

AUDIT REPORT

CITY OF ATOKA, OKLAHOMA

DECEMBER 31, 2012



KERSHAW CPA & ASSOCIATES, PC

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CITY OF ATOKA, OKLAHOMA
DECEMBER 31, 2012

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CITY OF ATOKA, OKLAHOMA
DECEMBER 31, 2012

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CITY OF ATOKA, OKLAHOMA
LIST OF BOARD MEMBERS
DECEMBER 31, 2012

ELECTED OFFICIALS

<u>NAME</u>	<u>POSITION</u>
ROBERT FREDERICK	MAYOR
ELISABETH FRAZIER	COUNCIL MEMBER
JAMES THORNLEY	COUNCIL MEMBER
RONALD MCGUE	COUNCIL MEMBER

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Atoka, Oklahoma

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 City of Atoka, Oklahoma, as of and for the fiscal year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City'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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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, and in accordance with Oklahoma Statutes. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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 City'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.

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Basis for Qualified Opinion

As discussed in Note 1 to the financial statements, the City has not maintained accurate capital asset records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available for my review. The amount by which this departure would affect the assets, net assets, and expenditures/expenses of the Governmental & Business-Type Activities is not readily determinable.

Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, 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 City of Atoka, Oklahoma, as of December 31, 2012, and the respective changes in financial position thereof 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 Budgetary Comparison Information be presented to supplement the basic financial statements. Such information, although not 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 assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The City of Atoka, Oklahoma has implemented the general provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34. However the City has not presented the Management's Discussion and Analysis required by the Governmental Accounting Standards Board (GASB) that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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Supplementary and Other Information

The introductory section listed in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the City. Such additional information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements of the City of Atoka, Oklahoma.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 18, 2013, on our consideration of the City of Atoka, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in compliance with *Government Auditing Standards* in considering City of Atoka, Oklahoma's internal control over financial reporting and compliance.

Kershaw CPA & Associates, P.C.
Kershaw CPA & Associates, PC

June 18, 2013

CITY OF ATOKA, OKLAHOMA
STATEMENT OF NET ASSETS
DECEMBER 31, 2012

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 748,962	\$ 637,428	\$ 1,386,390
Investments	445,956	430,595	876,551
Accounts Receivable	48,567	137,440	186,008
Taxes Receivable	144,916	65,882	210,798
Due from Other Funds	(677)	-	(677)
Total Current Assets	<u>1,387,723</u>	<u>1,271,346</u>	<u>2,659,069</u>
<u>Other Assets:</u>			
Cash and cash equivalents - Restricted	2,924	478,549	481,474
Investments - Restricted	-	64,000	64,000
Total Other Assets	<u>2,924</u>	<u>542,549</u>	<u>545,474</u>
<u>Capital Assets:</u>			
Land and Construction in Progress	-	5,516,466	5,516,466
Capital Assets, net of Accum. Depreciation	-	11,580,155	11,580,155
Total Capital Assets	<u>-</u>	<u>17,096,621</u>	<u>17,096,621</u>
TOTAL ASSETS	<u><u>1,390,648</u></u>	<u><u>18,910,516</u></u>	<u><u>20,301,163</u></u>
<u>LIABILITIES</u>			
<u>Current Liabilities:</u>			
Accounts Payable	43,092	31,726	74,818
CLEET & Forensics Liability	4,218	-	4,218
Vacation Payable	67,280	10,048	77,328
Due to Other Funds	(17,474)	(57,223)	(74,697)
Posted Bonds	13,049	-	13,049
Cemetery Perpetual Care	625	-	625
Drug Enforcement Funds	276	-	276
Customer Deposits	515	134,877	135,392
Notes Payable - Current Portion	-	155,412	155,412
Total Current Liabilities	<u>111,582</u>	<u>274,840</u>	<u>386,421</u>
<u>Long-Term Liabilities:</u>			
Note Payable - Long-Term	-	9,707,018	9,707,018
Total Long-Term Liabilities	<u>-</u>	<u>9,707,018</u>	<u>9,707,018</u>
TOTAL LIABILITIES	<u><u>111,582</u></u>	<u><u>9,981,857</u></u>	<u><u>10,093,439</u></u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	-	7,234,192	7,389,603
Restricted for:			
Debt Service	-	542,549	542,549
Other Purposes	2,924	-	2,924
Unrestricted	<u>1,276,141</u>	<u>1,151,918</u>	<u>2,428,059</u>
TOTAL NET ASSETS	<u><u>\$ 1,279,066</u></u>	<u><u>\$ 8,928,658</u></u>	<u><u>\$ 10,207,725</u></u>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

CITY OF ATOKA, OKLAHOMA
STATEMENT OF ACTIVITIES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Current:					
General Government	\$ 1,261,881	\$ 79,445	\$ 285,199	\$ 702,273	\$ (194,964)
Police Department	831,320	363,624	792	-	(466,905)
Lake Patrol	200,751	-	202,168	-	1,417
Fire Department	89,686	-	11,721	-	(77,965)
Street Department	744,229	-	-	-	(744,229)
Airport	387,923	20,415	333,252	-	(34,255)
Culture & Recreation	169,826	13,658	-	-	(156,168)
Public Works	-	-	-	-	-
Debt Service	-	-	-	-	-
Capital Outlay	18,856	-	-	-	(18,856)
Total Governmental Activities	3,704,471	477,141	833,132	702,273	(1,691,925)
Business-type activities:					
Water	401,245	437,470	-	-	36,225
Sewer	218,910	513,731	-	827,372	1,122,193
Sanitation	341,150	348,303	-	-	7,153
Industrial Development	-	-	-	-	-
Culture & Recreation	194,351	80,579	-	-	(113,772)
Misc. Other Business-type	1,451,798	183,084	-	-	(1,268,714)
Total Business-type Activities	2,607,454	1,563,167	-	827,372	(216,915)
Total	\$ 6,311,924	\$ 2,040,308	\$ 833,132	\$ 1,529,645	\$ (1,908,839)
Changes in Net Assets:					
		Governmental Activities	Business-Type Activities	Total	
Net (expense)/revenue		\$ (1,691,925)	\$ (216,915)	\$ (1,908,839)	
General revenues:					
Sales Tax		1,457,684	726,877	2,184,561	
Use Tax		59,211	29,606	88,817	
Licenses & Permits		10,363	-	10,363	
Alcoholic Beverage Tax		71,852	-	71,852	
Vehicle License Tax		19,384	-	19,384	
Gasoline Taxes		5,784	-	5,784	
Tobacco Tax		30,098	-	30,098	
Other Taxes		100,215	-	100,215	
Utility Franchise Taxes		96,047	-	96,047	
Interest Income		4,064	3,832	7,897	
Miscellaneous Revenues		49,736	354,992	404,728	
Transfers - Internal Activity		(167,852)	167,852	-	
Total general revenues & transfers		1,736,588	1,283,160	3,019,747	
Changes in net assets		44,663	1,066,245	1,110,908	
Net assets - beginning		1,145,203	7,759,258	8,904,461	
Net assets - prior year adjustment		89,200	103,155	192,355	
Net assets - ending		\$ 1,279,066	\$ 8,928,658	\$ 10,207,723	

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

CITY OF ATOKA, OKLAHOMA
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2012

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 250,551	\$ 498,411	\$ -	\$ 748,962
Investments	420,956	25,000	-	445,956
Accounts Receivable	21,163	27,405	-	48,567
Taxes Receivable	79,033	65,882	-	144,916
Due from Other Funds	(677)	-	-	(677)
Restricted Cash and cash equivalents	2,924	-	-	2,924
TOTAL ASSETS	\$ 773,950	\$ 616,697	\$ -	\$ 1,390,648
LIABILITIES & FUND EQUITY				
LIABILITIES:				
Accounts Payable	\$ 44,009	\$ (917)	\$ -	\$ 43,092
CLEET & Forensics Liability	4,218	-	-	4,218
Vacation Payable	54,113	13,167	-	67,280
Due to Other Funds	(95,511)	78,038	-	(17,474)
Posted Bonds	13,049	-	-	13,049
Cemetery Perpetual Care	625	-	-	625
Drug Enforcement Funds	276	-	-	276
Permit & Inspection Fees	515	-	-	515
TOTAL LIABILITIES	21,294	90,288	-	111,582
FUND BALANCES:				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	526,409	-	526,409
Unassigned	752,657	-	-	752,657
TOTAL FUND BALANCES	752,657	526,409	-	1,279,066
TOTAL LIABILITIES AND FUND BALANCES	\$ 773,950	\$ 616,697	\$ -	\$ 1,390,648

Reconciliation to Statement of Net Assets:

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities of \$0, net of accumulated depreciation of \$0, are not financial resources and, therefore, are not reported in the funds. -

Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds. -

Net Assets of Governmental Activities \$ 1,279,066

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

CITY OF ATOKA, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Sales Tax	\$ 730,807	\$ 726,877	\$ -	1,457,684
Use Tax	29,606	29,606	-	59,211
Licenses & Permits	10,363	-	-	10,363
Alcoholic Beverage Tax	71,852	-	-	71,852
Vehicle License Tax	19,384	-	-	19,384
Gasoline Taxes	5,784	-	-	5,784
Tobacco Tax	30,098	-	-	30,098
Other Taxes	100,215	-	-	100,215
Grant Revenue	1,535,405	-	-	1,535,405
Charges for Services	113,518	-	-	113,518
Bond & Fine Receipts	363,624	-	-	363,624
Utility Franchise Taxes	96,047	-	-	96,047
Interest	4,064	-	-	4,064
Miscellaneous Revenues	43,255	6,481	-	49,736
TOTAL REVENUES	3,154,023	762,964	-	3,916,986
EXPENDITURES:				
Current:				
General Government	1,261,881	-	-	1,261,881
Police Department	831,320	-	-	831,320
Lake Patrol	200,751	-	-	200,751
Fire Department	89,686	-	-	89,686
Street Department	32,115	712,113	-	744,229
Airport	387,923	-	-	387,923
Culture & Recreation	169,826	-	-	169,826
Public Works	-	-	-	-
Debt Service	-	-	-	-
Capital Outlay	18,856	-	-	18,856
TOTAL EXPENDITURES	2,992,357	712,113	-	3,704,471
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	161,665	50,850	-	212,516
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	17,082	-	-	17,082
Operating Transfers Out	(170,854)	(14,080)	-	(184,934)
Capital Debt Proceeds	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(153,772)	(14,080)	-	(167,852)
NET CHANGES IN FUND BALANCES	7,893	36,770	-	44,663
FUND BALANCE - BEGINNING OF YEAR	651,147	494,056	-	1,145,203
FUND BALANCE - PRIOR YEAR ADJUSTMENT	93,616	(4,417)	-	89,200
FUND BALANCE - END OF YEAR	\$ 752,657	\$ 526,409	\$ -	1,279,066

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

CITY OF ATOKA, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

Reconciliation to Statement of Activities:

Net change in fund balances - total governmental funds	\$	44,663
 Amounts reported for governmental activities in the Statement of Activities are different because:		
 Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:		
Capital debt obligation principal payments		-
 Issuance of new capital debt obligations is recorded as capital debt proceeds in the governmental funds, but the proceeds create long-term liabilities in the Statement of Net Assets:		
Capital Debt Proceeds		-
 Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized		-
Depreciation expense		-
		-
Change in Net Assets of Governmental Activities	\$	44,663

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**CITY OF ATOKA, OKLAHOMA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2012**

	Enterprise Funds			Total
	Atoka Municipal Authority	Atoka Industrial Development Authority	Atoka Industrial Facilities Authority	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 146,025	\$ 472,826	\$ 18,577	\$ 637,428
Investments	5,898	424,698	-	430,595
Accounts Receivable	137,540	-	(100)	137,440
Taxes Receivable	32,941	32,941	-	65,882
Due from Other Funds	-	-	-	-
Total Current Assets	322,404	930,464	18,477	1,271,346
Noncurrent Assets:				
Restricted Cash	478,549	-	-	478,549
Restricted Investments	64,000	-	-	64,000
Land and Construction in Progress	4,999,466	517,000	-	5,516,466
Other capital assets, net of accumulated depreciation	7,648,694	1,825,120	2,106,341	11,580,155
Total Noncurrent Assets	13,190,709	2,342,120	2,106,341	17,639,170
TOTAL ASSETS	13,513,113	3,272,585	2,124,818	18,910,516
LIABILITIES & FUND EQUITY				
Current Liabilities:				
Accounts Payable	26,449	4,323	954	31,726
Vacation Payable	8,279	1,769	-	10,048
Due to Other Funds	(57,059)	-	(164)	(57,223)
Customer Deposits	134,877	-	-	134,877
Notes Payable - Current Portion	136,258	-	19,154	155,412
Total Current Liabilities	248,804	6,092	19,943	274,840
Noncurrent Liabilities:				
Notes Payable - Long-Term Portion	8,728,771	-	978,246	9,707,018
Total Noncurrent Liabilities	8,728,771	-	978,246	9,707,018
TOTAL LIABILITIES	8,977,576	6,092	998,189	9,981,857
NET ASSETS:				
Invested in capital assets, net of related debt	3,783,130	2,342,120	1,108,941	7,234,192
Restricted for debt service	542,549	-	-	542,549
Unrestricted	209,858	924,372	17,688	1,151,918
TOTAL NET ASSETS	\$ 4,535,537	\$ 3,266,492	\$ 1,126,629	\$ 8,928,658

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

CITY OF ATOKA, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

	Enterprise Funds			Total
	Atoka Municipal Authority	Atoka Industrial Development Authority	Atoka Industrial Facilities Authority	
<u>OPERATING REVENUES:</u>				
Water Service	\$ 437,470	\$ -	\$ -	\$ 437,470
Sewer Service	513,731	-	-	513,731
Refuse Collection	348,303	-	-	348,303
Penalties	15,375	-	-	15,375
Water and Sewer Tap Fees	8,212	-	-	8,212
Recovery of Bad Debts	1,144	-	-	1,144
Miscellaneous	28,283	104,599	61,031	193,913
Transfer Station	127,837	-	-	127,837
Grants	827,372	-	-	827,372
Sale of Recyclables	30,516	-	-	30,516
Intergovernmental	-	103,112	-	103,112
Other Charges for Services	-	-	80,579	80,579
Rents and Leases	-	57,967	-	57,967
Sales and Use Tax	378,241	378,241	-	756,483
TOTAL OPERATING REVENUES	2,716,485	643,919	141,610	3,502,014
<u>OPERATING EXPENSES:</u>				
Sewer Plant Maintenance	75,665	-	-	75,665
Sewer Collection	143,245	-	-	143,245
Water Maintenance	175,780	-	-	175,780
Water Production	225,465	-	-	225,465
Sanitation	341,150	-	-	341,150
Transfer Station Expenses	142,170	-	-	142,170
Public Works	104,065	-	-	104,065
Industrial Development	-	-	-	-
Culture & Recreation	-	-	194,351	194,351
Park Design & Development	-	42,105	-	42,105
Marketing	-	11,229	-	11,229
Administration	147,390	82,852	-	230,241
Capital Outlay	-	-	-	-
Depreciation	354,850	89,051	74,512	518,413
TOTAL OPERATING EXPENSES	1,709,779	225,237	268,863	2,203,879
NET OPERATING INCOME (LOSS)	1,006,706	418,682	(127,253)	1,298,135
NON-OPERATING REVENUES (EXPENSES)				
Interest Income	697	3,136	-	3,832
Interest Expense	(317,282)	-	(86,293)	(403,575)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(316,585)	3,136	(86,293)	(399,742)
NET INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFER	690,121	421,818	(213,546)	898,393
Capital Contributions	-	-	-	-
Transfers in	50,893	-	938,436	989,329
Transfers out	-	(821,477)	-	(821,477)
CHANGE IN NET ASSETS	741,014	(399,659)	724,890	1,066,245
TOTAL NET ASSETS - BEGINNING	3,724,187	3,633,333	401,739	7,759,258
TOTAL NET ASSETS - PRIOR YEAR ADJUSTMENTS	70,336	32,819	-	103,155
TOTAL NET ASSETS - ENDING	\$ 4,535,537	\$ 3,266,492	\$ 1,126,629	\$ 8,928,658

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**CITY OF ATOKA, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012**

	<u>Enterprise Funds</u>			<u>Total</u>
	<u>Atoka Municipal Authority</u>	<u>Atoka Industrial Development Authority</u>	<u>Atoka Industrial Facilities Authority</u>	
<u>Net Cash Flows from Operating Activities:</u>				
Cash Receipts from Customers	\$ 2,343,548	\$ 162,565	\$ 141,710	\$ 2,647,824
Other Cash Receipts	380,292	483,404	-	863,695
Payments to Suppliers & Employee for Goods & Services	(1,379,541)	(141,098)	(196,052)	(1,716,692)
Receipts of Customer Utility Deposits, Net of Refunds	12,254	-	-	12,254
Net Cash Provided (Used) by Operating Activities	1,356,552	504,871	(54,342)	1,807,081
<u>Net Cash Flows from Non-Capital Financing Activities:</u>				
Transfers to other funds	(11,053)	(821,474)	-	(832,527)
Transfers from other funds	47,870	(3)	938,271	986,138
Net Cash Provided (Used) by Non-Capital Financing Activities	36,817	(821,477)	938,271	153,612
<u>Net Cash Flows from Capital & Related Financing Activities:</u>				
Capital Contributions	-	-	-	-
Additions to Capital Assets	(3,591,305)	-	(26,473)	(3,617,778)
Gain on Sale of Capital Assets	-	-	-	-
Proceeds from sale of Capital Assets	-	-	-	-
Loan Proceeds received	2,667,729	-	-	2,667,729
Principal paid on Notes Payable	(173,840)	-	-	(173,840)
Principal paid on Lease Purchase Obligations	-	-	(795,528)	(795,528)
Interest paid	(317,282)	-	(86,293)	(403,575)
Net Cash Provided (Used) by Capital & Related Financing Activities:	(1,414,698)	-	(908,294)	(2,322,992)
<u>Net Cash Flows from Investing Activities:</u>				
(Increase) in Investments	0	(2,049)	-	(2,048)
Interest Income	697	3,136	-	3,832
Net Cash Provided (Used) by Investing Activities	697	1,087	-	1,784
Net Increase (Decrease) in Cash and Cash Equivalents	(20,632)	(315,519)	(24,365)	(360,515)
Cash & Cash Equivalents, Beginning of Year	645,207	788,345	42,941	1,476,493
Cash & Cash Equivalents, Prior Year Adjustment	-	-	-	-
Cash & Cash Equivalents, End of Year	\$ 624,574	\$ 472,826	\$ 18,577	\$ 1,115,977
<u>Reconciliation of operating income (loss) to net cash provided operating activities:</u>				
Operating Income (Loss)	\$ 1,006,706	\$ 418,682	\$ (127,253)	\$ 1,298,135
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	354,850	89,051	74,512	518,413
(Increase)Decrease in Accounts Receivable	5,305	-	100	5,404
(Increase)Decrease in Taxes Receivable	2,050	2,050	-	4,100
Increase(Decrease) in Accounts Payable	(24,613)	(4,912)	(1,701)	(31,226)
Increase(Decrease) in Due to Depositors	12,254	-	-	12,254
Net Cash Provided (Used) by Operating Activities	\$ 1,356,552	\$ 504,871	\$ (54,342)	\$ 1,807,081

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

CITY OF ATOKA, OKLAHOMA
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2012

	Trust and Agency Funds			Total
	Payroll Clearing	Cemetery Perpetual Care	Cemetery Care	
ASSETS				
Cash and cash equivalents	\$ 14,350	\$ 58,951	\$ 935	\$ 74,236
Investments	-	49,650	-	49,650
Accounts Receivable	-	-	-	-
Due from Other Funds	(36,673)	-	-	(36,673)
TOTAL ASSETS	(22,323)	108,602	935	87,213
LIABILITIES & FUND EQUITY				
Current Liabilities:				
Accounts Payable	(24,734)	-	-	(24,734)
Due to Other Funds	-	-	-	-
Total Current Liabilities	(24,734)	-	-	(24,734)
Noncurrent Liabilities:				
Notes Payable - Long-Term Portion	-	-	-	-
Total Noncurrent Liabilities	-	-	-	-
TOTAL LIABILITIES	(24,734)	-	-	(24,734)
NET ASSETS:				
Assigned	2,411	108,602	935	111,947
TOTAL NET ASSETS	\$ 2,411	\$ 108,602	\$ 935	\$ 111,947

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

CITY OF ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Atoka, Oklahoma (City) was incorporated under provisions of Oklahoma Law. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services. The following is a summary of the more significant policies:

A. Financial Reporting Entity:

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic-but not only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility includes, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

B. Basis of Presentation - Fund Accounting:

The accounts of the City of Atoka are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenses or expenditures. The following funds are used by the City:

Government Fund Types:

General Fund:

The General Fund is the general operating fund of the City. All financial resources, except those required to be accounted for in a separate fund, are accounted for in the General Fund.

Special Revenue Funds:

These funds are established to account for the proceeds of specific revenue sources other than special assessments, expendable trusts, or major capital projects that are legally restricted to expenditures for specified purposes.

CITY OF ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Capital Projects Fund:

These funds are established to account for major capital expenditures not financed by Enterprise Funds, Internal Service Funds, or Trust Funds.

Proprietary Fund Types:

This type of fund accounts for operations that are organized to be self-supporting through user charges. The funds included in this category are the Enterprise Funds.

Enterprise Funds - Atoka Municipal Authority, Atoka Industrial Development Authority and Atoka Industrial Facilities Authority:

The enterprise funds are used to account for operations that are operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

The Atoka Municipal Authority and the Industrial Development Authority are public trusts, the beneficiary of which is the City of Atoka, Oklahoma. The Atoka Municipal Authority and the Industrial Development Authority use the enterprise fund basis of accounting in the preparation of its financial statements. The authority prepared its financial statements prior to June 30, 1983 using the governmental fund basis of accounting which in general does not take into account fixed assets, long-term debt and certain other resources and obligations which may mature or be realized in more than one year. Accounts receivable are presented in the financial statements without allowance for doubtful accounts. Uncollectible accounts are charged directly to income based upon management's estimation of the probability of each account's collectibility.

The Atoka Industrial Facilities Authority was created October 10, 1996. Until the 2010 fiscal year, the Authority has had no activity for several years.

C. Basis of Accounting

Governmental Funds, Expendable Trust Funds and Agency Funds utilize the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both available and measurable. Licenses and permits, fines and forfeits, royalties, charges for services and miscellaneous revenues are recorded when earned (when they are measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt service, prepaid expenses, and other long-term obligations which are recognized when paid. The City of Atoka does not have any expendable trust funds or agency funds.

CITY OF ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

All Proprietary Funds, Nonexpendable Trust Funds, and Pension Trust Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Interest on revenue bonds, proceeds of which are used in financing the construction of certain assets, is capitalized during the construction period net of interest on the investment of unexpended bond proceeds.

The accounting policies of the City conform to Generally Accepted Accounting Principles (GAAP) as applicable to governmental units. The Proprietary fund applies Financial Account Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements in which case, GASB prevails.

D. Budgetary Data:

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General, Capital Improvement, and the Atoka Municipal Authority. All annual encumbrances and appropriations lapse at fiscal year end.

E. Cash and Investments:

Cash includes amounts in demand deposits. The City considers all cash on hand, demand deposits and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents. City policy has been to invest in obligations of the U.S. Treasury and Certificates of Deposit.

F. Short-term Interfund Receivables/Payables:

During the course of operations, transactions occur between individual funds for various reasons. The receivables and payables are classified as "Due From Other Funds" or "Due to Other Funds" on the balance sheet. Short-term loans are classified as "Interfund Receivables/Payables."

G. Inventories:

There are no inventories listed on the balance sheet. The amount of inventories is small and is recorded as an expenditure when purchased rather than when consumed.

CITY OF ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

H. Restricted and Reserved Areas:

Certain proceeds from grants, customer deposits, park funds, and bond sinking funds have been set aside for these purposes, and fund balances and resources have been restricted to assure availability for the intended purpose.

I. Capital Assets:

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements. The City has not historically maintained fixed asset records.

J. Compensated Absences:

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested accumulated vacation leave of proprietary funds is recorded as an expenditure of these funds as the benefits accrue to employees. In accordance with the provisions of Statement of Accounting Standards No. 43, Accounting for Compensated Absences no liability is recorded for nonvesting accumulating rights to received sick pay benefits.

K. Long-Term Obligations:

Long-term liabilities expected to be financed from Proprietary Fund operations are accounted for in that fund (Atoka Municipal Authority and the Industrial Development Authority).

L. Fund Equity:

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
2. Restricted net assets—Consists of net assets with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

CITY OF ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Town classifies governmental fund balances as follows:

- Non-spendable - Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned - Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board.
- Unassigned - Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Town uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Government does not have a formal minimum fund balance policy.

The purposes of each major special revenue fund and revenue source is listed below:

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Capital Improvement Fund	Sales Tax Use Tax Miscellaneous Income

M. Interfund Transactions:

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund as a reduction of expenditures/expenses in the fund that is reimbursed.

CITY OF ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. All interfund transfers are reported as operating transfers. The interfund transactions have not been reconciled, but are considered immaterial.

N. Total - Memorandum Only Columns:

Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to consolidation. Interfund eliminations have not been made in the aggregation of the data.

O. Comparative Data:

These prior year totals have been presented in the accompanying financial statements, in order to provide an understanding of changes in the government's financial position. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

NOTE 2 - LEGAL COMPLIANCE - BUDGETS

In November each year, all departments of the government submit requests for appropriations to the budget committee composed of the City Manager and the finance committee of the council. The budget is prepared by fund functions and activity and includes information from the past three (3) years, current year's estimates and requested appropriation for the next fiscal year. In December, the proposed budget is presented to the City Council for review. The City Council holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenue and reserves estimated as available and must be changes by an affirmative vote of a majority of the City Council.

Expenditures may not legally exceed budget appropriations at the activity level.

NOTE 3 - DEPOSITS AND INVESTMENTS

Custodial Credit Risk

At December 31, 2012, the City held deposits of approximately \$2,932,301 at financial institutions. The City's cash deposits, including interest-bearing certificates of deposit are covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the City or by its agent in the City's name.

CITY OF ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Investment Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The City has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

NOTE 4 - COMMITMENTS AND CONTINGENCIES

Grant Audit: The City receives Federal and State Grants for specific purposes that are subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by the grantor for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the City Manager, such disallowance, if any, will not be significant.

The City is subject to various other risks of loss, for which the City has purchased commercial insurance to cover the City's property and liability.

NOTE 5 - DEFICIT FROM OPERATIONS AND RETAINED EARNINGS

As a public trust, Atoka Municipal Authority is entitled to receive certain tax funding, Federal Grants and State Grants. Retained earnings from nonoperating sources is the total accumulated nonoperating revenue since the inception of the

CITY OF ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Authority. Management estimates that the Authority will continue to be supported in part at least by nonoperating revenues.

NOTE 6 - BAD DEBTS

Bad debts are recognized quarterly based upon management's estimation of uncollectible accounts as of December 31 of each year. Pertinent City ordinances require that collection efforts be instituted approximately 45 days after billings become past due.

NOTE 7 - CHANGES IN CAPITAL ASSETS

Proprietary Fund Capital Assets:

	12/31/2011		12/31/2012	
<u>Business-Type Activities:</u>	Balance	Additions	Retirements	Balance
Capital assets not being depreciated:				
Land	\$ 524,868	\$ -	\$ -	\$ 524,868
Construction in progress	1,477,239	3,514,358	-	4,991,597
Total capital assets not being depreciated	<u>2,002,107</u>	<u>3,514,358</u>	<u>-</u>	<u>5,516,466</u>
Other capital assets:				
Water Lines	312,030	-	-	312,030
Water Treatment Plant	7,464,467	-	-	7,464,467
Fluoride System	9,651	-	-	9,651
Elevated Water Tank	146,444	-	-	146,444
Sewer System	2,007,791	-	-	2,007,791
Vehicles and Equipment	804,495	85,945	-	890,440
Water Meters	3,785	-	-	3,785
Leasehold Improvements	14,692	-	-	14,692
Buildings	5,239,099	17,475	-	5,256,574
Total other capital assets	<u>16,002,453</u>	<u>103,420</u>	<u>-</u>	<u>16,105,874</u>
Less: Accum. Depreciation for:				
Water Lines	288,081	7,801	-	295,881
Water Treatment Plant	809,520	242,946	-	1,052,467
Fluoride System	9,651	-	-	9,651
Elevated Water Tank	99,737	3,661	-	103,398
Sewer System	1,045,481	60,695	-	1,106,176
Vehicles and Equipment	780,578	27,601	-	808,179
Water Meters	3,785	-	-	3,785
Leasehold Improvements	2,449	490	-	2,938
Buildings	968,024	175,219	-	1,143,243
Total Accumulated Depreciation	<u>4,007,305</u>	<u>518,413</u>	<u>-</u>	<u>4,525,718</u>
Other capital assets, net	<u>11,995,149</u>	<u>(414,993)</u>	<u>-</u>	<u>11,580,156</u>
Business-type activities capital assets, net	<u>\$ 13,997,256</u>	<u>\$ 3,099,365</u>	<u>\$ -</u>	<u>\$ 17,096,621</u>

The additions to accumulated depreciation include only the current year depreciation expense of \$518,413. The asset additions included the Sewer System Project, haul

CITY OF ATOKA, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2012

trailer with tarping system, 2006 Ford F350 4X4 DSL truck, Toro Mower, push mower, 2002 Kawasaki mule and field lighting for the Event Complex.

NOTE 8 - CHANGES IN LONG-TERM DEBT

GOVERNMENTAL FUND TYPES:

The City currently has no governmental fund type long-term debt.

The following is a summary of capital lease obligations for the year ended December 31, 2012:

	Balance 12/31/2011	Additions	Deductions	Balance 12/31/2012
Capital Lease Obligations	-	-	-	-
	\$ -	\$ -	\$ -	\$ -

A summary of future maturities of principal and interest are as follows:

Year Ending December 31,	Capital Lease Obligations		Total
	Principal	Interest	
2013	-	-	\$ -
2014	-	-	-
2015	-	-	-
2016	-	-	-
2017	-	-	-
2018-2022	-	-	-
Total	\$ -	\$ -	\$ -

PROPRIETARY FUND TYPES:

Note Payable - DOC

The Atoka Municipal Authority has a non-interest bearing promissory note due to the Oklahoma Department of Commerce. The proceeds of this loan were used to help finance the construction/renovation of a sewage collection and treatment facility. The promissory note bears interest at 0.0% per annum and requires 239 payments of \$520.83 per month with a final payment #240 of \$521.63, or until paid off.

Notes Payable - USDA Rural Development

On May 1, 2008, the Atoka Municipal Authority incurred two notes due to Rural Development. The first note is in the amount of \$3,638,000.00 with a fixed interest rate of 4.50% with 480 monthly payments of principal and interest of \$16,371.00 starting June 1, 2008 and due May 1, 2048. The second note is in the amount of \$2,348,000.00 with a fixed interest rate of 4.125% with 480 monthly payments of principal and interest of \$10,003.00 starting June 1, 2008 and due May 1, 2048. The notes are for the purpose of providing loan funds for a portion of the cost of a water line replacement/extension project.

CITY OF ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

On August 15, 2011, the Atoka Municipal Authority incurred two notes due to Rural Development. The first note is in the amount of \$2,381,000.00 with a fixed interest rate of 4.125% with 480 monthly payments of principal and interest of \$10,144.00 starting September 15, 2011 and due August 15, 2051. The second note is in the amount of \$1,178,000.00 with a fixed interest rate of 2.50% with 480 monthly payments of principal and interest of \$3,888.00 starting September 15, 2011 and due August 15, 2051. The notes are for the purpose of providing loan funds for a portion of the cost of a wastewater system improvement project.

Note Payable - AmeriState Bank

On June 21, 2010, the Atoka Industrial Facilities Authority incurred a promissory note due to AmeriState Bank. The proceeds of this loan are being used for construction of the Event Complex and will not exceed \$1,800,000.00. The promissory note bears interest at 5.0% per annum and requires 12 monthly consecutive interest payments, beginning July 21, 2010, and 107 monthly consecutive principal and interest payments of \$9,667.37 each, beginning July 21, 2011 and on principal and interest payment of \$1,515,723.89 on June 21, 2020. During the current year, the AIFA paid an additional principal only payment of \$771,000.00 and refinanced the loan with a new interest rate of 3.5% to be paid in equal monthly payments of \$4,479.79 with a final lump sum payment on August 21, 2021 of the remaining balance due for principal & interest.

The following is a summary of long-term debt additions and deductions for the twelve months ended December 31, 2012:

	Balance 12/31/2011	Additions	Deductions	Balance 12/31/2012
DOC Sewer Loan (AMA)	\$ 60,417	\$ -	\$ (6,250)	\$ 54,167
USDA RD #91-02 (AMA)	2,187,711	-	(30,366)	2,157,346
USDA RD #91-06 (AMA)	3,283,832	-	(49,702)	3,234,130
USDA RD #92-04 (AMA)	700,790	1,642,440	(51,398)	2,291,832
USDA RD #92-07 (AMA)	138,391	1,025,289	(36,125)	1,127,554
AmeriState Bank (AIFA)	1,792,928	-	(795,528)	997,400
	<u>\$ 8,164,069</u>	<u>\$ 2,667,729</u>	<u>\$ (969,368)</u>	<u>\$ 9,862,429</u>

A summary of future maturities of principal and interest are as follows:

DOC Sewer Loan (AMA)

Year Ending December 31,	Principal	Interest	Total
2013	\$ 6,250	\$ -	\$ 6,250
2014	6,250	-	6,250
2015	6,250	-	6,250
2016	6,250	-	6,250
2017	6,250	-	6,250
2018-2022	22,917	-	22,917
Total	<u>\$ 54,167</u>	<u>\$ -</u>	<u>\$ 54,167</u>

CITY OF ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

USDA Rural Development #91-02:

FYE Dec 31,	Principal	Interest	Total
2013	\$ 31,638.81	\$ 88,397.19	\$ 120,036.00
2014	32,968.89	87,067.11	120,036.00
2015	34,354.87	85,681.13	120,036.00
2016	35,799.08	84,236.92	120,036.00
2017	37,304.03	82,731.97	120,036.00
2018-2022	211,404.37	388,775.63	600,180.00
2023-2027	259,736.80	340,443.20	600,180.00
2028-2032	319,119.35	281,060.65	600,180.00
2033-2037	392,078.33	208,101.67	600,180.00
2038-2042	481,717.56	118,462.44	600,180.00
2043-2047	321,223.72	19,749.48	340,973.20
	<u>\$ 2,157,345.81</u>	<u>\$ 1,784,707.39</u>	<u>\$ 3,942,053.20</u>

USDA Rural Development #91-06:

FYE Dec 31,	Principal	Interest	Total
2013	\$ 51,979.01	\$ 144,472.99	\$ 196,452.00
2014	54,366.95	142,085.05	196,452.00
2015	56,864.54	139,587.46	196,452.00
2016	59,476.91	136,975.09	196,452.00
2017	62,209.25	134,242.75	196,452.00
2018-2022	356,632.42	624,127.58	980,760.00
2023-2027	446,431.00	534,329.00	980,760.00
2028-2032	558,840.44	421,919.56	980,760.00
2033-2037	699,554.08	281,205.92	980,760.00
2038-2042	875,698.94	105,061.06	980,760.00
2043-2047	12,076.50	56.31	12,132.81
	<u>\$ 3,234,130.04</u>	<u>\$ 2,664,062.77</u>	<u>\$ 5,898,192.81</u>

USDA Rural Development #92-04:

FYE Dec 31,	Principal	Interest	Total
2013	\$ 27,709.91	\$ 94,018.09	\$ 121,728.00
2014	28,874.82	92,853.18	121,728.00
2015	30,088.68	91,639.32	121,728.00
2016	31,353.57	90,374.43	121,728.00
2017	32,671.65	89,056.35	121,728.00
2018-2022	185,152.22	423,487.78	608,640.00
2023-2027	227,482.92	381,157.08	608,640.00
2028-2032	279,491.32	329,148.68	608,640.00
2033-2037	343,390.19	265,249.81	608,640.00
2038-2042	421,898.05	186,741.95	608,640.00
2043-2047	518,354.89	90,285.11	608,640.00
2048-2052	165,363.91	5,108.99	170,472.90
	<u>\$ 2,291,832.13</u>	<u>\$ 2,139,120.77</u>	<u>\$ 4,430,952.90</u>

CITY OF ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

USDA Rural Development #92-07:

FYE Dec 31,	Principal	Interest	Total
2013	\$ 18,680.24	\$ 27,975.76	\$ 46,656.00
2014	19,152.63	27,503.37	46,656.00
2015	19,636.96	27,019.04	46,656.00
2016	20,133.56	26,522.44	46,656.00
2017	20,642.70	26,013.30	46,656.00
2018-2022	111,312.85	121,967.15	233,280.00
2023-2027	126,117.57	107,162.43	233,280.00
2028-2032	142,891.37	90,388.63	233,280.00
2033-2037	161,896.10	71,383.90	233,280.00
2038-2042	183,428.45	49,851.55	233,280.00
2043-2047	207,824.66	25,455.34	233,280.00
2048-2052	95,837.18	2,651.77	98,488.95
	<u>\$ 1,127,554.27</u>	<u>\$ 603,894.68</u>	<u>\$ 1,731,448.95</u>

Ameristate Bank (AIFA):

FYE Dec 31,	Principal	Interest	Total
2013	\$ 19,153.80	\$ 34,603.68	\$ 53,757.48
2014	19,835.04	33,922.44	53,757.48
2015	20,540.51	33,216.97	53,757.48
2016	21,271.05	32,486.43	53,757.48
2017	22,027.63	31,729.85	53,757.48
2018-2022	894,572.03	109,424.87	1,003,996.90
	<u>\$ 997,400.06</u>	<u>\$ 275,384.24</u>	<u>\$ 1,272,784.30</u>

NOTE 9 - CHANGE IN FISCAL YEAREND

In accordance with new Oklahoma Statutes, the City and Authorities have elected to change from a fiscal yearend of June 30 to a calendar yearend. This change is reflected in the financial statements.

NOTE 10 - OIL AND GAS LEASE

The City entered into three oil and gas leases dated June 15, 2006 with Antero Resources Corporation. The royalties paid by Lessee are (a) an oil and other liquid hydrocarbons, three-sixteenth (3/16) of the produced and saved from said land, the same to be delivered at the wells, or to the credit of Lessor into the pipeline to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefore prevailing for the field where produced on the date of purchase; (b) on gas and the constituents thereof produced from said land and sold or used off the premises or in the manufacture of products there from, the value at the well of three-sixteenth (3/16) of the gas or product sold or used. On gas sold at the well, the royalty shall be three-sixteenth (3/16) of the net proceeds realized from such sale. All royalties paid on gas will be paid after deducting from such royalty lessor's proportionate amount of all post-production costs, including but not limited to gross production and severance taxes, gathering and transportation costs from the wellhead to the point of sale, treating, compression, and processing. On product sold, the royalty shall be three-sixteenth (3/16) of the net proceeds realized from such sale, after deducting from such royalty

CITY OF ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

lessor's proportionate amount of all of the above post-production costs and expenses, if any. Each lease shall remain in force for a term of three (3) years from date and so long thereafter as oil or gas, or either of them, is produced from said land by the lessee.

For the fiscal year ending December 31, 2012, payments received for the above referenced oil and gas leases are included in the General Fund's financial statements as Charges for Services.

NOTE 12 - GRANT INCOME

The City of Atoka was approved for a REAP grant from SODA (Southern Oklahoma Development Association) in the amount of \$50,000.00 for the Hwy 3 Sewer Extension. As of December 31, 2012, \$50,000.00 has been received and expended.

The City of Atoka was approved for a REAP grant from SODA (Southern Oklahoma Development Association) in the amount of \$50,000.00 for the Lift Station. As of December 31, 2012, \$42,257.04 has been received and expended.

The City of Atoka was approved for a Community Development Block Grant from ODOC (Oklahoma Department of Commerce) in the amount of \$1,000,000.00 for construction of publicly owned recycling. As of December 31, 2012, \$1,000,000.00 has been received and expended.

The City of Atoka was approved for a Stimulus Energy Efficiency Community Block Grant from ODOC (Oklahoma Department of Commerce) in the amount of \$59,600.00 for the energy efficiency improvements. As of December 31, 2012, \$59,600.00 has been received and expended all of which was during 2012.

The City of Atoka was approved for a Grant from USDA Rural Development for the Sewer Project in the amount of \$1,564,700.00. As of December 31, 2012, \$827,372.16 has been received and expended all of which was during 2012.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEM

The City does not have a defined benefit pension plan. However, the City has an arrangement with Ameristate Bank whereby if an individual employee, after 90 days of employment, opens an IRA at the bank and contributes a minimum of 3% of their paycheck, with no limit on the maximum, the City then contributes 5% only. The total contributions for the fiscal year ending December 31, 2012, for employer and employee were \$17,355.35 and \$10,413.21, respectively for a total of \$27,768.56 for Governmental Funds, \$10,707.25 and \$6,424.35, respectively for a total of \$17,131.60 for the AMA and \$1,500.00 and \$900.00, respectively for a total of \$2,400.00 for the AIFA. Information regarding this arrangement can be obtained from the City.

CITY OF ATOKA, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2012

NOTE 14 - FUND EQUITY

As described in Note 1 above, equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt
2. Restricted net assets
3. Unrestricted net assets

Fund Balances

City of Atoka, Oklahoma
 Disclosure of Fund Balances Reported on Balance Sheet
 For Fiscal Year Ending December 31, 2012

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
FUND BALANCES:				
Assigned to:				
Capital Improvements	\$ -	\$ 526,409	\$ -	\$ 526,409
Unassigned	752,657	-	-	752,657
Total	\$ 752,657	\$ 526,409	\$ -	\$ 1,279,066

NOTE 15 - INTERFUND TRANSACTIONS

GASB-34 has changed the terminology for interfund transactions. The government must reclassify its interfund transactions at the fund level to comply with the new terminology. For most local governments this will entail the use of Interfund Balance for what used to be the “due to and due from” accounts. “Operating transfers” are now referred to simply as “transfers.” “Interfund services provided and used” replaces the term “quasi-external” transactions. “Residual equity transfers” were not very common, but they are now referred to as “transfers.”

At the government-wide level, the government should eliminate all interfund transactions, primarily interfund balances, and transfers. Depending on the circumstances, it may be necessary to eliminate these transactions in a two-step process as reporting journal entries. The first step eliminates the intrafund category (e.g., all governmental funds and internal service funds) so that there are no remaining interfund transactions. In the event that there is an interfund transaction remaining with an enterprise fund (or an enterprise fund with a governmental fund), then the second step needs to be performed.

The second step eliminates the interfund categories (e.g., between governmental and enterprise funds) on the face of the government-wide financial statements. The end result is that there are no interfund balances (interfund loans or transfers) remaining in the total column.

The City of Atoka’s interfund transactions are still being presented in the pre-GASB 34 format and have not been eliminated from the Government-Wide financial statements.

CITY OF ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

The balances of the “due to and due from” accounts are such that they are considered immaterial to the financial statements. This pre-GASB 34 format is no longer in conformity with U.S. generally accepted accounting principles.

Interfund operating transfers for the year ended December 31, 2012, were as follows:

OPERATING TRANSFERS:	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
GENERAL:		
Capital Improvement Fund	\$ 14,080.23	\$ -
Atoka Municipal Authority	-	50,893.36
Atoka Industrial Development Authority	3,002.00	-
Atoka Industrial Facilities Authority		119,960.90
Total General Fund	<u>\$ 17,082.23</u>	<u>\$ 170,854.26</u>
SPECIAL REVENUE FUNDS:		
Capital Improvement Fund:		
General Fund	\$ -	\$ 14,080.23
Atoka Municipal Authority	-	-
Atoka Industrial Development Authority	-	-
Total Special Revenue Funds	<u>\$ -</u>	<u>\$ 14,080.23</u>
ENTERPRISE FUNDS		
Atoka Municipal Authority		
General Fund	\$ 50,893.36	\$ -
Capital Improvement Fund	-	-
Atoka Industrial Development Authority	-	-
Atoka Industrial Development Authority		
General Fund	-	3,002.00
Capital Improvement Fund	-	-
Atoka Municipal Authority	-	-
Atoka Industrial Facilities Authority	-	818,475.00
Atoka Industrial Facilities Authority		
General Fund	119,960.90	-
Capital Improvement Fund	-	-
Atoka Industrial Development Authority	818,475.00	-
Total Enterprise Funds	<u>\$ 989,329.26</u>	<u>\$ 821,477.00</u>
	<u>\$ 1,006,411.49</u>	<u>\$ 1,006,411.49</u>

NOTE 16 - PRIOR YEAR ADJUSTMENTS

Adjustments were made to beginning balances to include additional receivables in the financial statements.

CITY OF ATOKA, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Sales Tax	725,000	735,077	735,077	(0)
Use Tax	25,000	29,437	29,436	(1)
Licenses & Permits	10,750	10,363	10,363	-
Alcoholic Beverage Tax	50,000	76,721	76,720	(1)
Vehicle License Tax	15,000	19,933	19,932	(1)
Gasoline Taxes	6,000	5,764	5,763	(1)
Tobacco Tax	30,000	30,522	30,521	(1)
Other Taxes	86,000	100,216	100,215	(1)
Grant Revenue	1,283,770	1,523,561	1,523,557	(4)
Charges for Services	136,079	113,522	113,518	(4)
Bond & Fine Receipts	324,500	363,624	363,624	(0)
Utility Franchise Taxes	98,000	96,784	96,782	(2)
Miscellaneous Revenues	15,295	411,404	411,400	(4)
Amounts available for appropriation	<u>2,805,394</u>	<u>3,516,928</u>	<u>3,516,908</u>	<u>(20)</u>
Charges to Appropriations (Outflows):				
Current:				
General Government	1,532,398	1,387,425	1,387,407	18
Police Department	767,519	831,331	831,320	11
Lake Patrol	198,534	200,756	200,751	5
Fire Department	71,650	89,691	89,686	5
Street Department	31,500	32,120	32,115	5
Airport	31,040	387,927	387,923	4
Culture & Recreation	157,500	169,834	169,826	8
Public Works	-	-	-	-
Debt Service	-	-	-	-
Capital Outlay	15,253	417,844	18,856	398,988
Total Charges to Appropriations	<u>2,805,394</u>	<u>3,516,928</u>	<u>3,117,884</u>	<u>399,044</u>
Prior Year Adjustments to Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Budgetary Fund Balance	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>399,024</u></u>	<u><u>399,024</u></u>

CITY OF ATOKA, OKLAHOMA
NOTES TO BUDGETARY COMPARISON SCHEDULE
DECEMBER 31, 2012

The City adopts an annual budget for all funds established by the governing body as required by O.S. 11 Section 17.207 through 17.210. The state statutes also require that the budget be adopted by resolution or per the city charter at the legal level of classification (fund, department, & object category) and that the budget be filed with County Clerk and the State Auditor and Inspector. The City may transfer budgeted amounts within and among departments.

**CITY OF ATOKA, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012**

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA No.</u>	<u>Award Amount</u>	<u>Federal Expenditures</u>
<u>USDA Rural Development:</u>			
Loans:			
Water and Waste Disposal Systems for Rural Communities	10.760	2,381,000	1,642,440
Water and Waste Disposal Systems for Rural Communities	10.760	1,178,000	1,025,289
Grants:			
Water and Waste Disposal Systems for Rural Communities	10.760	1,564,700	827,372
<u>U.S. Department of Transportation - Federal Aviation Administration:</u>			
Airport Improvement Program	20.106	435,955	333,252
<u>Department of Housing and Urban Development:</u>			
Pass-Through Program From:			
Oklahoma Department of Commerce Community Development Block Grants	14.228	1,000,000	642,673
<u>Department of Energy:</u>			
Pass-Through Program From:			
Oklahoma Department of Commerce ARRA Stimulus Energy Efficiency Community Block Grant	81.128	59,600	59,600
<u>U.S. Department of Homeland Security - FEMA:</u>			
Pass-Through Program From:			
Oklahoma Department of Emergency Management Hazard Mitigation Grant Program	97.039	145,341	88,717
Total		<u>\$ 6,764,596</u>	<u>\$ 4,619,343</u>

**CITY OF ATOKA, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2012**

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of the City of Atoka, Oklahoma (the "City").
The City's reporting entity is defined in Note 1 to the City's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is present using the accrual basis of accounting, which is described in Note 1 to the City's basic financial statements.

NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal awards revenues are reported in the City's basic financial statements as follows:

		<u>Federal Sources</u>
General		<u>\$ 4,619,343</u>
	Total	<u><u>\$ 4,619,343</u></u>

NOTE 4 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with generally accepted accounting principles.

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

To the City Council
City of Atoka, Oklahoma

We have audited, in accordance with the 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, and in accordance with Oklahoma Statutes, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Atoka, Oklahoma, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Atoka, Oklahoma's basic financial statements, and have issued our report thereon dated June 18, 2013, which was qualified for the improper capital asset recordkeeping. The City of Atoka, Oklahoma has implemented the general provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, except that the City did not present the required MD&A.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Atoka, Oklahoma'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Atoka, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Atoka, Oklahoma's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in

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internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Atoka, Oklahoma's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

This report is intended 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.

Kershaw CPA & Associates, P.C.

Kershaw, CPA & Associates, PC

June 18, 2013

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

To the City Council
City of Atoka, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the City of Atoka, Oklahoma's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Atoka, Oklahoma's major federal programs for the year ended December 31, 2012. The City of Atoka, Oklahoma's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Atoka, Oklahoma's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and in accordance with Oklahoma Statutes. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Atoka, Oklahoma's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on City of Atoka, Oklahoma's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Atoka, Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the City of Atoka, Oklahoma is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Atoka, Oklahoma's internal control over compliance with the types of requirements that could

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have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Atoka, Oklahoma's internal control over compliance.

A deficiency in internal control over compliance 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 to detect and correct, noncompliance with a type of compliance requirement of a federal program a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Kershaw CPA & Associates, P.C.

Kershaw, CPA & Associates, PC

June 18, 2013

CITY OF ATOKA, OKLAHOMA
SUMMARY STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012

The prior report on the audit of the financial statements as of and for the twelve months ended December 31, 2011, contained no findings.

CITY OF ATOKA, OKLAHOMA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2012

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue: Qualified

Internal control over financial reporting:

Material weaknesses identified? ___yes X no

Significant deficiencies identified
 that are not considered to be material
 weaknesses? ___yes X none reported

Noncompliance material to financial
 statements noted? ___yes X no

Federal Awards

Internal control over major programs:

Material weaknesses identified? ___yes X no

Significant deficiencies identified
 that are not considered to be
 material weaknesses? ___yes X none reported

Type of auditor's report issued on compliance
 for major programs: Unqualified

Any audit findings disclosed that are required
 to be reported in accordance with
 section 510(a) of Circular A-133? ___yes X no

Identification of major programs:

- #10.760 Water and Waste Disposal Systems for Rural Communities
- #14.228 Community Development Block Grant/State's Program
- #20.106 Airport Improvement Program

Dollar threshold used to distinguish between
 type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes ___no

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

CITY OF ATOKA, OKLAHOMA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012

	Trust and Agency Funds			Total
	Payroll Clearing	Cemetery Perpetual Care	Cemetery Care	
<u>Additions:</u>				
Interest Income	\$ -	\$ -	\$ 1	\$ 1
Lot Sales	-	-	-	-
Miscellaneous	-	-	668	668
TOTAL ADDITIONS	-	-	669	669
<u>Deductions:</u>				
Other Services & Charges	-	486	668	1,155
TOTAL DEDUCTIONS	-	486	668	1,155
NET INCOME (LOSS) BEFORE CONTRIBUTIONS	-	(486)	1	(485)
Capital Contributions	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
CHANGE IN NET ASSETS	-	(486)	1	(485)
TOTAL NET ASSETS - BEGINNING	2,411	109,088	933	112,433
TOTAL NET ASSETS - ENDING	\$ 2,411	\$ 108,602	\$ 935	\$ 111,947

See Accountant's Audit Report & Notes Which Accompany These Financial Statements