

AUDIT REPORT

CITY OF ATOKA, OKLAHOMA

DECEMBER 31, 2018



KERSHAW CPA & ASSOCIATES, PC

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CITY OF ATOKA, OKLAHOMA
DECEMBER 31, 2018

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CITY OF ATOKA, OKLAHOMA
DECEMBER 31, 2018

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CITY OF ATOKA, OKLAHOMA
LIST OF BOARD MEMBERS
DECEMBER 31, 2018

ELECTED OFFICIALS

<u>NAME</u>	<u>POSITION</u>
BRIAN CATHEY	MAYOR
DIANE MCGEE	VICE MAYOR
COBY SHERRILL	COUNCIL MEMBER
ERICA POGUE	COUNCIL MEMBER
JAMES THORNLEY	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, 2018, 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

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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 modified audit opinions.

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 position, 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, 2018, 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

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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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

The introductory and other supplementary information sections listed in the accompanying table of contents are presented for the purpose of additional analysis and are 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2019, 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 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 the City of Atoka's 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

May 30, 2019

CITY OF ATOKA, OKLAHOMA
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 1,724,305	\$ 1,870,288	\$ 3,594,593
Investments	517,645	449,976	967,621
Accounts Receivable	23,970	80,939	104,910
Taxes Receivable	286,660	87,880	374,540
Due from Other Funds	-	236,659	236,659
Total Current Assets	<u>2,552,580</u>	<u>2,725,742</u>	<u>5,278,322</u>
<u>Other Assets:</u>			
Cash and cash equivalents - Restricted	712,052	531,101	1,243,153
Investments - Restricted	-	64,000	64,000
Total Other Assets	<u>712,052</u>	<u>595,101</u>	<u>1,307,153</u>
<u>Capital Assets:</u>			
Land and Construction in Progress	-	684,620	684,620
Capital Assets, net of Accum. Depreciation	-	15,076,358	15,076,358
Total Capital Assets	<u>-</u>	<u>15,760,978</u>	<u>15,760,978</u>
TOTAL ASSETS	<u><u>3,264,632</u></u>	<u><u>19,081,822</u></u>	<u><u>22,346,454</u></u>
<u>LIABILITIES</u>			
<u>Current Liabilities:</u>			
Accounts Payable	55,102	45,700	100,801
Interest Payable	-	41,251	41,251
CLEET & Forensics Liability	59,346	-	59,346
Vacation Payable	111,319	37,968	149,287
Due to Other Funds	(15,512)	210,956	195,445
Posted Bonds	67,964	-	67,964
Cemetery Perpetual Care	1,094	-	1,094
Drug Enforcement Funds	276	-	276
Customer Deposits	1,786	165,913	167,699
Notes Payable - Current Portion	-	264,490	264,490
Total Current Liabilities	<u>281,375</u>	<u>766,278</u>	<u>1,047,653</u>
<u>Long-Term Liabilities:</u>			
Note Payable - Long-Term	-	8,565,907	8,565,907
Total Long-Term Liabilities	<u>-</u>	<u>8,565,907</u>	<u>8,565,907</u>
TOTAL LIABILITIES	<u><u>281,375</u></u>	<u><u>9,332,184</u></u>	<u><u>9,613,560</u></u>
<u>NET POSITION</u>			
Net investment in capital assets	-	6,930,582	6,930,582
Restricted for:			
Debt Service	-	423,416	423,416
Other Purposes	712,052	-	712,052
Unrestricted	<u>2,271,205</u>	<u>2,395,640</u>	<u>4,666,844</u>
TOTAL NET POSITION	<u><u>\$ 2,983,257</u></u>	<u><u>\$ 9,749,637</u></u>	<u><u>\$ 12,732,894</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, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Current:					
General Government	\$ 1,455,513	\$ 94,578	\$ 283,543	\$ -	\$ (1,077,392)
Police Department	793,322	555,272	-	-	(238,049)
Lake Patrol	218,901	-	260,952	-	42,051
Fire Department	43,155	-	3,822	-	(39,333)
Street Department	626,289	-	-	-	(626,289)
Airport	152,213	8,235	113,613	-	(30,365)
Culture & Recreation	122,469	-	-	-	(122,469)
Public Works	-	-	-	-	-
Debt Service	-	-	-	-	-
Capital Outlay	219,087	-	-	-	(219,087)
Total Governmental Activities	3,630,950	658,085	661,930	-	(2,310,935)
Business-type activities:					
Water	646,695	534,071	-	-	(112,624)
Sewer	300,585	482,679	-	-	182,094
Sanitation	347,551	353,918	-	-	6,367
Industrial Development	111,540	-	-	-	(111,540)
Culture & Recreation	145,104	64,867	-	-	(80,237)
Misc. Other Business-type	1,608,014	155,377	-	-	(1,452,637)
Total Business-type Activities	3,159,489	1,590,912	-	-	(1,568,577)
Total	\$ 6,790,438	\$ 2,248,997	\$ 661,930	\$ -	\$ (3,879,511)
Changes in Net Position:					
		Governmental Activities	Business-Type Activities	Total	
Net (expense)/revenue		\$ (2,310,935)	\$ (1,568,577)	\$ (3,879,511)	
General revenues:					
Sales Tax		2,536,465	867,777	3,404,242	
Use Tax		161,189	31,441	192,630	
Licenses & Permits		10,717	-	10,717	
Alcoholic Beverage Tax		98,778	-	98,778	
Vehicle License Tax		21,943	-	21,943	
Gasoline Taxes		5,696	-	5,696	
Tobacco Tax		33,531	-	33,531	
Other Taxes		119,092	-	119,092	
Utility Franchise Taxes		106,452	-	106,452	
Interest Income		15,431	13,991	29,422	
Miscellaneous Revenues		11,361	143,095	154,456	
Transfers - Internal Activity		(119,092)	119,092	-	
Total general revenues & transfers		3,001,562	1,175,396	4,176,957	
Changes in net position		690,627	(393,181)	297,446	
Net position - beginning		2,292,629	10,149,842	12,442,471	
Net position - prior year adjustment		-	(7,024)	(7,024)	
Net position - ending		\$ 2,983,257	\$ 9,749,637	\$ 12,732,894	

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

CITY OF ATOKA, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General Fund	Capital Improvement Fund	City/School Tax Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 501,852	\$ 1,222,453	\$ -	\$ 1,724,305
Investments	360,800	156,845	-	517,645
Accounts Receivable	-	23,970	-	23,970
Taxes Receivable	110,901	87,880	87,880	286,660
Due from Other Funds	-	-	-	-
Restricted Cash and cash equivalents	2,875	-	709,177	712,052
TOTAL ASSETS	\$ 976,428	\$ 1,491,148	\$ 797,056	\$ 3,264,632
LIABILITIES & FUND EQUITY				
LIABILITIES:				
Accounts Payable	\$ 56,652	\$ (1,550)	\$ -	\$ 55,102
CLEET & Forensics Liability	59,346	-	-	59,346
Vacation Payable	107,058	4,261	-	111,319
Due to Other Funds	(173,024)	157,512	-	(15,512)
Posted Bonds	67,964	-	-	67,964
Cemetery Perpetual Care	1,094	-	-	1,094
Drug Enforcement Funds	276	-	-	276
Permit & Inspection Fees	1,786	-	-	1,786
TOTAL LIABILITIES	121,152	160,223	-	281,375
FUND BALANCES:				
Nonspendable	-	-	-	-
Restricted	-	-	797,056	797,056
Committed	-	-	-	-
Assigned	-	1,330,925	-	1,330,925
Unassigned	855,276	-	-	855,276
TOTAL FUND BALANCES	855,276	1,330,925	797,056	2,983,257
TOTAL LIABILITIES AND FUND BALANCES	\$ 976,428	\$ 1,491,148	\$ 797,056	\$ 3,264,632

Reconciliation to Statement of Net Position:

Amounts reported for governmental activities in the statement of net position 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 Position of Governmental Activities \$ 2,983,257

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, 2018

	General Fund	Capital Improvement Fund	City/School Tax Fund	Total Governmental Funds
REVENUES:				
Sales Tax	\$ 845,488	\$ 845,488	\$ 845,488	2,536,465
Use Tax	53,730	53,730	53,730	161,189
Licenses & Permits	10,717	-	-	10,717
Alcoholic Beverage Tax	98,778	-	-	98,778
Vehicle License Tax	21,943	-	-	21,943
Gasoline Taxes	5,696	-	-	5,696
Tobacco Tax	33,531	-	-	33,531
Other Taxes	119,092	-	-	119,092
Grant Revenue	661,930	-	-	661,930
Charges for Services	102,813	-	-	102,813
Bond & Fine Receipts	555,272	-	-	555,272
Utility Franchise Taxes	106,452	-	-	106,452
Interest	10,821	1,804	2,805	15,431
Miscellaneous Revenues	6,018	5,342	-	11,361
TOTAL REVENUES	2,632,282	906,365	902,023	4,440,669
EXPENDITURES:				
Current:				
General Government	787,368	-	668,146	1,455,513
Police Department	793,322	-	-	793,322
Lake Patrol	218,901	-	-	218,901
Fire Department	43,155	-	-	43,155
Street Department	40,832	585,457	-	626,289
Airport	152,213	-	-	152,213
Culture & Recreation	122,469	-	-	122,469
Public Works	-	-	-	-
Debt Service	-	-	-	-
Capital Outlay	87,829	131,258	-	219,087
TOTAL EXPENDITURES	2,246,089	716,715	668,146	3,630,950
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	386,193	189,650	233,877	809,720
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	-	-	-	-
Operating Transfers Out	(119,092)	-	-	(119,092)
Capital Debt Proceeds	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(119,092)	-	-	(119,092)
NET CHANGES IN FUND BALANCES	267,100	189,650	233,877	690,627
FUND BALANCE - BEGINNING OF YEAR	588,176	1,141,275	563,179	2,292,629
FUND BALANCE - PRIOR YEAR ADJUSTMENT	-	-	-	-
FUND BALANCE - END OF YEAR	\$ 855,276	\$ 1,330,925	\$ 797,056	2,983,257

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, 2018

Reconciliation to Statement of Activities:

Net change in fund balances - total governmental funds	\$	690,627
 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 Position:		
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 Position:		
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 Position of Governmental Activities	\$	690,627

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

**CITY OF ATOKA, OKLAHOMA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018**

	Enterprise Funds			Total
	Atoka Municipal Authority	Atoka City Industrial Development Authority	Atoka Industrial Facilities Authority	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 63,701	\$ 1,717,868	\$ 88,720	\$ 1,870,288
Investments	5,898	444,078	-	449,976
Accounts Receivable	80,939	-	-	80,939
Taxes Receivable	43,940	43,940	-	87,880
Due from Other Funds	-	224,000	12,659	236,659
Total Current Assets	194,478	2,429,886	101,379	2,725,742
Noncurrent Assets:				
Restricted Cash	531,101	-	-	531,101
Restricted Investments	64,000	-	-	64,000
Land and Construction in Progress	7,868	676,752	-	684,620
Other capital assets, net of accumulated depreciation	12,110,540	1,291,181	1,674,638	15,076,358
Total Noncurrent Assets	12,713,510	1,967,932	1,674,638	16,356,080
TOTAL ASSETS	12,907,987	4,397,818	1,776,017	19,081,822
LIABILITIES & FUND EQUITY				
Current Liabilities:				
Accounts Payable	23,884	17,108	4,708	45,700
Interest Payable	39,741	-	1,510	41,251
Vacation Payable	28,501	1,846	7,621	37,968
Due to Other Funds	210,371	-	585	210,956
Customer Deposits	165,913	-	-	165,913
Notes Payable - Current Portion	240,870	-	23,619	264,490
Total Current Liabilities	709,281	18,954	38,043	766,278
Noncurrent Liabilities:				
Notes Payable - Long-Term Portion	7,718,043	-	847,863	8,565,907
Total Noncurrent Liabilities	7,718,043	-	847,863	8,565,907
TOTAL LIABILITIES	8,427,324	18,954	885,906	9,332,184
NET POSITION:				
Net investment in capital assets	4,159,494	1,967,932	803,155	6,930,582
Restricted for debt service	423,416	-	-	423,416
Unrestricted	(102,247)	2,410,932	86,955	2,395,640
TOTAL NET POSITION	\$ 4,480,663	\$ 4,378,864	\$ 890,110	\$ 9,749,637

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

CITY OF ATOKA, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018

	Enterprise Funds			Total
	Atoka Municipal Authority	Atoka City Industrial Development Authority	Atoka Industrial Facilities Authority	
OPERATING REVENUES:				
Water Service	\$ 534,071	\$ -	\$ -	\$ 534,071
Sewer Service	482,679	-	-	482,679
Refuse Collection	353,918	-	-	353,918
Penalties	18,900	-	-	18,900
Water and Sewer Tap Fees	10,806	-	-	10,806
Recovery of Bad Debts	890	-	-	890
Miscellaneous	36,081	6,911	-	42,992
Transfer Station	107,621	-	-	107,621
Grants	-	-	-	-
Sale of Recyclables	17,160	-	-	17,160
Intergovernmental	-	92,800	-	92,800
Other Charges for Services	-	-	64,867	64,867
Rents and Leases	-	7,303	-	7,303
Sales and Use Tax	449,609	449,609	-	899,218
TOTAL OPERATING REVENUES	2,011,735	556,623	64,867	2,633,225
OPERATING EXPENSES:				
Sewer Plant Maintenance	144,556	-	-	144,556
Sewer Collection	156,029	-	-	156,029
Water Maintenance	184,115	-	-	184,115
Water Production	462,580	-	-	462,580
Sanitation	347,551	-	-	347,551
Transfer Station Expenses	181,474	-	-	181,474
Public Works	56,218	-	-	56,218
Industrial Development	-	111,540	-	111,540
Culture & Recreation	-	-	145,104	145,104
Park Design & Development	-	57,077	-	57,077
Marketing	-	14,020	-	14,020
Administration	166,765	121,913	-	288,678
Depreciation	566,699	89,785	79,939	736,423
TOTAL OPERATING EXPENSES	2,265,986	394,335	225,044	2,885,365
NET OPERATING INCOME (LOSS)	(254,251)	162,287	(160,177)	(252,140)
NON-OPERATING REVENUES (EXPENSES)				
Interest Income	3,023	10,968	-	13,991
Interest Expense	(243,234)	-	(30,890)	(274,124)
Loan Fees	-	-	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	(240,211)	10,968	(30,890)	(260,133)
NET INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFER	(494,462)	173,255	(191,067)	(512,273)
Capital Contributions	-	-	-	-
Transfers in	179,892	-	149,092	328,984
Transfers out	-	(209,892)	-	(209,892)
CHANGE IN NET POSITION	(314,570)	(36,637)	(41,974)	(393,181)
TOTAL NET POSITION - BEGINNING	4,802,257	4,415,501	932,084	10,149,842
TOTAL NET POSITION - PRIOR YEAR ADJUSTMENTS	(7,024)	-	-	(7,024)
TOTAL NET POSITION - ENDING	\$ 4,480,663	\$ 4,378,864	\$ 890,110	\$ 9,749,637

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, 2018**

	<u>Enterprise Funds</u>			<u>Total</u>
	<u>Atoka Municipal Authority</u>	<u>Atoka City Industrial Development Authority</u>	<u>Atoka Industrial Facilities Authority</u>	
<u>Cash Flows from Operating Activities:</u>				
Cash Receipts from Customers	\$ 1,593,728	\$ 14,214	\$ 64,867	\$ 1,672,809
Other Cash Receipts	445,417	538,217	-	983,634
Payments to Suppliers & Employee for Goods & Services	(1,680,526)	(294,479)	(138,265)	(2,113,270)
Receipts of Customer Utility Deposits, Net of Refunds	12,679	-	-	12,679
Net Cash Provided (Used) by Operating Activities	371,297	257,952	(73,398)	555,851
<u>Cash Flows from Non-Capital Financing Activities:</u>				
Transfers to other funds	(1,288)	(209,892)	0	(211,180)
Transfers from other funds	179,892	-	148,681	328,573
Net Cash Provided (Used) by Non-Capital Financing Activities	178,604	(209,892)	148,681	117,393
<u>Cash Flows from Capital & Related Financing Activities:</u>				
Capital Contributions	-	-	-	-
Additions to Capital Assets	(15,493)	-	(1,630)	(17,123)
Proceeds from sale of Capital Assets	-	-	-	-
Loan Fees	-	-	-	-
Loan Proceeds received	-	-	-	-
Principal paid on Notes Payable	(234,564)	-	-	(234,564)
Principal paid on Lease Purchase Obligations	-	-	(23,072)	(23,072)
Interest paid	(237,543)	-	(30,685)	(268,228)
Net Cash Provided (Used) by Capital & Related Financing Activities:	(487,600)	-	(55,387)	(542,987)
<u>Cash Flows from Investing Activities:</u>				
(Increase) in Investments	0	(4,398)	-	(4,398)
Interest Income	3,023	10,968	-	13,991
Net Cash Provided (Used) by Investing Activities	3,023	6,570	-	9,593
Net Increase (Decrease) in Cash and Cash Equivalents	65,325	54,630	19,895	139,850
Cash & Cash Equivalents, Beginning of Year	529,477	1,663,238	68,825	2,261,540
Cash & Cash Equivalents, Prior Year Adjustment	-	-	-	-
Cash & Cash Equivalents, End of Year	\$ 594,802	\$ 1,717,868	\$ 88,720	\$ 2,401,390
<u>Reconciliation of operating income (loss) to net cash provided</u>				
<u>operating activities:</u>				
Operating Income (Loss)	\$ (254,251)	\$ 162,287	\$ (160,177)	\$ (252,140)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	566,699	89,785	79,939	736,423
(Increase)Decrease in Accounts Receivable	31,602	-	-	31,602
(Increase)Decrease in Taxes Receivable	(4,192)	(4,192)	-	(8,384)
Increase(Decrease) in Accounts Payable	18,761	10,072	6,839	35,671
Increase(Decrease) in Due to Depositors	12,679	-	-	12,679
Net Cash Provided (Used) by Operating Activities	\$ 371,297	\$ 257,952	\$ (73,398)	\$ 555,851

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

CITY OF ATOKA, OKLAHOMA
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2018

	Trust and Agency Funds			Total
	Payroll Clearing	Cemetery Perpetual Care	Cemetery Care	
ASSETS				
Cash and cash equivalents	\$ 39,118	\$ 11,164	\$ 3,959	\$ 54,241
Investments	-	77,504	-	77,504
Accounts Receivable	-	-	-	-
Due from Other Funds	(48,082)	-	-	(48,082)
TOTAL ASSETS	(8,964)	88,668	3,959	83,664
LIABILITIES & FUND EQUITY				
Current Liabilities:				
Accounts Payable	(11,375)	-	-	(11,375)
Due to Other Funds	-	-	-	-
Total Current Liabilities	(11,375)	-	-	(11,375)
Noncurrent Liabilities:				
Notes Payable - Long-Term Portion	-	-	-	-
Total Noncurrent Liabilities	-	-	-	-
TOTAL LIABILITIES	(11,375)	-	-	(11,375)
NET POSITION:				
Assigned	2,411	88,668	3,959	95,038
TOTAL NET POSITION	\$ 2,411	\$ 88,668	\$ 3,959	\$ 95,039

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

CITY OF ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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.

CITY OF ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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.

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 City 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.

CITY OF ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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.

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.

CITY OF ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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.

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

CITY OF ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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. Net Position/Fund Balance Classifications:

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

1. Net investment in capital assets—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 and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. Restricted—Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction 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 amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

It is the City's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

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:

CITY OF ATOKA, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2018

- 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
City/School Tax Acct Fund	Sales Tax

CITY OF ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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.

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

CITY OF ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018, the City held deposits of approximately \$6,001,112 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.

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.

CITY OF ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

- 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 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:

CITY OF ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

<u>Business-Type Activities:</u>	12/31/2017			12/31/2018
	Balance	Additions	Retirements	Balance
Capital assets not being depreciated:				
Land	\$ 684,620	\$ -	\$ -	\$ 684,620
Construction in progress	-	-	-	-
Total capital assets not being depreciated	684,620	-	-	684,620
Other capital assets:				
Water Lines	624,965	-	-	624,965
Water Treatment Plant	7,847,535	1,363	-	7,848,898
Fluoride System	9,651	-	-	9,651
Elevated Water Tank	146,444	-	-	146,444
Sewer System	8,621,608	11,130	-	8,632,738
Vehicles and Equipment	1,029,623	3,000	-	1,032,623
Water Meters	3,785	-	-	3,785
Leasehold Improvements	14,692	-	-	14,692
Buildings	5,272,549	1,630	-	5,274,179
Total other capital assets	23,570,852	17,123	-	23,587,975
Less: Accum. Depreciation for:				
Water Lines	329,107	7,823	-	336,931
Water Treatment Plant	2,307,978	256,972	-	2,564,950
Fluoride System	9,651	-	-	9,651
Elevated Water Tank	121,703	3,661	-	125,364
Sewer System	2,007,472	262,830	-	2,270,302
Vehicles and Equipment	963,599	27,780	-	991,379
Water Meters	3,785	-	-	3,785
Leasehold Improvements	5,387	490	-	5,877
Buildings	2,026,511	176,867	-	2,203,378
Total Accumulated Depreciation	7,775,193	736,423	-	8,511,616
Other capital assets, net	15,795,659	(719,300)	-	15,076,359
Business-type activities capital assets, net	\$ 16,480,279	\$ (719,300)	\$ -	\$ 15,760,978

The additions to accumulated depreciation include only the current year depreciation expense of \$736,423. The asset additions included a 4" pump with hose kit, a blower drive, a mower, and the field conversion project.

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, 2018:

CITY OF ATOKA, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2018

	Balance 12/31/2017	Additions	Deductions	Balance 12/31/2018
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	
2019	-	-	\$ -
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024-2028	-	-	-
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. These two notes were paid off during the current year by refinancing with OWRB.

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

CITY OF ATOKA, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2018

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 - Oklahoma Water Resources Board

The Atoka Municipal Authority was awarded a loan (ORF-17-0001-DW), under the Oklahoma Drinking Water State Revolving Fund (DWSRF) program, by the State of Oklahoma Water Resources Board (OWRB) on October 1, 2017, for refinancing the Rural Development notes dated May 1, 2008 at an interest rate of 1.96% per annum, plus an administrative fee at the rate of 0.5% per annum, secured by the water revenues of the Authority and a .75% sales tax. The original principal amount of the loan was \$5,169,000. The loan matures September 15, 2039.

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, 2018:

	Balance 12/31/2017	Additions	Deductions	Balance 12/31/2018
DOC Sewer Loan (AMA)	\$ 22,917	\$ -	\$ (6,250)	\$ 16,667
USDA RD #92-04 (AMA)	2,141,117	-	(34,049)	2,107,068
USDA RD #92-07 (AMA)	1,029,305	-	(21,166)	1,008,139
OWRB ORF-17-0001-DW (AMA)	5,000,139	-	(173,099)	4,827,040
AmeriState Bank (AIFA)	894,555	-	(23,072)	871,483
	<u>\$ 9,088,033</u>	<u>\$ -</u>	<u>\$ (257,636)</u>	<u>\$ 8,830,397</u>

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

CITY OF ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

DOC Sewer Loan (AMA)

Year Ending December 31,	Principal	Interest	Total
2019	\$ 6,250	\$ -	\$ 6,250
2020	6,250	-	6,250
2021	4,167	-	4,167
2022	-	-	-
2023	-	-	-
Total	<u>\$ 16,667</u>	<u>\$ -</u>	<u>\$ 16,667</u>

USDA Rural Development #92-04:

FYE Dec 31,	Principal	Interest	Total
2019	\$ 35,476.93	\$ 86,251.07	\$ 121,728.00
2020	36,968.35	84,759.65	121,728.00
2021	38,522.47	83,205.53	121,728.00
2022	40,141.90	81,586.10	121,728.00
2023	41,829.44	79,898.56	121,728.00
2024-2028	237,049.95	371,590.05	608,640.00
2029-2033	291,245.63	317,394.37	608,640.00
2034-2038	357,831.93	250,808.07	608,640.00
2039-2043	439,641.56	168,998.44	608,640.00
2044-2048	540,154.95	68,485.05	608,640.00
2049	48,204.86	490.68	48,695.54
	<u>\$ 2,107,067.97</u>	<u>\$ 1,593,467.57</u>	<u>\$ 3,700,535.54</u>

USDA Rural Development #92-07:

FYE Dec 31,	Principal	Interest	Total
2019	\$ 21,700.01	\$ 24,955.99	\$ 46,656.00
2020	22,248.78	24,407.22	46,656.00
2021	22,811.43	23,844.57	46,656.00
2022	23,388.29	23,267.71	46,656.00
2023	23,979.73	22,676.27	46,656.00
2024-2028	129,307.41	103,972.59	233,280.00
2029-2032	146,505.39	86,774.61	233,280.00
2033-2038	165,990.77	67,289.23	233,280.00
2039-2043	188,067.73	45,212.27	233,280.00
2044-2048	213,080.97	20,199.03	233,280.00
2049-2050	51,058.57	767.72	51,826.29
	<u>\$ 1,008,139.08</u>	<u>\$ 443,367.21</u>	<u>\$ 1,451,506.29</u>

CITY OF ATOKA, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2018

QWRB ORF-17-0001-DW:

FYE Dec 31,	Principal	Interest	Admin Fee	Total
2019	\$ 177,443.52	\$ 95,035.83	\$ 24,243.83	\$ 296,723.18
2020	181,575.12	91,743.98	23,404.08	296,723.18
2021	186,453.87	87,856.85	22,412.46	296,723.18
2022	191,133.34	84,128.49	21,461.35	296,723.18
2023	195,930.24	80,306.57	20,486.37	296,723.18
2024-2028	1,055,416.46	341,167.04	87,032.40	1,483,615.90
2029-2032	1,195,030.54	229,929.80	58,655.56	1,483,615.90
2033-2037	1,352,778.56	104,244.38	26,592.96	1,483,615.90
2038-2039	291,277.87	4,338.17	1,106.68	296,722.72
	<u>\$ 4,827,039.52</u>	<u>\$ 1,118,751.11</u>	<u>\$ 285,395.69</u>	<u>\$ 6,231,186.32</u>

Ameristate Bank (AIFA):

FYE Dec 31,	Principal	Interest	Total
2019	\$ 23,619.46	\$ 30,138.02	\$ 53,757.48
2020	24,459.54	29,297.94	53,757.48
2021	823,403.72	19,411.20	842,814.92
2022	-	-	-
2023	-	-	-
	<u>\$ 871,482.72</u>	<u>\$ 78,847.16</u>	<u>\$ 950,329.88</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.

CITY OF ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 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, 2018, 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 REAP Grant 17-013 from SODA (Southern Oklahoma Development Association) in the amount of \$50,000.00. As of December 31, 2018, \$39,945.05 has been received and expended and there is a remaining balance of \$10,054.95.

The City of Atoka was approved for REAP Grant 17-310 from SODA (Southern Oklahoma Development Association) in the amount of \$136,235.00. As of December 31, 2018, \$91,981.05 has been received and expended and there is a remaining balance of \$44,253.95.

The City of Atoka was approved for REAP Grant 18-040 from SODA (Southern Oklahoma Development Association) in the amount of

CITY OF ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

\$50,000.00. As of December 31, 2018, \$22,848.40 has been received and expended and there is a remaining balance of \$27,151.60.

The City of Atoka was approved for CDBG 17 Grant Contract 17010 from Oklahoma Department of Commerce in the amount of \$136,235.00. As of December 31, 2018, \$125,208.57 has been received and expended and there is a remaining balance of \$11,026.43.

The City of Atoka was approved for CDBG 17 Grant Contract 17114 from Oklahoma Department of Commerce in the amount of \$36,350.00. As of December 31, 2018, \$12,116.67 has been received and expended and there is a remaining balance of \$24,233.33.

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, 2018, for employer and employee were \$19,763.92 and \$19,853.59, respectively for a total of \$39,617.51 for Governmental Funds, \$9,768.71 and \$6,196.08, respectively for a total of \$15,964.79 for the AMA and \$1,625.04 and \$975.12, respectively for a total of \$2,600.16 for the AIFA. Information regarding this arrangement can be obtained from the City.

NOTE 14 - FUND EQUITY

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

1. Net investment in capital assets
2. Restricted
3. Unrestricted

CITY OF ATOKA, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2018

Fund Balances

City of Atoka, Oklahoma
 Disclosure of Fund Balances Reported on Balance Sheet
 For Fiscal Year Ending December 31, 2018

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<u>FUND BALANCES:</u>				
Restricted to:				
City/School Tax Fund	\$ -	\$ -	\$ 797,056	\$ 797,056
Assigned to:				
Capital Improvements	-	1,330,925	-	1,330,925
Unassigned	855,276	-	-	855,276
Total	<u>\$ 855,276</u>	<u>\$ 1,330,925</u>	<u>\$ 797,056</u>	<u>\$ 2,983,257</u>

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. The balances of the “due to and due from” accounts are such that they are considered immaterial to the

CITY OF ATOKA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018, were as follows:

OPERATING TRANSFERS:	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
GENERAL:		
Capital Improvement Fund	\$ -	\$ -
Atoka Municipal Authority	-	-
Atoka City Industrial Development Authority	-	-
Atoka Industrial Facilities Authority		119,092.28
Total General Fund	<u>\$ -</u>	<u>\$ 119,092.28</u>
SPECIAL REVENUE FUNDS:		
Capital Improvement Fund:		
General Fund	\$ -	\$ -
Atoka Municipal Authority	-	-
Atoka City Industrial Development Authority	-	-
Total Special Revenue Funds	<u>\$ -</u>	<u>\$ -</u>
ENTERPRISE FUNDS		
Atoka Municipal Authority		
General Fund	\$ -	\$ -
Capital Improvement Fund	-	-
Atoka City Industrial Development Authority	179,892.20	-
Atoka Industrial Development Authority		
General Fund	-	-
Capital Improvement Fund	-	-
Atoka Municipal Authority	-	179,892.20
Atoka City Industrial Facilities Authority	-	30,000.00
Atoka Industrial Facilities Authority		
General Fund	119,092.28	-
Capital Improvement Fund	-	-
Atoka City Industrial Development Authority	30,000.00	-
Total Enterprise Funds	<u>\$ 328,984.48</u>	<u>\$ 209,892.20</u>
	<u>\$ 328,984.48</u>	<u>\$ 328,984.48</u>

NOTE 16 - SUBSEQUENT EVENTS

The City did not have any subsequent events through May 30, 2019, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending December 31, 2018.

CITY OF ATOKA, OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Sales Tax	815,000	840,007	816,019	(23,988)
Use Tax	32,000	50,827	50,259	(568)
Licenses & Permits	12,250	10,717	10,717	-
Alcoholic Beverage Tax	95,000	96,158	98,611	2,453
Vehicle License Tax	22,500	21,732	21,700	(32)
Gasoline Taxes	6,000	5,692	5,765	73
Tobacco Tax	35,000	33,521	33,408	(113)
Other Taxes	100,500	119,093	119,092	(1)
Grant Revenue	446,450	661,932	661,931	(1)
Charges for Services	72,195	102,818	102,813	(5)
Bond & Fine Receipts	339,500	342,610	555,272	212,662
Utility Franchise Taxes	100,500	106,697	106,477	(220)
Miscellaneous Revenues	8,100	16,842	16,840	(2)
	<u>2,084,995</u>	<u>2,408,646</u>	<u>2,598,904</u>	<u>190,258</u>
Amounts available for appropriation				
Charges to Appropriations (Outflows):				
Current:				
General Government	558,167	788,351	884,009	(95,658)
Police Department	958,270	840,140	841,322	(1,182)
Lake Patrol	251,250	263,853	264,301	(448)
Fire Department	49,200	43,158	43,155	3
Street Department	29,000	40,833	40,832	1
Airport	27,565	152,216	152,213	3
Culture & Recreation	169,125	126,823	127,023	(200)
Public Works	-	-	-	-
Debt Service	-	-	-	-
Capital Outlay	42,418	153,272	-	153,272
	<u>2,084,995</u>	<u>2,408,646</u>	<u>2,352,855</u>	<u>55,791</u>
Total Charges to Appropriations				
Prior Year Adjustments to Fund Balance	-	-	-	-
Ending Budgetary Fund Balance	<u>-</u>	<u>-</u>	<u>246,049</u>	<u>246,049</u>

CITY OF ATOKA, OKLAHOMA
NOTES TO BUDGETARY COMPARISON SCHEDULE
DECEMBER 31, 2018

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.

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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*

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, 2018, 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 May 30, 2019, which was qualified for the improper capital asset recordkeeping. Management has omitted the MD&A required by accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, 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

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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 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

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.

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

May 30, 2019

CITY OF ATOKA, OKLAHOMA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2018

	Trust and Agency Funds			Total
	Payroll Clearing	Cemetery Perpetual Care	Cemetery Care	
<u>Additions:</u>				
Interest Income	\$ -	\$ -	\$ 15	\$ 15
Lot Sales	-	-	-	-
Miscellaneous	-	1,268	-	1,268
TOTAL ADDITIONS	-	1,268	15	1,283
<u>Deductions:</u>				
Other Services & Charges	-	-	-	-
TOTAL DEDUCTIONS	-	-	-	-
NET INCOME (LOSS) BEFORE CONTRIBUTIONS	-	1,268	15	1,283
Capital Contributions	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
CHANGE IN NET POSITION	-	1,268	15	1,283
TOTAL NET POSITION - BEGINNING	2,411	87,400	3,944	93,755
TOTAL NET POSITION - ENDING	\$ 2,411	\$ 88,668	\$ 3,959	\$ 95,038

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