of deposit	478,831
Accounts receivable, net	211,540
Accounts receivable - other	180,828
Inventory	45,276
Due from other funds	<u>1,690</u>
TOTAL CURRENT ASSETS	<u>3,128,558</u>

RESTRICTED ASSETS

Net pension asset	<u>53,049</u>
-------------------------	---------------

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

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

Being depreciated

Buildings and improvements	348,847
Vehicles and equipment	619,304
Utility plant in service	12,638,614
Less accumulated depreciation	<u>(4,921,093)</u>

Total Capital Assets, Net of

Accumulated Depreciation	<u>8,685,672</u>
---------------------------------------	-------------------------

TOTAL NONCURRENT ASSETS	<u>8,720,672</u>
--------------------------------------	-------------------------

TOTAL ASSETS	<u>11,902,279</u>
---------------------------	--------------------------

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows - pension	<u>68,415</u>
-----------------------------------	---------------

TOTAL ASSETS AND DEFERRED

OUTFLOWS OF RESOURCES	<u>\$ 11,970,694</u>
------------------------------------	-----------------------------

See notes to financial statements

**TOWN OF ATOKA, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY (WATER-SEWER) FUND - CONTINUED
JUNE 30, 2019**

LIABILITIES**CURRENT LIABILITIES**

Accounts payable	\$ 372,396
Accrued expenses	46,410
Revenue bonds payable - current portion	159,540
Customer deposits	43,921
Due to other funds	<u>2,130</u>
TOTAL CURRENT LIABILITIES	<u>624,397</u>

NONCURRENT LIABILITIES

Long term revenue bonds, less current portion	<u>2,350,403</u>
TOTAL LIABILITIES	<u>2,974,800</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows - pension	<u>26,580</u>
----------------------------------	---------------

NET POSITION

Net investment in capital assets	5,955,965
Restricted for pension	26,469
Unrestricted	<u>2,986,880</u>
TOTAL NET POSITION	<u>8,969,314</u>

**TOTAL LIABILITIES, DEFERRED INFLOWS
OF RESOURCES, AND NET POSITION**

\$ 11,970,694

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, 2019

OPERATING REVENUES

Metered sales and service	\$ 1,900,054
Connection fees	81,710
Tap fees	106,200
Penalties	42,471
Other operating income	<u>2,796</u>
TOTAL OPERATING REVENUES	<u>2,133,231</u>

OPERATING EXPENSES

Salaries and wages	423,034
Fringes	119,418
Maintenance services and supplies	363,031
Water purchased	477,284
Sewer fees	207,101
Office supplies	72,056
Utilities	105,189
Insurance	36,148
Legal and professional services	52,023
Depreciation	429,119
Miscellaneous equipment	119,607
Other	<u>29,302</u>
TOTAL OPERATING EXPENSES	<u>2,433,312</u>

OPERATING (LOSS) **(300,081)**

NONOPERATING REVENUES (EXPENSES)

Interest income	28,045
Insurance proceeds	180,828
(Loss) on disposal of capital assets	(378,595)
Interest expense	<u>(48,000)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(217,722)</u>

CHANGE IN NET POSITION **(517,803)**

NET POSITION

Balance at July 1, 2018	<u>9,487,117</u>
Balance at June 30, 2019	<u><u>\$ 8,969,314</u></u>

See notes to financial statements

**TOWN OF ATOKA, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY (WATER - SEWER) FUND
YEAR ENDED JUNE 30, 2019**

**CASH FLOWS FROM
OPERATING ACTIVITIES**

Cash received from customers	\$ 2,092,342
Cash payments to suppliers	(1,533,234)
Cash payments to employees for services	(416,318)
Cash payments for taxes	<u>(30,711)</u>
Net cash provided by operating activities	<u>112,079</u>

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

Decrease in due from other funds	<u>(1,393)</u>
Net cash (used) by noncapital financing activities	<u>(1,393)</u>

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

Purchase of capital assets	(785,304)
Payments on principal of long-term debt	(156,449)
Interest and fee payments on long-term debt	<u>(48,000)</u>
Net cash (used) by capital and related financing activities	<u>(989,753)</u>

**CASH FLOWS FROM
INVESTING ACTIVITIES**

Purchases of investments	(8,991)
Interest received	<u>28,045</u>
Net cash provided by investing activities	<u>19,054</u>

**NET (DECREASE) IN CASH AND
CASH EQUIVALENTS**

(860,013)

**CASH AND CASH EQUIVALENTS -
JULY 1, 2018**

3,070,406

**CASH AND CASH EQUIVALENTS -
JUNE 30, 2019**

\$ 2,210,393

See notes to financial statements

**TOWN OF ATOKA, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY (WATER -SEWER) FUND - CONTINUED
YEAR ENDED JUNE 30, 2019**

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

Operating (loss)	\$ (300,081)
Adjustments to reconcile operating (loss) to net cash provided by operating activities	
Depreciation	429,119
Net change in pension related accounts	(18,547)
Net changes in OPEB related accounts	(10,581)
(Increase) decrease in accounts receivable	(42,089)
(Increase) decrease in inventory	24,442
Increase (decrease) in accounts payable	21,900
Increase (decrease) in accrued expenses	6,716
Increase (decrease) in customer deposits	<u>1,200</u>
Total adjustments	<u>412,160</u>
Net cash provided by operating activities	<u>\$ 112,079</u>

**NONCASH INVESTING, CAPITAL
AND FINANCING ACTIVITIES**

Liabilities incurred for acquisition of capital assets	<u>\$ 253,768</u>
Loss on disposal of capital assets	<u>\$ (378,595)</u>

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, 2019

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
REVENUES				
Local taxes				
Property taxes	\$ -	\$ -	\$ 2,169,420	\$ -
Local sales tax	-	-	1,700,757	-
Wholesale beer tax	-	-	184,029	-
Wholesale liquor tax	-	-	109,013	-
Cable TV franchise tax	-	-	9,792	-
	<u>3,937,400</u>	<u>3,937,400</u>	<u>4,173,011</u>	<u>235,611</u>
Intergovernmental revenues				
State income and excise tax	-	-	20,964	-
State beer tax	-	-	4,386	-
State mixed drink tax	-	-	20,839	-
Petroleum special	-	-	18,812	-
State sales tax	-	-	841,123	-
State reimbursements	-	-	20,580	-
TVA tax	-	-	112,191	-
County grants	-	-	49,127	-
Federal grants	-	-	21,230	-
	<u>2,631,300</u>	<u>2,631,300</u>	<u>1,109,252</u>	<u>(1,522,048)</u>
Charges for services				
Parks and recreation	-	-	190,261	-
Rent income	-	-	14,300	-
	<u>282,200</u>	<u>282,200</u>	<u>204,561</u>	<u>(77,639)</u>
Fines and forfeitures	<u>65,000</u>	<u>65,000</u>	<u>49,527</u>	<u>(15,473)</u>
Licenses and permits	<u>63,000</u>	<u>63,000</u>	<u>79,205</u>	<u>16,205</u>
Other				
Gas franchise fee	-	-	89,848	-
Interest income	-	-	12,703	-
Miscellaneous	-	-	12,850	-
	<u>40,500</u>	<u>40,500</u>	<u>115,401</u>	<u>74,901</u>
TOTAL REVENUES	<u>7,019,400</u>	<u>7,019,400</u>	<u>5,730,957</u>	<u>(1,288,443)</u>
EXPENDITURES				
General government				
Legislative board				
Personal services	-	-	36,560	-
Contractual services	-	-	4,317	-
	<u>46,750</u>	<u>46,750</u>	<u>40,877</u>	<u>(5,873)</u>
Judicial				
Personal services	-	-	4,200	-
Contractual services	-	-	8,728	-
	<u>16,200</u>	<u>16,200</u>	<u>12,928</u>	<u>(3,272)</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, 2019

	<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	\$ -	\$ -	\$ 147,754	\$ -
Contractual services	-	-	146,553	-
Supplies	-	-	60,560	-
Fixed charges	-	-	14,970	-
	<u>385,620</u>	<u>418,375</u>	<u>369,837</u>	<u>(48,538)</u>
Planning and inspection				
Personal services	-	-	105,396	-
Contractual services	-	-	51,589	-
Supplies	-	-	17,258	-
Fixed charges	-	-	4,188	-
	<u>135,850</u>	<u>191,762</u>	<u>178,431</u>	<u>(13,331)</u>
Total general government	<u>584,420</u>	<u>673,087</u>	<u>602,073</u>	<u>(71,014)</u>
Public safety				
Police				
Personal services	-	-	1,291,602	-
Contractual services	-	-	149,830	-
Supplies	-	-	93,156	-
Fixed charges	-	-	73,616	-
Capital outlay	-	-	28,817	-
	<u>1,647,630</u>	<u>1,775,002</u>	<u>1,637,021</u>	<u>(137,981)</u>
Fire				
Personal services	-	-	1,111,536	-
Contractual services	-	-	106,992	-
Supplies	-	-	100,338	-
Fixed charges	-	-	42,689	-
Capital outlay	-	-	5,609	-
	<u>1,395,477</u>	<u>1,395,477</u>	<u>1,367,164</u>	<u>(28,313)</u>
Total public safety	<u>3,043,107</u>	<u>3,170,479</u>	<u>3,004,185</u>	<u>(166,294)</u>
Highways and streets				
Streets				
Personal services	-	-	251,583	-
Contractual services	-	-	405,542	-
Supplies	-	-	94,036	-
Fixed charges	-	-	16,046	-
Capital outlay	-	-	765,061	-
Total public works	<u>2,244,009</u>	<u>2,244,009</u>	<u>1,532,268</u>	<u>(711,741)</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, 2019

	<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	\$ -	\$ -	\$ 254,544	\$ -
Contractual services	-	-	86,821	-
Supplies	-	-	240,388	-
Fixed charges	-	-	12,644	-
Capital outlay	-	-	30,175	-
Total health, welfare, recreation and education	<u>1,287,958</u>	<u>1,287,958</u>	<u>624,572</u>	<u>(663,386)</u>
Grants and contributions				
Donations	-	-	13,450	-
Total grants and contributions	<u>20,000</u>	<u>20,000</u>	<u>13,450</u>	<u>(6,550)</u>
Debt service				
Principal	-	-	264,409	-
Interest	-	-	136,416	-
Total debt service	<u>339,750</u>	<u>339,750</u>	<u>400,825</u>	<u>61,075</u>
TOTAL EXPENDITURES	<u>7,519,244</u>	<u>7,735,283</u>	<u>6,177,373</u>	<u>(1,557,910)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(499,844)	(715,883)	(446,416)	269,467
OTHER FINANCING SOURCES				
Transfers in	<u>200,000</u>	<u>200,000</u>	<u>250,000</u>	<u>50,000</u>
NET CHANGE IN FUND BALANCE	(299,844)	(515,883)	(196,416)	319,467
FUND BALANCE				
Balance at July 1, 2018	<u>2,885,188</u>	<u>2,885,188</u>	<u>2,885,188</u>	-
Balance at June 30, 2019	<u>\$ 2,585,344</u>	<u>\$ 2,369,305</u>	<u>\$ 2,688,772</u>	<u>\$ 319,467</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, 2019**

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, 2019**

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, 2019**

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, 2019**

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, 2019**

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, 2019, expenditures and transfers out exceeded appropriations and transfers in the Solid Waste Fund by approximately \$121,000. The excess expenditures and transfers out of the Solid Waste Fund were covered by available fund balances.

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2019

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, intergovernmental revenues due from other government entities, and insurance claims made but not received as of year-end. 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, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

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

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

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

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

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

**TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

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

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

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

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

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

**TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2019**

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, 2019, 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, 2019

NOTE 3 - RECEIVABLES

Receivables as of June 30, 2019, including the applicable allowances for the uncollectible accounts, are as follows:

	<u>GENERAL FUND</u>	<u>SOLID WASTE FUND</u>	<u>STATE STREET AID FUND</u>	<u>WATER AND SEWER FUND</u>	<u>TOTAL</u>
Receivables					
Property taxes	\$ 2,288,601	\$ -	\$ -	\$ -	\$ 2,288,601
Accounts	-	48,793	-	212,193	260,986
Grants	9,181	-	-	-	9,181
Receivable from other governments	491,601	-	57,512	-	549,113
Other	-	-	-	180,828	180,828
Gross receivables	<u>2,789,383</u>	<u>48,793</u>	<u>57,512</u>	<u>393,021</u>	<u>3,288,709</u>
Less: Allowance for doubtful accounts	<u>(54,121)</u>	<u>-</u>	<u>-</u>	<u>(653)</u>	<u>(54,774)</u>
Net receivables	<u>\$ 2,735,262</u>	<u>\$ 48,793</u>	<u>\$ 57,512</u>	<u>\$ 392,368</u>	<u>\$ 3,233,935</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>BALANCE JULY 1, 2018</u>	<u>ADDITIONS</u>	<u>TRANSFERS/ RETIREMENTS</u>	<u>BALANCE JUNE 30, 2019</u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 1,248,246	\$ -	\$ -	\$ 1,248,246
Construction in progress	<u>604,741</u>	<u>52,504</u>	<u>(431,534)</u>	<u>225,711</u>
Total	<u>1,852,987</u>	<u>52,504</u>	<u>(431,534)</u>	<u>1,473,957</u>
Other capital assets				
Buildings and improvements	6,908,551	6,400	-	6,914,951
Equipment	1,210,793	13,109	-	1,223,902
Vehicles	1,597,858	65,495	-	1,663,353
Infrastructure	<u>7,832,463</u>	<u>1,160,365</u>	<u>-</u>	<u>8,992,828</u>
Total other capital assets at historical cost	<u>17,549,665</u>	<u>1,245,369</u>	<u>-</u>	<u>18,795,034</u>
Less accumulated depreciation				
Buildings and improvements	(495,924)	(175,609)	-	(671,533)
Equipment	(651,515)	(106,318)	-	(757,833)
Vehicles	(1,079,080)	(125,389)	-	(1,204,469)
Infrastructure	<u>(1,009,743)</u>	<u>(236,713)</u>	<u>-</u>	<u>(1,246,456)</u>
Total accumulated depreciation	<u>(3,236,262)</u>	<u>(644,029)</u>	<u>-</u>	<u>(3,880,291)</u>
Other capital assets, net	<u>14,313,403</u>	<u>601,340</u>	<u>-</u>	<u>14,914,743</u>

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2019

NOTE 4 - CAPITAL ASSETS - CONTINUED

	<u>BALANCE JULY 1, 2018</u>	<u>ADDITIONS</u>	<u>TRANSFERS/ RETIREMENTS</u>	<u>BALANCE JUNE 30, 2019</u>
GOVERNMENTAL ACTIVITIES - CONTINUED				
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 16,166,390</u>	<u>\$ 653,844</u>	<u>\$ (431,534)</u>	<u>\$ 16,388,700</u>
DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL ACTIVITIES FUNCTIONS AS FOLLOWS				
General government		\$ 80,972		
Public safety		260,463		
Public works		196,946		
Health, welfare, recreation and education		<u>105,648</u>		
TOTAL GOVERNMENTAL ACTIVITIES DEPRECIATION EXPENSE		<u>\$ 644,029</u>		
	<u>BALANCE JULY 1, 2018</u>	<u>ADDITIONS</u>	<u>TRANSFERS/ RETIREMENTS</u>	<u>BALANCE JUNE 30, 2019</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 35,000	\$ -	\$ -	\$ 35,000
Construction in progress	<u>27,500</u>	<u>-</u>	<u>(27,500)</u>	<u>-</u>
Total	<u>62,500</u>	<u>-</u>	<u>(27,500)</u>	<u>35,000</u>
Other capital assets				
Buildings	348,847	-	-	348,847
Vehicles and equipment	619,304	-	-	619,304
Water distribution system	3,700,922	823,818	(471,460)	4,053,280
Sewer plant in operation	1,269,079	201,235	-	1,470,314
Sewer lines	<u>7,101,000</u>	<u>14,020</u>	<u>-</u>	<u>7,115,020</u>
Total other capital assets at historical cost	<u>13,039,152</u>	<u>1,039,073</u>	<u>(471,460)</u>	<u>13,606,765</u>
Less accumulated depreciation				
Buildings	(59,599)	(8,869)	-	(68,468)
Vehicles and equipment	(430,159)	(49,946)	-	(480,105)
Water distribution system	(1,207,269)	(107,614)	92,865	(1,222,018)
Sewer plant in operation	(796,008)	(68,312)	-	(864,320)
Sewer lines	<u>(2,091,804)</u>	<u>(194,378)</u>	<u>-</u>	<u>(2,286,182)</u>
Total accumulated depreciation	<u>(4,584,839)</u>	<u>(429,119)</u>	<u>92,865</u>	<u>(4,921,093)</u>
Net depreciable assets	<u>8,454,313</u>	<u>609,954</u>	<u>(378,595)</u>	<u>8,685,672</u>

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2019

NOTE 4 - CAPITAL ASSETS - CONTINUED

	<u>BALANCE</u> <u>JULY 1, 2018</u>	<u>ADDITIONS</u>	<u>TRANSFERS/ RETIREMENTS</u>	<u>BALANCE</u> <u>JUNE 30, 2019</u>
BUSINESS-TYPE ACTIVITIES - CONTINUED				
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	\$ 8,516,813	\$ 609,954	\$ (406,095)	\$ 8,720,672
DEPRECIATION EXPENSE WAS CHARGED TO BUSINESS-TYPE ACTIVITIES FUNCTIONS AS FOLLOWS				
Water-sewer		\$ 429,119		

NOTE 5 - INTERFUND BALANCES

The composition of interfund balances as of June 30, 2019, is as follows:

<u>Due to/from other funds</u>	<u>Fund Due to</u>	<u>Amount</u>
Fund Due From	Fund due to	
Water-Sewer Fund (major)	General Fund (major)	\$ 2,130
Solid Waste Fund (nonmajor)	Water-Sewer Fund (major)	(1,691)
		<u>\$ 439</u>

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

NOTE 6 - LONG TERM DEBT

Governmental activities

Variable Rate Local Government Loan Program, Series 2015 - The original loan in the amount of \$5,500,000 was authorized on June 15, 2015 and is to be repaid in annual installments of principal ranging from \$246,000 to \$300,000 beginning May 25, 2017 and maturing on May 25, 2036. Interest is paid monthly at a variable rate (as determined by the Securities Industry and Finance Markets Association (SIFMA) rate) of 2.24% as of June 30, 2019. The balance of this loan at June 30, 2019 was \$4,747,000.

Pooled Financing Revenue Bonds, Series 2008 - The original bond was dated January 23, 2009 for \$1,000,000 and is to be paid in annual installments of principal ranging from \$17,000 to \$64,000 beginning May 25, 2010 and maturing on May 25, 2037. Interest is paid monthly at a variable rate (as determined by the Securities Industry and Financial Markets Association (SIFMA) rate) of 1.38% as of June 30, 2019. 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, 2019 was \$360,327 in the governmental activities and \$423,673 in the business-type activities, for a total of \$784,000.

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2019

NOTE 6 -LONG TERM DEBT - CONTINUED

Business activities

Water and Sewer Revenue and Tax Bonds, TN Municipal Bond Fund, Series 2004 - The original bond in the amount of \$941,698 was issued on August 17, 2006 and is to be paid in annual installments of principal ranging from \$698 to \$57,000 beginning May 25, 2007 and maturing on May 25, 2033. Interest is paid annually at a variable rate (as determined by the Securities Industry and Financial Markets Association (SIFMA) rate) of 1.39% as of June 30, 2019. The balance of the bond at June 30, 2019 was \$587,698.

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, 2019 was \$1,498,572, net of ARRA forgiveness of \$1,508,939.

Each bond and the state loan are 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. Each bond and the State loan contain a provision that in the event of default, outstanding amounts may be declared immediately due and payable.

Debt outstanding as of June 30, 2019 consisted of the following:

	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>ISSUED</u>	<u>DEBT OUTSTANDING</u>
GOVERNMENTAL ACTIVITIES				
Direct borrowings and direct placements				
Revenue Bonds				
Pooled Financing Revenue Bond Series 2008				
(46% of total issue)	1.38%	2037	\$ 460,000	\$ 360,327
Variable Rate Local Government Loan Series 2015 .	2.24%	2036	5,493,184	4,747,000
				<u>5,107,327</u>
BUSINESS-TYPE ACTIVITIES				
Direct borrowings and direct placements				
Revenue Bonds				
Water and Sewer Revenue and Tax Bonds				
Series 2004	1.39%	2033	941,698	587,698
Pooled Financing Revenue Bond Series 2008				
(54% of total issue)	1.38%	2037	540,000	423,673
State Revolving Fund Loan 2009	1.44%	2032	2,263,408	1,498,572
				<u>2,509,943</u>
				<u>\$ 7,617,270</u>

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2019

NOTE 6 -LONG TERM DEBT - CONTINUED

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

Year ending June 30,	DIRECT BORROWINGS AND DIRECT PLACEMENTS			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 267,880	\$ 111,310	\$ 159,540	\$ 34,871
2021	271,340	105,420	163,666	32,590
2022	275,260	99,457	167,355	30,250
2023	278,720	93,413	171,527	27,859
2024	282,640	87,297	175,263	25,408
2025-2029	1,470,160	341,975	944,053	88,200
2030-2034	1,577,460	176,933	629,406	23,631
2035-2037	<u>683,867</u>	<u>22,532</u>	<u>99,133</u>	<u>2,771</u>
	<u>\$ 5,107,327</u>	<u>\$ 1,038,337</u>	<u>\$ 2,509,943</u>	<u>\$ 265,580</u>

Long-term liability activity for the year ended June 30, 2019 was as follows:

	BALANCE JULY 1, 2018	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2019	DUE WITHIN ONE YEAR
Governmental activities					
Direct borrowings and direct placements					
Variable Loan Program Bond, Series 2015	\$ 4,999,000	\$ -	\$ (252,000)	\$ 4,747,000	\$ 255,000
Pooled Financing Revenue Bonds, TN Municipal Bond Fund, Series 2008 (46% of total issue)	<u>372,736</u>	<u>-</u>	<u>(12,409)</u>	<u>360,327</u>	<u>12,880</u>
	<u>\$ 5,371,736</u>	<u>\$ -</u>	<u>\$ (264,409)</u>	<u>\$ 5,107,327</u>	<u>\$ 267,880</u>
Business-type Activities					
Direct borrowings and direct placements					
Water and Sewer Revenue and Tax Bonds TN Municipal Bond Fund, Series 2004	\$ 621,698	\$ -	\$ (34,000)	\$ 587,698	\$ 35,000
Pooled Financing Revenue Bonds, TN Municipal Bond Fund, Series 2008 (54% of total issue)	<u>438,264</u>	<u>-</u>	<u>(14,591)</u>	<u>423,673</u>	<u>15,120</u>
State Revolving Fund Loan 2009	<u>1,606,430</u>	<u>-</u>	<u>(107,858)</u>	<u>1,498,572</u>	<u>109,420</u>
Totals	<u>\$ 2,666,392</u>	<u>\$ -</u>	<u>\$ (156,449)</u>	<u>\$ 2,509,943</u>	<u>\$ 159,540</u>

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2019

NOTE 7 - NET POSITION RESTRICTED FOR PENSION

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

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Net pension asset	\$ 309,096	\$ 53,049	\$ 362,145
Less deferred inflows - pension	<u>(154,871)</u>	<u>(26,580)</u>	<u>(181,451)</u>
Net position restricted for pension	<u>\$ 154,225</u>	<u>\$ 26,469</u>	<u>\$ 180,694</u>

NOTE 8 - RISK MANAGEMENT

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

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

NOTE 9 - COMMITMENTS AND CONTINGENCIES

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

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

**TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2019**

NOTE 9 - COMMITMENTS AND CONTINGENCIES - CONTINUED

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 \$115,967 by the City of Munford under this agreement for the year ended June 30, 2019. No party has the right to cancel or amend the agreement. The duration of the agreement is indefinite and continuing.

NOTE 10 - SUBSEQUENT EVENTS

During January 2020, a contract was awarded in the amount of approximately \$864,000 for parks and recreation improvements within Town limits. The project cost will be paid for 80% by grant funding and 20% by Town matching funds.

NOTE 11 - INTERFUND TRANSFERS

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

Fund	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:	\$ 250,000	\$ -
Solid Waste Fund	<u>-</u>	<u>250,000</u>
Total	<u>\$ 250,000</u>	<u>\$ 250,000</u>

NOTE 12 - OPT-OUT OF ACTIVE EMPLOYEE OR RETIREE BENEFITS

Included in other income is \$65,001 and \$10,581 in the governmental activities and Water-Sewer Fund, respectively, related to the current year effect of the Town electing to opt-out of offering pre-65 health coverage to active employees or retirees under The Local Government Insurance Plan.

NOTE 13 - 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

**TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2019**

NOTE 13 - PENSION PLAN - CONTINUED

General Information about the Pension Plan - Continued

PLAN DESCRIPTION - CONTINUED

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/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies.

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.

EMPLOYEES COVERED BY BENEFIT TERMS - At the measurement date of June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	11
Inactive employees entitled to but not yet receiving benefits	29
Active employees	<u>51</u>
	<u><u>91</u></u>

**TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2019**

NOTE 13 - PENSION PLAN - CONTINUED

General Information about the Pension Plan - Continued

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, 2019, the employer contributions for the Town were \$191,201 based on a rate of 7.25 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, 2018, 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, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included on the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

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

The actuarial assumptions used in the June 30, 2018 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2019

NOTE 13 - PENSION PLAN - CONTINUED

Net Pension Liability (Asset) - Continued

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

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

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

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

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2019

NOTE 13 - PENSION PLAN - CONTINUED

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 6/30/17	\$ 2,800,829	\$ 2,921,466	\$ (120,637)
CHANGES FOR THE YEAR			
Service cost	201,674	-	201,674
Interest	214,964	-	214,964
Differences between expected and actual experience	(108,602)	-	(108,602)
Changes in assumptions	-	-	-
Contributions - employer	-	181,579	(181,579)
Contributions - employees	-	121,053	(121,053)
Net investment income	-	251,746	(251,746)
Benefit payments, including refunds of employee contributions	(74,970)	(74,970)	-
Administrative expense	-	(4,834)	4,834
Other changes	-	-	-
NET CHANGES	<u>233,066</u>	<u>474,574</u>	<u>(241,508)</u>
BALANCE AT 6/30/18	<u>\$ 3,033,895</u>	<u>\$ 3,396,040</u>	<u>\$ (362,145)</u>

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

	1% DECREASE (6.25%)	CURRENT DISCOUNT RATE (7.25%)	1% INCREASE (8.25%)
Town's net pension liability (asset)	<u>\$ 139,918</u>	<u>\$ (362,145)</u>	<u>\$ (758,194)</u>

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

PENSION EXPENSE - For the year ended June 30, 2019, the Town recognized pension expense of \$78,093.

TOWN OF ATOKA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2019

NOTE 13 - PENSION PLAN - CONTINUED

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

DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES -

For the year ended June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>DEFERRED OUTFLOWS OF RESOURCES</u>	<u>DEFERRED INFLOWS OF RESOURCES</u>
Differences between expected and actual experience	\$ 219,092	\$ (158,443)
Net difference between projected and actual earnings on pension plan investments	-	(23,008)
Changes in assumptions	56,757	-
Contributions subsequent to the measurement date of June 30, 2018	<u>191,201</u>	<u>-</u>
Total	<u>\$ 467,050</u>	<u>\$ (181,451)</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2018,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

YEAR ENDED JUNE 30

2020	\$ 25,980
2021	8,627
2022	(12,828)
2023	6,431
2024	28,658
Thereafter	37,530

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
TOTAL PENSION LIABILITY					
Service cost	\$ 100,284	\$ 95,946	\$ 144,386	\$ 179,747	\$ 201,674
Interest	126,895	130,209	152,581	182,977	214,964
Changes in benefit terms	-	-	-	-	-
Differences between actual and expected experience	(142,691)	65,492	119,097	129,084	(108,602)
Change of assumptions	-	-	-	72,973	-
Benefit payments, including refunds of employee contributions	(32,805)	(39,114)	(44,491)	(47,793)	(74,970)
Net change in total pension liability	<u>51,683</u>	<u>252,533</u>	<u>371,573</u>	<u>516,988</u>	<u>233,066</u>
TOTAL PENSION LIABILITY, BEGINNING OF YEAR	<u>1,608,052</u>	<u>1,659,735</u>	<u>1,912,268</u>	<u>2,283,841</u>	<u>2,800,829</u>
TOTAL PENSION LIABILITY, END OF YEAR	<u><u>\$ 1,659,735</u></u>	<u><u>\$ 1,912,268</u></u>	<u><u>\$ 2,283,841</u></u>	<u><u>\$ 2,800,829</u></u>	<u><u>\$ 3,033,895</u></u>
PLAN FIDUCIARY NET POSITION					
Contributions from employer	\$ 94,109	\$ 113,949	\$ 164,611	\$ 181,363	\$ 181,579
Contributions from employees	64,459	76,992	111,224	120,908	121,053
Net investment income	259,631	60,518	58,741	284,674	251,746
Benefit payments, including refunds of employee contributions	(32,805)	(39,114)	(44,491)	(47,793)	(74,970)
Administrative expense	(1,160)	(1,966)	(3,845)	(4,288)	(4,834)
Other	-	-	1,156	-	-
Net change in plan fiduciary net position	<u>384,234</u>	<u>210,379</u>	<u>287,396</u>	<u>534,864</u>	<u>474,574</u>

Notes to Schedule:

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

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

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	<u>\$ 1,504,593</u>	<u>\$ 1,888,827</u>	<u>\$ 2,099,206</u>	<u>\$ 2,386,602</u>	<u>\$ 2,921,466</u>
PLAN FIDUCIARY NET POSITION, END OF YEAR	<u>\$ 1,888,827</u>	<u>\$ 2,099,206</u>	<u>\$ 2,386,602</u>	<u>\$ 2,921,466</u>	<u>\$ 3,396,040</u>
NET PENSION LIABILITY (ASSET)	<u>\$ (229,092)</u>	<u>\$ (186,938)</u>	<u>\$ (102,761)</u>	<u>\$ (120,637)</u>	<u>\$ (362,145)</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	113.80%	109.78%	104.50%	104.31%	111.94%
COVERED PAYROLL	<u>\$ 1,289,170</u>	<u>\$ 1,539,845</u>	<u>\$ 2,224,469</u>	<u>\$ 2,418,169</u>	<u>\$ 2,421,048</u>
NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED PAYROLL	(17.77)%	(12.14)%	(4.62)%	(4.99)%	(14.96)%

Notes to Schedule:

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

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

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially determined contribution	\$ 94,109	\$ 113,949	\$ 164,610	\$ 131,790	\$ 132,431	\$ 191,201
Contributions in relation to the actuarially determined contribution	<u>94,109</u>	<u>113,949</u>	<u>164,610</u>	<u>181,363</u>	<u>181,579</u>	<u>191,201</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (49,573)</u>	<u>\$ (49,148)</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,289,170	\$ 1,539,845	\$ 2,224,469	\$ 2,418,169	\$ 2,421,048	\$2,637,241
Contributions as a percentage covered employee payroll ..	7.30%	7.40%	7.40%	7.50%	7.50%	7.25%

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

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

NOTES TO SCHEDULE

Valuation date - Actuarially determined contribution rates for 2019 were calculated based on the June 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.50 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	7.25 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	2.25 percent

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

COMBINING FUND FINANCIAL STATEMENTS

**TOWN OF ATOKA, TENNESSEE
COMBINING BALANCE SHEET –
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

	<u>SOLID WASTE FUND</u>	<u>STATE STREET AID FUND</u>	<u>DRUG FUND</u>	<u>TOTAL NONMAJOR GOVERN- MENTAL FUNDS</u>
ASSETS				
Cash	\$ 89,451	\$ 35,844	\$ 92,742	\$ 218,037
Accounts receivable, net	48,793	-	-	48,793
Due from State of Tennessee ..	<u>-</u>	<u>57,512</u>	<u>-</u>	<u>57,512</u>
TOTAL ASSETS	<u>\$ 138,244</u>	<u>\$ 93,356</u>	<u>\$ 92,742</u>	<u>\$ 324,342</u>
LIABILITIES				
Accounts payable	\$ 35,002	\$ -	\$ 27,078	\$ 62,080
Due to other funds	<u>1,691</u>	<u>-</u>	<u>-</u>	<u>1,691</u>
TOTAL LIABILITIES	<u>36,693</u>	<u>-</u>	<u>27,078</u>	<u>63,771</u>
FUND BALANCE				
Restricted				
Solid waste expenditures	101,551	-	-	101,551
Street expenditures	-	93,356	-	93,356
Drug enforcement	<u>-</u>	<u>-</u>	<u>65,664</u>	<u>65,664</u>
TOTAL FUND BALANCES	<u>101,551</u>	<u>93,356</u>	<u>65,664</u>	<u>260,571</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 138,244</u>	<u>\$ 93,356</u>	<u>\$ 92,742</u>	<u>\$ 324,342</u>

TOWN OF ATOKA, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

	<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	\$ -	\$ 179,391	\$ -	\$ 179,391
\$.03 gasoline tax	-	53,027	-	53,027
1989 gasoline tax increase	-	28,618	-	28,618
2017 gasoline tax increase	-	71,680	-	71,680
Federal grants	-	-	2,995	2,995
Total intergovernmental revenues	-	332,716	2,995	335,711
Charges for services	573,831	-	-	573,831
Fines and forfeitures	-	-	10,765	10,765
Other revenues	1,196	-	9,111	10,307
TOTAL REVENUES	<u>575,027</u>	<u>332,716</u>	<u>22,871</u>	<u>930,614</u>
EXPENDITURES				
Public safety				
Supplies	-	-	7,904	7,904
Capital outlay	-	-	36,678	36,678
Total public safety	-	-	44,582	44,582
Solid waste				
Contractual services	408,618	-	-	408,618
Highways and streets				
Contractual services	-	299,861	-	299,861
TOTAL EXPENDITURES	<u>408,618</u>	<u>299,861</u>	<u>44,582</u>	<u>753,061</u>
EXCESS OF REVENUES				
OVER (UNDER) EXPENDITURES	166,409	32,855	(21,711)	177,553
OTHER FINANCING (USES)	<u>(250,000)</u>	-	-	<u>(250,000)</u>
NET CHANGE IN FUND				
BALANCE	(83,591)	32,855	(21,711)	(72,447)
FUND BALANCE				
Balance at July 1, 2018	<u>185,142</u>	<u>60,501</u>	<u>87,375</u>	<u>333,018</u>
Balance at June 30, 2019	<u>\$ 101,551</u>	<u>\$ 93,356</u>	<u>\$ 65,664</u>	<u>\$ 260,571</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, 2019**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
REVENUES				
Charges for services	\$ -	\$ -	\$ 573,831	\$ -
Other revenues	-	-	1,196	-
TOTAL REVENUES	<u>538,750</u>	<u>538,750</u>	<u>575,027</u>	<u>36,277</u>
EXPENDITURES				
Solid waste				
Contractual services	<u>288,000</u>	<u>288,000</u>	<u>408,618</u>	<u>120,618</u>
TOTAL EXPENDITURES	<u>288,000</u>	<u>288,000</u>	<u>408,618</u>	<u>120,618</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	250,750	250,750	166,409	(84,341)
OTHER FINANCING (USES)				
Transfer out	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	-
NET CHANGE IN FUND BALANCE	750	750	(83,591)	(84,341)
FUND BALANCE				
Balance at July 1, 2018	<u>185,142</u>	<u>185,142</u>	<u>185,142</u>	-
Balance at June 30, 2019	<u>\$ 185,892</u>	<u>\$ 185,892</u>	<u>\$ 101,551</u>	<u>\$ (84,341)</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, 2019

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
REVENUES				
Gasoline and motor fuel tax . . .	\$ -	\$ -	\$ 179,391	\$ -
\$.03 gasoline tax	-	-	53,027	-
1989 gasoline tax increase	-	-	28,618	-
2017 gasoline tax increase	-	-	71,680	-
TOTAL REVENUES	<u>330,000</u>	<u>330,000</u>	<u>332,716</u>	<u>2,716</u>
EXPENDITURES				
Highways and streets				
Streets	<u>330,000</u>	<u>387,872</u>	<u>299,861</u>	<u>(88,011)</u>
TOTAL EXPENDITURES	<u>330,000</u>	<u>387,872</u>	<u>299,861</u>	<u>(88,011)</u>
NET CHANGE IN FUND BALANCE	-	(57,872)	32,855	90,727
FUND BALANCE				
Balance at July 1, 2018	<u>60,501</u>	<u>60,501</u>	<u>60,501</u>	-
Balance at June 30, 2019	<u>\$ 60,501</u>	<u>\$ 2,629</u>	<u>\$ 93,356</u>	<u>\$ 90,727</u>

TOWN OF ATOKA, TENNESSEE
DRUG FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2019

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
REVENUES				
Intergovernmental revenues . . .	\$ -	\$ -	\$ 2,995	\$ -
Fines and forfeitures	-	-	10,765	-
Other revenues	-	-	9,111	-
TOTAL REVENUES	<u>18,500</u>	<u>18,500</u>	<u>22,871</u>	<u>4,371</u>
EXPENDITURES				
Public safety				
Police	-	63,900	44,582	(19,318)
TOTAL EXPENDITURES	<u>-</u>	<u>63,900</u>	<u>44,582</u>	<u>(19,318)</u>
NET CHANGE IN FUND				
BALANCE	18,500	(45,400)	(21,711)	23,689
FUND BALANCE				
Balance at July 1, 2018	<u>87,375</u>	<u>87,375</u>	<u>87,375</u>	<u>-</u>
Balance at June 30, 2019	<u>\$ 105,875</u>	<u>\$ 41,975</u>	<u>\$ 65,664</u>	<u>\$ 23,689</u>

**TOWN OF ATOKA, TENNESSEE
EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

<u>FEDERAL GRANT/PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS- THROUGH GRANTOR'S NUMBER</u>	<u>RECEIVABLE/ (UNAVAILABLE) BALANCE AT JULY 1, 2018</u>	<u>RECEIPTS</u>	<u>DISBURSE- MENTS</u>	<u>RECEIVABLE/ (UNAVAILABLE) BALANCE AT JUNE 30, 2019</u>
<u>CASH FEDERAL AWARDS</u>						
U.S. Department of Homeland Security - Federal Emergency Management Agency Staffing for Adequate Fire and Emergency Response (SAFER) Grant	97.083	EMW-2016-FF-00309	\$ 5,004	\$ (17,053)	\$ 21,230	\$ 9,181
U.S. Department of Transportation Passed through State of Tennessee - Tennessee Department of Transportation Highway Planning and Construction Grant	20.205	118554.00	20,000	(20,000)	-	-
Passed through State of Tennessee - Tennessee Department of Transportation Highway Planning and Construction Grant	20.205	115566.00	5,558	(5,558)	-	-
Passed through State of Tennessee - Tennessee Department of Safety and Homeland Security Alcohol Open container Requirements	20.607	Z18THS015	-	(2,995)	2,995	-
			25,558	(28,553)	2,995	-
TOTAL CASH FEDERAL AWARDS			<u>\$ 30,562</u>	<u>\$ (45,606)</u>	<u>\$ 24,225</u>	<u>\$ 9,181</u>

Note: Significant Accounting Policies

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

TOWN OF ATOKA, TENNESSEE
DEBT SERVICE REQUIREMENTS TO MATURITY
JUNE 30, 2019

ENDED	GOVERNMENTAL ACTIVITIES						
	VARIABLE RATE LOCAL		POOLED				
	GOVERNMENTAL LOAN		FINANCING REVENUE		TOTAL	TOTAL	TOTAL
	PROGRAM SERIES 2015		BOND SERIES 2008 (46%)				
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	COMBINED
2020	\$ 255,000	\$ 106,333	\$ 12,880	\$ 4,977	\$ 267,880	\$ 111,310	\$ 379,190
2021	258,000	100,621	13,340	4,799	271,340	105,420	376,760
2022	261,000	94,842	14,260	4,615	275,260	99,457	374,717
2023	264,000	88,995	14,720	4,418	278,720	93,413	372,133
2024	267,000	83,082	15,640	4,215	282,640	87,297	369,937
2025	270,000	77,101	16,560	3,999	286,560	81,100	367,660
2026	273,000	71,053	17,020	3,771	290,020	74,824	364,844
2027	276,000	64,938	17,940	3,536	293,940	68,474	362,414
2028	279,000	58,755	18,860	3,288	297,860	62,043	359,903
2029	282,000	52,506	19,780	3,028	301,780	55,534	357,314
2030	286,000	46,189	20,700	2,755	306,700	48,944	355,644
2031	289,000	39,782	22,080	2,469	311,080	42,251	353,331
2032	292,000	33,309	23,000	2,165	315,000	35,474	350,474
2033	296,000	26,768	24,380	1,847	320,380	28,615	348,995
2034	299,000	20,138	25,300	1,511	324,300	21,649	345,949
2035	300,000	13,440	26,680	1,162	326,680	14,602	341,282
2036	300,000	6,730	28,060	794	328,060	7,524	335,584
2037	-	-	29,127	406	29,127	406	29,533
	<u>\$4,747,000</u>	<u>\$ 984,582</u>	<u>\$ 360,327</u>	<u>\$ 53,755</u>	<u>\$5,107,327</u>	<u>\$1,038,337</u>	<u>\$ 6,145,664</u>

TOWN OF ATOKA, TENNESSEE
DEBT SERVICE REQUIREMENTS TO MATURITY - CONTINUED
JUNE 30, 2019

ENDED	BUSINESS-TYPE ACTIVITIES					
	WATER AND SEWER		POOLED		STATE REVOLVING	
	REVENUE AND TAX		FINANCING REVENUE		FUND LOAN 2009	
	BOND SERIES 2004		BOND SERIES 2008 (54%)			
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2020	\$ 35,000	\$ 8,169	\$ 15,120	\$ 5,842	\$ 109,420	\$ 20,860
2021	37,000	7,683	15,660	5,634	111,006	19,273
2022	38,000	7,168	16,740	5,418	112,615	17,664
2023	40,000	6,640	17,280	5,187	114,247	16,032
2024	41,000	6,084	18,360	4,948	115,903	14,376
2025	43,000	5,514	19,440	4,695	117,583	12,696
2026	45,000	4,916	19,980	4,426	119,288	10,991
2027	47,000	4,291	21,060	4,151	121,018	9,262
2028	48,000	3,638	22,140	3,860	122,772	7,507
2029	50,000	2,970	23,220	3,555	124,552	5,728
2030	52,000	2,275	24,300	3,234	126,356	3,923
2031	54,000	1,552	25,920	2,899	128,189	2,090
2032	57,000	802	27,000	2,541	75,623	363
2033	698	10	28,620	2,169	-	-
2034	-	-	29,700	1,773	-	-
2035	-	-	31,320	1,364	-	-
2036	-	-	32,940	932	-	-
2037	-	-	34,873	475	-	-
	<u>\$ 587,698</u>	<u>\$ 61,712</u>	<u>\$ 423,673</u>	<u>\$ 63,103</u>	<u>\$1,498,572</u>	<u>\$ 140,765</u>

TOWN OF ATOKA, TENNESSEE
DEBT SERVICE REQUIREMENTS TO MATURITY - CONTINUED
JUNE 30, 2019

ENDED	BUSINESS-TYPE ACTIVITIES			COMBINED TOTAL
	TOTAL PRINCIPAL	TOTAL INTEREST	TOTAL COMBINED	
2020	\$ 159,540	\$ 34,871	\$ 194,411	\$ 573,601
2021	163,666	32,590	196,256	573,016
2022	167,355	30,250	197,605	572,322
2023	171,527	27,859	199,386	571,519
2024	175,263	25,408	200,671	570,608
2025	180,023	22,905	202,928	570,588
2026	184,268	20,333	204,601	569,445
2027	189,078	17,704	206,782	569,196
2028	192,912	15,005	207,917	567,820
2029	197,772	12,253	210,025	567,339
2030	202,656	9,432	212,088	567,732
2031	208,109	6,541	214,650	567,981
2032	159,623	3,706	163,329	513,803
2033	29,318	2,179	31,497	380,492
2034	29,700	1,773	31,473	377,422
2035	31,320	1,364	32,684	373,966
2036	32,940	932	33,872	369,456
2037	34,873	475	35,348	64,881
	<u>\$2,509,943</u>	<u>\$ 265,580</u>	<u>\$2,775,523</u>	<u>\$ 8,921,187</u>

TOWN OF ATOKA, TENNESSEE
CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
YEAR ENDED JUNE 30, 2019

	<u>AMOUNT ISSUED</u>	<u>INTEREST RATE</u>	<u>ISSUE DATE</u>	<u>MATURITY DATE</u>	<u>BALANCE AT JULY 1, 2018</u>	<u>ISSUED</u>	<u>PAID</u>	<u>REFUNDED</u>	<u>BALANCE AT JUNE 30, 2019</u>
Revenue Bonds									
Pooled Financing Revenue									
Bond Series 2008	\$ 1,000,000	1.380%	1/23/09	5/25/37	\$ 811,000	\$ -	\$ (27,000)	\$ -	\$ 784,000
Water and Sewer Revenue and									
Tax Bond Series 2008	941,698	1.390%	8/17/06	5/25/33	621,698	-	(34,000)	-	587,698
Variable Rate Local Government									
Loan Series 2015	5,493,184	2.240%	6/15/15	5/25/36	4,999,000	-	(252,000)	-	4,747,000
State Revolving Fund Loan - 2009	2,263,408	1.440%	2/11/10	2/11/32	<u>1,606,430</u>	<u>-</u>	<u>(107,858)</u>	<u>-</u>	<u>1,498,572</u>
TOTALS					<u><u>\$8,038,128</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (420,858)</u></u>	<u><u>\$ -</u></u>	<u><u>\$7,617,270</u></u>

**TOWN OF ATOKA, TENNESSEE
PROPERTY TAXES
YEAR ENDED JUNE 30, 2019**

<u>YEAR OF LEVY</u>	<u>BALANCE JULY1, 2018</u>	<u>ASSESSMENT</u>	<u>ADJUSTMENTS/ ABATEMENTS</u>	<u>COLLECTIONS</u>	<u>BALANCE JUNE 30, 2019</u>
2019	\$ -	\$ 2,231,870	\$ -	\$ -	\$ 2,231,870
2018	2,168,027	-	-	(2,136,906)	31,121
2017	30,512	-	-	(19,326)	11,186
2016	16,862	-	(1,499)	(8,943)	6,420
2015	6,566	-	(1,540)	(3,239)	1,787
2014	1,564	-	-	(523)	1,041
2013	908	-	-	(27)	881
2012	738	-	-	(28)	710
2011	999	-	-	(175)	824
2010	2,120	-	-	(127)	1,993
2009	894	-	-	(126)	768
2008	<u>1,209</u>	<u>-</u>	<u>(1,209)</u>	<u>-</u>	<u>-</u>
	\$ 2,230,399	<u>\$ 2,231,870</u>	<u>\$ (4,248)</u>	<u>\$ (2,169,420)</u>	\$ 2,288,601
Allowance for uncollectible property taxes					
	<u>(61,206)</u>				<u>(54,120)</u>
Net receivables					
	<u>\$ 2,169,193</u>				<u>\$ 2,234,481</u>

<u>YEAR OF LEVY</u>	<u>ASSESSED VALUATION</u>	<u>TAX RATE PER \$100</u>	<u>ASSESSMENTS</u>
2019	\$ 190,758,114	\$ 1.17	\$ 2,231,870
2018	185,301,443	1.17	2,168,027
2017	180,481,086	0.80	1,443,849
2016	177,737,975	0.80	1,421,904
2015	175,555,048	0.80	1,404,440
2014	171,874,697	0.56	953,888
2013	173,483,362	0.56	962,832
2012	172,693,140	0.56	958,446
2011	167,159,060	0.56	927,732
2010	157,468,810	0.56	873,935

Delinquent Property Taxes

Uncollected taxes for years prior to 2009 have been charged off for financial reporting purposes. Such amounts are not significant. Uncollected taxes for tax years prior to 2016 have been turned over to Chancery Court for collection.

**TOWN OF ATOKA, TENNESSEE
UTILITY RATES AND NUMBER OF CUSTOMERS
JUNE 30, 2019**

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 3,161 water customers as of June 30, 2019.

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 2,606 sewer customers as of June 30, 2019.

TOWN OF ATOKA, TENNESSEE
NET POSITION OF WATER - SEWER FUND
JUNE 30, 2019

	<u>WATER</u>	<u>SEWER</u>	<u>COMBINED</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 417,155	\$ 1,793,238	\$ 2,210,393
Investments - certificates of deposit	239,416	239,415	478,831
Accounts receivable, net	115,547	95,993	211,540
Accounts receivable, other	-	180,828	180,828
Inventory	-	45,276	45,276
Due from other funds	845	845	1,690
TOTAL CURRENT ASSETS	<u>772,963</u>	<u>2,355,595</u>	<u>3,128,558</u>
RESTRICTED ASSETS			
Net pension asset	<u>26,525</u>	<u>26,524</u>	<u>53,049</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	309,652	309,652	619,304
Utility plant in service	4,053,280	8,585,334	12,638,614
Less accumulated depreciation	<u>(1,496,304)</u>	<u>(3,424,789)</u>	<u>(4,921,093)</u>
Total Capital Assets, Net of			
Accumulated Depreciation	<u>3,041,052</u>	<u>5,644,620</u>	<u>8,685,672</u>
TOTAL NONCURRENT ASSETS	<u>3,058,552</u>	<u>5,662,120</u>	<u>8,720,672</u>
TOTAL ASSETS	<u>3,858,040</u>	<u>8,044,239</u>	<u>11,902,279</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	<u>34,208</u>	<u>34,207</u>	<u>68,415</u>
TOTAL ASSETS AND DEFERRED			
OUTFLOWS OF RESOURCES	<u>\$ 3,892,248</u>	<u>\$ 8,078,446</u>	<u>\$ 11,970,694</u>

TOWN OF ATOKA, TENNESSEE
NET POSITION OF WATER - SEWER FUND - CONTINUED
JUNE 30, 2019

	<u>WATER</u>	<u>SEWER</u>	<u>COMBINED</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 313,082	\$ 59,314	\$ 372,396
Accrued expenses	23,205	23,205	46,410
Revenue bonds payable - current portion	25,060	134,480	159,540
Customer deposits	21,961	21,960	43,921
Due to other funds	<u>1,065</u>	<u>1,065</u>	<u>2,130</u>
TOTAL CURRENT LIABILITIES	<u>384,373</u>	<u>240,024</u>	<u>624,397</u>
NONCURRENT LIABILITIES			
Long term revenue bonds,			
less current portion	<u>431,176</u>	<u>1,919,227</u>	<u>2,350,403</u>
TOTAL LIABILITIES	<u>815,549</u>	<u>2,159,251</u>	<u>2,974,800</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	<u>13,290</u>	<u>13,290</u>	<u>26,580</u>
NET POSITION			
Net investment in capital assets	2,348,049	3,607,916	5,955,965
Restricted for pension	13,235	13,234	26,469
Unrestricted	<u>702,125</u>	<u>2,284,755</u>	<u>2,986,880</u>
TOTAL NET POSITION	<u>3,063,409</u>	<u>5,905,905</u>	<u>8,969,314</u>
TOTAL LIABILITIES, DEFERRED			
INFLOWS OF RESOURCES, AND			
NET POSITION	<u>\$ 3,892,248</u>	<u>\$ 8,078,446</u>	<u>\$ 11,970,694</u>

**TOWN OF ATOKA, TENNESSEE
REVENUES, EXPENSES, AND CHANGES
IN NET POSITION OF WATER - SEWER FUND
YEAR ENDED JUNE 30, 2019**

	<u>WATER</u>	<u>SEWER</u>	<u>COMBINED</u>
OPERATING REVENUES			
Metered sales and service	\$ 991,057	\$ 908,997	\$ 1,900,054
Connection fees	67,475	14,235	81,710
Tap fees	-	106,200	106,200
Penalties	21,236	21,235	42,471
Other operating income	1,398	1,398	2,796
TOTAL OPERATING REVENUES	<u>1,081,166</u>	<u>1,052,065</u>	<u>2,133,231</u>
OPERATING EXPENSES			
Salaries and wages	211,517	211,517	423,034
Fringes	59,709	59,709	119,418
Maintenance services and supplies	181,516	181,515	363,031
Water purchased	477,284	-	477,284
Sewer fees	-	207,101	207,101
Office supplies	36,028	36,028	72,056
Utilities	52,595	52,594	105,189
Insurance	18,074	18,074	36,148
Legal and professional services	26,012	26,011	52,023
Depreciation	137,022	292,097	429,119
Miscellaneous	59,804	59,803	119,607
Other	14,651	14,651	29,302
TOTAL OPERATING EXPENSES	<u>1,274,212</u>	<u>1,159,100</u>	<u>2,433,312</u>
OPERATING (LOSS)	<u>(193,046)</u>	<u>(107,035)</u>	<u>(300,081)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	14,023	14,022	28,045
Insurance proceeds	-	180,828	180,828
(Loss) on disposal of capital assets	(378,595)	-	(378,595)
Interest expense	(12,762)	(35,238)	(48,000)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(377,334)</u>	<u>159,612</u>	<u>(217,722)</u>
CHANGE IN NET POSITION	(570,380)	52,577	(517,803)
NET POSITION			
Balance at July 1, 2018	<u>3,633,789</u>	<u>5,853,328</u>	<u>9,487,117</u>
Balance at June 30, 2019	<u>\$ 3,063,409</u>	<u>\$ 5,905,905</u>	<u>\$ 8,969,314</u>

TOWN OF ATOKA, TENNESSEE
CASH FLOWS OF WATER - SEWER FUND
YEAR ENDED JUNE 30, 2019

	<u>WATER</u>	<u>SEWER</u>	<u>COMBINED</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,057,723	\$ 1,034,619	\$ 2,092,342
Cash payments to suppliers	(913,933)	(619,301)	(1,533,234)
Cash payments to employees for services	(208,159)	(208,159)	(416,318)
Cash payments for taxes	(15,356)	(15,355)	(30,711)
Net cash provided (used) by operating activities	<u>(79,725)</u>	<u>191,804</u>	<u>112,079</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Decrease in due from other funds	(697)	(696)	(1,393)
Net cash (used) by noncapital financing activities	<u>(697)</u>	<u>(696)</u>	<u>(1,393)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(570,051)	(215,253)	(785,304)
Payments on principal of long-term debt	(23,160)	(133,289)	(156,449)
Interest and fee payments on long-term debt	(12,762)	(35,238)	(48,000)
Net cash (used) by capital and related financing activities	<u>(605,973)</u>	<u>(383,780)</u>	<u>(989,753)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investment	(4,496)	(4,495)	(8,991)
Interest received	14,023	14,022	28,045
Net cash provided by investing activities	<u>9,527</u>	<u>9,527</u>	<u>19,054</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(676,868)	(183,145)	(860,013)
CASH AND CASH EQUIVALENTS - JULY 1, 2018	<u>1,094,023</u>	<u>1,976,383</u>	<u>3,070,406</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2019	<u>\$ 417,155</u>	<u>\$ 1,793,238</u>	<u>\$ 2,210,393</u>

TOWN OF ATOKA, TENNESSEE
CASH FLOWS OF WATER - SEWER FUND - CONTINUED
YEAR ENDED JUNE 30, 2019

	<u>WATER</u>	<u>SEWER</u>	<u>COMBINED</u>
RECONCILIATION OF OPERATING			
(LOSS) TO NET CASH PROVIDED			
BY OPERATING ACTIVITIES			
Operating (loss)	\$ (193,046)	\$ (107,035)	\$ (300,081)
Adjustments to reconcile operating			
(loss) to net cash provided (used) by			
operating activities			
Depreciation	137,022	292,097	429,119
Net change in pension related accounts	(9,275)	(9,272)	(18,547)
Net change in OPEB related accounts	(5,291)	(5,290)	(10,581)
(Increase) decrease in accounts receivable ...	(24,043)	(18,046)	(42,089)
(Increase) decrease in inventory	-	24,442	24,442
Increase (decrease) in accounts payable	10,950	10,950	21,900
Increase (decrease) in accrued expenses	3,358	3,358	6,716
Increase (decrease) in customer deposits	<u>600</u>	<u>600</u>	<u>1,200</u>
Total adjustments	<u>113,321</u>	<u>298,839</u>	<u>412,160</u>
Net cash provided (used)			
by operating activities	<u>\$ (79,725)</u>	<u>\$ 191,804</u>	<u>\$ 112,079</u>
NONCASH INVESTING, CAPITAL, AND			
FINANCING ACTIVITIES			
Liabilities incurred for acquisition			
of capital assets	<u>\$ 253,768</u>	<u>\$ -</u>	<u>\$ 253,768</u>
Loss on disposal of capital assets	<u>\$ (378,595)</u>	<u>\$ -</u>	<u>\$ (378,595)</u>

NONACCOUNTING INFORMATION



AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0

American Water Works Association.

- ? Click to access definition
+ Click to add a comment

Water Audit Report for: **Atoka Water System (0000033)**
Reporting Year: **2018** **7/2018 - 6/2019**

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

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

WATER SUPPLIED

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

WATER SUPPLIED: MG/Yr

Master Meter and Supply Error Adjustments

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

AUTHORIZED CONSUMPTION

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

AUTHORIZED CONSUMPTION: MG/Yr

Click here: ?
for help using option
buttons below
Pcnt: Value: MG/Yr

Use buttons to select
percentage of water
supplied
OR
value

WATER LOSSES (Water Supplied - Authorized Consumption)

MG/Yr

Apparent Losses

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

Apparent Losses: MG/Yr

Pcnt: Value: MG/Yr

MG/Yr
 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

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

WATER LOSSES: MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

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

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

Average length of customer service line: + ? ft (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: + ? psi

COST DATA

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

WATER AUDIT DATA VALIDITY SCORE:

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

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

PRIORITY AREAS FOR ATTENTION:

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

1: Water imported

2: Billed metered

3: Systematic data handling errors

AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0

American Water Works Association

Water Audit Report for: **Atoka Water System (0000033)**

Reporting Year: **2019** **7/2018 - 6/2019**

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

System Attributes:

Apparent Losses: **0.700** MG/Yr
+ Real Losses: **13.280** MG/Yr
= **Water Losses: 13.980** MG/Yr

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

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

Annual cost of Real Losses: **\$46,481**

Valued at **Customer Retail Unit Cost**

Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:

Non-revenue water as percent by volume of Water Supplied: **7.1%**

Non-revenue water as percent by cost of operating system: **10.1%**

Real Losses valued at Customer Retail Unit Cost

Operational Efficiency:

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

Real Losses per service connection per day: **10.89** gallons/connection/day

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

Real Losses per service connection per day per psi pressure: **0.14** gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): **13.28** million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: **0.56**

* 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, 2019, 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 February 20, 2020.

Internal Control Over Financial Reporting

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

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

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

deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses to be a material weakness (Item No. 2019-001).

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Atoka, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as Items No. 2019-002, 2019-003, and 2019-004.

Town of Atoka Tennessee's Responses to Findings

The Town of Atoka, Tennessee's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and 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.

Whitcomb Tankersley & Davis, PLLC

**TOWN OF ATOKA, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019**

Material Weakness

Item No. 2019-001: Material Adjustments

Condition: Adjustments have been prepared when necessary to correct material misstatements in the financial statements. During the current year, General Fund account balances were adjusted to reflect the correct amount of property tax receivable. This adjustment decreased property tax revenue and receivable by approximately \$62,000.

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

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

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

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

Client response: We concur with this finding.

Compliance and Other Matters

Item No. 2019-002: Budget Overruns

Condition: Even though total expenditures were within budgeted amounts during the current year, the Town experienced one departmental cost overrun in the General Fund of approximately \$61,000. Total expenditures and transfers out exceeded the budgeted amount of the Solid Waste Fund by approximately \$121,000.

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

Cause: The Town prepares budget amendments periodically in order to comply with State requirements, but the amended amounts remained insufficient in certain accounts.

Effect: Certain expenditures exceeded budgeted amounts.

**TOWN OF ATOKA, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
YEAR ENDED JUNE 30, 2019**

Compliance and Other Matters - Continued

Item No. 2019-002: Budget Overruns - Continued

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

Client response: We concur with this finding.

Item No. 2019-003: Utility Losses

Condition: During the current year, the Town's Water-Sewer Fund reported an operating loss of approximately \$300,000. This is the second consecutive year the Town has reported an operating loss in the Water-Sewer Fund.

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

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

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

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

Client response: We concur with this finding.

Item No. 2019-004: Improper Bid Procedures

Condition: The Town employed improper bid procedures in the approval of a vendor related to an automated meter replacement project.

Criteria: All pertinent information should be included in bid specifications to ensure that all vendors have the opportunity to submit competitive bids on projects.

Cause: The Town did not include information in a bid specification on an automated meter project related to the prior purchase of automated meters from a vendor that was also bidding on the automated meter project. The Town included in its bid specification the gross number of automated meters required for the project rather than a decreased amount reflective of the automated meters already purchased.

**TOWN OF ATOKA, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
YEAR ENDED JUNE 30, 2019**

Compliance and Other Matters - Continued

Item No. 2019-004: Improper Bid Procedures - Continued

Effect: Other vendors that submitted bids on the automated meter project were unaware of the Town's prior purchase of automated meters from a vendor also submitting a bid on the automated meter project, creating an unfair advantage for the vendor that sold the automated meters to the Town.

Recommendation: We recommend that the Town implement procedures that ensure a detailed review of all aspects of bid specifications is performed and approved by the Town Administrator and members of those charged with governance before being publicly sent out for competitive bid.

Client response: We concur with this finding.

**TOWN OF ATOKA, TENNESSEE
SCHEDULE OF PRIOR YEAR'S FINDINGS
YEAR ENDING JUNE 30, 2019**

Financial Statement Findings

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2018-001	Material Adjustments (Original Finding 2010-003)	Repeated (2019-001)
2018-002	Budget Overruns (Original Finding 2013-001)	Repeated (2019-002)
	Portion of Finding - Drug Fund	Corrected
2018-003	Utility Losses (Original Finding 2018-001)	Repeated (2019-003)



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

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2019**

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

Corrective Action - Financial Statement Findings

Item 2019-001: Material Adjustments

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

Person responsible for implementing the corrective action: Same as above

Anticipated completion date of corrective action: June 30, 2020

Repeat finding: Yes

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

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

Item 2019-002: Budget Overruns

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

Person responsible for implementing the corrective action: Same as above

Anticipated completion date of corrective action: June 30, 2020

Repeat finding: Yes

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S CORRECTIVE ACTION PLAN - CONTINUED
YEAR ENDED JUNE 30, 2019**

Corrective Action - Financial Statement Findings Item 2019-002 - Continued

Reason why corrective action was not taken - PY: The Town prepares budget amendments periodically in order to comply with State requirements, but the amended amounts remained insufficient in certain accounts.

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

Item 2019-003: Utility Losses

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

Person responsible for implementing the corrective action: Same as above

Anticipated completion date of corrective action: June 30, 2020

Repeat finding: Yes

Reason why corrective action was not taken - PY: The Town's Water-Sewer Fund operated at a loss for all of fiscal year 2019, and steps to return the Water-Sewer Fund to profitability were not taken until fiscal year 2020.

Planned corrective action: We will continue working toward monitoring actual versus budget reports throughout the year in order to make timely decisions regarding revenues, expenses, and budgets. The Town is proactive in regards to utility losses. As such, we have contracted with MTAS to perform a rate study that, when implemented, should provide the Town with adequate operating revenues to return the Water-Sewer Fund to profitability.

Item 2019-004: Improper Bid Procedures

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

Person responsible for implementing the corrective action: Same as above

Anticipated completion date of corrective action: June 30, 2020

Repeat finding: No

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

**TOWN OF ATOKA, TENNESSEE
MANAGEMENT'S CORRECTIVE ACTION PLAN - CONTINUED
YEAR ENDED JUNE 30, 2019**

Corrective Action - Financial Statement Findings Item 2019-004 - Continued

Planned corrective action: The omission of previously purchased automated meters was a complete oversight by Town employees and officials involved in the automated meter project bid specification process and was inadvertent. The Town will implement new procedures that will ensure that all pertinent facts are included in the bid specification and that the bid specifications are reviewed and approved by Town officials, Town engineer, and/or Town attorney before being sent out publicly for bids. We will also confer with MTAS about updating our internal control policy regarding formulation of bid specifications.



Recorder