

**TOWN OF ARLINGTON, TENNESSEE**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

# TOWN OF ARLINGTON, TENNESSEE

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## **INTRODUCTORY SECTION**

**TOWN OF ARLINGTON, TENNESSEE**  
**LIST OF PRINCIPAL OFFICIALS**  
June 30, 2018

**ELECTED OFFICIALS**

Mayor  
Vice Mayor  
Alderman  
Alderman  
Alderman  
Alderman  
Alderman

Mike Wissman  
Harry McKee  
Larry Harmon  
Cheryl Pardue  
Oscar Brooks  
Jeremy Biggs  
Jeff McKee

**APPOINTED OFFICIALS**

Town Superintendent  
Town Recorder/Treasurer, CMFO

Catherine Durant  
Brittney Owens

## **FINANCIAL SECTION**



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## Independent Auditor's Report

Honorable Mike Wissman, Mayor  
Members of the Board of Aldermen  
Town of Arlington, Tennessee

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arlington, Tennessee (the Town), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Arlington Community School System, which represents 64 percent, 65 percent, and 79 percent, respectively, of the assets, net position, and revenues of the governmental activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Arlington Community School System, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arlington, Tennessee, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the General Purpose School Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Change in Accounting Principle***

The Arlington Community School System has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, in the fiscal year ended June 30, 2018. This adoption resulted in a restatement decreasing the beginning Governmental Activities net position by \$3,108,448 as discussed in Note 1D to the financial statements. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section and the information listed as supplementary and other information in the Table of Contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

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

The list of principal officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2019 on our consideration of the Town'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 solely 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 Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*Alexander Thompson Arnold PLLC*

Jackson, Tennessee  
February 21, 2019

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

As management of the Town of Arlington, we offer readers of the Town of Arlington's financial statements this narrative overview and analysis of the financial activities of the Town of Arlington for the fiscal year ended June 30, 2018. Comparative analysis of key elements of total governmental funds and total enterprise funds has been provided. A prior year comparative analysis of government-wide data has been provided.

### **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the Town of Arlington exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$191.82 million (net position). Of this amount, \$28.01 million (unrestricted net position) may be used to meet the Town of Arlington's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Town of Arlington's General Fund reported an ending fund balance of \$16.98 million, an increase of \$1.95 million in comparison with the prior year due primarily to more state shared taxes and property taxes in the current year. Of the total fund balance, \$16.48 million is available for spending at the Town of Arlington's discretion (unassigned fund balance).

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the Town of Arlington's basic financial statements. The Town's basic financial statements are comprised of the following components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements
4. This report also contains required and supplementary and other information in addition to the basic financial statements themselves

### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Arlington's finances, in a manner similar to a private-sector business.

- The Statement of Net Position presents information on all of the Town of Arlington's assets, deferred outflows/inflows of resources, and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Arlington is improving or deteriorating.
- The Statement of Activities presents information showing how the Town of Arlington's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and compensated absences).

Both of the government-wide financial statements distinguish functions of the Town of Arlington that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town of Arlington include general government, public safety, public works, welfare, recreation, education, and debt service. The business-type activities of the Town of Arlington include Public Utilities (sewer). The government-wide financial statements can be found on pages 11 through 13 of this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Arlington, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Arlington can be divided into two categories: governmental funds and proprietary funds.

*Governmental funds* - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the focus is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information may be useful in evaluating the Government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town of Arlington's near-term financing decisions. Both the Balance Sheet — Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances — Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental fund financial statements and reconciliations can be found on pages 14 through 17 of this report.

Information is presented separately in the Balance Sheet — Governmental Funds and in the Statement of Revenues, Expenditures, and Changes in Fund Balances — Governmental Funds for the General Fund, General Purpose School Fund, and Education Capital Projects Fund, which are considered to be major funds.

The Town of Arlington adopts an annual appropriated budget for each governmental fund. Budgetary comparisons of the General Fund and General Purpose School Fund have been provided on pages 18 through 36 of this report. Budgetary comparisons of the nonmajor governmental funds and the Education Capital Projects Fund can be found on pages 97 through 104 to demonstrate compliance with the budget.

*Proprietary funds* - Enterprise funds are used to report the functions presented as business-type activities in the government-wide financial statements. The Town of Arlington uses an enterprise fund to account for the Sewer Department.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Fund, which is considered a major fund of the Town of Arlington. The basic proprietary fund financial statements can be found on pages 37 through 40 of this report.

*Fiduciary funds* – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43 through 83 of this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary and other information as listed in the table of contents as the introductory section and supplementary and other information which is presented for the purposes of additional analysis.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

*Statement of Net Position* - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Arlington, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$191.82 million at the close of the most recent fiscal year. Seventy-three percent (73%) of the Town's net position reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that are still outstanding. The Town of Arlington uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Arlington's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

|                                  | Governmental<br>Activities |                       | Business-type<br>Activities |                      | Total                 |                       |
|----------------------------------|----------------------------|-----------------------|-----------------------------|----------------------|-----------------------|-----------------------|
|                                  | 2018                       | 2017                  | 2018                        | 2017                 | 2018                  | 2017                  |
| Current and other assets         | \$ 52,670,068              | \$ 46,025,475         | \$ 11,270,438               | \$ 10,842,221        | \$ 63,940,506         | \$ 56,867,696         |
| Capital assets                   | 128,473,586                | 125,733,892           | 21,985,686                  | 22,503,861           | 150,459,272           | 148,237,753           |
| Total assets                     | 181,143,654                | 171,759,367           | 33,256,124                  | 33,346,082           | 214,399,778           | 205,105,449           |
| Deferred outflows of resources   | 7,150,937                  | 9,963,490             | -                           | -                    | 7,150,937             | 9,963,490             |
| Long-term liabilities            | 7,733,302                  | 7,703,599             | 10,619,550                  | 10,608,622           | 18,352,852            | 18,312,221            |
| Other liabilities                | 3,158,278                  | 3,051,757             | 8,577                       | 1,006,447            | 3,166,855             | 4,058,204             |
| Total liabilities                | 10,891,580                 | 10,755,356            | 10,628,127                  | 11,615,069           | 21,519,707            | 22,370,425            |
| Deferred inflows of resources    | 8,208,214                  | 7,855,834             | -                           | -                    | 8,208,214             | 7,855,834             |
| <b>Net position:</b>             |                            |                       |                             |                      |                       |                       |
| Net investment in capital assets | 128,172,085                | 125,493,892           | 11,380,275                  | 10,911,147           | 139,552,360           | 136,405,039           |
| Restricted for:                  |                            |                       |                             |                      |                       |                       |
| Street aid                       | 4,528,404                  | 4,279,102             | -                           | -                    | 4,528,404             | 4,279,102             |
| Sanitation                       | 963,270                    | 950,094               | -                           | -                    | 963,270               | 950,094               |
| Net pension asset                | 533,297                    | 233,662               | -                           | -                    | 533,297               | 233,662               |
| Inventory                        | 14,088                     | 17,865                | -                           | -                    | 14,088                | 17,865                |
| Education                        | 18,221,382                 | 17,398,372            | -                           | -                    | 18,221,382            | 17,398,372            |
| Unrestricted                     | 16,762,271                 | 14,738,680            | 11,247,722                  | 10,819,866           | 28,009,993            | 25,558,546            |
| <b>Total net position</b>        | <b>\$ 169,194,797</b>      | <b>\$ 163,111,667</b> | <b>\$ 22,627,997</b>        | <b>\$ 21,731,013</b> | <b>\$ 191,822,794</b> | <b>\$ 184,842,680</b> |

An additional portion of the Town of Arlington's net position (\$24.26 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position representing unrestricted net position (\$28.01 million) may be used to meet the Town of Arlington's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the Town of Arlington is able to report positive balances in all three categories of net position, both for the Town of Arlington as a whole, as well as for its total governmental and total business-type activities.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

*Statement of Activities* – Revenues in governmental activities exceeded expenses by \$9.19 million. In the business-type activities, revenues exceeded expenses by \$897 thousand.

|                                     | <b>Governmental<br/>Activities</b> |                         | <b>Business-type<br/>Activities</b> |                       | <b>Total</b>             |                         |
|-------------------------------------|------------------------------------|-------------------------|-------------------------------------|-----------------------|--------------------------|-------------------------|
|                                     | 2018                               | 2017                    | 2018                                | 2017                  | 2018                     | 2017                    |
| Revenues:                           |                                    |                         |                                     |                       |                          |                         |
| Program revenues:                   |                                    |                         |                                     |                       |                          |                         |
| Charges for services                | \$ 3,275,446                       | \$ 3,097,969            | \$ 2,546,337                        | \$ 2,392,745          | \$ 5,821,783             | \$ 5,490,714            |
| Operating grants and contributions  | 45,826,794                         | 46,892,483              | -                                   | -                     | 45,826,794               | 46,892,483              |
| Capital grants and contributions    | 1,656,951                          | 285,981                 | 179,772                             | -                     | 1,836,723                | 285,981                 |
| General revenues:                   |                                    |                         |                                     |                       |                          |                         |
| Property taxes                      | 4,430,154                          | 3,979,984               | -                                   | -                     | 4,430,154                | 3,979,984               |
| Other taxes                         | 3,942,778                          | 3,384,987               | -                                   | -                     | 3,942,778                | 3,384,987               |
| Other sources                       | 153,766                            | 179,316                 | 79,776                              | 49,382                | 233,542                  | 228,698                 |
| Total revenues                      | <u>59,285,889</u>                  | <u>57,820,720</u>       | <u>2,805,885</u>                    | <u>2,442,127</u>      | <u>62,091,774</u>        | <u>60,262,847</u>       |
| Expenses:                           |                                    |                         |                                     |                       |                          |                         |
| General government                  | 3,384,238                          | 3,183,454               | -                                   | -                     | 3,384,238                | 3,183,454               |
| Public safety                       | 1,880,286                          | 1,659,819               | -                                   | -                     | 1,880,286                | 1,659,819               |
| Highway and streets                 | 496,821                            | 940,791                 | -                                   | -                     | 496,821                  | 940,791                 |
| Storm drainage                      | 106,563                            | 81,787                  | -                                   | -                     | 106,563                  | 81,787                  |
| Public works                        | 1,040,808                          | 814,692                 | -                                   | -                     | 1,040,808                | 814,692                 |
| Sanitation collection               | 964,759                            | 910,439                 | -                                   | -                     | 964,759                  | 910,439                 |
| Culture and recreation              | 929,537                            | 884,352                 | -                                   | -                     | 929,537                  | 884,352                 |
| Education                           | 41,286,632                         | 40,682,174              | -                                   | -                     | 41,286,632               | 40,682,174              |
| Debt service                        | 4,667                              | 7,225                   | -                                   | -                     | 4,667                    | 7,225                   |
| Sewer                               | -                                  | -                       | 1,908,901                           | 1,905,630             | 1,908,901                | 1,905,630               |
| Total expenses                      | <u>50,094,311</u>                  | <u>49,164,733</u>       | <u>1,908,901</u>                    | <u>1,905,630</u>      | <u>52,003,212</u>        | <u>51,070,363</u>       |
| <b>Increase in net position</b>     | <b><u>9,191,578</u></b>            | <b><u>8,655,987</u></b> | <b><u>896,984</u></b>               | <b><u>536,497</u></b> | <b><u>10,088,562</u></b> | <b><u>9,192,484</u></b> |
| Net position - beginning            | 163,111,667                        | 154,455,680             | 21,731,013                          | 21,194,516            | 184,842,680              | 175,650,196             |
| Prior period adjustment             | (3,108,448)                        | -                       | -                                   | -                     | (3,108,448)              | -                       |
| Net position - beginning - restated | <u>160,003,219</u>                 | <u>154,455,680</u>      | <u>21,731,013</u>                   | <u>21,194,516</u>     | <u>181,734,232</u>       | <u>175,650,196</u>      |
| Net position - ending               | <u>\$ 169,194,797</u>              | <u>\$ 163,111,667</u>   | <u>\$ 22,627,997</u>                | <u>\$ 21,731,013</u>  | <u>\$ 191,822,794</u>    | <u>\$ 184,842,680</u>   |

### COMMENTS ON FUND FINANCIAL STATEMENTS

As noted earlier, the Town of Arlington uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds* - The focus of the Town of Arlington's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Government's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund accounts for approximately 17.09% of governmental fund revenues. Accordingly this discussion will focus on the General Fund. General Fund balance was \$16.98 million at the end of the current fiscal year. Of that balance, \$16.48 million is available to meet the day-to-day needs of the Town.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Revenues in the General Fund increased from the previous year by approximately \$1.12 million. The most significant changes in revenues in the General Fund were:

- Property taxes increased by \$496 thousand.
- Sales tax increased by \$287 thousand.
- State and federal grants decreased by \$71 thousand.
- State shared revenues increased by approximately \$234 thousand.
- Storm water fees increased by \$63 thousand.
- Sale of land and equipment decreased by \$67 thousand.
- Impact fees increased by \$62 thousand.

All other revenues were within reasonable variances from last year. A budget comparison statement has been provided to demonstrate compliance with the budget.

*Proprietary funds* - The Town of Arlington's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the proprietary fund at the end of the year amounted to \$11.25 million. The total increase in net position for this fund was \$897 thousand.

### GENERAL FUND BUDGETARY HIGHLIGHTS

#### Final Budgeted and Actual Amounts

Actual revenues were over the budgeted amounts by \$726 thousand. Significant variances are as follows:

- Intergovernmental (state shared taxes) were more than the budgeted amounts by \$304 thousand.
- Local sales taxes were more than the budgeted amounts by \$382 thousand.
- Street light fees were more than the budgeted amounts by \$63 thousand.

Actual expenditures were under the final budgeted amount by \$860 thousand. Significant variances are as follows:

- General Government was under budget by \$287 thousand.
- Public Safety was under budget by \$351 thousand.
- Public Works was under budget by \$162 thousand.
- Parks & Library and Senior Center were under budget by \$92 thousand.

### CAPITAL ASSET AND DEBT ADMINISTRATION

*Capital Assets* - At the end of fiscal year 2018, the Town had invested \$150.46 million net of accumulated depreciation in a variety of capital assets and infrastructure. Infrastructure was valued at \$26.61 million net of accumulated depreciation. Assets accounted for under this approach include improvements to streets that the Town of Arlington is responsible for maintaining.

*Long-term debt* - At the end of the current fiscal year, the Town of Arlington had total debt outstanding of \$13.32 million. Of this amount, \$10.58 million consists of revenue bonds. An additional \$302 thousand is for capital outlay notes, while another \$2.44 million of the Town's debt represents a note less discount for the benefit of the Arlington Community Schools.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

- Arlington's recent residential and commercial growth over the last few years has continued. We are expecting this to continue and an increase in both for the next fiscal year. The residential increase will result in an increase in permit and development fees collected, taxes and an increase in population. The increased commercial development should result in an increase to real property and personal property taxes, as well as sales and business taxes.
- Arlington's new home construction continues to increase. The Town processed 121 new single family home permits in 2018, an increase of 11 new home permits from 2017 and 52 more than 2016. The last time the Town saw construction at this rate was in 2010. The rate of residential construction is projected to continue increasing in 2019 with an existing inventory of 112 available residential lots and additional inventory of 127 lots anticipated to be ready for permitting in 2019.
- Arlington Community Schools opened in August 2015 and includes enrollment from Arlington residents, Lakeland residents for High School, and open enrollment students where there is capacity. Arlington Community Schools were named an Exemplary School District by the TN Department of Education again this year, as well as being named a TN Reward School for both performance and progress.
- Commercial investment in Arlington during the 2017-2018 fiscal year has continued the upward growth trend of previous years. The Town has opened over 85,000 square feet of new commercial and office space this fiscal year, including Ortho One, O'Reilly's, RedMed Urgent Care Clinic, Olympic Steak & Pizza, Arlington Climate Controlled Storage and an expansion at Steamfitters. Another nine commercial projects totaling 115,000 square feet are currently under construction around Town.

All of these factors were considered in preparing the Town of Arlington's budget for the 2019 fiscal year.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Arlington's finances for citizens, taxpayers, customers, investors, creditors and all others with an interest in the Town of Arlington's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Recorder, Town of Arlington, 5854 Airline Road, P.O. Box 507, Arlington, TN 38002.

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF ARLINGTON, TENNESSEE**  
**STATEMENT OF NET POSITION**  
June 30, 2018

|  | <b>Primary Government</b>          |                                     |                    |
|--|------------------------------------|-------------------------------------|--------------------|
|  | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>       |
| <b>Assets</b>  |                                    |                                     |                    |
| Cash and cash equivalents                                  | \$ 29,224,408                      | \$ 3,969,497                        | \$ 33,193,905      |
| Investments  | 13,419,579                         | 7,088,112                           | 20,507,691         |
| Receivables:   |                                    |                                     |                    |
| Interest   | 6,239                              | 954                                 | 7,193              |
| Taxes (net of allowance for<br>uncollectibles of \$23,653) | 4,106,203                          | -                                   | 4,106,203          |
| Accounts   | 107,397                            | 309,983                             | 417,380            |
| Internal balances  | 98,108                             | (98,108)                            | -                  |
| Due from other governments - grants                        | 668,753                            | -                                   | 668,753            |
| Intergovernmental - nongrant                               | 4,458,439                          | -                                   | 4,458,439          |
| Inventory  | 14,088                             | -                                   | 14,088             |
| Prepayments and other current assets                       | 33,557                             | -                                   | 33,557             |
| Net pension asset  | 533,297                            | -                                   | 533,297            |
| Capital assets not being depreciated:                      |                                    |                                     |                    |
| Land   | 4,867,437                          | 231,762                             | 5,099,199          |
| Construction in process                                    | 1,992,986                          | -                                   | 1,992,986          |
| Capital assets net of accumulated<br>depreciation:         |                                    |                                     |                    |
| Buildings and improvements                                 | 88,703,647                         | -                                   | 88,703,647         |
| Machinery and equipment                                    | 6,295,440                          | -                                   | 6,295,440          |
| Sewer plant  | -                                  | 21,753,924                          | 21,753,924         |
| Infrastructure   | 26,614,076                         | -                                   | 26,614,076         |
| Total assets   | <u>181,143,654</u>                 | <u>33,256,124</u>                   | <u>214,399,778</u> |
| <b>Deferred outflows of resources</b>                      |                                    |                                     |                    |
| Deferred outflows related to pension                       | 6,874,426                          | -                                   | 6,874,426          |
| Deferred outflows related to OPEB                          | 276,511                            | -                                   | 276,511            |
| Total deferred outflows of resources                       | <u>7,150,937</u>                   | <u>-</u>                            | <u>7,150,937</u>   |

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF ARLINGTON, TENNESSEE**  
**STATEMENT OF NET POSITION**  
June 30, 2018

|  | <b>Primary Government</b>          |                                     |                              |
|--|------------------------------------|-------------------------------------|------------------------------|
|  | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>                 |
| <b>Liabilities</b>                             |                                    |                                     |                              |
| Accounts payable                               | 1,339,271                          | 8,577                               | 1,347,848                    |
| Other accrued expenses                         | 262,534                            | -                                   | 262,534                      |
| Accrued payroll                                | 1,526,549                          | -                                   | 1,526,549                    |
| Unearned revenue                               | 29,924                             | -                                   | 29,924                       |
| Long-term debt                                 |                                    |                                     |                              |
| Due within one year                            |                                    |                                     |                              |
| Notes and bonds payable                        | 552,834                            | 1,022,303                           | 1,575,137                    |
| Accrued annual leave                           | 68,899                             | 9,897                               | 78,796                       |
| Due in more than one year                      |                                    |                                     |                              |
| Notes and bonds payable                        | 2,188,553                          | 9,583,108                           | 11,771,661                   |
| Net OPEB obligation                            | 4,324,963                          | -                                   | 4,324,963                    |
| Accrued annual leave                           | 272,927                            | 4,242                               | 277,169                      |
| Accrued landfill closing and postclosing costs | 325,126                            | -                                   | 325,126                      |
| Total liabilities                              | <u>10,891,580</u>                  | <u>10,628,127</u>                   | <u>21,519,707</u>            |
| <b>Deferred Inflows of Resources</b>           |                                    |                                     |                              |
| Deferred inflows related to pension            | 3,646,320                          | -                                   | 3,646,320                    |
| Deferred inflows related to OPEB               | 537,581                            | -                                   | 537,581                      |
| Unavailable revenue - property taxes           | <u>4,024,313</u>                   | <u>-</u>                            | <u>4,024,313</u>             |
| Total deferred inflows of resources            | <u>8,208,214</u>                   | <u>-</u>                            | <u>8,208,214</u>             |
| <b>Net Position</b>                            |                                    |                                     |                              |
| Net investment in capital assets               | 128,172,085                        | 11,380,275                          | 139,552,360                  |
| Restricted for:                                |                                    |                                     |                              |
| State street aid                               | 4,528,404                          | -                                   | 4,528,404                    |
| Sanitation                                     | 963,270                            | -                                   | 963,270                      |
| Net pension asset                              | 533,297                            | -                                   | 533,297                      |
| Inventory                                      | 14,088                             | -                                   | 14,088                       |
| Education                                      | 18,221,382                         | -                                   | 18,221,382                   |
| Unrestricted                                   | <u>16,762,271</u>                  | <u>11,247,722</u>                   | <u>28,009,993</u>            |
| <b>Total net position</b>                      | <b><u>\$ 169,194,797</u></b>       | <b><u>\$ 22,627,997</u></b>         | <b><u>\$ 191,822,794</u></b> |

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF ARLINGTON, TENNESSEE**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2018

| Functions/Programs                                 | Expenses             | Program Revenues        |  |  | Net (Expenses) Revenue and<br>Changes in Net Position |                             | Total                 |
|--|----------------------|-------------------------|--|--|---|-----------------------------|-----------------------|
|  |                      | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                            | Business-type<br>Activities |                       |
| Primary government                                 |                      |                         |  |  |   |                             |                       |
| Governmental activities                            |                      |                         |  |  |   |                             |                       |
| General government                                 | \$ 3,384,238         | \$ 698,698              | \$ -                                     | \$ -                                   | \$ (2,685,540)  | \$ -                        | \$ (2,685,540)        |
| Public safety                                      | 1,880,286            | 9,010                   | -  | -                                      | (1,871,276)   | -                           | (1,871,276)           |
| Highways and streets                               | 496,821              | -                       | 462,171                                  | 1,607,633                              | 1,572,983   | -                           | 1,572,983             |
| Storm drainage                                     | 106,563              | 164,248                 | -  | -                                      | 57,685  | -                           | 57,685                |
| Public works                                       | 1,040,808            | -                       | -  | -                                      | (1,040,808)   | -                           | (1,040,808)           |
| Sanitation collection                              | 964,759              | 1,005,698               | -  | -                                      | 40,939  | -                           | 40,939                |
| Parks and recreation                               | 929,537              | 93,190                  | 27,350                                   | 49,318                                 | (759,679)   | -                           | (759,679)             |
| Education  | 41,286,632           | 1,304,602               | 45,337,273                               | -                                      | 5,355,243   | -                           | 5,355,243             |
| Interest on long-term debt                         | 4,667                | -                       | -  | -                                      | (4,667)   | -                           | (4,667)               |
| Total governmental activities                      | <u>50,094,311</u>    | <u>3,275,446</u>        | <u>45,826,794</u>                        | <u>1,656,951</u>                       | <u>664,880</u>  | <u>-</u>                    | <u>664,880</u>        |
| Business-type activities                           |                      |                         |  |  |   |                             |                       |
| Sewer  | 1,908,901            | 2,546,337               | -  | 179,772                                | -   | 817,208                     | 817,208               |
| Total primary government                           | <u>\$ 52,003,212</u> | <u>\$ 5,821,783</u>     | <u>\$ 45,826,794</u>                     | <u>\$ 1,836,723</u>                    | <u>\$ 664,880</u>                                     | <u>\$ 817,208</u>           | <u>\$ 1,482,088</u>   |
| <b>General revenues</b>                            |                      |                         |  |  |   |                             |                       |
| Property taxes - levied for general government     |                      |                         |  |  | 4,251,410   | -                           | 4,251,410             |
| Payments in lieu of taxes - other governments      |                      |                         |  |  | 178,744   | -                           | 178,744               |
| Sales taxes  |                      |                         |  |  | 3,186,963   | -                           | 3,186,963             |
| Franchise taxes                                    |                      |                         |  |  | 123,465   | -                           | 123,465               |
| Alcoholic beverage taxes                           |                      |                         |  |  | 336,008   | -                           | 336,008               |
| Business taxes                                     |                      |                         |  |  | 176,969   | -                           | 176,969               |
| State income and excise taxes                      |                      |                         |  |  | 119,373   | -                           | 119,373               |
| Interest, penalties and court costs                |                      |                         |  |  | 10,137  | -                           | 10,137                |
| Gain (loss) on sale of capital assets              |                      |                         |  |  | 32,385  | -                           | 32,385                |
| Unrestricted interest income                       |                      |                         |  |  | 111,244   | 79,776                      | 191,020               |
| Total general revenues                             |                      |                         |  |  | <u>8,526,698</u>                                      | <u>79,776</u>               | <u>8,606,474</u>      |
| <b>Changes in net position</b>                     |                      |                         |  |  | <b>9,191,578</b>                                      | <b>896,984</b>              | <b>10,088,562</b>     |
| Net position - beginning                           |                      |                         |  |  | 163,111,667   | 21,731,013                  | 184,842,680           |
| Restatement - GASB Statement No. 75 implementation |                      |                         |  |  | <u>(3,108,448)</u>                                    | <u>-</u>                    | <u>(3,108,448)</u>    |
| Net position - beginning, restated                 |                      |                         |  |  | <u>160,003,219</u>                                    | <u>21,731,013</u>           | <u>181,734,232</u>    |
| Net position - ending                              |                      |                         |  |  | <u>\$ 169,194,797</u>                                 | <u>\$ 22,627,997</u>        | <u>\$ 191,822,794</u> |

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF ARLINGTON, TENNESSEE**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
June 30, 2018

|  | General Fund         | General Purpose School | Education Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|------------------------|---------------------------------|--------------------------|--------------------------|
| <b>Assets</b>  |                      |                        |                                 |                          |                          |
| Cash and cash equivalents  | \$ 5,250,019         | \$ 19,354,294          | \$ 1,359,080                    | \$ 3,261,015             | \$ 29,224,408            |
| Investments  | 11,230,527           | -                      | -                               | 2,189,052                | 13,419,579               |
| Inventory  | -                    | -                      | -                               | 14,088                   | 14,088                   |
| Prepaid expense  | -                    | 33,557                 | -                               | -                        | 33,557                   |
| Receivables:   |                      |                        |                                 |                          |                          |
| Interest   | 4,874                | -                      | -                               | 1,365                    | 6,239                    |
| Taxes (net of allowance for uncollectibles of \$23,653)                    | 4,106,203            | -                      | -                               | -                        | 4,106,203                |
| Accounts - other   | 71,712               | 35,685                 | -                               | -                        | 107,397                  |
| Due from other funds   | 13,547               | 149,214                | -                               | 98,368                   | 261,129                  |
| Due from other governments - grants  | 57,363               | -                      | -                               | 611,390                  | 668,753                  |
| Intergovernmental - nongrant   | 666,932              | 2,927,242              | 863,807                         | 458                      | 4,458,439                |
| <b>Total assets</b>  | <b>\$ 21,401,177</b> | <b>\$ 22,499,992</b>   | <b>\$ 2,222,887</b>             | <b>\$ 6,175,736</b>      | <b>\$ 52,299,792</b>     |
| <b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>       |                      |                        |                                 |                          |                          |
| Liabilities  |                      |                        |                                 |                          |                          |
| Accounts payable   | \$ 276,854           | \$ 605,559             | \$ 402,619                      | \$ 54,239                | \$ 1,339,271             |
| Accrued payroll  | -                    | 1,473,408              | -                               | 53,141                   | 1,526,549                |
| Other accrued expenses   | -                    | 262,534                | -                               | -                        | 262,534                  |
| Due to other funds   | 13,807               | -                      | -                               | 149,214                  | 163,021                  |
| Unearned revenue   | -                    | -                      | -                               | 29,924                   | 29,924                   |
| Total liabilities  | <u>290,661</u>       | <u>2,341,501</u>       | <u>402,619</u>                  | <u>286,518</u>           | <u>3,321,299</u>         |
| Deferred inflows of resources  |                      |                        |                                 |                          |                          |
| Unavailable revenue - nongrant   | -                    | 457,648                | 863,807                         | -                        | 1,321,455                |
| Unavailable revenue - grants   | 57,363               | -                      | -                               | 141,571                  | 198,934                  |
| Unavailable revenue - property taxes                                       | 4,071,333            | 947,306                | -                               | -                        | 5,018,639                |
| Total deferred inflows of resources  | <u>4,128,696</u>     | <u>1,404,954</u>       | <u>863,807</u>                  | <u>141,571</u>           | <u>6,539,028</u>         |
| Fund balances  |                      |                        |                                 |                          |                          |
| Nonspendable   |                      |                        |                                 |                          |                          |
| Inventory  | -                    | -                      | -                               | 14,088                   | 14,088                   |
| Prepaid expenses   | -                    | 33,557                 | -                               | -                        | 33,557                   |
| Restricted   |                      |                        |                                 |                          |                          |
| State street aid   | -                    | -                      | -                               | 4,528,404                | 4,528,404                |
| Sanitation   | -                    | -                      | -                               | 963,270                  | 963,270                  |
| Education  | -                    | 18,719,980             | 956,461                         | 241,885                  | 19,918,326               |
| Assigned:  |                      |                        |                                 |                          |                          |
| Impact fees  | 149,400              | -                      | -                               | -                        | 149,400                  |
| Fire Department  | 150,000              | -                      | -                               | -                        | 150,000                  |
| West Tennessee Veterans Home   | 200,000              | -                      | -                               | -                        | 200,000                  |
| Unassigned   | <u>16,482,420</u>    | <u>-</u>               | <u>-</u>                        | <u>-</u>                 | <u>16,482,420</u>        |
| Total fund balances  | <u>16,981,820</u>    | <u>18,753,537</u>      | <u>956,461</u>                  | <u>5,747,647</u>         | <u>42,439,465</u>        |
| <b>Total liabilities, deferred inflows of resources, and fund balances</b> | <b>\$ 21,401,177</b> | <b>\$ 22,499,992</b>   | <b>\$ 2,222,887</b>             | <b>\$ 6,175,736</b>      | <b>\$ 52,299,792</b>     |

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF ARLINGTON, TENNESSEE**  
**RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL**  
**FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
June 30, 2018

Amounts reported for the governmental activities in the statement of net assets (Page 12) are different because:

|   |                       |
|---|-----------------------|
| Fund balances - total governmental funds (Page 14)  | \$ 42,439,465         |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds  | 128,473,586           |
| Net pension asset is not a financial resource in the current period and, therefore, are not reported an asset in governmental funds.  | 533,297               |
| Receivables not available to pay for current expenditures and, therefore, are deferred in the funds.  |                       |
| Unavailable revenue   | 2,514,715             |
| Deferred outflows of resources related to pensions and OPEB in which the consumption of net position will occur in future periods, therefore, it is not reported in the funds   | 7,150,937             |
| Deferred inflows of resources related to pensions and OPEB in which the acquisition of net position will occur in future periods, therefore, it is not reported in the funds  | (4,183,901)           |
| Long-term liabilities, including notes, leases payable, compensated absences, other post employment benefits, and landfill postclosing costs, are not due in the current period and, therefore, are not reported in the funds | <u>(7,733,302)</u>    |
| Net position of governmental activities (Page 12)   | <u>\$ 169,194,797</u> |

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF ARLINGTON, TENNESSEE**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
For the Year Ended June 30, 2018

|                                      | General<br>Fund      | General<br>Purpose<br>School | Education<br>Capital<br>Projects Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--------------------------------------|----------------------|------------------------------|---------------------------------------|--------------------------------|--------------------------------|
| <b>Revenues</b>                      |                      |                              |                                       |                                |                                |
| Taxes                                | \$ 6,239,596         | \$ 19,023,785                | \$ -                                  | \$ -                           | \$ 25,263,381                  |
| Licenses and permits                 | 98,662               | -                            | -                                     | -                              | 98,662                         |
| Intergovernmental                    | 2,190,097            | 21,051,564                   | -                                     | 3,723,094                      | 26,964,755                     |
| Charges for services                 | 548,815              | 564,003                      | -                                     | 1,746,298                      | 2,859,116                      |
| Other                                | 639,034              | 168,362                      | 817,482                               | 35,196                         | 1,660,074                      |
| <b>Total revenues</b>                | <u>9,716,204</u>     | <u>40,807,714</u>            | <u>817,482</u>                        | <u>5,504,588</u>               | <u>56,845,988</u>              |
| <b>Expenditures</b>                  |                      |                              |                                       |                                |                                |
| Current                              |                      |                              |                                       |                                |                                |
| General government                   | 1,411,860            | -                            | -                                     | -                              | 1,411,860                      |
| Public safety                        | 1,925,471            | -                            | -                                     | -                              | 1,925,471                      |
| Highways and streets                 | 1,317,056            | -                            | -                                     | 802,300                        | 2,119,356                      |
| Storm drainage                       | 121,002              | -                            | -                                     | -                              | 121,002                        |
| Sanitation collection                | -                    | -                            | -                                     | 998,720                        | 998,720                        |
| Parks and recreation                 | 977,022              | -                            | -                                     | -                              | 977,022                        |
| Education                            | -                    | 38,509,529                   | 1,422,614                             | 3,700,243                      | 43,632,386                     |
| Capital outlay                       | 573,193              | -                            | -                                     | 519,798                        | 1,092,991                      |
| Debt service:                        |                      |                              |                                       |                                |                                |
| Principal                            | 78,000               | 333,333                      | -                                     | -                              | 411,333                        |
| Issuance costs                       | 36,000               | -                            | -                                     | -                              | 36,000                         |
| Interest                             | 4,667                | -                            | -                                     | -                              | 4,667                          |
| <b>Total expenditures</b>            | <u>6,444,271</u>     | <u>38,842,862</u>            | <u>1,422,614</u>                      | <u>6,021,061</u>               | <u>52,730,808</u>              |
| Revenues over (under) expenditures   | 3,271,933            | 1,964,852                    | (605,132)                             | (516,473)                      | 4,115,180                      |
| Other Financing Sources (Uses)       |                      |                              |                                       |                                |                                |
| Issuance of debt                     | 139,501              | -                            | -                                     | -                              | 139,501                        |
| Transfers in                         | -                    | 657,581                      | -                                     | 900,000                        | 1,557,581                      |
| Transfers out                        | (1,460,612)          | -                            | -                                     | (96,969)                       | (1,557,581)                    |
| Total other financing sources (uses) | <u>(1,321,111)</u>   | <u>657,581</u>               | <u>-</u>                              | <u>803,031</u>                 | <u>139,501</u>                 |
| <b>Net changes in fund balances</b>  | <b>1,950,822</b>     | <b>2,622,433</b>             | <b>(605,132)</b>                      | <b>286,558</b>                 | <b>4,254,681</b>               |
| Fund balances - beginning            | <u>15,030,998</u>    | <u>16,131,104</u>            | <u>1,561,593</u>                      | <u>5,461,089</u>               | <u>38,184,784</u>              |
| Fund balances - ending               | <u>\$ 16,981,820</u> | <u>\$ 18,753,537</u>         | <u>\$ 956,461</u>                     | <u>\$ 5,747,647</u>            | <u>\$ 42,439,465</u>           |

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF ARLINGTON, TENNESSEE**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2018

Amounts reported for the governmental activities in the statement of activities (Page 13) are different because:

|   |                     |
|---|---------------------|
| Net change in fund balances - total governmental funds (Page 16)  | \$ 4,254,681        |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.  | 2,739,694           |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds (property taxes, grants and nongrant).  | 1,233,540           |
| Some expenses reported in the statement of activities, such as accrued leave, pension, other post employment benefits, and landfill liability, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.  |                     |
| Difference between actual contributions and pension expense   | 692,328             |
| Difference between actual contributions and OPEB expense  | 44,139              |
| Change in compensated absences  | (23,942)            |
| Change in landfill liability  | 34,174              |
| The issuance of long-term debt (e.g., bonds, leases) provides current financial resources of governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. |                     |
| Capital outlay notes  | (61,501)            |
| Board of Education note payment and amortization of discount  | 278,465             |
| Change in net position of governmental activities (Page 13)   | <u>\$ 9,191,578</u> |

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF ARLINGTON, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**

For the Year Ended June 30, 2018

|                                    | <b>Budgeted Amounts</b> |                  |                  | <b>Variance</b>                  |
|------------------------------------|-------------------------|------------------|------------------|----------------------------------|
|                                    | <b>Original</b>         | <b>Final</b>     | <b>Actual</b>    | <b>Over<br/>Over<br/>(Under)</b> |
| <b>Revenues</b>                    |                         |                  |                  |                                  |
| Taxes:                             |                         |                  |                  |                                  |
| Real property taxes                | \$ 3,464,000            | \$ 3,557,170     | \$ 3,567,563     | \$ 10,393                        |
| Personal property taxes            | 290,000                 | 307,800          | 306,309          | (1,491)                          |
| Public utility taxes               | 401,000                 | 401,000          | 397,695          | (3,305)                          |
| Interest and penalties             | 15,000                  | 15,000           | 10,137           | (4,863)                          |
| In lieu of tax payments -          |                         |                  |                  |                                  |
| Other governments                  | 80,000                  | 80,000           | 35,692           | (44,308)                         |
| Local sales tax                    | 1,100,000               | 1,100,000        | 1,482,453        | 382,453                          |
| Wholesale beer tax                 | 250,000                 | 250,000          | 227,138          | (22,862)                         |
| Wholesale liquor tax               | 75,000                  | 93,450           | 89,144           | (4,306)                          |
| Franchise taxes                    | 115,000                 | 115,000          | 123,465          | 8,465                            |
| Total taxes                        | <u>5,790,000</u>        | <u>5,919,420</u> | <u>6,239,596</u> | <u>320,176</u>                   |
| Licenses and permits:              |                         |                  |                  |                                  |
| Licenses and permits               | 22,400                  | 34,820           | 39,954           | 5,134                            |
| Planning commission submittals     | 20,000                  | 50,100           | 50,159           | 59                               |
| Excavating permits                 | 7,500                   | 7,500            | 8,549            | 1,049                            |
| Total licenses and permits         | <u>49,900</u>           | <u>92,420</u>    | <u>98,662</u>    | <u>6,242</u>                     |
| Intergovernmental:                 |                         |                  |                  |                                  |
| Federal grants                     | -                       | 1,955            | 1,955            | -                                |
| TVA in lieu of tax                 | 141,000                 | 141,000          | 143,052          | 2,052                            |
| Business tax                       | 125,000                 | 166,590          | 176,969          | 10,379                           |
| State sales tax                    | 950,000                 | 950,000          | 1,038,988        | 88,988                           |
| State local sales tax              | 530,000                 | 550,730          | 665,522          | 114,792                          |
| State income tax                   | 50,000                  | -                | 83,754           | 83,754                           |
| State beer tax                     | 5,750                   | 5,750            | 5,640            | (110)                            |
| State alcoholic beverage tax       | 12,500                  | 12,500           | 14,086           | 1,586                            |
| State petroleum special fee        | 24,000                  | 24,000           | 24,512           | 512                              |
| State telecommunications sales tax | 1,000                   | 11,500           | 13,396           | 1,896                            |
| State excise tax                   | 17,500                  | 22,200           | 22,223           | 23                               |
| Total intergovernmental            | <u>1,856,750</u>        | <u>1,886,225</u> | <u>2,190,097</u> | <u>303,872</u>                   |
| Charges for services:              |                         |                  |                  |                                  |
| Fire reports                       | -                       | -                | 10               | 10                               |
| Community development fees         | -                       | 67,200           | 67,200           | -                                |
| Street light fees                  | -                       | 118,000          | 180,988          | 62,988                           |
| Storm water fees                   | 122,250                 | 150,700          | 164,248          | 13,548                           |
| Inspection fees                    | -                       | 50,800           | 50,800           | -                                |

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF ARLINGTON, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**

For the Year Ended June 30, 2018

|  | <b>Budgeted Amounts</b> |                  |                  | <b>Variance</b>         |
|--|-------------------------|------------------|------------------|-------------------------|
|  | <b>Original</b>         | <b>Final</b>     | <b>Actual</b>    | <b>Over<br/>(Under)</b> |
| Meeting room fees                      | 1,000                   | 1,000            | -                | (1,000)                 |
| Community garden                       | 500                     | 720              | 720              | -                       |
| Park and recreation fees               | 70,500                  | 85,400           | 84,849           | (551)                   |
| Total charges for services             | <u>194,250</u>          | <u>473,820</u>   | <u>548,815</u>   | <u>74,995</u>           |
| Other:                                 |                         |                  |                  |                         |
| Other                                  | 13,000                  | 15,000           | 14,111           | (889)                   |
| Rent                                   | 3,800                   | 3,801            | 3,101            | (700)                   |
| Sale of land and equipment             | -                       | 32,385           | 32,385           | -                       |
| Interest earned                        | 55,000                  | 87,500           | 105,046          | 17,546                  |
| Insurance recovery                     | -                       | 27,856           | 27,857           | 1                       |
| Impact fees                            | 143,000                 | 406,600          | 408,584          | 1,984                   |
| Library fines                          | 18,000                  | 18,000           | 20,600           | 2,600                   |
| Contributions                          | -                       | 27,100           | 27,350           | 250                     |
| Total other                            | <u>232,800</u>          | <u>618,242</u>   | <u>639,034</u>   | <u>20,792</u>           |
| <b>Total revenues</b>                  | <u>8,123,700</u>        | <u>8,990,127</u> | <u>9,716,204</u> | <u>726,077</u>          |
| <b>Expenditures</b>                    |                         |                  |                  |                         |
| Current expenditures:                  |                         |                  |                  |                         |
| General government:                    |                         |                  |                  |                         |
| Salaries                               | 401,000                 | 401,000          | 373,766          | (27,234)                |
| OASI                                   | 35,000                  | 35,000           | 31,853           | (3,147)                 |
| Hospital and health insurance          | 61,000                  | 61,000           | 52,770           | (8,230)                 |
| Workmen's compensation                 | 2,000                   | 2,000            | 1,184            | (816)                   |
| Employee education and training        | 7,500                   | 7,500            | 865              | (6,635)                 |
| Other employer contributions           | 31,000                  | 31,000           | 26,534           | (4,466)                 |
| Board and committee members            | 61,000                  | 61,000           | 61,040           | 40                      |
| Elections                              | 45,000                  | 45,000           | 12,022           | (32,978)                |
| Contractual services                   | 45,000                  | 45,000           | 24,813           | (20,187)                |
| Postage                                | 7,000                   | 9,000            | 8,689            | (311)                   |
| Messenger and delivery services        | 2,500                   | 2,500            | 998              | (1,502)                 |
| Publication of legal notices           | 30,000                  | 30,000           | 14,526           | (15,474)                |
| Memberships and registration fees      | 7,500                   | 6,000            | 5,970            | (30)                    |
| Public relations                       | 10,000                  | 10,000           | 5,250            | (4,750)                 |
| Utility services                       | 25,000                  | 277,000          | 275,683          | (1,317)                 |
| Telephone                              | 20,000                  | 20,000           | 15,673           | (4,327)                 |
| Legal services                         | 150,000                 | 150,000          | 102,690          | (47,310)                |
| Accounting and auditing services       | 20,000                  | 20,000           | 14,790           | (5,210)                 |
| Architectural and engineering services | 145,000                 | 145,000          | 130,527          | (14,473)                |
| Web site services                      | 6,000                   | 6,000            | 5,200            | (800)                   |

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF ARLINGTON, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**

For the Year Ended June 30, 2018

|                                      | <b>Budgeted Amounts</b> |                  |                  | <b>Variance</b>         |
|--------------------------------------|-------------------------|------------------|------------------|-------------------------|
|                                      | <b>Original</b>         | <b>Final</b>     | <b>Actual</b>    | <b>Over<br/>(Under)</b> |
| Data processing services             | 20,000                  | 20,000           | 16,375           | (3,625)                 |
| Other professional services          | 74,000                  | 79,000           | 83,776           | 4,776                   |
| Repair and maintenance services      | 5,000                   | 5,000            | 1,085            | (3,915)                 |
| Repair and maintenance of buildings  | 25,000                  | 25,000           | 17,805           | (7,195)                 |
| Travel                               | 5,000                   | 5,000            | 1,553            | (3,447)                 |
| Collection fees                      | 20,000                  | 23,000           | 21,877           | (1,123)                 |
| Sundry                               | 6,000                   | 7,000            | 6,953            | (47)                    |
| Operating supplies                   | 16,000                  | 22,000           | 20,503           | (1,497)                 |
| Off site record storage              | 5,000                   | 5,000            | 4,903            | (97)                    |
| Insurance on buildings               | 11,500                  | 10,500           | 9,519            | (981)                   |
| Insurance - liability                | 12,000                  | 12,300           | 12,256           | (44)                    |
| Capital outlay                       | 431,118                 | 268,318          | 198,027          | (70,291)                |
| Machinery and equipment rent         | 11,000                  | 15,000           | 13,002           | (1,998)                 |
| Other machinery and equipment        | 10,000                  | 10,000           | 11,655           | 1,655                   |
| Donations to the Chamber of Commerce | 25,000                  | 25,000           | 25,000           | -                       |
| Clothing and uniforms                | -                       | 1,000            | 755              | (245)                   |
| Total general government             | <u>1,788,118</u>        | <u>1,897,118</u> | <u>1,609,887</u> | <u>(287,231)</u>        |
|                                      |                         |                  |                  |                         |
| Fire protection and control:         |                         |                  |                  |                         |
| Salaries                             | 1,023,000               | 1,023,000        | 975,401          | (47,599)                |
| OASI                                 | 78,000                  | 78,000           | 71,306           | (6,694)                 |
| Hospital and health insurance        | 140,000                 | 140,000          | 116,398          | (23,602)                |
| Workmen's compensation               | 32,000                  | 32,000           | 27,188           | (4,812)                 |
| Employee education and training      | 5,000                   | 9,000            | 8,746            | (254)                   |
| Other employer contributions         | 69,000                  | 69,000           | 56,924           | (12,076)                |
| Volunteer firemen                    | 15,000                  | 15,000           | 1,101            | (13,899)                |
| Contractual services                 | 410,000                 | 410,000          | 392,638          | (17,362)                |
| Membership fees, dues                | 6,000                   | 6,000            | 5,475            | (525)                   |
| Utility services                     | 25,000                  | 25,000           | 18,040           | (6,960)                 |
| Telephone                            | 11,000                  | 11,000           | 9,897            | (1,103)                 |
| Medical and dental                   | 50,000                  | 50,000           | 11,600           | (38,400)                |
| Repair and maintenance               | 75,000                  | 75,000           | 67,280           | (7,720)                 |
| Data processing                      | 6,000                   | 7,000            | 6,601            | (399)                   |
| Travel                               | 6,000                   | 6,000            | 1,662            | (4,338)                 |
| Operating supplies                   | 14,500                  | 20,000           | 17,151           | (2,849)                 |
| Clothing and uniforms                | 10,000                  | 10,000           | 9,262            | (738)                   |
| Gas, oil and diesel                  | 16,000                  | 16,000           | 9,807            | (6,193)                 |
| Insurance-building and liability     | 18,500                  | 20,500           | 17,109           | (3,391)                 |
| Insurance-vehicles and equipment     | 8,500                   | 8,700            | 8,654            | (46)                    |
| Capital outlay                       | 30,000                  | 30,000           | 29,888           | (112)                   |
| Machinery and equipment rent         | 5,000                   | 5,000            | 4,836            | (164)                   |

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF ARLINGTON, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**

For the Year Ended June 30, 2018

|                                 | <b>Budgeted Amounts</b> |                  |                  | <b>Variance<br/>Over<br/>(Under)</b> |
|---------------------------------|-------------------------|------------------|------------------|--------------------------------------|
|                                 | <b>Original</b>         | <b>Final</b>     | <b>Actual</b>    |                                      |
| Other machinery and equipment   | 200,000                 | 235,000          | 83,575           | (151,425)                            |
|                                 | <u>2,253,500</u>        | <u>2,301,200</u> | <u>1,950,539</u> | <u>(350,661)</u>                     |
| Fire fighting:                  |                         |                  |                  |                                      |
| Supplies                        | 5,000                   | 5,000            | 4,820            | (180)                                |
|                                 | <u>2,258,500</u>        | <u>2,306,200</u> | <u>1,955,359</u> | <u>(350,841)</u>                     |
| Total public safety             |                         |                  |                  |                                      |
| Public Works:                   |                         |                  |                  |                                      |
| Highway and streets:            |                         |                  |                  |                                      |
| Salaries                        | 640,520                 | 640,520          | 555,575          | (84,945)                             |
| OASI                            | 50,000                  | 50,000           | 45,325           | (4,675)                              |
| Hospital and health insurance   | 95,000                  | 95,000           | 89,641           | (5,359)                              |
| Workmen's compensation          | 28,000                  | 28,000           | 27,091           | (909)                                |
| Other employer contributions    | 46,000                  | 46,000           | 38,331           | (7,669)                              |
| Memberships, registration fees  | 3,000                   | 3,000            | 2,043            | (957)                                |
| Employee education and training | 5,000                   | 5,000            | 610              | (4,390)                              |
| Utility services                | 25,000                  | 25,000           | 23,952           | (1,048)                              |
| Ambulance services              | 2,000                   | 2,000            | 1,115            | (885)                                |
| Other professional services     | 8,000                   | 8,000            | 3,745            | (4,255)                              |
| Telephone                       | 18,000                  | 18,000           | 14,001           | (3,999)                              |
| Data processing                 | 11,000                  | 11,000           | 7,982            | (3,018)                              |
| Repair and maintenance services | 90,000                  | 166,500          | 149,139          | (17,361)                             |
| Travel                          | 2,000                   | 2,000            | -                | (2,000)                              |
| Operating supplies              | 15,000                  | 26,500           | 22,763           | (3,737)                              |
| Clothing and uniforms           | 8,000                   | 8,000            | 5,449            | (2,551)                              |
| Gas, oil and diesel             | 10,000                  | 25,000           | 24,014           | (986)                                |
| Insurance                       | 21,000                  | 21,000           | 16,631           | (4,369)                              |
| Machinery and equipment rental  | 4,000                   | 5,200            | 4,836            | (364)                                |
| Other machinery and equipment   | 85,000                  | 285,000          | 284,813          | (187)                                |
| Capital outlay                  | 90,000                  | 90,000           | 82,956           | (7,044)                              |
| Total highway and streets       | <u>1,256,520</u>        | <u>1,560,720</u> | <u>1,400,012</u> | <u>(160,708)</u>                     |
| Storm drainage:                 |                         |                  |                  |                                      |
| Salaries                        | 43,000                  | 43,000           | 43,482           | 482                                  |
| OASI                            | 3,300                   | 3,300            | 3,016            | (284)                                |
| Hospital and health insurance   | 6,500                   | 6,500            | 11,925           | 5,425                                |
| Workmen's compensation          | 2,800                   | 2,800            | 1,744            | (1,056)                              |
| Other employer contributions    | 3,500                   | 3,500            | 3,204            | (296)                                |
| Contractual services            | 40,000                  | 40,000           | 39,505           | (495)                                |
| Employee education and training | 1,000                   | 1,000            | -                | (1,000)                              |

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF ARLINGTON, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**

For the Year Ended June 30, 2018

|                                      | <b>Budgeted Amounts</b> |               |               | <b>Variance</b>         |
|--------------------------------------|-------------------------|---------------|---------------|-------------------------|
|                                      | <b>Original</b>         | <b>Final</b>  | <b>Actual</b> | <b>Over<br/>(Under)</b> |
| Memberships, registration fees       | 4,000                   | 4,000         | 1,200         | (2,800)                 |
| Donations to the Chamber of Commerce | 2,000                   | 2,000         | 1,000         | (1,000)                 |
| Data processing                      | 1,000                   | 1,000         | 927           | (73)                    |
| Other professional service           | 11,000                  | 11,000        | 11,875        | 875                     |
| Operating supplies                   | 1,000                   | 1,000         | 645           | (355)                   |
| Clothing and uniforms                | 650                     | 650           | 422           | (228)                   |
| Gas, oil and diesel                  | 1,000                   | 1,000         | 1,208         | 208                     |
| Other machinery and equipment        | 2,000                   | 2,000         | 849           | (1,151)                 |
| Total storm drainage                 | 122,750                 | 122,750       | 121,002       | (1,748)                 |
| <br>Total public works               | <br>1,379,270           | <br>1,683,470 | <br>1,521,014 | <br>(162,456)           |
| <br>Parks and recreation:            |                         |               |               |                         |
| Salaries                             | 329,200                 | 329,200       | 298,866       | (30,334)                |
| OASI                                 | 26,800                  | 26,800        | 21,610        | (5,190)                 |
| Hospital and health insurance        | 45,000                  | 45,000        | 38,545        | (6,455)                 |
| Workmen's compensation               | 9,500                   | 10,000        | 9,432         | (568)                   |
| Employee education and training      | 4,000                   | 4,000         | 2,719         | (1,281)                 |
| Basketball fees                      | 32,500                  | 32,500        | 31,395        | (1,105)                 |
| Postage                              | 600                     | 600           | 499           | (101)                   |
| Memberships and registration fees    | 2,000                   | 2,000         | 1,165         | (835)                   |
| Other employer contributions         | 20,000                  | 20,000        | 15,267        | (4,733)                 |
| Contractual services                 | 225,000                 | 225,000       | 224,159       | (841)                   |
| Data processing services             | 14,500                  | 14,500        | 11,783        | (2,717)                 |
| Other professional services          | 2,300                   | 2,700         | 2,082         | (618)                   |
| Public relations                     | 25,000                  | 26,500        | 25,707        | (793)                   |
| Utility services                     | 86,000                  | 86,000        | 75,404        | (10,596)                |
| Telephone                            | 10,300                  | 10,800        | 10,281        | (519)                   |
| Repair and maintenance               | 92,500                  | 97,500        | 95,978        | (1,522)                 |
| Travel                               | 4,000                   | 4,000         | 2,064         | (1,936)                 |
| Sundry                               | 3,000                   | 3,000         | 2,782         | (218)                   |
| Operating supplies                   | 41,000                  | 41,000        | 38,147        | (2,853)                 |
| Clothing and uniforms                | 4,000                   | 4,000         | 2,498         | (1,502)                 |
| Gas, oil and diesel fuel             | 8,000                   | 8,000         | 7,985         | (15)                    |
| Fabricated materials                 | 10,000                  | 1,500         | 1,437         | (63)                    |
| Insurance                            | 18,000                  | 16,550        | 14,219        | (2,331)                 |
| Other machinery and equipment        | 50,000                  | 42,400        | 40,332        | (2,068)                 |
| Machinery and equipment rent         | 3,000                   | 3,000         | 2,666         | (334)                   |
| Capital outlay                       | 85,000                  | 275,000       | 262,322       | (12,678)                |
| Total parks and recreation           | 1,151,200               | 1,331,550     | 1,239,344     | (92,206)                |

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF ARLINGTON, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**

For the Year Ended June 30, 2018

|  | <b>Budgeted Amounts</b> |                              |                             | <b>Variance</b>                |
|--|-------------------------|------------------------------|-----------------------------|--------------------------------|
|  | <b>Original</b>         | <b>Final</b>                 | <b>Actual</b>               | <b>Over<br/>(Under)</b>        |
| Debt Service:  |                         |                              |                             |                                |
| Principal  | 78,000                  | 78,000                       | 78,000                      | -                              |
| Issuance costs   | -                       | -                            | 36,000                      | 36,000                         |
| Interest   | 8,000                   | 8,000                        | 4,667                       | (3,333)                        |
| Total debt service   | <u>86,000</u>           | <u>86,000</u>                | <u>118,667</u>              | <u>32,667</u>                  |
| <br>Total expenditures   | <u>6,663,088</u>        | <u>7,304,338</u>             | <u>6,444,271</u>            | <u>(860,067)</u>               |
| <br><b>Excess (deficiency) of revenues<br/>over (under) expenditures</b> | <br>1,460,612           | <br>1,685,789                | <br>3,271,933               | <br>1,586,144                  |
| <br>Other financing sources (uses)                                       |                         |                              |                             |                                |
| Issuance of debt   | -                       | -                            | 139,501                     | 139,501                        |
| Transfers out  | (1,460,612)             | (1,460,612)                  | (1,460,612)                 | -                              |
| Total other financing sources (uses)                                     | <u>(1,460,612)</u>      | <u>(1,460,612)</u>           | <u>(1,321,111)</u>          | <u>139,501</u>                 |
| <br><b>Net change in fund balances</b>                                   | <br><u><b>\$ -</b></u>  | <br><u><b>\$ 225,177</b></u> | <br><u><b>1,950,822</b></u> | <br><u><b>\$ 1,725,645</b></u> |
| <br>Fund balance, July 1   |                         |                              | <u>15,030,998</u>           |                                |
| <br>Fund balance, June 30  |                         |                              | <u><u>\$ 16,981,820</u></u> |                                |

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF ARLINGTON, TENNESSEE  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL**

For the Year Then Ended June 30, 2018

|                             | Budgeted Amounts         |                          | Actual                   | Variance with<br>Final Budget<br>Over<br>(Under) |
|-----------------------------|--------------------------|--------------------------|--------------------------|--|
|                             | Original                 | Final                    |                          |  |
| <b>Revenues:</b>            |                          |                          |                          |  |
| Taxes:                      |                          |                          |                          |  |
| Current property tax        | \$ 13,293,061            | \$ 13,293,061            | \$ 12,656,521            | \$ (636,540)                                     |
| Prior years property tax    | 344,807                  | 344,807                  | 374,559                  | 29,752   |
| Payments in lieu of taxes   | 246,262                  | 246,262                  | 220,509                  | (25,753)   |
| Local option sales tax      | 3,874,170                | 3,874,170                | 5,249,222                | 1,375,052  |
| Business tax                | 5,270                    | 5,270                    | 1,472                    | (3,798)  |
| Mixed drink tax             | 10,000                   | 10,000                   | 17,833                   | 7,833  |
| Wheel tax                   | 1,140,106                | 1,140,106                | 503,669                  | (636,437)  |
| Total taxes                 | <u>18,913,676</u>        | <u>18,913,676</u>        | <u>19,023,785</u>        | <u>110,109</u>                                   |
| Intergovernmental:          |                          |                          |                          |  |
| State revenues:             |                          |                          |                          |  |
| State education funds:      |                          |                          |                          |  |
| Basic Education Program     | 20,334,624               | 20,753,000               | 20,816,344               | 63,344   |
| Other state education funds | 24,408                   | 24,408                   | 33,021                   | 8,613  |
| CTE Equipment               | -                        | 122,164                  | 122,164                  | -  |
| Career ladder program       | 88,684                   | 88,684                   | 80,035                   | (8,649)  |
| Total state revenues        | <u>20,447,716</u>        | <u>20,988,256</u>        | <u>21,051,564</u>        | <u>63,308</u>                                    |
| Other local revenues:       |                          |                          |                          |  |
| Charges for services        | 602,977                  | 602,977                  | 564,003                  | (38,974)   |
| Insurance recovery          | 73,600                   | 101,500                  | 123,533                  | 22,033   |
| Other local revenues        | -                        | -                        | 44,829                   | 44,829   |
|                             | <u>676,577</u>           | <u>704,477</u>           | <u>732,365</u>           | <u>27,888</u>                                    |
| <b>Total revenues</b>       | <b><u>40,037,969</u></b> | <b><u>40,606,409</u></b> | <b><u>40,807,714</u></b> | <b><u>201,305</u></b>                            |
| <b>Expenditures:</b>        |                          |                          |                          |  |
| Instruction:                |                          |                          |                          |  |
| Regular education:          |                          |                          |                          |  |
| Teachers                    | 13,856,030               | 14,115,650               | 13,457,454               | (658,196)  |
| Career ladder program       | 50,000                   | 50,000                   | 45,000                   | (5,000)  |
| Educational assistants      | 146,440                  | 148,440                  | 145,815                  | (2,625)  |
| Other salaries and wages    | 50,000                   | 115,000                  | 96,078                   | (18,922)   |
| Social security             | 892,166                  | 896,066                  | 824,321                  | (71,745)   |
| State retirement            | -                        | -                        | 1,256,387                | 1,256,387  |

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF ARLINGTON, TENNESSEE  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL**

For the Year Then Ended June 30, 2018

|                                      | Budgeted Amounts  |                   |                   | Variance with<br>Final Budget<br>Over<br>(Under) |
|--------------------------------------|-------------------|-------------------|-------------------|--|
|                                      | Original          | Final             | Actual            |  |
| Life insurance                       | 95,241            | 95,241            | 40,681            | (54,560)   |
| Medical insurance                    | 1,654,159         | 1,334,059         | 1,218,959         | (115,100)  |
| Medicare                             | 208,652           | 209,652           | 193,642           | (16,010)   |
| Maintenance and repair               | 23,000            | 23,000            | 11,892            | (11,108)   |
| Contracted services - substitutes    | 287,300           | 297,400           | 296,990           | (410)  |
| Other contracted services            | 20,000            | 20,000            | 6,129             | (13,871)   |
| Instructional supplies and materials | 282,604           | 339,304           | 269,656           | (69,648)   |
| Textbooks                            | 320,000           | 135,000           | 105,914           | (29,086)   |
| Other supplies and materials         | 20,000            | 16,802            | 16,640            | (162)  |
| Other charges                        | 17,850            | 202,850           | 124,686           | (78,164)   |
| Equipment                            | 415,000           | 619,148           | 563,604           | (55,544)   |
| Fee waivers                          | 10,000            | 10,000            | 10,000            | -  |
| Pension expense                      | 1,426,106         | 1,486,606         | 1,253             | (1,485,353)                                      |
| Band music                           | 1,500             | 1,500             | 1,500             | -  |
| Total regular education              | <u>19,776,048</u> | <u>20,115,718</u> | <u>18,686,601</u> | <u>(1,429,117)</u>                               |
| Alternative instruction:             |                   |                   |                   |  |
| Teachers                             | 149,367           | 150,867           | 148,871           | (1,996)  |
| Homebound teachers                   | 47,587            | 47,587            | 12,182            | (35,405)   |
| Social security                      | 12,428            | 12,528            | 9,748             | (2,780)  |
| State retirement                     | 13,563            | 13,903            | 13,754            | (149)  |
| Life insurance                       | 1,423             | 1,423             | 445               | (978)  |
| Medical insurance                    | 22,697            | 21,497            | 11,306            | (10,191)   |
| Medicare                             | 2,907             | 2,937             | 2,289             | (648)  |
| Other charges                        | 1,250             | 1,250             | 599               | (651)  |
| Other supplies and materials         | 1,500             | 1,500             | 1,009             | (491)  |
| Other equipment                      | 300               | 300               | 270               | (30)   |
| Teacher discretionary                | 400               | 400               | 400               | -  |
| Career ladder program                | -                 | 1,000             | 1,000             | -  |
| Contracts substitute teachers        | 3,500             | 3,500             | 1,378             | (2,122)  |
| Total alternative instruction        | <u>256,922</u>    | <u>258,692</u>    | <u>203,251</u>    | <u>(55,441)</u>                                  |
| Special education:                   |                   |                   |                   |  |
| Teachers                             | 1,156,933         | 1,251,683         | 1,203,939         | (47,744)   |
| Career ladder program                | 1,000             | 1,000             | 1,000             | -  |
| Homebound teachers                   | 47,587            | 47,587            | 2,331             | (45,256)   |

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF ARLINGTON, TENNESSEE  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL**

For the Year Then Ended June 30, 2018

|                                      | Budgeted Amounts         |                          | Actual                   | Variance with<br>Final Budget<br>Over<br>(Under) |
|--------------------------------------|--------------------------|--------------------------|--------------------------|--|
|                                      | Original                 | Final                    |                          |  |
| Educational assistants               | 234,059                  | 241,059                  | 181,457                  | (59,602)   |
| Speech pathologist                   | 127,896                  | 133,896                  | 128,396                  | (5,500)  |
| Other salaries and wages             | 67,738                   | 81,488                   | -                        | (81,488)   |
| Social security                      | 112,983                  | 118,433                  | 91,143                   | (27,290)   |
| State retirement                     | -                        | -                        | 135,341                  | 135,341  |
| Life insurance                       | 11,960                   | 12,660                   | 4,515                    | (8,145)  |
| Medical insurance                    | 218,720                  | 175,220                  | 153,890                  | (21,330)   |
| Medicare                             | 23,219                   | 24,319                   | 21,382                   | (2,937)  |
| Maintenance and repair - equipment   | 3,000                    | 3,000                    | 275                      | (2,725)  |
| Contracts with other schools         | 10,000                   | 10,000                   | -                        | (10,000)   |
| Contracts substitute teachers        | 33,800                   | 41,300                   | 40,897                   | (403)  |
| Other contracted services            | 106,000                  | 106,000                  | 77,697                   | (28,303)   |
| Instructional supplies and materials | 91,000                   | 44,500                   | 32,433                   | (12,067)   |
| Special education equipment          | 10,000                   | 10,000                   | 6,018                    | (3,982)  |
| Total special education              | <u>2,255,895</u>         | <u>2,302,145</u>         | <u>2,080,714</u>         | <u>(221,431)</u>                                 |
| Vocational education:                |                          |                          |                          |  |
| Teachers                             | 713,808                  | 717,058                  | 661,374                  | (55,684)   |
| Career ladder program                | 4,000                    | 4,000                    | 4,000                    | -  |
| Social security                      | 45,552                   | 45,772                   | 40,460                   | (5,312)  |
| State retirement                     | 66,711                   | 67,011                   | 59,726                   | (7,285)  |
| Life insurance                       | 4,906                    | 4,906                    | 1,879                    | (3,027)  |
| Medical insurance                    | 82,536                   | 80,136                   | 62,954                   | (17,182)   |
| Medicare                             | 10,653                   | 10,703                   | 9,492                    | (1,211)  |
| Contracts substitute teachers        | 16,900                   | 19,300                   | 18,175                   | (1,125)  |
| Instructional supplies and materials | 5,930                    | 5,930                    | 5,878                    | (52)   |
| Other supplies and materials         | 4,000                    | 4,000                    | 3,751                    | (249)  |
| Special education equipment          | 10,000                   | 132,164                  | 131,541                  | (623)  |
| STEM                                 | 1,000                    | 1,000                    | 989                      | (11)   |
| Total vocational education           | <u>965,996</u>           | <u>1,091,980</u>         | <u>1,000,219</u>         | <u>(91,761)</u>                                  |
| <b>Total instruction</b>             | <b><u>23,254,861</u></b> | <b><u>23,768,535</u></b> | <b><u>21,970,785</u></b> | <b><u>(1,797,750)</u></b>                        |

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF ARLINGTON, TENNESSEE  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL**

For the Year Then Ended June 30, 2018

|                               | Budgeted Amounts |           | Actual    | Variance with<br>Final Budget<br>Over<br>(Under) |
|-------------------------------|------------------|-----------|-----------|--|
|                               | Original         | Final     |           |  |
| Support services:             |                  |           |           |  |
| Attendance:                   |                  |           |           |  |
| Supervisor/director           | 132,121          | 132,871   | 132,621   | (250)  |
| Career ladder program         | 4,000            | 4,000     | -         | (4,000)  |
| Clerical personnel            | 21,110           | 21,360    | 19,655    | (1,705)  |
| Other salaries and wages      | 803,116          | 816,466   | 69,518    | (746,948)  |
| Social security               | 50,042           | 50,312    | 13,074    | (37,238)   |
| State retirement              | 73,286           | 75,136    | 19,316    | (55,820)   |
| Life insurance                | 5,547            | 5,547     | 662       | (4,885)  |
| Medical insurance             | 103,170          | 84,440    | 21,401    | (63,039)   |
| Medicare                      | 14,907           | 15,187    | 3,057     | (12,130)   |
| Travel                        | 700              | 1,250     | 831       | (419)  |
| Other contracted services     | 66,662           | 66,662    | 54,618    | (12,044)   |
| Other supplies and materials  | 6,000            | 4,900     | 4,863     | (37)   |
| In-services/staff development | 14,000           | 14,000    | 12,914    | (1,086)  |
| Other charges                 | 600              | 600       | 557       | (43)   |
| Attendance equipment          | 1,400            | 1,950     | 1,894     | (56)   |
| Total attendance              | 1,296,661        | 1,294,681 | 354,981   | (939,700)  |
| Education Technology:         |                  |           |           |  |
| Personnel wages               | 92,437           | 92,687    | 91,176    | (1,511)  |
| Supervisor/Director           | 69,718           | 69,968    | 69,968    | -  |
| Social security               | 10,054           | 10,094    | 9,590     | (504)  |
| Pensions                      | 11,999           | 14,049    | 13,433    | (616)  |
| Life insurance                | 1,115            | 1,115     | 477       | (638)  |
| Medical insurance             | 16,095           | 16,095    | 12,068    | (4,027)  |
| Medicare                      | 2,351            | 2,361     | 2,243     | (118)  |
| Capital outlay                | 200,040          | 286,540   | 211,490   | (75,050)   |
| Other charges                 | 872,551          | 872,551   | 657,090   | (215,461)  |
| Total education technology    | 1,276,360        | 1,365,460 | 1,067,535 | (297,925)  |
| Health services:              |                  |           |           |  |
| Medical personnel             | -                | -         | 160,240   | 160,240  |
| Social Security               | -                | -         | 9,154     | 9,154  |
| State retirement              | -                | -         | 13,776    | 13,776   |
| Life insurance                | -                | -         | 491       | 491  |

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF ARLINGTON, TENNESSEE  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL**

For the Year Then Ended June 30, 2018

|                                  | Budgeted Amounts |                |                  | Variance with<br>Final Budget<br>Over<br>(Under) |
|----------------------------------|------------------|----------------|------------------|--|
|                                  | Original         | Final          | Actual           |  |
| Medical insurance                | 27,512           | 23,512         | 20,941           | (2,571)  |
| Medicare                         | -                | -              | 2,141            | 2,141  |
| Travel                           | 250              | -              | -                | -  |
| Other contracted services        | 13,000           | 17,847         | 16,298           | (1,549)  |
| Other supplies and materials     | 2,000            | 288            | 288              | -  |
| In-service/staff development     | 750              | 694            | 694              | -  |
| Other charges                    | 1,000            | 435            | 435              | -  |
| Health equipment                 | 2,500            | 2,500          | 2,500            | -  |
| Drugs and medical supplies       | 1,600            | 1,236          | 1,231            | (5)  |
| Total health services            | <u>48,612</u>    | <u>46,512</u>  | <u>228,189</u>   | <u>181,677</u>                                   |
| Other student support:           |                  |                |                  |  |
| Career ladder program            | -                | -              | 4,000            | 4,000  |
| Guidance personnel               | -                | -              | 634,202          | 634,202  |
| Clerical personnel               | 13,793           | 13,793         | 13,793           | -  |
| Other salaries and wages         | 151,105          | 150,050        | 139,630          | (10,420)   |
| Social workers                   | 55,193           | 62,943         | 62,768           | (175)  |
| Social Security                  | 13,646           | 14,246         | 51,150           | 36,904   |
| State retirement                 | 18,825           | 20,725         | 78,050           | 57,325   |
| Life insurance                   | 1,512            | 1,512          | 2,541            | 1,029  |
| Medical insurance                | 12,587           | 13,892         | 57,428           | 43,536   |
| Medicare                         | 3,191            | 3,391          | 11,962           | 8,571  |
| Evaluation and testing           | 60,000           | 67,000         | 59,418           | (7,582)  |
| Travel                           | 250              | 250            | 15               | (235)  |
| Other supplies and materials     | 5,000            | 5,000          | 4,981            | (19)   |
| In-service/staff development     | 7,000            | 7,000          | 6,918            | (82)   |
| Other equipment                  | 5,000            | 5,000          | 4,963            | (37)   |
| Total other student support      | <u>347,102</u>   | <u>364,802</u> | <u>1,131,819</u> | <u>767,017</u>                                   |
| Instructional staff:             |                  |                |                  |  |
| Regular education:               |                  |                |                  |  |
| Supervisor/director              | 286,224          | 287,224        | 286,974          | (250)  |
| Career ladder program            | 5,000            | 5,000          | 4,500            | (500)  |
| Librarians                       | 332,145          | 338,395        | 338,017          | (378)  |
| Instructional computer personnel | 181,360          | 180,610        | 170,851          | (9,759)  |
| Clerical personnel               | 21,110           | 21,110         | 19,405           | (1,705)  |

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF ARLINGTON, TENNESSEE  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL**

For the Year Then Ended June 30, 2018

|                              | Budgeted Amounts |                  |                  | Variance with<br>Final Budget<br>Over<br>(Under) |
|------------------------------|------------------|------------------|------------------|--|
|                              | Original         | Final            | Actual           |  |
| In-service training          | 26,000           | 26,000           | 19,313           | (6,687)  |
| Social Security              | 57,773           | 58,445           | 54,396           | (4,049)  |
| State retirement             | 84,255           | 85,655           | 83,542           | (2,113)  |
| Life insurance               | 6,192            | 5,517            | 2,642            | (2,875)  |
| Medical insurance            | 83,636           | 73,002           | 72,163           | (839)  |
| Medicare                     | 13,511           | 13,688           | 12,722           | (966)  |
| Travel                       | 1,200            | 200              | -                | (200)  |
| Other contracted services    | 7,000            | -                | -                | -  |
| Library books                | 24,954           | 25,129           | 24,970           | (159)  |
| Other supplies and materials | 9,000            | 9,000            | 8,025            | (975)  |
| In-service/staff development | 54,000           | 72,500           | 60,906           | (11,594)   |
| Other charges                | 10,000           | 10,500           | 8,873            | (1,627)  |
| Other equipment              | 8,000            | 9,000            | 8,121            | (879)  |
| Consultants                  | 10,000           | 10,000           | 6,210            | (3,790)  |
| Other salaries and wages     | 79,986           | 87,161           | 81,156           | (6,005)  |
| Total regular education      | <u>1,301,346</u> | <u>1,318,136</u> | <u>1,262,786</u> | <u>(55,350)</u>                                  |
| Special education:           |                  |                  |                  |  |
| Supervisor/director          | 94,350           | 94,600           | 94,600           | -  |
| Career ladder program        | 1,000            | 1,000            | 1,000            | -  |
| Psychological personnel      | 156,430          | 156,930          | 152,511          | (4,419)  |
| Secretary                    | 14,211           | 14,461           | 14,461           | -  |
| Other salaries and wages     | 57,813           | 63,063           | 62,668           | (395)  |
| Social Security              | 20,181           | 20,261           | 19,119           | (1,142)  |
| State retirement             | 26,535           | 42,790           | 29,707           | (13,083)   |
| Life insurance               | 2,219            | 2,219            | 958              | (1,261)  |
| Medical insurance            | 29,851           | 24,716           | 24,645           | (71)   |
| Medicare                     | 4,720            | 4,740            | 4,471            | (269)  |
| Travel                       | 1,500            | 1,500            | 130              | (1,370)  |
| Other contracted services    | 201,000          | 185,000          | 170,684          | (14,316)   |
| Other supplies and materials | 11,000           | 11,000           | 10,978           | (22)   |
| In-service/staff development | 11,700           | 11,700           | 7,213            | (4,487)  |
| Other charges                | 300              | 300              | 299              | (1)  |
| Other equipment              | 2,000            | 2,000            | 655              | (1,345)  |
| Total special education      | <u>634,810</u>   | <u>636,280</u>   | <u>594,099</u>   | <u>(42,181)</u>                                  |

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF ARLINGTON, TENNESSEE  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL**

For the Year Then Ended June 30, 2018

|                                  | Budgeted Amounts |               | Actual        | Variance with<br>Final Budget<br>Over<br>(Under) |
|----------------------------------|------------------|---------------|---------------|--|
|                                  | Original         | Final         |               |  |
| Vocational education:            |                  |               |               |  |
| Supervisor/director              | 94,350           | 94,600        | 94,600        | -  |
| Career ladder program            | 1,000            | 1,000         | 1,000         | -  |
| Social Security                  | 6,767            | 6,787         | 6,401         | (386)  |
| State retirement                 | 9,678            | 9,978         | 9,922         | (56)   |
| Life insurance                   | 743              | 568           | 325           | (243)  |
| Medical insurance                | 9,148            | 11,648        | 11,605        | (43)   |
| Medicare                         | 1,583            | 1,593         | 1,497         | (96)   |
| Travel                           | 1,000            | 1,000         | 147           | (853)  |
| Other supplies and materials     | 1,000            | 1,000         | 855           | (145)  |
| Secretary                        | 13,793           | 13,793        | 13,793        | -  |
| In-service/staff development     | 500              | 400           | -             | (400)  |
| Total vocational education       | 139,562          | 142,367       | 140,145       | (2,222)  |
| <br>Total instructional staff    | <br>2,075,718    | <br>2,096,783 | <br>1,997,030 | <br>(99,753)                                     |
| <br>General administration:      |                  |               |               |  |
| Board of education services:     |                  |               |               |  |
| Board and committee member fees  | 18,972           | 18,972        | 18,678        | (294)  |
| Social Security                  | 2,223            | 2,223         | 2,172         | (51)   |
| Life insurance                   | 8,071            | 8,071         | 953           | (7,118)  |
| Medical insurance                | 573,031          | 573,031       | 566,090       | (6,941)  |
| Medicare                         | 520              | 520           | 508           | (12)   |
| Audit services                   | 35,000           | 35,000        | 29,100        | (5,900)  |
| Dues and memberships             | 10,000           | 10,000        | 9,509         | (491)  |
| Legal services                   | 30,000           | 30,000        | -             | (30,000)   |
| Travel                           | 250              | 250           | -             | (250)  |
| Other supplies and materials     | 1,000            | 1,000         | 824           | (176)  |
| Liability insurance              | 38,700           | 38,700        | 33,842        | (4,858)  |
| Workmen's compensation insurance | 80,000           | 90,651        | 90,650        | (1)  |
| In-service/staff development     | 8,000            | 16,500        | 12,822        | (3,678)  |
| Other charges                    | 335,000          | 335,000       | 908           | (334,092)  |
| Secretary                        | 16,880           | 16,880        | 16,880        | -  |
| State retirement                 | 1,249            | 1,249         | 1,249         | -  |
| Other contracted services        | 1,500            | 6,500         | 5,900         | (600)  |

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF ARLINGTON, TENNESSEE  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL**

For the Year Then Ended June 30, 2018

|                                      | Budgeted Amounts |           | Actual    | Variance with<br>Final Budget<br>Over<br>(Under) |
|--------------------------------------|------------------|-----------|-----------|--|
|                                      | Original         | Final     |           |  |
| Judgments                            | 200,000          | 184,387   | -         | (184,387)  |
| Trustee commissions                  | 325,000          | 325,000   | 305,096   | (19,904)   |
| Total board of education services    | 1,685,396        | 1,693,934 | 1,095,181 | (598,753)  |
| Director of schools:                 |                  |           |           |  |
| City official/administrative officer | 160,000          | 161,850   | 161,833   | (17)   |
| Career ladder program                | 2,000            | 3,000     | 3,000     | -  |
| Secretary                            | 97,544           | 98,044    | 98,044    | -  |
| Social Security                      | 25,840           | 26,072    | 21,723    | (4,349)  |
| State retirement                     | 33,563           | 33,904    | 33,890    | (14)   |
| Life insurance                       | 4,011            | 4,011     | 1,529     | (2,482)  |
| Medical insurance                    | 25,449           | 26,949    | 26,705    | (244)  |
| Dental insurance                     | 1,000            | 1,000     | 930       | (70)   |
| Medicare                             | 6,044            | 6,104     | 6,088     | (16)   |
| Other fringe benefits                | 400              | 400       | 399       | (1)  |
| Dues and memberships                 | 4,500            | 4,500     | 4,464     | (36)   |
| Postal charges                       | 700              | 700       | -         | (700)  |
| Travel                               | 1,000            | 1,000     | 422       | (578)  |
| Office supplies                      | 11,000           | 11,000    | 7,124     | (3,876)  |
| In-service/staff development         | 10,000           | 10,000    | 4,155     | (5,845)  |
| Other charges                        | 6,100            | 19,225    | 12,904    | (6,321)  |
| Administration equipment             | 2,000            | 2,000     | -         | (2,000)  |
| Other salaries and wages             | 157,235          | 157,485   | 157,485   | -  |
| Total director of schools            | 548,386          | 567,244   | 540,695   | (26,549)   |
| School administration:               |                  |           |           |  |
| Office of the principal:             |                  |           |           |  |
| Principals                           | 525,340          | 539,590   | 537,779   | (1,811)  |
| Career ladder program                | 8,000            | 8,000     | 7,500     | (500)  |
| Assistant principals                 | 870,305          | 873,555   | 873,358   | (197)  |
| Secretaries                          | 160,993          | 162,243   | 159,892   | (2,351)  |
| Clerical personnel                   | 466,588          | 474,588   | 473,995   | (593)  |
| Social Security                      | 125,936          | 126,536   | 121,236   | (5,300)  |
| State retirement                     | 173,724          | 177,224   | 174,339   | (2,885)  |
| Life insurance                       | 13,838           | 13,838    | 6,056     | (7,782)  |
| Medical insurance                    | 247,608          | 227,508   | 174,356   | (53,152)   |
| Medicare                             | 29,453           | 29,603    | 28,353    | (1,250)  |

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF ARLINGTON, TENNESSEE  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL**

For the Year Then Ended June 30, 2018

|                               | Budgeted Amounts |           | Actual    | Variance with<br>Final Budget<br>Over<br>(Under) |
|-------------------------------|------------------|-----------|-----------|--|
|                               | Original         | Final     |           |  |
| Travel                        | 500              | 500       | 82        | (418)  |
| In-service/staff development  | 3,000            | 3,000     | 1,580     | (1,420)  |
| Other charges                 | 15,000           | 15,000    | 15,000    | -  |
| Total office of the principal | 2,640,285        | 2,651,185 | 2,573,526 | (77,659)   |
| Business administration:      |                  |           |           |  |
| Fiscal services:              |                  |           |           |  |
| Supervisor/director           | 110,735          | 110,985   | 110,985   | -  |
| Accountants/bookkeepers       | 56,265           | 56,515    | 44,799    | (11,716)   |
| Social Security               | 17,810           | 18,310    | 14,902    | (3,408)  |
| State retirement              | 21,257           | 22,057    | 20,604    | (1,453)  |
| Life insurance                | 1,975            | 1,975     | 754       | (1,221)  |
| Medical insurance             | 28,681           | 28,681    | 22,097    | (6,584)  |
| Medicare                      | 4,165            | 4,315     | 3,485     | (830)  |
| Dues and memberships          | 3,575            | 3,575     | 2,469     | (1,106)  |
| Travel                        | 1,000            | 1,000     | 161       | (839)  |
| Other contracted services     | 127,080          | 127,080   | 126,577   | (503)  |
| Other supplies                | 3,000            | 3,000     | 2,796     | (204)  |
| Other supplies and materials  | 1,550            | 1,550     | 650       | (900)  |
| In-service/staff development  | 21,000           | 31,000    | 29,100    | (1,900)  |
| Other charges                 | 8,500            | 8,500     | 4,280     | (4,220)  |
| Equipment                     | 8,100            | 15,100    | 13,519    | (1,581)  |
| Purchasing personnel          | 37,131           | 39,881    | 39,683    | (198)  |
| Clerical personnel            | 55,420           | 45,670    | 31,000    | (14,670)   |
| Other salaries and wages      | 27,710           | 32,085    | 27,284    | (4,801)  |
| Total fiscal services         | 534,954          | 551,279   | 495,145   | (56,134)   |
| Human services/personnel:     |                  |           |           |  |
| Secretary(s)                  | 56,265           | 56,515    | 56,515    | -  |
| Social Security               | 6,330            | 6,550     | 6,502     | (48)   |
| State retirement              | 7,555            | 9,350     | 9,168     | (182)  |
| Life insurance                | 702              | 702       | 339       | (363)  |
| Medical insurance             | 10,317           | 11,117    | 11,051    | (66)   |
| Unemployment Compensation     | 10,000           | 8,900     | 7,833     | (1,067)  |
| Medicare                      | 1,480            | 1,590     | 1,520     | (70)   |
| Dues and memberships          | 500              | 500       | 275       | (225)  |

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF ARLINGTON, TENNESSEE  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL**

For the Year Then Ended June 30, 2018

|   | Budgeted Amounts |                  | Actual           | Variance with<br>Final Budget<br>Over<br>(Under) |
|---|------------------|------------------|------------------|--|
|   | Original         | Final            |                  |  |
| Travel                                  | 200              | 200              | -                | (200)  |
| Other contracted services               | 92,453           | 92,453           | 87,367           | (5,086)  |
| Office supplies                         | 1,000            | 1,000            | 996              | (4)  |
| In-service/staff development            | 15,000           | 9,200            | 6,680            | (2,520)  |
| Equipment                               | 2,000            | 3,963            | 1,963            | (2,000)  |
| Data processing supplies                | 500              | 500              | -                | (500)  |
| Supervisor/Director                     | -                | 45,829           | 45,828           | (1)  |
| Other salaries and wages                | -                | 10,000           | 9,166            | (834)  |
| Total human services/personnel          | <u>204,302</u>   | <u>258,369</u>   | <u>245,203</u>   | <u>(13,166)</u>                                  |
| <br>Total business administration       | <u>739,256</u>   | <u>809,648</u>   | <u>740,348</u>   | <u>(69,300)</u>                                  |
| <br>Operation and maintenance of plant: |                  |                  |                  |  |
| Operation of plant:                     |                  |                  |                  |  |
| Supervisor/director                     | 242,180          | 243,430          | 243,009          | (421)  |
| Other salaries and wages                | 15,000           | 15,000           | 9,247            | (5,753)  |
| Social Security                         | 15,945           | 16,025           | 14,399           | (1,626)  |
| State retirement                        | 19,031           | 21,156           | 20,182           | (974)  |
| Life insurance                          | 1,665            | 1,665            | 731              | (934)  |
| Medical insurance                       | 34,390           | 32,532           | 31,530           | (1,002)  |
| Medicare                                | 3,729            | 3,749            | 3,367            | (382)  |
| Janitorial services                     | 596,368          | 631,568          | 624,739          | (6,829)  |
| Travel                                  | 500              | 574              | 134              | (440)  |
| Other contracted services               | 70,000           | 70,000           | 52,269           | (17,731)   |
| Custodial supplies                      | 11,735           | 12,566           | 10,985           | (1,581)  |
| Electricity                             | 750,000          | 780,991          | 717,632          | (63,359)   |
| Other supplies and materials            | 1,000            | 1,000            | -                | (1,000)  |
| Building and content insurance          | 80,000           | 81,431           | 81,431           | -  |
| Other charges                           | 200              | 200              | 112              | (88)   |
| Plant operation equipment               | <u>7,500</u>     | <u>6,595</u>     | <u>5,267</u>     | <u>(1,328)</u>                                   |
| Total operation of plant                | <u>1,849,243</u> | <u>1,918,482</u> | <u>1,815,034</u> | <u>(103,448)</u>                                 |
| <br>Maintenance of plant:               |                  |                  |                  |  |
| Supervisor/director                     | 88,964           | 94,214           | 90,332           | (3,882)  |
| Secretary(s)                            | 41,796           | 42,046           | 35,134           | (6,912)  |
| Maintenance personnel                   | 247,061          | 251,081          | 249,943          | (1,138)  |

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF ARLINGTON, TENNESSEE  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL**

For the Year Then Ended June 30, 2018

|   | Budgeted Amounts     |                      | Actual               | Variance with<br>Final Budget<br>Over<br>(Under) |
|---|----------------------|----------------------|----------------------|--|
|   | Original             | Final                |                      |  |
| Social Security                                 | 23,425               | 23,725               | 22,360               | (1,365)  |
| State retirement                                | 27,959               | 32,509               | 31,587               | (922)  |
| Life insurance                                  | 2,597                | 2,637                | 1,144                | (1,493)  |
| Medical insurance                               | 41,268               | 26,826               | 26,112               | (714)  |
| Medicare  | 5,478                | 5,548                | 5,229                | (319)  |
| Maintenance and repair - buildings              | 160,000              | 167,500              | 163,872              | (3,628)  |
| Maintenance and repair - equipment              | 4,000                | 4,000                | 1,536                | (2,464)  |
| Travel  | 1,000                | 1,000                | 102                  | (898)  |
| Other contracted services                       | 13,500               | 13,500               | 13,255               | (245)  |
| Gasoline  | 15,000               | 15,000               | 12,825               | (2,175)  |
| Other supplies and materials                    | 2,000                | 2,000                | 1,945                | (55)   |
| In-service/staff development                    | 2,500                | 2,500                | 413                  | (2,087)  |
| Other charges                                   | 1,200                | 1,200                | 826                  | (374)  |
| Administration equipment                        | 5,000                | 69,500               | 67,941               | (1,559)  |
| Maintenance equipment                           | 10,000               | 10,000               | 9,211                | (789)  |
| Maintenance and repair - vehicle                | 8,000                | 8,000                | 3,465                | (4,535)  |
| Total maintenance of plant                      | <u>700,748</u>       | <u>772,786</u>       | <u>737,232</u>       | <u>(35,554)</u>                                  |
| <br>Total operation and<br>maintenance of plant | <br><u>2,549,991</u> | <br><u>2,691,268</u> | <br><u>2,552,266</u> | <br><u>(139,002)</u>                             |
| <br>Transportation:                             |                      |                      |                      |  |
| Student transportation:                         |                      |                      |                      |  |
| Contracts with other school systems             | 56,625               | 56,625               | 56,625               | -  |
| Contracts with other private agencies           | 757,920              | 769,920              | 756,839              | (13,081)   |
| Other contracted services                       | 206,964              | 206,964              | 150,810              | (56,154)   |
| Diesel fuel                                     | 113,000              | 133,000              | 126,790              | (6,210)  |
| Total student transportation                    | <u>1,134,509</u>     | <u>1,166,509</u>     | <u>1,091,064</u>     | <u>(75,445)</u>                                  |
| <br>Central and other transportation:           |                      |                      |                      |  |
| Supervisor/director                             | 127,500              | 127,750              | 127,750              | -  |
| Other salaries and wages                        | -                    | 47,760               | 47,464               | (296)  |
| Social Security                                 | 7,905                | 10,605               | 10,407               | (198)  |
| State retirement                                | 11,577               | 15,907               | 15,872               | (35)   |
| Life insurance                                  | 876                  | 1,376                | 495                  | (881)  |
| Medical insurance                               | 6,878                | 14,787               | 14,593               | (194)  |

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF ARLINGTON, TENNESSEE  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL**

For the Year Then Ended June 30, 2018

|  | Budgeted Amounts     |                      | Actual               | Variance with<br>Final Budget<br>Over<br>(Under) |
|--|----------------------|----------------------|----------------------|--|
|  | Original             | Final                |                      |  |
| Medicare   | 1,849                | 2,479                | 2,434                | (45)   |
| Other contracted services                                    | 14,500               | 14,500               | 12,240               | (2,260)  |
| Office supplies  | 3,000                | 3,000                | 2,649                | (351)  |
| In-service/staff development                                 | 10,000               | 12,350               | 6,060                | (6,290)  |
| Other charges  | 2,500                | 4,537                | 2,281                | (2,256)  |
| Administrative equipment                                     | 1,000                | 5,040                | 5,027                | (13)   |
| Other equipment  | 20,000               | 20,000               | 19,976               | (24)   |
| Total central and other<br>transportation                    | 207,585              | 280,091              | 267,248              | (12,843)   |
| Total transportation   | 1,342,094            | 1,446,600            | 1,358,312            | (88,288)   |
| <b>Total support services</b>                                | <b>14,549,861</b>    | <b>15,028,117</b>    | <b>13,639,882</b>    | <b>(1,388,235)</b>                               |
| Non-instructional services:                                  |                      |                      |                      |  |
| Regular capital outlay:                                      |                      |                      |                      |  |
| Engineering services   | 20,000               | 436,537              | 249,228              | (187,309)  |
| Architects   | 200,000              | 28,000               | 24,268               | (3,732)  |
| Building improvements  | 1,103,280            | 1,405,929            | 1,355,619            | (50,310)   |
| Consultants  | 20,000               | 20,000               | 15,925               | (4,075)  |
| Other capital outlay   | 766,720              | 2,447,418            | 992,652              | (1,454,766)                                      |
| Other contracted services                                    | 134,000              | 295,800              | 261,170              | (34,630)   |
| Total regular capital outlay                                 | 2,244,000            | 4,633,684            | 2,898,862            | (1,734,822)                                      |
| Debt service:  |                      |                      |                      |  |
| Principal payment to Shelby Co. Schools                      | -                    | -                    | 333,333              | 333,333  |
| <b>Total non-instructional services</b>                      | <b>2,244,000</b>     | <b>4,633,684</b>     | <b>3,232,195</b>     | <b>(1,401,489)</b>                               |
| <b>Total expenditures</b>                                    | <b>\$ 40,048,722</b> | <b>\$ 43,430,336</b> | <b>\$ 38,842,862</b> | <b>\$ (4,587,474)</b>                            |
| Excess (deficiency) of revenues<br>over (under) expenditures | (10,753)             | (2,823,927)          | 1,964,852            | 4,788,779  |

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF ARLINGTON, TENNESSEE  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL**

For the Year Then Ended June 30, 2018

|   | Budgeted Amounts |                | Actual               | Variance with<br>Final Budget<br>Over<br>(Under) |
|---|------------------|----------------|----------------------|--|
|   | Original         | Final          |                      |  |
| <b>Other financing sources (uses):</b>      |                  |                |                      |  |
| Town appropriations - transfer in           | 33,131           | 33,131         | 560,612              | 527,481  |
| Transfers from (to) other funds             | (22,378)         | (22,378)       | 96,969               | 119,347  |
| <b>Total other financing sources (uses)</b> | <b>10,753</b>    | <b>10,753</b>  | <b>657,581</b>       | <b>646,828</b>                                   |
| Net changes in fund balance                 | \$ -             | \$ (2,813,174) | 2,622,433            | \$ 5,435,607                                     |
| Fund balance - beginning                    |                  |                | 16,131,104           |  |
| Fund balance - ending                       |                  |                | <u>\$ 18,753,537</u> |  |

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF ARLINGTON, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
June 30, 2018

|  | <u><b>Sewer<br/>Fund</b></u> |
|--|------------------------------|
| <b>Assets</b>  |                              |
| Current assets   |                              |
| Cash and cash equivalents                              | \$ 3,969,497                 |
| Investments  | 7,088,112                    |
| Receivables  |                              |
| Interest   | 954                          |
| Accounts   | <u>309,983</u>               |
| Total current assets                                   | <u>11,368,546</u>            |
| Noncurrent assets                                      |                              |
| Capital assets   |                              |
| Land   | 231,762                      |
| Sewer plant  | 29,598,756                   |
| Less accumulated depreciation                          | <u>(7,844,832)</u>           |
| Total capital assets (net of accumulated depreciation) | <u>21,985,686</u>            |
| Total noncurrent assets                                | <u>21,985,686</u>            |
| Total assets   | <u>33,354,232</u>            |
| <b>Liabilities</b>                                     |                              |
| Current liabilities                                    |                              |
| Accounts payable                                       | 8,577                        |
| Accrued annual leave                                   | 9,897                        |
| Due to other funds                                     | 98,108                       |
| Bonds payable  | <u>1,022,303</u>             |
| Total current liabilities                              | <u>1,138,885</u>             |
| Noncurrent liabilities                                 |                              |
| Accrued annual leave                                   | 4,242                        |
| Bonds payable  | <u>9,583,108</u>             |
| Total noncurrent liabilities                           | <u>9,587,350</u>             |
| Total liabilities                                      | <u>10,726,235</u>            |
| <b>Net position</b>                                    |                              |
| Net investment in capital assets                       | 11,380,275                   |
| Unrestricted   | <u>11,247,722</u>            |
| Total net position                                     | <u><b>\$ 22,627,997</b></u>  |

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF ARLINGTON, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
For the Year Ended June 30, 2018

|  | <b>Sewer<br/>Fund</b> |
|--|-----------------------|
| <b>Operating revenues</b>                                |                       |
| Sewer service charges                                    | \$ 1,690,161          |
| Surcharges and inspection fees                           | 850,926               |
| Other operating income                                   | 5,250                 |
| Total operating revenues                                 | <u>2,546,337</u>      |
| <b>Operating expenses</b>                                |                       |
| Salaries   | 219,356               |
| OASI   | 15,620                |
| Hospital and health insurance                            | 32,009                |
| Workmen's compensation                                   | 7,486                 |
| Other employer contributions                             | 13,411                |
| Employee education and materials                         | 2,417                 |
| Memberships and dues                                     | 6,805                 |
| Utility services   | 180,177               |
| Telephone  | 8,871                 |
| Accounting and auditing                                  | 6,960                 |
| Other professional services                              | 41,037                |
| Contractual services                                     | 3,783                 |
| Data processing services                                 | 4,518                 |
| Repair and maintenance                                   | 109,625               |
| Lab costs  | 44,269                |
| Operating supplies                                       | 26,465                |
| Clothing and uniforms                                    | 2,799                 |
| Gas, oil and diesel                                      | 4,612                 |
| Insurance  | 30,840                |
| Travel   | 2,244                 |
| Depreciation   | 881,714               |
| Total operating expenses                                 | <u>1,645,018</u>      |
| <b>Operating income (loss)</b>                           | <u>901,319</u>        |
| Non-operating income (expense)                           |                       |
| Interest earned  | 79,776                |
| Interest expense   | (225,759)             |
| Debt fees  | (38,124)              |
| Total non-operating revenues (expenses)                  | <u>(184,107)</u>      |
| <b>Change in net position before contributed capital</b> | 717,212               |
| Capital contributions                                    | 179,772               |
| <b>Change in net position</b>                            | <b>896,984</b>        |
| Total net position, beginning                            | <u>21,731,013</u>     |
| Total net position, ending                               | <u>\$ 22,627,997</u>  |

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF ARLINGTON, TENNESSEE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
For the Year Ended June 30, 2018

|  | <b>Sewer<br/>Fund</b>   |
|--|-------------------------|
| <b>Cash flows from operating activities:</b>                         |                         |
| Cash received from consumers   | \$ 2,710,924            |
| Cash received from other funds                                       | (95,283)                |
| Cash paid to employees for services                                  | (234,976)               |
| Other operating payments   | (527,967)               |
| Net cash provided (used) by operating activities                     | <u>1,852,698</u>        |
| <b>Cash flows from capital and related financing activities:</b>     |                         |
| Capital contributed by customers and grants                          | 179,772                 |
| Principal paid on debt   | (986,000)               |
| Interest and debt fees paid  | (265,186)               |
| Construction and acquisition of plant                                | (363,539)               |
| Net cash provided (used) by capital and related financing activities | <u>(1,434,953)</u>      |
| <b>Cash flows from investing activities:</b>                         |                         |
| Purchase of investments  | (7,088,112)             |
| Proceeds from sale and maturities of investments                     | 7,026,760               |
| Interest and unrealized change in investments                        | 79,346                  |
| Net cash provided (used) by investing activities                     | <u>17,994</u>           |
| <b>Net increase (decrease) in cash and cash equivalents</b>          | <b>435,739</b>          |
| Cash and cash equivalents - beginning of year                        | <u>3,533,758</u>        |
| Cash and cash equivalents - end of year                              | <u><u>3,969,497</u></u> |

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF ARLINGTON, TENNESSEE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
For the Year Ended June 30, 2018

|  | <u>Sewer<br/>Fund</u> |
|--|-----------------------|
| Reconciliation of operating income to net cash provided<br>(used) by operating activities                |                       |
| Operating income (loss)  | \$ 901,319            |
| Adjustments to reconcile operating income (loss) to net<br>cash provided (used) by operating activities: |                       |
| Depreciation   | 881,714               |
| (Increase) decrease in accounts receivable   | 164,587               |
| Increase (decrease) in payables  | 598                   |
| Increase (decrease) in accrued annual leave  | (237)                 |
| Increase (decrease) in due to other funds  | <u>(95,283)</u>       |
| Net cash provided (used) by operating activities   | <u>\$ 1,852,698</u>   |

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF ARLINGTON, TENNESSEE**  
**ARLINGTON COMMUNITY SCHOOLS**  
**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
June 30, 2018

|                              | <u>Other<br/>Postemployment<br/>Benefits</u> | <u>Agency<br/>Fund</u> |
|------------------------------|--|------------------------|
| <b>Assets</b>                |  |                        |
| Cash and cash equivalents    | \$ 29,579                                    | \$ 1,047,518           |
| Accounts receivable          | 500,000                                      | -                      |
| Inventory                    | -  | 13,738                 |
| Investments at fair value    | 1,398,201                                    | -                      |
| Total assets                 | <u>\$ 1,927,780</u>                          | <u>\$ 1,061,256</u>    |
| <b>Liabilities</b>           |  |                        |
| Due to student general fund  | \$ -   | \$ 622,397             |
| Due to student groups        | -  | 438,859                |
| Total liabilities            | <u>-</u>                                     | <u>\$ 1,061,256</u>    |
| <b>Net Position</b>          |  |                        |
| Restricted for OPEB benefits | <u>\$ 1,927,780</u>                          |                        |

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF ARLINGTON, TENNESSEE**  
**ARLINGTON COMMUNITY SCHOOLS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
June 30, 2018

|   | <u>Other<br/>Postemployment<br/>Benefits</u> |
|---|--|
| <b>ADDITIONS</b>                              |  |
| Contributions                                 | \$ 564,720                                   |
| Investment earnings (losses):                 |  |
| Interest and dividends                        | 51,350                                       |
| Net appreciation in fair value of investments | <u>69,703</u>                                |
| Total investment earnings                     | <u>121,053</u>                               |
| <br>Total additions                           | <br>685,773                                  |
| <br><b>DEDUCTIONS</b>                         |  |
| Administrative expenses                       | <u>70,624</u>                                |
| <br>Change in net position                    | <br>615,149                                  |
| <br>Net position - beginning of the year      | <br><u>1,312,631</u>                         |
| <br>Net position - end of the year            | <br><u>\$ 1,927,780</u>                      |

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF ARLINGTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Arlington, Tennessee (Town) operates under a Mayor-Alderman form of government and provides the following services as authorized by its charter: public safety, street maintenance, sanitation, public utilities, education, and general administrative services.

The Arlington Community Schools were created in 2014 and began operation in August 2014. The municipal school system operates under the Town Charter and is considered a part of the Town's financial statements.

The accounting policies of the Town conform to generally accepted accounting principles applicable to a government as defined in the *Statements of Governmental Accounting Standards Board* (GASB). The following is a summary of the more significant accounting policies.

**A. Reporting Entity**

As required by generally accepted accounting principles, these financial statements present the entire reporting entity of the Town. Based on the criteria set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the Town has no component units required to be reported.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statements of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statements Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, gross receipt taxes, sales taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fiduciary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) are included in the statement of net position. The statement of changes in net position presents revenues (additions) and expenses (deductions) in total net position. Agency funds do not use the economic resources measurement focus.

The Town reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial activities of the general government that are not required to be reported in another fund.

The General Purpose School Fund is the government's primary operating fund in the school system. It accounts for the state education funds, sales tax receipts, and other miscellaneous system revenues as well as the operating expenses for the schools that are used in the education of the community's children.

The Education Capital Projects Fund is used to account for education capital project income and expenditures.

The Town reports the following major proprietary fund:

The Sewer Fund accounts for the activities associated with the sewage treatment plant, sewage pumping stations and collection system.

The Town reports the following fiduciary funds:

Other Postemployment Benefit Fund – This fund accounts for the activities and accumulation or resources that are required to be held in trust for the members and beneficiaries of other postemployment benefit plan.

Agency Fund – Internal School Funds consist of transactions related to resources held in a fiduciary capacity as agent for the general school populations, or in some cases, for a specific segment of the school population, are recorded in the Internal School Fund. Agency funds are purely custodial and thus do not involve measurement of results of operations. This fund was

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audited in a separate report and can be obtained by contacting the Arlington Community School System.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's utility divisions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Fund are charges for services to customers. The Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity**

***Deposits and Investments***

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition. State statutes authorize the Town to invest in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities, obligations guaranteed by the U.S. government or its agencies, repurchase agreements and the state's investment pool.

Investments for the Town, including other postemployment benefit investments held in fiduciary funds, are reported at fair value.

***Receivables and Payables***

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Property tax receivables are shown net of an allowance for uncollectible. The allowance is recorded based on the past history of collections.

There is no allowance for uncollectible customer accounts recorded in the proprietary funds, based on past history of collections and management's analysis of current accounts. Bad debts in the proprietary funds are recorded by the direct write-off method.

Property taxes are levied and the tax bills are mailed annually on October 1. The taxes are due and payable from the following October through February in the year succeeding the tax levy. A lien attaches by statute to property on January 1. Taxes uncollected by March 1, the year after due, are

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considered delinquent and are to be submitted to the Chancery Court for collection. Shelby County collects all property taxes for the Town and remits them by direct deposit monthly.

***Inventories and Prepaid Items***

Inventories are valued at lower of average cost or market, using the first-in/first-out (FIFO) method. The School Nutrition Fund maintains an inventory consisting of food supplies using the purchases method and expenses inventory when purchased throughout the year. At year-end, the actual cost of the items in inventory is used to capitalize the inventory, with a corresponding entry to nonspendable fund balance in the School Nutrition Fund. For the government-wide statements, inventory is converted to the consumption method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

***Realty and Personal Property Taxes***

The System recognizes as revenue its net share of realty and personal property taxes collected by Shelby County. The System does not have any taxing authority. Consequently, it relies on a share of realty and personal property taxes collected by Shelby County. The Shelby County tax levy of \$4.37 per \$100 of assessed value included .08 cents for the System. Property taxes attach an enforceable lien on property on January 1 of each year. The levy is made July 1. Taxes are due October 1 and delinquent March of the following year.

***Capital Assets***

Capital assets, including property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 for equipment and \$500 for land, \$5,000 for improvements other than buildings, and \$10,000 for infrastructure and buildings and an estimated useful life in excess of three years. All land, construction in progress, and works of art will be included. The Sewer Fund uses the same thresholds. The school funds use the threshold of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the Town are depreciated using the straight line method over the following useful lives:

|                            |               |
|----------------------------|---------------|
| Utility plant              | 5 - 40 years  |
| Buildings and improvements | 20 - 40 years |
| Machinery and equipment    | 5 - 10 years  |
| Infrastructure             | 10 - 25 years |

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Capital assets of the Schools are depreciated using the straight line method over the following useful lives:

|              |              |
|--------------|--------------|
| Buildings    | 50 years     |
| Improvements | 20 years     |
| Machinery    | 15 years     |
| Equipment    | 5 - 10 years |

***Compensated Absences***

Town of Arlington

The Town has established vacation and sick leave policies. According to the vacation policy, employees other than Senior Citizen Center Department employees can accrue vacation and sick time based on longevity of service. The Fire Department employees can accrue up to 10 days of vacation time and 45 days of sick time based on 24 hour shifts. Other Town employees can accrue up to 20 days of vacation time and 90 days of sick time based on 8 hour shifts. Upon separation, employees are entitled to be reimbursed for any unused vacation and sick time up to 20 days maximum. The current portion of the accrued vacation at June 30, 2018 recorded in the governmental funds is the amount that would normally be liquidated with expendable available financial resources.

Arlington Community Schools

All full-time twelve month employees will be granted vacation based on the following: six months to one year of employment, ten days of vacation per year; one to five years of employment, ten days of vacation per year; five to ten years of employment, twelve days of vacation per year; ten to fifteen years of employment, fifteen days of vacation per year; fifteen years or more of employment, twenty days of vacation per year. Vacation is accrued on a semi-monthly basis. Unused sick, personal and annual days are not vested by the System. Vacation can be accumulated up to a maximum of twenty-five days.

***Long-term Obligations***

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period paid.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The items that qualify for reporting as deferred outflows of resources are disclosed on page 11.

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In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The items that qualify for reporting as a deferred inflow of resources are unavailable revenue and are disclosed on pages 12, 14, and 53.

***Pensions***

The System maintains four defined benefit retirement plans sponsored by Tennessee Consolidated Retirement System and one defined benefit other postemployment benefit plan (OPEB) sponsored by the System.

For purposes of measuring the net pension and net OPEB asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position, and additions to/deductions from each plans' fiduciary net position have been determined on the same basis as they are reported to the actuaries. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of each plan. Expenses of the plans, such as investment fees, trustee fees, and audit fees, are paid by the plans. However, certain administrative functions performed by employees of the System are not reimbursed by the plans. Investments, other than contracts, are reported at fair value. Investment income is recognized as earned.

***Fair Value Measurement***

GASB Statement 72, Fair Value Measurement and Application, categorizes the inputs into valuation techniques used to measure the fair value into three levels. Level 1 inputs include unadjusted quoted prices in active markets for identical assets or liabilities accessible at the measurement date. Level 2 inputs include quoted prices for similar assets or liabilities; quoted prices in active markets; or other inputs that can be corroborated by observable market data. Such inputs include market interest rates and volatilities, spreads and yield curves. Level 3 inputs are inputs which are unobservable for the asset or liability and rely on management's own assumptions that market participants would use in pricing the asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. In determining fair value, the System utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The methods used may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the System believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at reporting date.

***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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***Change in Accounting Principles***

The System implemented Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, required for fiscal periods beginning after June 15, 2017, in fiscal year 2018. This Statement improves accounting and financial reporting for postemployment benefits other than pensions. The implementation has been accounted for as a change in accounting principle with a prior year adjustment as determined by an actuary. The effect of this adjustment decreases net position for government activities on the statement of activities by \$3,108,448.

***Net Position Flow Assumption***

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

***Fund Equity***

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the Town is to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

***Nonspendable fund balance***

This classification includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

***Restricted fund balance***

This classification includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted with the consent of resource providers.

***Committed fund balance***

This classification includes amounts that can only be used for the specific purposes determined by a formal action of the Town's highest level of decision-making authority, the Board of Alderman of the Town of Arlington, Tennessee. Commitments may be changed or lifted only by the Town taking the same formal action that imposed the constraint originally (for example: resolution).

***Assigned fund balance***

This classification includes amounts intended to be used by the Town for specific purposes that are neither restricted nor committed. The Board has the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

***Unassigned fund balance***

This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

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When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the Board of Alderman or the finance committee has provided otherwise in its commitment or assignment actions.

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position**

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including notes and leases payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$7,733,302 difference are as follows:

|   |                     |
|---|---------------------|
| Long-term debt due within a year  | \$ 552,834          |
| Long-term debt due in more than a year  | 2,188,553           |
| Compensated absences payable  | 341,826             |
| OPEB  | 4,324,963           |
| Accrued postclosure care costs  | <u>325,126</u>      |
| Net adjustment to reduce fund balance - total government funds<br>to arrive at net position - governmental activities | <u>\$ 7,733,302</u> |

**B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities**

The reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period." The details of this \$2,739,694 difference are as follows:

|   |                     |
|---|---------------------|
| Capital outlay net of contributed capital   | \$ 7,961,160        |
| Amount costs of disposed assets exceeded accumulated depreciation   | (540,698)           |
| Depreciation expense  | <u>(4,680,768)</u>  |
| Net adjustment to reduce net changes in fund balances - total governmental<br>funds to arrive at changes in net position of governmental activities | <u>\$ 2,739,694</u> |

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Another element of that reconciliation states that "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds." The details of this \$1,233,540 difference are as follows:

|  |                            |
|--|----------------------------|
| Change in unavailable property taxes   | \$ 265,161                 |
| Change in unavailable grant revenue  | 155,279                    |
| Change in unavailable revenue  | <u>813,100</u>             |
| Net adjustment to reduce net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities | <u><u>\$ 1,233,540</u></u> |

**NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Town of Arlington

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. These include the General Fund and the special revenue funds. The Board of Aldermen approves and appropriates the budgets for these funds annually. All annual appropriations lapse at fiscal year-end.

As an extension of the formal budgetary process, the Board of Aldermen may transfer or appropriate additional funds for expenditures not anticipated at the time of budget adoption. The Town's policy is to not allow expenditures to exceed budgetary amounts at the total fund expenditure level without obtaining additional appropriation approval from the Board.

For the year ended June 30, 2018, expenditures exceeded appropriations by \$51,470 in the Sanitation Fund.

Arlington Community Schools

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. These include the General Purpose, Federal Projects, School Nutrition, Discretionary Grants, and Education Capital Projects funds. The Board of Education approves and appropriates the budgets for these funds annually. All annual appropriations lapse at fiscal year-end.

As an extension of the formal budgetary process, the Board of Education may transfer or appropriate additional funds for expenditures not anticipated at the time of budget adoption. The System's policy does not allow expenditures to exceed budgetary amounts at the total category level without obtaining additional appropriation approval from the Board of Education.

**NOTE 4 - DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

Town of Arlington

Investments were made up entirely of certificates of deposits with original maturities greater than three months for the fiscal year ended June 30, 2018.

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Arlington Community Schools

The System administers an other postemployment benefits fund whose investments are held by a third party.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018.

*Mutual Funds:* Valued at the net asset value of shares held.

Disclosures concerning the investments held by a trust that are reported at fair value are presented below. Fair value has been determined based on the System's assessment of available market information and appropriate valuation methodologies. The following table summarized fair value disclosures and measurements at June 30, 2018:

|                   | <u>Level 1</u>      | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>        |
|-------------------|---------------------|----------------|----------------|---------------------|
| Investments       |                     |                |                |                     |
| Mutual Funds      |                     |                |                |                     |
| Equity            | \$ 886,908          | \$ -           | \$ -           | \$ 886,908          |
| Fixed Income      | 511,293             | -              | -              | 511,293             |
| Total Investments | <u>\$ 1,398,201</u> | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 1,398,201</u> |

The OPEB plan held investments (other than those issued or explicitly guaranteed by the U.S. government) in any one organization that represent five percent or more of the OPEB plan's fiduciary net position (FNP) in the following:

| <u>Investment</u>               | <u>Concentration</u> |
|---------------------------------|----------------------|
| Ishares MSCI EAFE ETF           | 6.07%                |
| Ishares S&P 500 Growth          | 5.95%                |
| Oakmark                         | 7.80%                |
| Pioneer Bond Y                  | 9.96%                |
| Prudential Jennison Growth Z    | 7.75%                |
| Prudential short term corp bd Z | 13.92%               |
| Vanguard Index FDS S&P          | 6.98%                |

***Custodial Credit Risk***

The Town's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the Town's agent in the Town's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the Town to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2018, all deposits were fully collateralized or insured.

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**B. Receivables**

Receivables as of June 30, 2018 for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

|                                    | General             | General Purpose School | Education Capital Projects Fund | Sewer             | Other Governmental Funds | Total               |
|------------------------------------|---------------------|------------------------|---------------------------------|-------------------|--------------------------|---------------------|
| Receivables                        |                     |                        |                                 |                   |                          |                     |
| Interest                           | \$ 4,874            | \$ -                   | \$ -                            | \$ 954            | \$ 1,365                 | \$ 7,193            |
| Taxes                              | 4,129,856           | -                      | -                               | -                 | -                        | 4,129,856           |
| Accounts                           | 71,712              | 35,685                 | -                               | 309,983           | -                        | 417,380             |
| Due from other                     |                     |                        |                                 |                   |                          |                     |
| governments - grants               | 57,363              | -                      | -                               | -                 | 611,390                  | 668,753             |
| Intergovernmental                  | 666,932             | 2,927,242              | 863,807                         | -                 | 458                      | 4,458,439           |
| Gross receivables                  | 4,930,737           | 2,962,927              | 863,807                         | 310,937           | 613,213                  | 9,681,621           |
| Less: allowance for uncollectibles | (23,653)            | -                      | -                               | -                 | -                        | (23,653)            |
| Net total receivables              | <u>\$ 4,907,084</u> | <u>\$ 2,962,927</u>    | <u>\$ 863,807</u>               | <u>\$ 310,937</u> | <u>\$ 613,213</u>        | <u>\$ 9,657,968</u> |

Amounts in the governmental funds called intergovernmental represent the normal amounts due from state and county governments for shared revenues and tax allocations. Amounts in the governmental funds called due from other governments - grants, represent amounts due from the state and federal government for related expenditures.

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

|  | Unavailable         | Unearned/Unavailable | Total               |
|--|---------------------|----------------------|---------------------|
| Grant revenue  | \$ 198,934          | \$ -                 | \$ 198,934          |
| Delinquent property taxes receivable                   | 47,020              | -                    | 47,020              |
| 2018 property tax assessment                           | -                   | 4,024,313            | 4,024,313           |
| Delinquent property taxes receivable - Schools         | 528,841             | -                    | 528,841             |
| Sales taxes receivable - Schools                       | 457,648             | -                    | 457,648             |
| Property taxes receivable from Shelby County - Schools | 418,465             | -                    | 418,465             |
| County allocation - construction in progress           | 863,807             | -                    | 863,807             |
| Prepaid lunch balances                                 | -                   | 29,924               | 29,924              |
| Total deferred revenue for governmental funds          | <u>\$ 2,514,715</u> | <u>\$ 4,054,237</u>  | <u>\$ 6,568,952</u> |

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**C. Capital Assets**

Capital asset activity for the year ended June 30, 2018 was as follows:

|  | Beginning<br>Balance  | Increases           | Decreases           | Ending<br>Balance     |
|--|-----------------------|---------------------|---------------------|-----------------------|
| <b>Governmental Activities:</b>              |                       |                     |                     |                       |
| Capital assets not being depreciated:        |                       |                     |                     |                       |
| Land   | \$ 4,867,437          | \$ -                | \$ -                | \$ 4,867,437          |
| Construction in progress                     | 2,122,210             | 4,801,395           | 4,930,619           | 1,992,986             |
| Total capital assets, not being depreciated  | <u>6,989,647</u>      | <u>4,801,395</u>    | <u>4,930,619</u>    | <u>6,860,423</u>      |
| Capital assets being depreciated:            |                       |                     |                     |                       |
| Buildings and improvements                   | 94,678,557            | 4,647,150           | 510,600             | 98,815,107            |
| Machinery and equipment                      | 8,553,010             | 1,951,401           | 185,561             | 10,318,850            |
| Infrastructure                               | 34,414,301            | 1,491,833           | -                   | 35,906,134            |
| Total capital assets being depreciated       | <u>137,645,868</u>    | <u>8,090,384</u>    | <u>696,161</u>      | <u>145,040,091</u>    |
| Less: accumulated depreciation for:          |                       |                     |                     |                       |
| Buildings and improvements                   | (7,915,860)           | (2,270,488)         | (74,888)            | (10,111,460)          |
| Machinery and equipment                      | (2,965,831)           | (1,138,154)         | (80,575)            | (4,023,410)           |
| Infrastructure                               | (8,019,932)           | (1,272,126)         | -                   | (9,292,058)           |
| Total accumulated depreciation               | <u>(18,901,623)</u>   | <u>(4,680,768)</u>  | <u>(155,463)</u>    | <u>(23,426,928)</u>   |
| Total capital assets, being depreciated, net | <u>118,744,245</u>    | <u>3,409,616</u>    | <u>540,698</u>      | <u>121,613,163</u>    |
| Governmental activities, capital assets, net | <u>\$ 125,733,892</u> | <u>\$ 8,211,011</u> | <u>\$ 5,471,317</u> | <u>\$ 128,473,586</u> |
| <br><b>Business-type Activities:</b>         |                       |                     |                     |                       |
| Capital assets not being depreciated:        |                       |                     |                     |                       |
| Land   | \$ 231,762            | \$ -                | \$ -                | \$ 231,762            |
| Total capital assets, not being depreciated  | <u>231,762</u>        | <u>-</u>            | <u>-</u>            | <u>231,762</u>        |
| Capital assets being depreciated:            |                       |                     |                     |                       |
| Sewer plant                                  | 29,235,217            | 363,539             | -                   | 29,598,756            |
| Total capital assets being depreciated       | <u>29,235,217</u>     | <u>363,539</u>      | <u>-</u>            | <u>29,598,756</u>     |
| Less: accumulated depreciation for:          |                       |                     |                     |                       |
| Infrastructure                               | (6,963,118)           | (881,714)           | -                   | (7,844,832)           |
| Total accumulated depreciation               | <u>(6,963,118)</u>    | <u>(881,714)</u>    | <u>-</u>            | <u>(7,844,832)</u>    |
| Total capital assets being depreciated, net  | <u>22,272,099</u>     | <u>(518,175)</u>    | <u>-</u>            | <u>21,753,924</u>     |
| Business-type activities capital assets, net | <u>\$ 22,503,861</u>  | <u>\$ (518,175)</u> | <u>\$ -</u>         | <u>\$ 21,985,686</u>  |

The System had outstanding commitments to contractors of \$3,180,000 at June 30, 2018 for building construction.

**TOWN OF ARLINGTON, TENNESSEE**  
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Depreciation expense was charged to functions/programs of the government as follows:

|  |                     |
|--|---------------------|
| Governmental activities:                             |                     |
| General government                                   | \$ 113,487          |
| Public safety  | 159,876             |
| Public works   | 142,238             |
| Street department                                    | 1,214,712           |
| Parks department                                     | 306,169             |
| Education  | 2,744,286           |
| Total depreciation expense - governmental activities | <u>\$ 4,680,768</u> |
| Business-type activities:                            |                     |
| Sewer  | <u>\$ 881,714</u>   |

**D. Interfund Transfers and Balances**

The composition of interfund transfers as of June 30, 2018, is as follows:

| Transfer from    | Transfer to            | Amount              |
|------------------|------------------------|---------------------|
| General          | General Purpose School | \$ 560,612          |
| General          | State Street Aid       | 900,000             |
| Federal Projects | General Purpose School | 96,969              |
| Total            |                        | <u>\$ 1,557,581</u> |

All transfers noted above were eliminated for the government-wide financial statements.

Transfers are used to move revenues from the fund with collection authorization to the fund in which the related expenditures take place. In this case, funds were transferred from the General Fund to the State Street Aid Fund to cover street repair expenditures. The transfer from the Federal Projects Fund to the General Purpose School Fund was for indirect cost reimbursements. The transfer from the Town to the School System includes the School's portion of local tax revenue per State Statute.

The composition of due to and due from other funds as of June 30, 2018, is as follows:

| Due from (Payable)                      | Due to (Receivable)    | Amount           |
|---|------------------------|------------------|
| General Fund                            | State Street Aid       | \$ 13,807        |
| Federal Projects                        | General Purpose School | 141,278          |
| Discretionary Grants Fund               | General Purpose School | 7,936            |
| Sewer Fund                              | General Fund           | 13,547           |
| Sewer Fund                              | Sanitation             | 84,561           |
| Total                                   |                        | 261,129          |
| Governmental fund activities eliminated |                        | (163,021)        |
| Internal balances                       |                        | <u>\$ 98,108</u> |

The balance due from the General Fund to the State Street Aid Fund is related to a check that was issued out of the incorrect fund and has been reimbursed after year-end. The balance due from the

**TOWN OF ARLINGTON, TENNESSEE**  
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Sewer Fund to the Sanitation Fund relates to collections for sanitation services by the Sewer Fund. The balance due from the Sewer Fund to the General Fund relates to collections for storm drainage services by the Sewer Fund. The balances due from the Federal Projects Fund and the Discretionary Grants Fund to the General Purpose School Fund are for the negative cash balances in the pooled bank account at the end of the year.

**E. Long-term Debt**

Long-term debt at June 30, 2018 is summarized as follows:

Revenue Bonds:

|   |              |
|---|--------------|
| Adjustable Rate Pooled Financing Revenue Bonds, Series 2002<br>Tennessee County Loan Pool; the total amount of the<br>bond issue is for \$13,000,000; due in annual installments of<br>\$484,000 to \$1,023,000 through 2024;<br>interest at 1.51% at June 30, 2018 | \$ 5,515,000 |
|---|--------------|

|  |           |
|--|-----------|
| Adjustable Rate Pooled Financing Revenue Bonds, Series 2012<br>Tennessee County Loan Pool; the total amount of the<br>bond issue is for \$6,000,000; due in annual installments of<br>\$180,000 to \$335,000 through 2038;<br>interest at 2.00% at June 30, 2018 | 5,065,000 |
|--|-----------|

Notes Payable:

|   |         |
|---|---------|
| Fire Equipment Acquisition Capital Outlay Note, Series 2012<br>Tennessee Municipal Bond Fund; the total amount of the<br>bond issue is for \$535,628; due in annual installments of<br>\$70,628 to \$82,000 through 2020; interest at 2.48%<br>at June 30, 2018 | 162,000 |
|---|---------|

|   |         |
|---|---------|
| General Obligation Capital Outlay Note, Series 2018<br>Tennessee Municipal Bond Fund; the total amount of the<br>bond issue is for \$6,000,000; due in annual installments of<br>\$220,000 to \$392,000 through 2038; interest at 3.02%<br>at June 30, 2018 | 139,501 |
|---|---------|

|  |           |
|--|-----------|
| Arlington Community School System Note payable to the Shelby<br>County Board of Education; the total amount of the note is \$3,999,996;<br>due in annual payments of \$333,333 through 2026. | 2,666,664 |
|--|-----------|

|  |  |
|--|--|
| The Schools elected to establish the liability incurred through the<br>settlement agreement at its present value with a discount rate of 2.0%. | (226,778)  |
| Schools liability to Shelby County Board of Education, net of discount   | <div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">2,439,886</div> |

|       |  |
|-------|--|
| Total | <div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">\$ 13,321,387</div> |
|-------|--|

**TOWN OF ARLINGTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
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The following is a summary of long-term debt transactions for the year ended June 30, 2018:

|   | Beginning<br>Balance | Additions         | Deletions           | Ending<br>Balance    | Due Within<br>One Year |
|---|----------------------|-------------------|---------------------|----------------------|------------------------|
| <b>Governmental activities:</b>                       |                      |                   |                     |                      |                        |
| Notes payable   |                      |                   |                     |                      |                        |
| Note payable-capital outlay                           | \$ 240,000           | \$ 139,501        | \$ 78,000           | \$ 301,501           | \$ 219,501             |
| Note payable-Board of Education                       | 2,999,997            | -                 | 333,333             | 2,666,664            | 333,333                |
| Less deferred amount for<br>issuance discount         | (281,646)            | -                 | 54,868              | (226,778)            | -                      |
| Total notes payable                                   | 2,958,351            | 139,501           | 466,201             | 2,741,387            | 552,834                |
| Compensated absences                                  | 317,884              | 314,262           | 290,320             | 341,826              | 68,899                 |
| Landfill closing and post<br>closing monitoring costs | 359,300              | -                 | 34,174              | 325,126              | -                      |
|   | <u>\$ 3,635,535</u>  | <u>\$ 453,763</u> | <u>\$ 790,695</u>   | <u>\$ 3,408,339</u>  | <u>\$ 621,733</u>      |
| <b>Business-type activities:</b>                      |                      |                   |                     |                      |                        |
| Bonds payable   |                      |                   |                     |                      |                        |
| Revenue bonds 2002                                    | \$ 6,301,000         | \$ -              | \$ 786,000          | \$ 5,515,000         | \$ 821,000             |
| Revenue bonds 2012                                    | 5,265,000            | -                 | 200,000             | 5,065,000            | 200,000                |
| Premium   | 26,714               | -                 | 1,303               | 25,411               | 1,303                  |
| Total bonds payable                                   | 11,592,714           | -                 | 987,303             | 10,605,411           | 1,022,303              |
| Compensated absences                                  | 14,376               | 14,139            | 14,376              | 14,139               | 9,897                  |
|   | <u>\$ 11,607,090</u> | <u>\$ 14,139</u>  | <u>\$ 1,001,679</u> | <u>\$ 10,619,550</u> | <u>\$ 1,032,200</u>    |

The governmental funds used to liquidate compensated absences are the general fund, the general purpose fund, and the sanitation fund. The ending compensated balances in the governmental funds were \$137,251 in the general fund, \$201,449 in the general purpose fund, and \$3,126 in the sanitation fund.

The annual requirements to amortize all long-term debt and obligations outstanding, except accrued employee vacation, and landfill closing and post-closing monitoring costs, at June 30, 2018, including interest payments of \$2,050,865, are as follows:

| Year Ending<br>June 30, | Total<br>Principal   | Total<br>Interest   | Total                |
|-------------------------|----------------------|---------------------|----------------------|
| 2019                    | 1,573,834            | 233,444             | 1,807,278            |
| 2020                    | 1,473,333            | 210,824             | 1,684,157            |
| 2021                    | 1,435,333            | 192,802             | 1,628,135            |
| 2022                    | 1,480,333            | 175,107             | 1,655,440            |
| 2023                    | 1,527,333            | 156,304             | 1,683,637            |
| 2024-2028               | 3,172,999            | 565,369             | 3,738,368            |
| 2029-2033               | 1,320,000            | 381,341             | 1,701,341            |
| 2034-2038               | 1,565,000            | 135,674             | 1,700,674            |
| Total                   | <u>\$ 13,548,165</u> | <u>\$ 2,050,865</u> | <u>\$ 15,599,030</u> |

**TOWN OF ARLINGTON, TENNESSEE**  
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All significant debt covenants and restrictions as set forth in the bond agreements were complied with.

**NOTE 5 – OTHER INFORMATION**

**A. Commitments**

The Town closed its solid waste landfill facility in August 1991. State and federal laws and regulations require the Town to place a final cover on the landfill and to perform certain maintenance and monitoring functions at the site for 30 years after closure. All closure activities were complete as of June 30, 1999. Although the remaining costs of monitoring will be paid as they are incurred, generally accepted accounting principles require these costs to be reflected as a liability of the entity owning the landfill as of the date of closure. Accordingly, the Town has recorded these estimated costs as a long-term liability in the government-wide statements. These amounts are based on what it would cost to perform all post-closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Expenditures were \$34,174 for the year ended June 30, 2018.

**B. Risk Management**

Town of Arlington

The Town is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability, auto liability, errors and omissions, workers compensation and automobile physical damage coverage. The Town joined the Tennessee Municipal League Risk Pool (Pool), which is a public entity risk pool established in 1979 by the Tennessee Municipal League.

The Town pays annual premiums to the Pool for its general liability, auto liability, real and personal property damage, workman's compensation and errors and omissions policies. The Pool provides the specified coverage and pays all claims from its member premiums charged or through its reinsurance policies. The Town's premiums are calculated based on its prior claims history.

It is the policy of the Town to purchase commercial insurance for the risks of employee dishonesty and excess liability. Settled claims have not exceeded this commercial coverage or the coverage provided by the Pool in any of the past three years.

Arlington Community School System

The System is exposed to various risks related to workers' compensation, general liability, automobile liability, and property. The System felt it was more economically feasible to join public entity risk pools as opposed to purchasing commercial insurance for these areas. The System is a member of the Tennessee Municipal League Risk Management Pool (TML), which is a public entity risk pool. The System pays an annual premium to this pool for coverage under the above areas. The Pool provides the specified coverage and pays all claims from its member premiums charged or through its reinsurance policies. The System's premiums are calculated based on its claims history. The System continues to carry commercial insurance for all other risks of loss, including public officials' bond. Settled claims from these losses have not exceeded commercial insurance coverage in this fiscal year.

**TOWN OF ARLINGTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**C. Pensions**

Town of Arlington

The Town provides benefits for all employees through a single employer defined contribution plan in the form of a 457(b) deferred compensation plan titled Town of Arlington 457 Plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate the first day of employment and are immediately vested. The plan permits participants to make voluntary contributions in any amount up to the applicable IRS limits. Employees can change contribution rates at any time and the Town contributes an employee match up to 6% of compensation. Required contributions by the Town and benefit provisions are established and amended by the Board of Mayor and Aldermen. The plan was adopted by the Town on August 1, 2005 and was established by Town ordinance. The plan is administered by Empower Retirement and there are currently no assets accumulated for this plan in a trust.

For the year ended June 30, 2018, total employer contributions were \$110,624 and employee contributions were \$150,805 based on total covered wages of \$2,497,804. The amount of forfeitures reflected in pension expense were \$0 during the current period, and there will never be forfeitures due to the fact that the employee is 100% vested at the time of contribution. The Town had a liability of \$0 at June 30, 2018.

Arlington Community School System

The Arlington Community School System participates in the following defined benefit multi-employer Public Employee Retirement Plans administered by the Tennessee Consolidated Retirement System ("TCRS"):

Legacy Public Employee Retirement Plan ("BOE Legacy") – Certain administrative employees of the Arlington Community School System with membership in TCRS prior to July 1, 2014 are included in this plan. This plan was closed to new membership on June 30, 2014, but continues to provide benefits to existing members. This is an agent multiple-employer pension plan.

Hybrid Public Employee Retirement Plan ("BOE Hybrid") – Certain administrative employees of the Arlington Community School System with membership in TCRS beginning on or after July 1, 2014 are included in this plan. This plan is a hybrid plan which features both a defined contribution element and a pension plan element. This is an agent multiple-employer pension plan.

Teacher Legacy Pension Plan ("Teacher Legacy") – Teachers with membership in TCRS prior to July 1, 2014 are included in this plan. The plan was closed to new membership on June 30, 2014, but continues to provide benefits to existing members. The plan is a cost sharing multiple-employer pension plan.

Teacher Retirement Plan ("Teacher Hybrid") – Teachers with membership in TCRS beginning July 1, 2014 are included in this plan. The plan is a hybrid plan which features both a defined contribution element and a pension plan element. The plan is a cost sharing multiple-employer pension plan.

# TOWN OF ARLINGTON, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

The net pension assets, deferred outflows of resources, net pension liabilities, deferred inflows of resources, and pension expense related to pensions reported in the statement of net position and statement of activities are summarized as follows:

|  | Net Pension<br>Asset | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources | Pension<br>Expense  |
|--|----------------------|--------------------------------------|-------------------------------------|---------------------|
| Legacy Public Employee Retirement Plan | \$ 262,109           | \$ 187,105                           | \$ 119,853                          | \$ 121,491          |
| Hybrid Public Employee Retirement Plan | 17,631               | 50,676                               | 1,426                               | 25,977              |
| Teacher Legacy Pension Plan            | 170,200              | 6,525,984                            | 3,513,842                           | 1,088,914           |
| Teacher Retirement Plan                | 83,357               | 110,661                              | 11,199                              | 38,190              |
|  | <u>\$ 533,297</u>    | <u>\$ 6,874,426</u>                  | <u>\$ 3,646,320</u>                 | <u>\$ 1,274,572</u> |

### ***Teacher Legacy Public Employee Retirement Plan of TCRS (Plan 80333)***

#### **Plan description**

Employees of Arlington Community Schools are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multi-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Government, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.state.tn.us/tcrs](http://www.treasury.state.tn.us/tcrs).

#### **Benefits provided**

Tennessee Code Annotated, Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

#### **Employees covered by benefit terms**

At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

|  |           |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | 10        |
| Inactive employees entitled to but not yet receiving benefits    | 16        |
| Active employees   | <u>67</u> |
|  | <u>93</u> |

#### **Contributions**

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary

# **TOWN OF ARLINGTON, TENNESSEE**

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

(alternatively-Employees are non-contributory). Arlington Community Schools makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2018, the employer contributions for Arlington Community School System were \$161,257 based on a rate of 7.40 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Arlington Community Schools' state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

### **Net Pension Liability (Asset)**

Arlington Community School Systems' net pension liability (asset) was measured as of June 30, 2017, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

### **Actuarial assumptions**

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |  |
|---------------------------|--|
| Inflation                 | 2.5 percent  |
| Salary increases          | Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent |
| Investment rate of return | 7.25 percent, net of pension plan investment expenses, including inflation                               |
| Cost-of-Living Adjustment | 2.25 percent   |

Mortality rates were based on the actual experience from the June 30, 2017 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actual assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

### **Changes in assumptions**

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

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

**TOWN OF ARLINGTON, TENNESSEE**  
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| <b>Asset Class</b>                    | <b>Long Term<br/>Expected Real<br/>Rate of Return</b> | <b>Target Allocation</b> |
|---------------------------------------|---|--------------------------|
| U.S. Equity                           | 5.69%   | 31%                      |
| Developed market international equity | 5.29%   | 14%                      |
| Emerging market international equity  | 6.36%   | 4%                       |
| Private equity and strategic lending  | 5.79%   | 20%                      |
| U.S. fixed income                     | 2.01%   | 20%                      |
| Real estate                           | 4.32%   | 10%                      |
| Short-term securities                 | 0.00%   | 1%                       |
|                                       |   | <hr/> 100%               |

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

**Discount rate**

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

**TOWN OF ARLINGTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

**Changes in the Net Pension Liability (Asset)**

|  | Increase (Decrease)                |                                |                                  |
|--|------------------------------------|--------------------------------|----------------------------------|
|  | Total Pension<br>Liability (Asset) | Plan Fiduciary Net<br>Position | Net Pension<br>Liability (Asset) |
|  | (a)                                | (b)                            | (a) - (b)                        |
| <b>Balance at 6/30/16</b>  | \$ 593,499                         | \$ 788,640                     | \$ (195,141)                     |
| <b>Changes for the year:</b>                                     |                                    |                                |                                  |
| Service cost   | 258,233                            | -                              | 258,233                          |
| Interest   | 63,315                             | -                              | 63,315                           |
| Differences between expected<br>and actual experience            | (10,817)                           | -                              | (10,817)                         |
| Changes in assumptions   | 29,540                             | -                              | 29,540                           |
| Contributions-employer   | -                                  | 183,342                        | (183,342)                        |
| Contributions-employees  | -                                  | 123,880                        | (123,880)                        |
| Net investment income  | -                                  | 105,712                        | (105,712)                        |
| Benefit payments, including refunds<br>of employee contributions | (15,057)                           | (15,057)                       | -                                |
| Administrative expense   | -                                  | (5,695)                        | 5,695                            |
| Other changes  | -                                  | -                              | -                                |
| <b>Net changes</b>   | 325,214                            | 392,182                        | (66,968)                         |
| <b>Balance at 6/30/17</b>  | \$ 918,713                         | \$ 1,180,822                   | \$ (262,109)                     |

**Sensitivity of the net pension liability (asset) to changes in the discount rate**

The following presents the net pension liability (asset) of Arlington Community School System calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentagepoint higher (8.25 percent) than the current rate:

|   | 1% Decrease<br>(6.25%) | Current<br>Discount<br>Rate (7.25%) | 1% Increase<br>(8.25%) |
|---|------------------------|-------------------------------------|------------------------|
| Arlington Community Schools'<br>proportionate share of the net<br>pension liability (asset) | \$ (110,935)           | \$ (262,109)                        | \$ (385,690)           |

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**Pension expense**

For the year ended June 30, 2018, Arlington Community Schools recognized pension expense of \$121,491.

# TOWN OF ARLINGTON, TENNESSEE NOTES TO FINANCIAL STATEMENTS

June 30, 2018

## Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2018, Arlington Community Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Differences between expected and actual experience                               | \$ -                                      | \$ 111,833                               |
| Net difference between projected and actual earnings on pension plan investments | -   | 8,020                                    |
| Changes in assumptions   | 25,848                                    | -  |
| Contributions subsequent to the measurement date of June 30, 2017                | 161,257                                   | -  |
| Total  | <u>\$ 187,105</u>                         | <u>\$ 119,853</u>                        |

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2017," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

| <u>Year Ended June 30:</u> |             |
|----------------------------|-------------|
| 2019                       | \$ (11,980) |
| 2020                       | (11,980)    |
| 2021                       | (13,743)    |
| 2022                       | (19,447)    |
| 2023                       | (12,283)    |
| Thereafter                 | (24,566)    |

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

## Payable to the Pension Plan

At June 30, 2018, Arlington Community School System reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

## Hybrid Public Employee Retirement Plan (Plan 81333)

### Plan description

Employees of Arlington Community School System are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multi-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Government, an agency in the legislative

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branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.state.tn.us/tcrs](http://www.treasury.state.tn.us/tcrs).

**Benefits provided**

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 65 with 5 years of service or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 60 and vested or pursuant to the rule of 80 in which the member's age and service credit total 80. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Employees covered by benefit terms. At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

|  |       |
|--|-------|
| Inactive employees or beneficiaries currently receiving benefits | -     |
| Inactive employees entitled to but not yet receiving benefits    | 3     |
| Active employees   | 27    |
|  | <hr/> |
|  | 30    |
|  | <hr/> |

**Contributions**

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Arlington Community Schools makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2018, employer contributions for Arlington Community Schools were \$50,676 based on a rate of 4 percent of payroll. By law, employer contributions are required to be paid. The TCRS may intercept Arlington Community Schools' state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Pension Liabilities (Assets), Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**Pension liabilities (assets)**

Arlington Community Schools' net pension liability (asset) was measured as of June 30, 2017, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

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**Actuarial assumptions**

The total pension liability as of June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods including in the measurement:

|                           |  |
|---------------------------|--|
| Inflation                 | 2.5 percent  |
| Salary increases          | Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent |
| Investment rate of return | 7.25 percent, net of pension plan investment expenses, including inflation                               |
| Cost-of-Living Adjustment | 2.25 percent   |

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

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

**Changes in assumptions**

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

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

| <b>Asset Class</b>                    | <b>Long Term<br/>Expected Real<br/>Rate of Return</b> | <b>Target Allocation</b> |
|---------------------------------------|---|--------------------------|
| U.S. Equity                           | 5.69%   | 31%                      |
| Developed market international equity | 5.29%   | 14%                      |
| Emerging market international equity  | 6.36%   | 4%                       |
| Private equity and strategic lending  | 5.79%   | 20%                      |
| U.S. fixed income                     | 2.01%   | 20%                      |
| Real estate                           | 4.32%   | 10%                      |
| Short-term securities                 | 0.00%   | 1%                       |
|                                       |   | <b>100%</b>              |

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

**Discount rate**

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

|   | <b>Total Pension<br/>Liability<br/>(a)</b> | <b>Increase (Decrease)<br/>Plan Fiduciary Net<br/>Position<br/>(b)</b> | <b>Net Pension<br/>Liability (Asset)<br/>(a) - (b)</b> |
|---|--|--|--|
| <b>Balance at 6/30/16</b>   | -  | -  | -  |
| <b>Changes for the year:</b>  |  |  |  |
| Service cost  | -  | -  | -  |
| Interest  | -  | -  | -  |
| Differences between<br>expected and actual<br>experience            | 80,781                                     | -  | 80,781   |
| Contributions-employer  | -  | 42,182   | (42,182)   |
| Contributions-employees   | -  | 52,728   | (52,728)   |
| Net investment income   | -  | 5,271  | (5,271)  |
| Benefit payments,<br>including refunds<br>of employee contributions | (108)                                      | (108)  | -  |
| Administrative expense  | -  | (1,769)  | 1,769  |
| Other changes   | -  | -  | -  |
| <b>Net changes</b>  | <u>80,673</u>                              | <u>98,304</u>  | <u>(17,631)</u>  |
| <b>Balance at 6/30/17</b>   | <u><u>\$ 80,673</u></u>                    | <u><u>\$ 98,304</u></u>  | <u><u>\$ (17,631)</u></u>                              |

**Changes of benefit terms**

The June 30, 2017 actuarial valuation is the first actuarial valuation since Arlington Community Schools' participation in the Public Employee Retirement Plan of the TCRS. Changes of benefits reflects the initial establishment of Arlington Community Schools' benefit terms.

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**Sensitivity of the net pension liability (asset) changes in the discount rate**

The following presents the net pension liability (asset) of Arlington Community School System calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

|   | <b>1% Decrease<br/>(6.25%)</b> | <b>Current<br/>Discount Rate<br/>(7.25%)</b> | <b>1% Increase<br/>(8.25%)</b> |
|---|--------------------------------|--|--------------------------------|
| Arlington Community Schools' proportionate share of the net pension liability (asset) | \$ 2,012                       | \$ (17,631)                                  | \$ (32,834)                    |

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**Pension Expense**

For the year ended June 30, 2018, Arlington Community Schools recognized pension expense of \$25,977.

**Deferred outflows of resources and deferred inflows of resources**

For the year ended June 30, 2018, Arlington Community Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|--|---|--|
| Differences between expected and actual experience                               | \$ -                                      | \$ -                                     |
| Net difference between projected and actual earnings on pension plan investments | -   | 1,426                                    |
| Changes in assumptions   | -   | -  |
| Contributions subsequent to the measurement date of June 30, 2017                | <u>50,676</u>                             | <u>-</u>                                 |
| Total  | <u>\$ 50,676</u>                          | <u>\$ 1,426</u>                          |

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2017," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

| <b><u>Year Ended June 30:</u></b> |          |
|-----------------------------------|----------|
| 2019                              | \$ (356) |
| 2020                              | (356)    |
| 2021                              | (356)    |
| 2022                              | (356)    |
| 2023                              | -        |
| Thereafter                        | -        |

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

**Payable to the Pension Plan**

At June 30, 2018, Arlington Community School System reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

***Teacher Legacy Pension Plan of TCRS (Plan 97901)***

**Plan description**

Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Arlington Community Schools are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Government, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.state.tn.us/tcrs](http://www.treasury.state.tn.us/tcrs).

**Benefits provided**

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and

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applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

**Contributions**

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Arlington Community Schools for the year ended June 30, 2018 to the Teacher Legacy Pension Plan were \$1,644,116 which is 9.08 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**Pension liability (asset)**

At June 30, 2018, the Arlington Community Schools reported a liability (asset) of (\$170,200) for its proportionate share of net pension liability. The net pension liability (asset) was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. Arlington Community Schools' proportion of the net pension liability was based on Arlington Community Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2017, Arlington Community Schools' proportion was 0.520200 percent. The proportion measured as of June 30, 2016 was 0.507125 percent.

**Pension expense (negative pension expense)**

For the year ended June 30, 2018, Arlington Community Schools recognized pension expense (negative pension expense) of \$1,088,914.

**Deferred outflows of resources and deferred inflows of resources**

For the year ended June 30, 2018, Arlington Community Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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|  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|--|---|--|
| Differences between expected and actual experience                               | \$ 102,609                                    | \$ 3,513,842                                 |
| Changes in assumptions   | 1,441,502                                     | -  |
| Net difference between projected and actual earnings on pension plan investments | 25,836  | -  |
| Changes in proportion of Net Pension Liability (Asset)                           | 3,311,921                                     | -  |
| Contributions subsequent to the measurement date of June 30, 2017                | <u>1,644,116</u>                              | <u>-</u>                                     |
| Total  | <u><u>\$ 6,525,984</u></u>                    | <u><u>\$ 3,513,842</u></u>                   |

Arlington Community Schools' employer contributions of \$1,644,116, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension liability (asset) in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b><u>Year Ended June 30:</u></b> |             |
|-----------------------------------|-------------|
| 2019                              | \$(130,926) |
| 2020                              | 1,610,258   |
| 2021                              | 648,316     |
| 2022                              | (759,625)   |
| 2023                              | -           |
| Thereafter                        | -           |

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

***Actuarial assumptions***

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |  |
|---------------------------|--|
| Inflation                 | 2.5 percent  |
| Salary increases          | Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent |
| Investment rate of return | 7.25 percent, net of pension plan investment expenses, including inflation                               |
| Cost-of-Living Adjustment | 2.25 percent   |

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

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

**Changes in assumptions**

In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 percent to 2.25 percent; decreased the salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

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

| <b>Asset Class</b>                    | <b>Long Term<br/>Expected Real<br/>Rate of Return</b> | <b>Target Allocation</b> |
|---------------------------------------|---|--------------------------|
| U.S. Equity                           | 5.69%   | 31%                      |
| Developed market international equity | 5.29%   | 14%                      |
| Emerging market international equity  | 6.36%   | 4%                       |
| Private equity and strategic lending  | 5.79%   | 20%                      |
| U.S. fixed income                     | 2.01%   | 20%                      |
| Real estate                           | 4.32%   | 10%                      |
| Short-term securities                 | 0.00%   | 1%                       |
|                                       |   | <hr/> 100%               |

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

**Discount rate**

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

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return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### **Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate**

The following presents Arlington Community Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what Arlington Community Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

|   | <b>1% Decrease<br/>(6.25%)</b> | <b>Current<br/>Discount<br/>Rate (7.25%)</b> | <b>1% Increase<br/>(8.25%)</b> |
|---|--------------------------------|--|--------------------------------|
| Arlington Community Schools' proportionate share of the net pension liability (asset) | \$ 15,271,843                  | \$ (170,200)                                 | \$ (12,934,067)                |

### **Pension plan fiduciary net position**

Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

### **Payable to the Pension Plan**

At June 30, 2018, Arlington Community Schools reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

### ***Teacher Retirement Plan of TCRS (Plan 97901)***

#### **Plan description**

Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Arlington Community Schools are provided with pensions through the Teacher Retirement Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multi-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Government, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.state.tn.us/tcrs](http://www.treasury.state.tn.us/tcrs).

#### **Benefits Provided**

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for

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non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

### **Contributions**

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Arlington Community Schools for the year ended June 30, 2018 to the Teacher Retirement Plan were \$94,429, which is 4.00 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

### **Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

#### **Pension liabilities (assets)**

At June 30, 2018, Arlington Community Schools reported a liability (asset) of (\$83,357) for its proportionate share of the net pension asset. The net pension liability (asset) was measured as of June 30, 2017, and the total pension asset used to calculate the net pension liability (asset) was determined by an actuarial value as of that date. Arlington Community School System's proportion of the net pension liability (asset) was based on Arlington Community School System's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2017 Arlington Community Schools' proportion was 0.315942 percent. The proportion measured as of June 30, 2016 was 0.370023 percent.

#### **Pension expense**

For the year ended June 30, 2018, Arlington Community Schools recognized pension expense of \$38,190.

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**Deferred outflows of resources and deferred inflows of resources**

For the year ended June 30, 2018, Arlington Community Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Differences between expected and actual experience                               | \$ 2,921                                  | \$ 6,269                                 |
| Net difference between projected and actual earnings on pension plan investments | -   | 4,485                                    |
| Changes in assumptions   | 7,323                                     | -  |
| Changes in proportion of Net Pension Liability (Asset)                           | 5,988                                     | 445                                      |
| Contributions subsequent to the measurement date of June 30, 2017                | <u>94,429</u>                             | <u>-</u>                                 |
| Total  | <u>\$ 110,661</u>                         | <u>\$ 11,199</u>                         |

Arlington Community Schools' employer contributions of \$94,429 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended June 30:</u> |         |
|----------------------------|---------|
| 2019                       | \$ (16) |
| 2020                       | (16)    |
| 2021                       | (273)   |
| 2022                       | (1,427) |
| 2023                       | 688     |
| Thereafter                 | 6,082   |

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

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### **Actuarial assumptions**

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |  |
|---------------------------|--|
| Inflation                 | 2.5 percent  |
| Salary increases          | Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent |
| Investment rate of return | 7.25 percent, net of pension plan investment expenses, including inflation                               |
| Cost-of-Living Adjustment | 2.25 percent   |

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

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

### **Changes in assumptions**

In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 percent to 2.25 percent; and decreased the salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent.

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

| <b>Asset Class</b>                    | <b>Long Term<br/>Expected<br/>Real Rate of<br/>Return</b> | <b>Target Allocation</b> |
|---------------------------------------|---|--------------------------|
| U.S. Equity                           | 5.69%   | 31%                      |
| Developed market international equity | 5.29%   | 14%                      |
| Emerging market international equity  | 6.36%   | 4%                       |
| Private equity and strategic lending  | 5.79%   | 20%                      |
| U.S. fixed income                     | 2.01%   | 20%                      |
| Real estate                           | 4.32%   | 10%                      |
| Short-term securities                 | 0.00%   | 1%                       |
|                                       |   | <hr/> 100%               |

**TOWN OF ARLINGTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

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

**Discount rate**

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

**Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate**

The following presents Arlington Community Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what Arlington Community Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

|   | <b>1% Decrease<br/>(6.25%)</b> | <b>Current<br/>Discount Rate<br/>(7.25%)</b> | <b>1% Increase<br/>(8.25%)</b> |
|---|--------------------------------|--|--------------------------------|
| Arlington Community Schools'<br>proportionate share of the net<br>pension liability (asset) | \$ 16,631                      | \$ (83,357)                                  | \$ (156,698)                   |

**Pension plan fiduciary net position**

Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

**Payable to the Pension Plan**

At June 30, 2018, Arlington Community Schools reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

***Defined Contribution Employee Benefit Plan***

**401(k) Plan**

The Teacher Retirement Plan and the Hybrid Public Employee Retirement Plan (the Hybrid Plans) provide a combination of a defined benefit plan and a defined contribution plan. The defined benefit portion of the Hybrid Plans are managed by TCRS. The defined contribution assets are deposited into the State's 401(k) plan where the employee manages the investments within the 401(k) plan. Enrolled employees may, at their option, contribute 2% of their salaries and employers are required to contribute 5% of those salaries to the defined contribution (401(k)) portion of the Hybrid Plans. Contributions are made on a tax-deferred basis. Employees are immediately vested in contributions. During 2018, the System's employer contribution to the defined contribution plans were \$180,784.

**TOWN OF ARLINGTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

**D. Postemployment Benefits Other than Pension (OPEB)**

In addition to the pension benefits described above, the Arlington Community Schools administer a single-employer defined benefit other postemployment benefit plan to provide health care benefits to certain employees under the provisions of the Schools' Other Postemployment Benefit Plan.

***Benefits Provided***

Employees who retire from the System and qualify for full retirement benefits under the Tennessee Consolidated Retirement System (TCRS) may be eligible for post-retirement health benefits at the same cost as current employees until age 65. Eligible employees must have been enrolled in the Arlington Community Schools sponsored insurance plan for twelve consecutive months immediately prior to retirement and have completed 15 years of service with the System. Those who are former employees of Shelby County School District or Memphis City Schools must have 15 years of continuous service with Arlington, Shelby County, and/or Memphis City Schools prior to retirement. Employees must be enrolled in the System's health plan immediately preceding retirement to qualify for retirement benefits. Tier 1 employees are those hired directly from Shelby County Schools prior to August 4, 2014 and employees hired by Arlington Community Schools between January 1, 2014 and June 30, 2014. Tier 2 employees are those whose effective hire date is July 1, 2014. Employees hired on or after July 1, 2017 will not be eligible for retiree health benefits.

***Employees Covered by Benefit Terms***

Plan membership as of June 30, 2017, the date of the OPEB valuation, consisted of the following:

|  |                   |
|--|-------------------|
| Inactive employees or beneficiaries currently receiving benefits | 9                 |
| Active employees   | <u>382</u>        |
|  | <u><u>391</u></u> |

***Contributions***

The System's intent is to partially fund the annual required contribution and pay for the pay-go costs from the general purpose school fund until the Trust balance is sufficient to meet future benefit payments. Employer contributions are based on an actuarially determined rate. For the year ended June 30, 2018, the actuarially determined contribution for the plan was \$697,756, which exceeded the employer contributions to the plan of \$646,886 by \$50,870.

***Actuarial Assumptions***

Actuarial valuation for the OPEB plan involves estimates of the value of reported amounts and assumptions about the probability of events far into the future. As such, the actuarial calculations of the OPEB plan reflect a long-term perspective. Actuarially determined amounts are subject to continual revisions as results are compared to past expectations and new estimates are made about the future.

Allocation of actuarial present value of future benefits for services prior and after the measurement date was determined using the entry age normal level percent of salary method where service cost for each individual participant, payable from date of employment to date of retirement, is sufficient to pay for the participant's benefit at retirement, and annual service cost is a constant percentage of the participant's salary that is assumed to increase according to the payroll growth.

# TOWN OF ARLINGTON, TENNESSEE NOTES TO FINANCIAL STATEMENTS

June 30, 2018

|                             |   |
|-----------------------------|---|
| Measurement date            | For the fiscal year ending June 30, 2018, a June 30, 2018 measurement date was used.  |
| Actuarial valuation date    | July 1, 2017 liabilities are actuarially rolled forward to the June 30, 2018 measurement date on a "no gain/no loss" basis.           |
| Inflation                   | 3% per year   |
| Salary increases            | Payroll growth including general wage inflation plus merit/productivity increases are based on the TCRS valuation as of June 30, 2016 |
| Mortality table             | RPH-2016 Total Dataset Mortality Table generational using Scale MP-2016   |
| Health care cost trend rate | 8.5% initial rate, 5.0% ultimate rate   |

## ***Changes in Assumptions***

In 2018, the following assumptions were changed, updated the discount rate assumption for updated forward-looking rate of return information for the Trust's target investment policy. The discount rate is 8.00 percent as of July 1, 2017 and 7.50 percent as of June 30, 2018. This change resulted in an increase in liabilities.

## ***Investment Policy***

The System has placed funds with the Tennessee School Board Association OPEB Trust ("TSBA OPEB Trust") to be used to pre-fund a portion of the OPEB liability. The assets of the TSBA OPEB Trust are commingled with other participant's funds for investment purposes, but are held in an irrevocable trust for each plan participant and may be used only for the payment of benefits to the members of the plan in accordance with the terms of their plan. The TSBA OPEB Trust's policy in regard to allocation of invested assets is established and may be amended by the TSBA OPEB Trust Board of Trustees by a majority vote of its members. The TSBA OPEB Trust obtains an annual audit, which may be obtained from the TSBA at 525 Brick Church Park Drive, Nashville, TN 37207; however, the audit for the year ended June 30, 2018, was not available from other auditors as of the date of this report.

It is the policy of the TSBA OPEB Trust Board to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a board selection of distinct asset classes. The investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future rates of return are developed for each major asset class. These expected future rates of return are then combined to produce the long-term expected rate of return by weighting them based on the target asset allocation percentage. The best estimates of arithmetic real rates of return for each major asset class including the target asset allocation as of June 30, 2018 as summarized as follows:

| <u>Asset Class</u>                    | <u>Target Allocation</u> | <u>Long-Term Expected<br/>Rate of Return</u> |
|---------------------------------------|--------------------------|--|
| U.S. equities                         | 42%                      | 9.36%  |
| Developed market international equity | 18%                      | 7.78%  |
| Emerging market international equity  | 5%                       | 11.40%                                       |
| Fixed income                          | 35%                      | 4.69%  |
|                                       | <u>100%</u>              | <u>7.55%</u>                                 |

**TOWN OF ARLINGTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

**Rate of Return**

For the year ended June 30, 2018, the annual money-weighted rate of return on investment was 8.93 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount Rate Information**

The discount rate used to value OPEB liabilities in funded plans as of the measurement date must be based on the long-term expected rate of return on OPEB plan investments that are expected to be used to finance future benefit payments to the extent that they are sufficient to pay for the projected benefit payments and the OPEB plan assets are invested using a strategy that will achieve that return. When the OPEB plan investments are insufficient to cover future benefit payments, a yield of 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale) must be used. The final equivalent single discount rate used for this year's valuation is 7.50% as of June 30, 2018 with the assumption that the System will eventually pay the pay-go costs out of the OPEB Trust at the time the Trust is expected to be sufficient to finance all future benefit payments.

**Net OPEB Liability**

The components of the System's net OPEB liability at June 30, 2018, were as follows:

|   | <b>Increase (Decrease)</b> |                       |                          |
|---|----------------------------|-----------------------|--------------------------|
|   | <b>Total OPEB</b>          | <b>Plan Fiduciary</b> | <b>Net OPEB</b>          |
|   | <b>Liability</b>           | <b>Net Position</b>   | <b>Liability (Asset)</b> |
| Beginning of year                                     | \$ 5,619,988               | \$ 1,312,631          | \$ 4,307,357             |
| Changes for the year:                                 |                            |                       |                          |
| Service cost  | 288,645                    | -                     | 288,645                  |
| Interest  | 466,928                    | -                     | 466,928                  |
| Changes in benefit terms                              | -                          | -                     | -                        |
| Changes in assumptions                                | 244,396                    | -                     | 244,396                  |
| Differences between expected<br>and actual experience | (220,328)                  | -                     | (220,328)                |
| Contributions-employer                                | -                          | 646,886               | (646,886)                |
| Contributions-employees                               | -                          | -                     | -                        |
| Net investment income                                 | -                          | 131,066               | (131,066)                |
| Benefit payments                                      | (146,886)                  | (146,886)             | -                        |
| Administrative expense                                | -                          | (15,917)              | 15,917                   |
| Net changes   | <u>632,755</u>             | <u>615,149</u>        | <u>17,606</u>            |
| End of year   | <u>\$ 6,252,743</u>        | <u>\$ 1,927,780</u>   | <u>\$ 4,324,963</u>      |

**TOWN OF ARLINGTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

***Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate***

The following represents the net OPEB liability (asset) as of June 30, 2018, calculated using the discount rate of 7.5 percent, as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate:

|                            | <b>1% Decrease<br/>(6.50%)</b> | <b>Current Rate<br/>(7.50%)</b> | <b>1% Increase<br/>(8.50%)</b> |
|----------------------------|--------------------------------|---------------------------------|--------------------------------|
| Net OPEB liability (asset) | \$ 4,841,695                   | \$ 4,324,963                    | \$ 3,846,066                   |

***Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rate***

The following represents the net OPEB liability (asset) calculated using the healthcare cost trend rate of 8.5 percent decreasing to 5.0 percent as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1% lower (7.5 percent decreasing to 4.0 percent) or 1% higher (9.5 percent decreasing to 6.0 percent) than the current rate:

|                            | <b>1% Decrease<br/>(7.5% to 4%)</b> | <b>Current Rate<br/>(8.5% to 5%)</b> | <b>1% Increase<br/>(9.5% to 6%)</b> |
|----------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| Net OPEB liability (asset) | \$ 3,620,072                        | \$ 4,324,963                         | \$ 5,144,176                        |

**OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB**

***Other Postemployment Benefit Expense***

For the year ended June 30, 2018, the System recognized OPEB expense of \$613,531.

***Deferred Outflows of Resources and Deferred Inflows of Resources***

For the year ended June 30, 2018, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|--|---|--|
| Differences between expected and actual experience                       | \$ -                                      | \$ 524,672                               |
| Changes in assumptions   | 276,511                                   | -  |
| Net difference between projected and actual earnings on OPEB investments | -   | 12,909                                   |
| Total  | <u>\$ 276,511</u>                         | <u>\$ 537,581</u>                        |

**TOWN OF ARLINGTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

Amounts recognized as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the year ending June 30:

|            |             |
|------------|-------------|
| 2019       | \$ (42,486) |
| 2020       | (42,486)    |
| 2021       | (42,486)    |
| 2022       | (38,800)    |
| 2023       | (35,834)    |
| Thereafter | (68,991)    |

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

**E. Interlocal Health Benefits Plan Asset Trust**

The Arlington Community School System participates in the Interlocal Health Benefits Plan Asset Trust for healthcare benefits. Benefits are established and amended by an insurance committee created by Section 8-27-601, *Tennessee Code Annotated* (TCA) for local education employees. Arlington Community School System members have the option of choosing between a Health Reimbursement Account (HRA) option, an Exclusive Provider Organization (EPO) option, or a basic option for healthcare benefits. The plan has a separately issued Comprehensive Annual Report (CAFR) and can be found on the state's website at [http://www.comptroller.tn.gov/RA\\_MA\\_Financial/](http://www.comptroller.tn.gov/RA_MA_Financial/).

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop a contribution policy in term of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. During the year ended June 30, 2018, the Arlington Community School System contributed premiums of \$3,038,758 to the Interlocal Health Benefits Plan Asset Trust.

**F. Operating Lease Commitments**

Town of Arlington

The Town has entered into the following operating leases which contain non-cancellation provisions:

The Town leases a postage machine. The lease began in April 2015 and will continue for 63 months with a monthly payment of \$22.

Town Hall leases a copier machine. The lease began in October 2014 and will continue until September 2019 with monthly payments of \$194.

The Fire Department, Public Works Department, and Planning Department all lease copy machines. The leases began in December 2015 and will continue until December 2020 with monthly payments of \$316 each.

The Library leases a copy machine. The lease began in December 2014 and will continue until November 2019 with monthly payments of \$88.

**TOWN OF ARLINGTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

The annual requirements under these operating leases as of June 30, 2018, are as follows:

| Years Ended June 30 |                  |
|---------------------|------------------|
| 2019                | \$ 15,024        |
| 2020                | 12,662           |
| 2021                | 5,688            |
| Total               | <u>\$ 33,374</u> |

Lease expense for the Town for the year ended June 30, 2018 was \$15,024.

Arlington Community School System

During 2016, the System entered into a lease agreement with the Town of Arlington to lease a parcel of land for \$1 per year for 30 years to construct a bus lot. The lease commenced on June 1, 2016 and expires on June 30, 2046. Per the terms of the lease agreement, the System does not have an option to purchase the land at the end of the lease, and as such the lease is determined to be an operating lease.

**NOTE 6 – CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may be disallowed by the grantors, and cannot be determined at this time although the Town's management expects such amounts, if any, to be immaterial.

On May 16, 1997 the Town signed an agreement with Memphis Light Gas and Water Division (MLGW) which included requirement for the Town to reimburse MLGW for certain water system development costs. This reimbursement is made monthly only to the extent that water system development fees are collected by the Town. This continues to accumulate as MLGW incurs development costs plus interest at 6% and is reduced only by the reimbursement from the development fees. The Town has no obligation to pay this liability beyond the amount of development fees collected. The balance of this contingent liability is \$1,836,643.

**NOTE 7 – PRIOR PERIOD ADJUSTMENT**

During the 2018 fiscal year, the System implemented GASB Statement No. 75. As a result, the System has recorded a prior period adjustment of \$3,108,448 for an increase in the related OPEB liabilities as of June 30, 2017.

**NOTE 8 – SUBSEQUENT EVENTS**

In February 2018, the Town obtained a new bond for \$6,000,000 for the purpose of financing certain public works projects, including a walking trail, a maintenance/storage building, a farmers market, a library, an amphitheater, a splash pad/fountain, a new town hall, and a new facility known as Forrest Street Campus. The loan is to be drawn from the lender on an as needed basis for funding of the approved projects. As of June 30, 2018, they had only drawn \$139,501 from the lender as shown in Note 4E. The remaining balance is expected to be used in future fiscal years.

In December 2018, the Board adopted a resolution to approve a new capital outlay note for \$1,125,026 for the purchase of a new fire truck.

## **REQUIRED SUPPLEMENTARY INFORMATION SECTION**

**TOWN OF ARLINGTON, TENNESSEE**  
**ARLINGTON COMMUNITY SCHOOLS**  
**SCHEDULE OF CHANGES IN THE SYSTEM'S NET PENSION LIABILITY**  
**(ASSET) AND RELATED RATIOS BASED ON PARTICIPATION IN**  
**THE LEGACY PUBLIC EMPLOYEE PENSION PLAN OF TCRS**

Last Ten Fiscal Years Ended June 30

|   | <u>2017</u>                | <u>2016</u>                | <u>2015</u>                |
|---|----------------------------|----------------------------|----------------------------|
| <b>Total pension liability (asset)</b>  |                            |                            |                            |
| Service cost  | \$ 258,233                 | \$ 268,523                 | \$ 403,716                 |
| Interest  | 63,315                     | 42,617                     | 30,274                     |
| Changes in benefit terms  | -                          | -                          | -                          |
| Differences between actual and expected experience                                | (10,817)                   | (13,936)                   | (130,756)                  |
| Change of assumptions   | 29,540                     | -                          | -                          |
| Benefit payments, including refunds of employee contributions                     | <u>(15,057)</u>            | <u>(6,812)</u>             | <u>(127)</u>               |
| <b>Net change in total pension liability (asset)</b>                              | 325,214                    | 290,392                    | 303,107                    |
| <b>Total pension liability (asset) - beginning</b>                                | <u>593,499</u>             | <u>303,107</u>             | <u>-</u>                   |
| <b>Total pension liability (asset) - ending (a)</b>                               | <u><u>\$ 918,713</u></u>   | <u><u>\$ 593,499</u></u>   | <u><u>\$ 303,107</u></u>   |
| <br><b>Plan fiduciary net position</b>  |                            |                            |                            |
| Contributions - employer  | \$ 183,342                 | \$ 247,505                 | \$ 262,260                 |
| Contributions - employee  | 123,880                    | 133,498                    | 141,457                    |
| Net investment income   | 105,712                    | 15,649                     | 6,140                      |
| Benefit payments, including refunds of employee contributions                     | (15,057)                   | (6,812)                    | (127)                      |
| Administrative expense  | <u>(5,695)</u>             | <u>(6,088)</u>             | <u>(4,842)</u>             |
| <b>Net change in plan fiduciary net position</b>                                  | 392,182                    | 383,752                    | 404,888                    |
| <b>Plan fiduciary net position - beginning</b>                                    | <u>788,640</u>             | <u>404,888</u>             | <u>-</u>                   |
| <b>Plan fiduciary net position - ending (b)</b>                                   | <u><u>\$ 1,180,822</u></u> | <u><u>\$ 788,640</u></u>   | <u><u>\$ 404,888</u></u>   |
| <br><b>Net pension liability (asset) - ending (a) - (b)</b>                       | <u><u>\$ (262,109)</u></u> | <u><u>\$ (195,141)</u></u> | <u><u>\$ (101,781)</u></u> |
| <br><b>Plan fiduciary net position as a percentage of total pension liability</b> | 128.53%                    | 132.88%                    | 133.58%                    |
| <br><b>Covered payroll</b>  | \$ 2,477,596               | \$ 2,669,956               | \$ 2,829,235               |
| <br><b>Net pension liability (asset) as a percentage of covered payroll</b>       | -10.58%                    | -7.31%                     | -3.60%                     |

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

GASB 68 requires a 10-year schedule for this data to be presented stating with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE**  
**ARLINGTON COMMUNITY SCHOOLS**  
**SCHEDULE OF THE SYSTEM'S CONTRIBUTIONS BASED ON PARTICIPATION**  
**IN THE LEGACY PUBLIC EMPLOYEE PENSION PLAN OF TCRS**  
Last Ten Fiscal Years Ended June 30

|  | <u>2018</u>    | <u>2017</u>        | <u>2016</u>    | <u>2015</u>    |
|--|----------------|--------------------|----------------|----------------|
| Actuarially determined contribution (ADC)                            | \$ 161,257     | \$ 136,763         | \$ 247,505     | \$ 262,260     |
| Contributions in relation to the actuarially determined contribution | <u>161,257</u> | <u>183,342</u>     | <u>247,505</u> | <u>262,260</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>    | <u>\$ (46,579)</u> | <u>\$ -</u>    | <u>\$ -</u>    |
| Covered payroll  | \$ 2,179,151   | \$2,477,596        | \$2,669,956    | \$2,829,235    |
| Contributions as a percentage of covered payroll                     | 7.40%          | 7.40%              | 9.27%          | 9.27%          |

GASB 68 requires a 10-year schedule for this data to be presented stating with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

**Notes to schedule:**

Valuation date: Actuarially determined contribution rates for 2018 were calculated based on the June 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

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

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE**  
**ARLINGTON COMMUNITY SCHOOLS**  
**SCHEDULE OF THE SYSTEM'S PROPORTIONATE SHARE OF THE NET PENSION**  
**LIABILITY (ASSET) TEACHER LEGACY PENSION PLAN OF TCRS**  
Last Ten Fiscal Years Ended June 30

|  | <u>2015</u> | <u>2016</u>   | <u>2017</u>   |
|--|-------------|---------------|---------------|
| Arlington Community Schools' proportion of the net pension liability (asset)   | 0.010736%   | 0.50713%      | 0.52020%      |
| Arlington Community Schools' proportionate share of the net pension liability (asset)  | \$ (1,744)  | \$ 3,169,249  | \$ (170,201)  |
| Arlington Community Schools' covered payroll   | \$ 421,371  | \$ 18,306,197 | \$ 18,396,999 |
| Arlington Community Schools' proportionate share of the net pension liability (asset) as a percentage of its covered payroll | (0.414002)% | 17.312438%    | -0.925156%    |
| Plan fiduciary net position as a percentage of the total pension asset   | 100.08%     | 97.14%        | 100.14%       |

The amounts presented were determined as of June 30 of the prior fiscal year.

GASB 68 requires a 10-year schedule for this data to be presented stating with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE**  
**ARLINGTON COMMUNITY SCHOOLS**  
**SCHEDULE OF THE SYSTEM'S CONTRIBUTIONS**  
**TEACHER LEGACY PENSION PLAN OF TCRS**  
Last Ten Fiscal Years Ending June 30

|  | <u>2014</u>   | <u>2015</u>      | <u>2016</u>      | <u>2017</u>      | <u>2018</u>      |
|--|---------------|------------------|------------------|------------------|------------------|
| Contractually required   | \$ 37,418     | \$ 1,547,985     | \$ 1,654,879     | \$ 1,662,347     | \$ 1,644,116     |
| Contribution in relation to the contractually<br>required contribution | <u>37,418</u> | <u>1,547,985</u> | <u>1,654,879</u> | <u>1,662,347</u> | <u>1,644,116</u> |
| Contribution deficiency (excess)                                       | <u>\$ -</u>   | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| Covered payroll  | \$ 421,371    | \$ 17,123,741    | \$ 18,306,197    | \$ 18,396,999    | \$ 18,107,569    |
| Contributions as a percentage of<br>covered payroll                    | 8.88%         | 9.04%            | 9.04%            | 9.04%            | 9.08%            |

GASB 68 requires a 10-year schedule for this data to be presented stating with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE**  
**ARLINGTON COMMUNITY SCHOOLS**  
**SCHEDULE OF THE SYSTEM'S PROPORTIONATE SHARE OF THE**  
**NET PENSION LIABILITY (ASSET) TEACHER RETIREMENT PLAN OF TCRS**  
Last Ten Fiscal Years Ending June 30

|   | <u>2016</u> | <u>2017</u>  |
|---|-------------|--------------|
| Arlington Community Schools' proportion of the net pension liability (asset)  | 0.370023%   | 0.315942%    |
| Arlington Community Schools' proportionate share of the net pension liability (asset)   | \$ (38,521) | \$ (83,357)  |
| Arlington Community Schools' covered payroll  | \$1,628,121 | \$ 2,065,462 |
| Arlington Community Schools' proportionate share of the net pension liability (asset)<br>as a percentage of its covered payroll | -2.37%      | -4.04%       |
| Plan fiduciary net position as a percentage of the total pension liability  | 121.88%     | 126.81%      |

The amounts presented were determined as of June 30 of the prior fiscal year.

GASB 68 requires a 10-year schedule for this data to be presented stating with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

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**TOWN OF ARLINGTON, TENNESSEE**  
**ARLINGTON COMMUNITY SCHOOLS**  
**SCHEDULE OF THE SYSTEM'S CONTRIBUTIONS**  
**TEACHER RETIREMENT PLAN OF TCRS**  
Last Ten Fiscal Years Ending June 30

|   | <u>2015</u>        | <u>2016</u>        | <u>2017</u>   | <u>2018</u>   |
|---|--------------------|--------------------|---------------|---------------|
| Contractually required  | \$ 18,708          | \$ 40,755          | \$ 82,946     | \$ 94,429     |
| Contributions in relation to the contractually required contributions | <u>29,932</u>      | <u>65,125</u>      | <u>82,946</u> | <u>94,429</u> |
| Contribution deficiency (excess)                                      | <u>\$ (11,224)</u> | <u>\$ (24,370)</u> | <u>\$ -</u>   | <u>\$ -</u>   |
| Covered payroll   | \$ 748,310         | \$ 1,628,121       | \$ 2,065,462  | \$ 2,360,717  |
| Contributions as a percentage covered payroll                         | 4.00%              | 4.00%              | 4.02%         | 4.00%         |

GASB 68 requires a 10-year schedule for this data to be presented stating with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

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**TOWN OF ARLINGTON, TENNESSEE**  
**ARLINGTON COMMUNITY SCHOOLS**  
**SCHEDULE OF CHANGES IN THE SYSTEM'S NET PENSION LIABILITY**  
**(ASSET) AND RELATED RATIOS BASED ON PARTICIPATION IN**  
**THE HYBRID PUBLIC EMPLOYEE PENSION PLAN OF TCRS**  
Last Ten Fiscal Years Ended June 30

|   | <u>2017</u>        |
|---|--------------------|
| <b>Total pension liability (asset)</b>  |                    |
| Service cost  | \$ -               |
| Interest  | -                  |
| Changes in benefit terms  | 80,781             |
| Differences between actual and expected experience                                | -                  |
| Change of assumptions   | -                  |
| Benefit payments, including refunds of employee contributions                     | (108)              |
| <b>Net change in total pension liability (asset)</b>                              | 80,673             |
| <b>Total pension liability (asset) - beginning</b>                                | -                  |
| <b>Total pension liability (asset) - ending (a)</b>                               | <u>\$ 80,673</u>   |
| <br><b>Plan fiduciary net position</b>  |                    |
| Contributions - employer  | \$ 42,182          |
| Contributions - employee  | 52,728             |
| Net investment income   | 5,271              |
| Benefit payments, including refunds of employee contributions                     | (108)              |
| Administrative expense  | (1,769)            |
| Other   | -                  |
| <b>Net change in plan fiduciary net position</b>                                  | 98,304             |
| <b>Plan fiduciary net position - beginning</b>                                    | -                  |
| <b>Plan fiduciary net position - ending (b)</b>                                   | <u>\$ 98,304</u>   |
| <br><b>Net pension liability (asset) - ending (a) - (b)</b>                       | <u>\$ (17,631)</u> |
| <br><b>Plan fiduciary net position as a percentage of total pension liability</b> | 121.85%            |
| <br><b>Covered payroll</b>  | \$ 633,729         |
| <br><b>Net pension liability (asset) as a percentage of covered payroll</b>       | -2.78%             |

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

GASB 68 requires a 10-year schedule for this data to be presented stating with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

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**TOWN OF ARLINGTON, TENNESSEE**  
**ARLINGTON COMMUNITY SCHOOLS**  
**SCHEDULE OF THE SYSTEM'S CONTRIBUTIONS BASED ON PARTICIPATION**  
**IN THE HYBRID PUBLIC EMPLOYEE RETIREMENT PLAN OF TCRS**  
Last Ten Fiscal Years Ending June 30

|  | <u>2018</u>   | <u>2017</u>        |
|--|---------------|--------------------|
| Actuarially determined contribution (ADC)                            | \$ 50,676     | \$ 7,161           |
| Contributions in relation to the actuarially determined contribution | <u>50,676</u> | <u>42,182</u>      |
| Contribution deficiency (excess)                                     | <u>\$ -</u>   | <u>\$ (35,021)</u> |
| Covered payroll  | \$1,266,904   | \$ 633,729         |
| Contributions as a percentage of covered payroll                     | 4.00%         | 6.66%              |

GASB 68 requires a 10-year schedule for this data to be presented stating with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

**Notes to schedule:**

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

Methods and assumptions used to determine contribution rates:

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

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**TOWN OF ARLINGTON, TENNESSEE**  
**ARLINGTON COMMUNITY SCHOOLS**  
**SCHEDULE OF CHANGES IN NET OTHER POSTEMPLOYMENT BENEFITS**  
**LIABILITY AND RELATED RATIOS**  
Last Ten Fiscal Years Ending June 30

| <b>Total OPEB Liability</b>  | <b>2018</b>                    | <b>2017</b>                    |
|--|--------------------------------|--------------------------------|
| Service cost   | \$ 288,645                     | \$ 574,975                     |
| Interest   | 466,928                        | 833,313                        |
| Changes of benefit terms   | -                              | (5,817,754)                    |
| Differences between expected and actual experience                                 | (220,328)                      | (402,643)                      |
| Changes in assumptions   | 244,396                        | 72,575                         |
| Benefit payments   | <u>(146,886)</u>               | <u>(111,651)</u>               |
| Net change in total OPEB liability   | 632,755                        | (4,851,185)                    |
| Total OPEB liability - beginning   | <u>5,619,988</u>               | <u>10,471,173</u>              |
| Total OPEB liability - ending  | \$ 6,252,743                   | \$ 5,619,988                   |
| <br><b>Plan Fiduciary Net Position</b>   |                                |                                |
| Contributions - employer   | \$ 646,886                     | \$ 629,512                     |
| Contributions - employee   | -                              | -                              |
| Net investment income  | 131,066                        | 94,877                         |
| Benefit payments   | (146,886)                      | (111,651)                      |
| Administrative expense   | <u>(15,917)</u>                | <u>(3,188)</u>                 |
| Net change in plan fiduciary net position  | 615,149                        | 609,550                        |
| Plan fiduciary net position - beginning  | <u>1,312,631</u>               | <u>703,081</u>                 |
| Plan fiduciary net position - ending   | \$ 1,927,780                   | \$ 1,312,631                   |
| <br><b>Net OPEB liability (asset)</b>  | <br><b><u>\$ 4,324,963</u></b> | <br><b><u>\$ 4,307,357</u></b> |
| <br><b>Plan fiduciary net position as a percentage of the total OPEB liability</b> | <br>30.83%                     | <br>23.36%                     |
| <br><b>Covered payroll</b>   | <br>\$ 22,456,759              | <br>\$ 21,802,679              |
| <br><b>Net OPEB liability as a percentage of covered payroll</b>                   | <br>19.26%                     | <br>19.76%                     |

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

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE**  
**ARLINGTON COMMUNITY SCHOOLS**  
**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS CONTRIBUTIONS**  
Last Ten Fiscal Years Ending June 30

|  | <u>2018</u>    | <u>2017</u>    |
|--|----------------|----------------|
| Actuarially determined contribution              | \$ 697,756     | \$ 1,442,649   |
| Contributions                                    | <u>646,886</u> | <u>629,512</u> |
| Contribution deficiency (excess)                 | <u>50,870</u>  | <u>813,137</u> |
| Covered payroll                                  | 22,456,759     | 21,802,679     |
| Contributions as a percentage of covered payroll | 2.88%          | 2.89%          |

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

**NOTE 1 - VALUATION DATE**

Actuarially determined contributions were based on a measurement date of June 30, 2018. Liabilities as of July 1, 2017 are actuarially rolled forward to the June 30, 2018 measurement date on a "no gain/no loss" basis

**NOTE 2 - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES**

|                               |  |
|-------------------------------|--|
| Actuarial cost method         | Entry age normal   |
| Amortization method           | Level dollar   |
| Remaining amortization period | 29 years   |
| Asset valuation method        | Market value   |
| Inflation                     | 3.0%   |
| Healthcare cost trend rates   | 8.5% initial, decreasing to an ultimate rate of 5%,                              |
| Salary increases              | 3.0%   |
| Investment rate of return     | 7.5%, net of investment expenses, including inflation                            |
| Mortality                     | RPH-2016 Total Dataset Mortality Table fully generational<br>using Scale MP-2016 |

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**TOWN OF ARLINGTON, TENNESSEE  
ARLINGTON COMMUNITY SCHOOLS  
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT PLAN  
MONEY-WEIGHTED RATE OF RETURN  
Last Ten Fiscal Years Ending June 30**

|      | Annual Money-Weighted<br>Rate of Return Net of<br>Investment Expenses |
|------|---|
| 2018 | 8.93%   |
| 2017 | 13.13%  |

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

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## **SUPPLEMENTARY AND OTHER INFORMATION SECTION**

The supplementary and other information section of this report includes information not required to be included in the Basic Financial Statements and is provided for the purpose of additional analysis.

**TOWN OF ARLINGTON, TENNESSEE**  
**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL FUNDS**  
June 30, 2018

|  | <u>Sanitation</u> | <u>State Street<br/>Aid Fund</u> | <u>Federal<br/>Projects</u> | <u>School<br/>Nutrition</u> | <u>Discretionary<br/>Grants</u> | <u>Total</u>        |
|--|-------------------|----------------------------------|-----------------------------|-----------------------------|---------------------------------|---------------------|
| <b>Assets</b>  |                   |                                  |                             |                             |                                 |                     |
| Cash and cash equivalents  | \$ 881,309        | \$ 2,106,735                     | \$ 1,622                    | \$ 271,349                  | \$ -                            | \$ 3,261,015        |
| Investments  | -                 | 2,189,052                        | -                           | -                           | -                               | 2,189,052           |
| Interest receivable  | -                 | 1,365                            | -                           | -                           | -                               | 1,365               |
| Intergovernmental - nongrant   | -                 | -                                | 458                         | -                           | -                               | 458                 |
| Due from other governments - grants  | -                 | 372,612                          | 223,740                     | 488                         | 14,550                          | 611,390             |
| Due from other funds   | 84,561            | 13,807                           | -                           | -                           | -                               | 98,368              |
| Inventory  | -                 | -                                | -                           | 14,088                      | -                               | 14,088              |
| <b>Total assets</b>  | <b>\$ 965,870</b> | <b>\$ 4,683,571</b>              | <b>\$ 225,820</b>           | <b>\$ 285,925</b>           | <b>\$ 14,550</b>                | <b>\$ 6,175,736</b> |
| <b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>          |                   |                                  |                             |                             |                                 |                     |
| <b>Liabilities</b>   |                   |                                  |                             |                             |                                 |                     |
| Accounts payable   | \$ 2,600          | \$ 13,596                        | \$ 38,015                   | \$ 28                       | \$ -                            | \$ 54,239           |
| Due to other funds   | -                 | -                                | 141,278                     | -                           | 7,936                           | 149,214             |
| Unearned revenue   | -                 | -                                | -                           | 29,924                      | -                               | 29,924              |
| Accrued payroll and expenses   | -                 | -                                | 46,527                      | -                           | 6,614                           | 53,141              |
| <b>Total liabilities</b>   | <b>2,600</b>      | <b>13,596</b>                    | <b>225,820</b>              | <b>29,952</b>               | <b>14,550</b>                   | <b>286,518</b>      |
| <b>Deferred Inflows of Resources</b>   |                   |                                  |                             |                             |                                 |                     |
| Unavailable revenue - grants   | -                 | 141,571                          | -                           | -                           | -                               | 141,571             |
| <b>Total deferred inflows of resources</b>                                     | <b>-</b>          | <b>141,571</b>                   | <b>-</b>                    | <b>-</b>                    | <b>-</b>                        | <b>141,571</b>      |
| <b>Fund Balances</b>   |                   |                                  |                             |                             |                                 |                     |
| Nonspendable   |                   |                                  |                             |                             |                                 |                     |
| Inventory  | -                 | -                                | -                           | 14,088                      | -                               | 14,088              |
| Restricted   | 963,270           | 4,528,404                        | -                           | 241,885                     | -                               | 5,733,559           |
| <b>Total fund balance</b>  | <b>963,270</b>    | <b>4,528,404</b>                 | <b>-</b>                    | <b>255,973</b>              | <b>-</b>                        | <b>5,747,647</b>    |
| <b>Total liabilities, deferred inflows of<br/>resources, and fund balances</b> | <b>\$ 965,870</b> | <b>\$ 4,683,571</b>              | <b>\$ 225,820</b>           | <b>\$ 285,925</b>           | <b>\$ 14,550</b>                | <b>\$ 6,175,736</b> |

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2018

|  | <u>Sanitation</u> | <u>State Street<br/>Aid Fund</u> | <u>Federal<br/>Projects</u> | <u>School<br/>Nutrition</u> | <u>Discretionary<br/>Grants</u> | <u>Total</u>        |
|--|-------------------|----------------------------------|-----------------------------|-----------------------------|---------------------------------|---------------------|
| <b>Revenues:</b>   |                   |                                  |                             |                             |                                 |                     |
| Charges for services   | \$ 1,005,699      | \$ -                             | \$ -                        | \$ 740,599                  | \$ -                            | \$ 1,746,298        |
| State revenue  | -                 | 408,659                          | -                           | 9,207                       | 106,083                         | 523,949             |
| Federal revenue  | -                 | 233,742                          | 2,659,366                   | 306,037                     | -                               | 3,199,145           |
| Interest   | 6,197             | 28,999                           | -                           | -                           | -                               | 35,196              |
| Total revenues   | <u>1,011,896</u>  | <u>671,400</u>                   | <u>2,659,366</u>            | <u>1,055,843</u>            | <u>106,083</u>                  | <u>5,504,588</u>    |
| <b>Expenditures:</b>   |                   |                                  |                             |                             |                                 |                     |
| Current:   |                   |                                  |                             |                             |                                 |                     |
| Public works   | 998,720           | 1,322,098                        | -                           | -                           | -                               | 2,320,818           |
| Instruction  | -                 | -                                | 1,860,773                   | -                           | -                               | 1,860,773           |
| Support services   | -                 | -                                | 701,624                     | -                           | 106,083                         | 807,707             |
| Food service   | -                 | -                                | -                           | 1,031,763                   | -                               | 1,031,763           |
| Total expenditures   | <u>998,720</u>    | <u>1,322,098</u>                 | <u>2,562,397</u>            | <u>1,031,763</u>            | <u>106,083</u>                  | <u>6,021,061</u>    |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>13,176</u>     | <u>(650,698)</u>                 | <u>96,969</u>               | <u>24,080</u>               | <u>-</u>                        | <u>(516,473)</u>    |
| Other financing sources (uses):                              |                   |                                  |                             |                             |                                 |                     |
| Operating transfers in                                       | -                 | 900,000                          | -                           | -                           | -                               | 900,000             |
| Operating transfers out                                      | -                 | -                                | (96,969)                    | -                           | -                               | (96,969)            |
| Total other financing sources (uses)                         | <u>-</u>          | <u>900,000</u>                   | <u>(96,969)</u>             | <u>-</u>                    | <u>-</u>                        | <u>803,031</u>      |
| <b>Net changes in fund balance</b>                           | <b>13,176</b>     | <b>249,302</b>                   | <b>-</b>                    | <b>24,080</b>               | <b>-</b>                        | <b>286,558</b>      |
| Fund balance - beginning                                     | <u>950,094</u>    | <u>4,279,102</u>                 | <u>-</u>                    | <u>231,893</u>              | <u>-</u>                        | <u>5,461,089</u>    |
| Fund balance - ending  | <u>\$ 963,270</u> | <u>\$ 4,528,404</u>              | <u>\$ -</u>                 | <u>\$ 255,973</u>           | <u>\$ -</u>                     | <u>\$ 5,747,647</u> |

See independent auditor's report.

**TOWN OF ARLINGTON, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**SANITATION FUND**

For the Year Ended June 30, 2018

|  | <b>Budgeted Amounts</b> |                 |                      | <b>Variance</b>         |
|--|-------------------------|-----------------|----------------------|-------------------------|
| <b>Revenues</b>                        | <b>Original</b>         | <b>Final</b>    | <b>Actual</b>        | <b>Over<br/>(Under)</b> |
| Charges for services:                  |                         |                 |                      |                         |
| Refuse collection charges              | \$ 945,250              | \$ 945,250      | \$ 1,005,699         | \$ 60,449               |
| Other:                                 |                         |                 |                      |                         |
| Interest earned                        | 2,000                   | 2,000           | 6,197                | 4,197                   |
| <br>Total revenues                     | <br>947,250             | <br>947,250     | <br>1,011,896        | <br>64,646              |
| <br><b>Expenditures</b>                |                         |                 |                      |                         |
| Current expenditures:                  |                         |                 |                      |                         |
| Public works:                          |                         |                 |                      |                         |
| Solid waste collection:                |                         |                 |                      |                         |
| Salaries                               | 42,000                  | 42,000          | 40,843               | (1,157)                 |
| OASI                                   | 3,100                   | 3,100           | 2,922                | (178)                   |
| Hospital and health insurance          | 6,500                   | 6,500           | 5,866                | (634)                   |
| Workmen's compensation                 | 3,500                   | 3,500           | 2,207                | (1,293)                 |
| Other employer contributions           | 3,000                   | 3,000           | 3,349                | 349                     |
| Contracted services                    | 830,000                 | 830,000         | 927,976              | 97,976                  |
| Clothing and uniforms                  | 650                     | 650             | 367                  | (283)                   |
| Employee education                     | 500                     | 500             | -                    | (500)                   |
| Landfill closure:                      |                         |                 |                      |                         |
| Professional services                  | 16,800                  | 16,800          | 1,110                | (15,690)                |
| Repair and maintenance                 | 41,200                  | 41,200          | 14,080               | (27,120)                |
| Total public works                     | 947,250                 | 947,250         | 998,720              | 51,470                  |
| <br>Total expenditures                 | <br>947,250             | <br>947,250     | <br>998,720          | <br>51,470              |
| <br><b>Net changes in fund balance</b> | <br><b>\$ -</b>         | <br><b>\$ -</b> | <br><b>\$ 13,176</b> | <br><b>\$ 13,176</b>    |
| <br>Fund balance - beginning           |                         |                 | 950,094              |                         |
| <br>Fund balance - ending              |                         |                 | <u>\$ 963,270</u>    |                         |

See independent auditor's report.

**TOWN OF ARLINGTON, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**STATE STREET AID FUND**

For the Year Ended June 30, 2018

|  | <b>Budgeted Amounts</b> |                  |                     | <b>Variance</b>         |
|--|-------------------------|------------------|---------------------|-------------------------|
| <b>Revenues</b>  | <b>Original</b>         | <b>Final</b>     | <b>Actual</b>       | <b>Over<br/>(Under)</b> |
| Intergovernmental:   |                         |                  |                     |                         |
| Gas 1989   | \$ 35,000               | \$ 35,000        | \$ 37,223           | \$ 2,223                |
| Gas 3 cent   | 65,000                  | 65,000           | 68,970              | 3,970                   |
| Gasoline and motor fuel tax  | 230,000                 | 230,000          | 233,809             | 3,809                   |
| 2017 gas tax   | -                       | 60,000           | 68,657              | 8,657                   |
| Grant revenue  | 200,000                 | 200,000          | 233,742             | 33,742                  |
| Total intergovernmental  | <u>530,000</u>          | <u>590,000</u>   | <u>642,401</u>      | <u>52,401</u>           |
| Other:   |                         |                  |                     |                         |
| Interest earned  | <u>18,000</u>           | <u>25,000</u>    | <u>28,999</u>       | <u>3,999</u>            |
| Total revenues   | <u>548,000</u>          | <u>615,000</u>   | <u>671,400</u>      | <u>56,400</u>           |
| <b>Expenditures</b>  |                         |                  |                     |                         |
| Current:   |                         |                  |                     |                         |
| Public works:  |                         |                  |                     |                         |
| Highways and streets:  |                         |                  |                     |                         |
| Utilities  | 350,000                 | 350,000          | 340,461             | (9,539)                 |
| Repair and maintenance services                                      | 70,000                  | 70,000           | 11,494              | (58,506)                |
| Repair and maintenance - streets                                     | 350,000                 | 455,000          | 446,200             | (8,800)                 |
| Gas, oil and diesel  | 12,000                  | 12,000           | 4,145               | (7,855)                 |
| Capital outlay, including grants                                     | <u>666,000</u>          | <u>628,000</u>   | <u>519,798</u>      | <u>(108,202)</u>        |
| Total expenditures   | <u>1,448,000</u>        | <u>1,515,000</u> | <u>1,322,098</u>    | <u>(192,902)</u>        |
| <b>Excess (deficiency) of revenues<br/>over (under) expenditures</b> | <u>(900,000)</u>        | <u>(900,000)</u> | <u>(650,698)</u>    | <u>249,302</u>          |
| Other financing sources (uses)                                       |                         |                  |                     |                         |
| Transfers in   | <u>900,000</u>          | <u>900,000</u>   | <u>900,000</u>      | <u>-</u>                |
| <b>Net changes in fund balance</b>                                   | <u>\$ -</u>             | <u>\$ -</u>      | <u>249,302</u>      | <u>\$ 249,302</u>       |
| Fund balance, July 1   |                         |                  | <u>4,279,102</u>    |                         |
| Fund balance, June 30  |                         |                  | <u>\$ 4,528,404</u> |                         |

See independent auditor's report.

**TOWN OF ARLINGTON, TENNESSEE**  
**FEDERAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Then Ended June 30, 2018

|  | Budgeted Amounts |                  |                  | Variance with<br>Final Budget<br>Over<br>(Under) |
|--|------------------|------------------|------------------|--|
|  | Original         | Final            | Actual           |  |
| <b>Revenues</b>                              |                  |                  |                  |  |
| Federal through State:                       |                  |                  |                  |  |
| Vocational education - basic grants to State | \$ 296,150       | \$ 320,897       | \$ 320,897       | \$ -   |
| Title I                                      | 324,362          | 1,425,558        | 1,295,487        | (130,071)  |
| Special education - grants to State          | 929,218          | 1,129,278        | 850,264          | (279,014)  |
| Special education preschool grant            | 6,515            | 9,982            | 7,316            | (2,666)  |
| English language acquisition grant           | -                | 4,810            | 4,794            | (16)   |
| Title II                                     | 171,685          | 183,869          | 151,830          | (32,039)   |
| Title IV                                     | -                | 14,833           | 28,778           | 13,945   |
| <b>Total revenues</b>                        | <b>1,727,930</b> | <b>3,089,227</b> | <b>2,659,366</b> | <b>(429,861)</b>                                 |
| <b>Expenditures</b>                          |                  |                  |                  |  |
| Instruction:                                 |                  |                  |                  |  |
| Regular instruction:                         |                  |                  |                  |  |
| Teachers                                     | 200,000          | 307,011          | 301,206          | (5,805)  |
| Social security                              | 13,350           | 19,205           | 18,933           | (272)  |
| State retirement                             | 18,160           | 27,488           | 16,266           | (11,222)   |
| Life insurance                               | 1,375            | 2,038            | 528              | (1,510)  |
| Medical insurance                            | 20,000           | 17,764           | 4,568            | (13,196)   |
| Medicare                                     | 3,120            | 4,509            | 4,452            | (57)   |
| Contracts substitute teachers - certified    | 15,000           | 34,672           | 16,862           | (17,810)   |
| Instructional supplies and materials         | 13,670           | 53,224           | 47,366           | (5,858)  |
| Other charges                                | 9,000            | 15,117           | 12,053           | (3,064)  |
| Equipment                                    | -                | 415,947          | 413,173          | (2,774)  |
| Total regular instruction                    | 293,675          | 896,975          | 835,407          | (61,568)   |
| Special education program:                   |                  |                  |                  |  |
| Educational assistants                       | 484,596          | 484,596          | 464,414          | (20,182)   |
| Speech pathologist                           | 110,627          | 110,627          | 87,073           | (23,554)   |
| Social security                              | 36,904           | 36,904           | 32,463           | (4,441)  |
| State retirement                             | 45,905           | 45,905           | 43,558           | (2,347)  |
| Life insurance                               | 4,091            | 4,503            | 1,708            | (2,795)  |
| Medical insurance                            | 95,000           | 101,100          | 55,697           | (45,403)   |
| Medicare                                     | 8,631            | 8,631            | 7,592            | (1,039)  |
| Instructional supplies                       | 31,765           | 54,232           | 11,419           | (42,813)   |

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE**  
**FEDERAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Then Ended June 30, 2018

|                                 | Budgeted Amounts |                  | Actual           | Variance with<br>Final Budget<br>Over<br>(Under) |
|---------------------------------|------------------|------------------|------------------|--|
|                                 | Original         | Final            |                  |  |
| Special education equipment     | 25,613           | 46,613           | 4,761            | (41,852)   |
| Contracts with private agencies | -                | 20,678           | 8,976            | (11,702)   |
| Other salaries and wages        | -                | 60,460           | 38,196           | (22,264)   |
| Other supplies and materials    | 5,250            | 7,750            | 605              | (7,145)  |
| Total special education         | 848,382          | 981,999          | 756,462          | (225,537)  |
| Vocational education:           |                  |                  |                  |  |
| Maintenance and repair services | 14,807           | 817              | 817              | -  |
| Other supplies and materials    | 101,498          | 97,248           | 94,806           | (2,442)  |
| Equipment                       | 91,000           | 137,347          | 137,347          | -  |
| Instructional supplies          | -                | 37,409           | 35,934           | (1,475)  |
| Total vocational education      | 207,305          | 272,821          | 268,904          | (3,917)  |
| <b>Total instruction</b>        | <b>1,349,362</b> | <b>2,151,795</b> | <b>1,860,773</b> | <b>(291,022)</b>                                 |
| Support Services:               |                  |                  |                  |  |
| Other student support:          |                  |                  |                  |  |
| Travel                          | 59,230           | 66,115           | 63,615           | (2,500)  |
| Other contracted services       | -                | 6,930            | 4,374            | (2,556)  |
| In-service training             | 14,808           | 17,808           | 17,808           | -  |
| Total other student support     | 74,038           | 90,853           | 85,797           | (5,056)  |
| Regular instruction:            |                  |                  |                  |  |
| Supervisor/director             | 50,374           | 126,000          | 124,883          | (1,117)  |
| In-service training             | 66,500           | 55,000           | 53,000           | (2,000)  |
| Social security                 | 7,250            | 11,200           | 10,952           | (248)  |
| State retirement                | 10,615           | 16,410           | 11,339           | (5,071)  |
| Life insurance                  | 353              | 900              | 726              | (174)  |
| Medical insurance               | 3,050            | 9,150            | 6,396            | (2,754)  |
| Medicare                        | 1,701            | 2,697            | 2,566            | (131)  |
| In-service-staff development    | 34,829           | 384,173          | 316,264          | (67,909)   |
| Other charges                   | 4,000            | 20,925           | 5,575            | (15,350)   |
| Total regular instruction       | 178,672          | 626,455          | 531,701          | (94,754)   |
| Special education program:      |                  |                  |                  |  |
| In-service training             | 3,000            | 3,000            | -                | (3,000)  |

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE**  
**FEDERAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Then Ended June 30, 2018

|  | Budgeted Amounts        |                         | Actual                  | Variance with<br>Final Budget<br>Over<br>(Under) |
|--|-------------------------|-------------------------|-------------------------|--|
|  | Original                | Final                   |                         |  |
| Social security  | 230                     | 3,720                   | 2,114                   | (1,606)  |
| Medicare   | -                       | 870                     | 494                     | (376)  |
| Other supplies and materials                                 | 9,018                   | 12,018                  | 3,520                   | (8,498)  |
| In-service-staff development                                 | 18,000                  | 33,359                  | 14,851                  | (18,508)   |
| Other equipment  | 10,000                  | 49,822                  | 34,903                  | (14,919)   |
| Other charges  | 4,500                   | 4,500                   | 774                     | (3,726)  |
| Pension  | 271                     | 5,634                   | 19,413                  | 13,779   |
| Total special education                                      | <u>45,019</u>           | <u>112,923</u>          | <u>76,069</u>           | <u>(36,854)</u>                                  |
| Vocational education:  |                         |                         |                         |  |
| Travel   | 6,000                   | 5,169                   | 5,169                   | -  |
| Other charges  | 1,500                   | 1,852                   | 1,854                   | 2  |
| Equipment  | <u>1,034</u>            | <u>1,034</u>            | <u>1,034</u>            | -  |
| Total vocational education                                   | <u>8,534</u>            | <u>8,055</u>            | <u>8,057</u>            | <u>2</u>   |
| <b>Total support services</b>                                | <b><u>306,263</u></b>   | <b><u>838,286</u></b>   | <b><u>701,624</u></b>   | <b><u>(136,662)</u></b>                          |
| <b>Total expenditures</b>                                    | <b><u>1,655,625</u></b> | <b><u>2,990,081</u></b> | <b><u>2,562,397</u></b> | <b><u>(427,684)</u></b>                          |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>72,305</u>           | <u>99,146</u>           | <u>96,969</u>           | <u>(2,177)</u>                                   |
| <b>Other financing sources (uses):</b>                       |                         |                         |                         |  |
| Transfers - out  | <u>(72,305)</u>         | <u>(99,146)</u>         | <u>(96,969)</u>         | <u>(2,177)</u>                                   |
| Net changes in fund balances                                 | <u>\$ -</u>             | <u>\$ -</u>             | <u>-</u>                | <u>\$ -</u>                                      |
| <b>Fund balance - beginning</b>                              |                         |                         | <u>-</u>                |  |
| <b>Fund balance - ending</b>                                 |                         |                         | <u>\$ -</u>             |  |

See independent auditor's report.

**TOWN OF ARLINGTON, TENNESSEE**  
**SCHOOL NUTRITION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Year Then Ended June 30, 2018

|  | Budgeted Amounts        |                         | Actual                  | Variance with<br>Final Budget<br>Over<br>(Under) |
|--|-------------------------|-------------------------|-------------------------|--|
|  | Original                | Final                   |                         |  |
| <b>Revenues</b>                        |                         |                         |                         |  |
| Charges for current services:          |                         |                         |                         |  |
| Lunch payments - children              | \$ 400,000              | \$ 400,000              | \$ 406,827              | \$ 6,827   |
| Lunch payments - adults                | 26,000                  | 26,000                  | 22,077                  | (3,923)  |
| Income from breakfast                  | 27,000                  | 27,000                  | 17,141                  | (9,859)  |
| A La Carte sales                       | 290,000                 | 290,000                 | 294,554                 | 4,554  |
| Total charges for current services     | <u>743,000</u>          | <u>743,000</u>          | <u>740,599</u>          | <u>(2,401)</u>                                   |
| State education funds:                 |                         |                         |                         |  |
| School food services                   | <u>8,500</u>            | <u>8,500</u>            | <u>9,207</u>            | <u>707</u>                                       |
| Federal through State:                 |                         |                         |                         |  |
| USDA - lunch                           | 250,000                 | 275,000                 | 204,920                 | (70,080)   |
| USDA - breakfast                       | 51,000                  | 51,000                  | 23,413                  | (27,587)   |
| USDA - commodities                     | <u>80,000</u>           | <u>80,000</u>           | <u>77,704</u>           | <u>(2,296)</u>                                   |
| Total Federal through State            | <u>381,000</u>          | <u>406,000</u>          | <u>306,037</u>          | <u>(99,963)</u>                                  |
| <b>Total revenues</b>                  | <b><u>1,132,500</u></b> | <b><u>1,157,500</u></b> | <b><u>1,055,843</u></b> | <b><u>(101,657)</u></b>                          |
| <b>Expenditures</b>                    |                         |                         |                         |  |
| Noninstructional Services:             |                         |                         |                         |  |
| Food services:                         |                         |                         |                         |  |
| Supervisor/Director                    | 164,762                 | 164,762                 | 164,074                 | (688)  |
| Cafeteria personnel                    | 256,844                 | 256,844                 | 245,321                 | (11,523)   |
| Social Security                        | 26,140                  | 26,140                  | 23,327                  | (2,813)  |
| State retirement                       | 17,663                  | 18,663                  | 16,305                  | (2,358)  |
| Life insurance                         | 1,606                   | 1,606                   | 709                     | (897)  |
| Medical insurance                      | 51,850                  | 51,850                  | 50,685                  | (1,165)  |
| Medicare                               | 6,113                   | 6,113                   | 5,457                   | (656)  |
| Maintenance & repair - equipment       | 2,000                   | 2,000                   | 1,578                   | (422)  |
| Transportation - other than students   | 500                     | 500                     | 25                      | (475)  |
| Other contracted services              | 4,000                   | 4,000                   | 2,880                   | (1,120)  |
| Cafeteria substitutes                  | 7,000                   | 7,000                   | -                       | (7,000)  |
| Food supplies                          | 460,000                 | 459,000                 | 380,846                 | (78,154)   |
| Uniforms                               | 500                     | 500                     | -                       | (500)  |
| Commodities expense                    | 80,000                  | 80,000                  | 75,869                  | (4,131)  |
| Other supplies & materials             | 51,000                  | 51,000                  | 32,368                  | (18,632)   |
| Other charges                          | 11,500                  | 11,500                  | 8,191                   | (3,309)  |
| Equipment                              | 12,600                  | 37,600                  | 21,570                  | (16,030)   |
| Pension                                | -                       | -                       | 2,051                   | 2,051  |
| Travel                                 | <u>800</u>              | <u>800</u>              | <u>507</u>              | <u>(293)</u>                                     |
| <b>Total expenditures</b>              | <b><u>1,154,878</u></b> | <b><u>1,179,878</u></b> | <b><u>1,031,763</u></b> | <b><u>(148,115)</u></b>                          |
| Excess (deficiency) of revenues over   |                         |                         |                         |  |
| (under) expenditures                   | <u>(22,378)</u>         | <u>(22,378)</u>         | <u>24,080</u>           | <u>46,458</u>                                    |
| <b>Other financing sources (uses):</b> |                         |                         |                         |  |
| Operating transfers in                 | <u>22,378</u>           | <u>22,378</u>           | <u>-</u>                | <u>(22,378)</u>                                  |
| <b>Net changes in fund balance</b>     | <b><u>\$ -</u></b>      | <b><u>\$ -</u></b>      | <b><u>24,080</u></b>    | <b><u>\$ 24,080</u></b>                          |
| Fund balance - beginning               |                         |                         | <u>231,893</u>          |  |
| Fund balance - ending                  |                         |                         | <u>\$ 255,973</u>       |  |

See independent auditor's report.

**TOWN OF ARLINGTON, TENNESSEE**  
**DISCRETIONARY GRANTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Year Then Ended June 30, 2018

|                                    | Budgeted Amounts |                |                | Variance with<br>Final Budget<br>Over<br>(Under) |
|------------------------------------|------------------|----------------|----------------|--|
|                                    | Original         | Final          | Actual         |  |
| <b>Revenues</b>                    |                  |                |                |  |
| State revenue                      | 106,160          | 114,160        | 106,083        | (8,077)  |
| <b>Total revenues</b>              | <b>106,160</b>   | <b>114,160</b> | <b>106,083</b> | <b>(8,077)</b>                                   |
| <b>Expenditures</b>                |                  |                |                |  |
| Support Services:                  |                  |                |                |  |
| Health Services:                   |                  |                |                |  |
| Supervisor/director                | 68,598           | 67,760         | 67,761         | 1  |
| Social security                    | 4,253            | 3,923          | 3,959          | 36   |
| State retirement                   | 5,077            | 5,014          | 5,014          | -  |
| Life insurance                     | 472              | 236            | 206            | (30)   |
| Employer medicare                  | 995              | 995            | 926            | (69)   |
| Travel                             | 200              | -              | -              | -  |
| Other supplies and materials       | 2,205            | 4,194          | 4,179          | (15)   |
| In-service/staff development       | 3,000            | 10,878         | 2,878          | (8,000)  |
| Other equipment                    | 200              | -              | -              | -  |
| Total health services              | 85,000           | 93,000         | 84,923         | (8,077)  |
| Other Student Support:             |                  |                |                |  |
| Contracts with government agencies | 21,160           | 21,160         | 21,160         | -  |
| <b>Total support services</b>      | <b>106,160</b>   | <b>114,160</b> | <b>106,083</b> | <b>(8,077)</b>                                   |
| <b>Total expenditures</b>          | <b>106,160</b>   | <b>114,160</b> | <b>106,083</b> | <b>(8,077)</b>                                   |
| Net changes in fund balance        | \$ -             | \$ -           | \$ -           | \$ -   |
| Fund balance - beginning           |                  |                | -              |  |
| Fund balance - ending              |                  |                | \$ -           |  |

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE  
EDUCATION CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Then Ended June 30, 2018

|                                    | Budgeted Amounts      |                     |                   | Variance with<br>Final Budget<br>Over<br>(Under) |
|------------------------------------|-----------------------|---------------------|-------------------|--|
|                                    | Original              | Final               | Actual            |  |
| <b>Revenues</b>                    |                       |                     |                   |  |
| Other local revenues               | \$ 1,728,520          | \$ 1,728,520        | \$ 817,482        | \$ (911,038)                                     |
| <b>Expenditures</b>                |                       |                     |                   |  |
| Non-instructional services:        |                       |                     |                   |  |
| Other contracted services          | 1,000,000             | 1,000,000           | 432,919           | (567,081)  |
| Capital outlay                     | 1,450,370             | 1,450,370           | 989,695           | (460,675)  |
| Total expenditures                 | 2,450,370             | 2,450,370           | 1,422,614         | (1,027,756)                                      |
| <b>Net changes in fund balance</b> | <b>\$ (1,112,559)</b> | <b>\$ (286,539)</b> | <b>(605,132)</b>  | <b>\$ (450,363)</b>                              |
| Fund balance - beginning           |                       |                     | 1,561,593         |  |
| <b>Fund balance - ending</b>       |                       |                     | <b>\$ 956,461</b> |  |

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE**  
**ARLINGTON COMMUNITY SCHOOLS**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND**  
**INTERNAL SCHOOL FUNDS**  
For the Year Ended June 30, 2018

|                             | Balance<br>July 1, 2017    | Additions                  | Reductions                   | Balance<br>June 30, 2018   |
|-----------------------------|----------------------------|----------------------------|------------------------------|----------------------------|
| <b>Assets</b>               |                            |                            |                              |                            |
| Cash                        | \$ 1,019,811               | \$ 2,338,961               | \$ (2,311,254)               | \$ 1,047,518               |
| Inventories                 | <u>11,056</u>              | <u>68,247</u>              | <u>(65,565)</u>              | <u>13,738</u>              |
| <b>Total assets</b>         | <b><u>\$ 1,030,867</u></b> | <b><u>\$ 2,407,208</u></b> | <b><u>\$ (2,376,819)</u></b> | <b><u>\$ 1,061,256</u></b> |
| <b>Liabilities</b>          |                            |                            |                              |                            |
| Due to student general fund | \$ 624,840                 | \$ 581,774                 | \$ (584,217)                 | \$ 622,397                 |
| Due to student groups       | <u>406,027</u>             | <u>1,762,644</u>           | <u>(1,729,812)</u>           | <u>438,859</u>             |
| <b>Total liabilities</b>    | <b><u>\$ 1,030,867</u></b> | <b><u>\$ 2,344,418</u></b> | <b><u>\$ (2,314,029)</u></b> | <b><u>\$ 1,061,256</u></b> |

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE**  
**SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS**  
**GENERAL OBLIGATION DEBT**  
June 30, 2018

| Year Ended<br>June 30, | Capital Outlay Note |                 | Board of Education Note |             | Capital Outlay Note |                 | Total Requirements  |                 |                     |
|------------------------|---------------------|-----------------|-------------------------|-------------|---------------------|-----------------|---------------------|-----------------|---------------------|
|                        | Principal           | Interest        | Principal               | Interest    | Principal           | Interest        | Principal           | Interest        | Total               |
| 2019                   | \$ 80,000           | \$ 3,026        | \$ 333,333              | \$ -        | \$ 139,501          | \$ 4,213        | \$ 552,834          | \$ 7,239        | \$ 560,073          |
| 2020                   | 82,000              | 1,017           | 333,333                 | -           | -                   | -               | 415,333             | 1,017           | 416,350             |
| 2021                   | -                   | -               | 333,333                 | -           | -                   | -               | 333,333             | -               | 333,333             |
| 2022                   | -                   | -               | 333,333                 | -           | -                   | -               | 333,333             | -               | 333,333             |
| 2023                   | -                   | -               | 333,333                 | -           | -                   | -               | 333,333             | -               | 333,333             |
| 2024                   | -                   | -               | 333,333                 | -           | -                   | -               | 333,333             | -               | 333,333             |
| 2025                   | -                   | -               | 333,333                 | -           | -                   | -               | 333,333             | -               | 333,333             |
| 2026                   | -                   | -               | 333,333                 | -           | -                   | -               | 333,333             | -               | 333,333             |
|                        | <u>\$ 162,000</u>   | <u>\$ 4,043</u> | <u>\$2,666,664</u>      | <u>\$ -</u> | <u>\$ 139,501</u>   | <u>\$ 4,213</u> | <u>\$ 2,968,165</u> | <u>\$ 8,256</u> | <u>\$ 2,976,421</u> |

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE**  
**SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS**  
**PROPRIETARY FUNDS DEBT**  
June 30, 2018

| Year Ended<br>June 30, | Series 2002         |                   | Revenue Bonds<br>Series 2012 |                     | Total Requirements   |                     |                      |
|------------------------|---------------------|-------------------|------------------------------|---------------------|----------------------|---------------------|----------------------|
|                        | Principal           | Interest          | Principal                    | Interest            | Principal            | Interest            | Total                |
| 2019                   | \$ 821,000          | \$ 83,277         | \$ 200,000                   | \$ 142,928          | \$ 1,021,000         | \$ 226,205          | \$ 1,247,205         |
| 2020                   | 858,000             | 70,879            | 200,000                      | 138,928             | 1,058,000            | 209,807             | 1,267,807            |
| 2021                   | 897,000             | 57,924            | 205,000                      | 134,878             | 1,102,000            | 192,802             | 1,294,802            |
| 2022                   | 937,000             | 44,379            | 210,000                      | 130,728             | 1,147,000            | 175,107             | 1,322,107            |
| 2023                   | 979,000             | 30,230            | 215,000                      | 126,074             | 1,194,000            | 156,304             | 1,350,304            |
| 2024                   | 1,023,000           | 15,447            | 220,000                      | 120,909             | 1,243,000            | 136,356             | 1,379,356            |
| 2025                   | -                   | -                 | 225,000                      | 115,624             | 225,000              | 115,624             | 340,624              |
| 2026                   | -                   | -                 | 230,000                      | 110,221             | 230,000              | 110,221             | 340,221              |
| 2027                   | -                   | -                 | 235,000                      | 104,553             | 235,000              | 104,553             | 339,553              |
| 2028                   | -                   | -                 | 240,000                      | 98,615              | 240,000              | 98,615              | 338,615              |
| 2029                   | -                   | -                 | 250,000                      | 92,240              | 250,000              | 92,240              | 342,240              |
| 2030                   | -                   | -                 | 255,000                      | 85,423              | 255,000              | 85,423              | 340,423              |
| 2031                   | -                   | -                 | 265,000                      | 77,343              | 265,000              | 77,343              | 342,343              |
| 2032                   | -                   | -                 | 270,000                      | 67,980              | 270,000              | 67,980              | 337,980              |
| 2033                   | -                   | -                 | 280,000                      | 58,355              | 280,000              | 58,355              | 338,355              |
| 2034                   | -                   | -                 | 290,000                      | 48,380              | 290,000              | 48,380              | 338,380              |
| 2035                   | -                   | -                 | 300,000                      | 38,055              | 300,000              | 38,055              | 338,055              |
| 2036                   | -                   | -                 | 315,000                      | 27,293              | 315,000              | 27,293              | 342,293              |
| 2037                   | -                   | -                 | 325,000                      | 16,418              | 325,000              | 16,418              | 341,418              |
| 2038                   | -                   | -                 | 335,000                      | 5,528               | 335,000              | 5,528               | 340,528              |
|                        | <u>\$ 5,515,000</u> | <u>\$ 302,136</u> | <u>\$ 5,065,000</u>          | <u>\$ 1,740,473</u> | <u>\$ 10,580,000</u> | <u>\$ 2,042,609</u> | <u>\$ 12,622,609</u> |

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE**  
**SCHEDULE OF CHANGES IN TAXES RECEIVABLE**  
For the Year Ended June 30, 2018

| <u>Tax Levy<br/>for Year</u> | <u>Tax<br/>Rate</u> | <u>Tax<br/>Levy</u> | <u>Beginning<br/>Outstanding<br/>Taxes</u> | <u>Additions<br/>and<br/>Adjustments</u> | <u>Collections</u>  | <u>Ending<br/>Outstanding<br/>Taxes</u> | <u>Outstanding<br/>Taxes Filed<br/>With<br/>Trustee</u> |
|------------------------------|---------------------|---------------------|--|--|---------------------|---|---|
| 2017                         | \$1.15              | \$ 3,897,006        | \$ -                                       | \$ 3,857,809                             | \$ 3,793,633        | \$ 64,176                               | \$ 64,176   |
| 2016                         | 1.15                | 3,390,841           | 45,209                                     | 4,846                                    | 42,303              | 7,752                                   | 7,752   |
| 2015                         | 1.15                | 3,216,147           | 10,960                                     | (493)                                    | 3,082               | 7,385                                   | 7,385   |
| 2014                         | 1.15                | 3,147,413           | 9,863                                      | (803)                                    | 1,264               | 7,796                                   | 7,796   |
| 2013                         | 1.15                | 3,086,420           | 8,834                                      | (601)                                    | 264                 | 7,969                                   | 7,969   |
| 2012                         | 1.15                | 3,191,116           | 4,232                                      | (292)                                    | 285                 | 3,655                                   | 3,655   |
| 2011                         | 1.00                | 2,707,557           | 2,543                                      | (208)                                    | -                   | 2,335                                   | 2,335   |
| 2010                         | 1.00                | 2,677,703           | 2,155                                      | (89)                                     | -                   | 2,066                                   | 2,066   |
| 2009                         | 1.00                | 2,757,236           | 2,102                                      | (138)                                    | -                   | 1,964                                   | 1,964   |
| 2008                         | 1.00                | 2,336,905           | 507  | (62)                                     | -                   | 445                                     | 445   |
|                              |                     |                     | <u>\$ 86,405</u>                           | <u>\$ 3,859,969</u>                      | <u>\$ 3,840,831</u> | <u>\$ 105,543</u>                       | <u>\$ 105,543</u>                                       |

Above balances represented as follows:

|   |                     |
|---|---------------------|
| Considered current receivables                              | \$ 34,870           |
| Allowance for uncollectible accounts                        | 23,653              |
| Unavailable revenue   | <u>47,020</u>       |
|   | 105,543             |
| Tax levy due October 1, 2018 considered unavailable revenue | <u>4,024,313</u>    |
| Total taxes receivable                                      | <u>\$ 4,129,856</u> |

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE**  
**SCHEDULE OF UTILITY RATES IN EFFECT**  
June 30, 2018

Sewer Rates

Residential, Commercial and Industrial:

|                     |                           |
|---------------------|---------------------------|
|                     | \$7.52                    |
| Each 100 cubic feet | \$2.84 per 100 cubic feet |

Industrial Surcharge:

|   |                         |
|---|-------------------------|
| Biochemical oxygen demand from 250mg/l to 1644 lb/day     | \$0.25 per pound of BOD |
| Biochemical oxygen demand from 1644 lb/day to 2000 lb/day | \$0.30 per pound of BOD |
| Biochemical oxygen demand in excess of 2000 lb/day        | \$0.55 per pound of BOD |
| Suspended solids in excess of 250mg/l                     | \$0.20 per pound of SS  |

|                                       |              |
|---------------------------------------|--------------|
| Number of customers at June 30, 2018: | <u>4,351</u> |
|---------------------------------------|--------------|

Sanitation Rates

|                      |         |
|----------------------|---------|
| Charge per residence | \$20.40 |
|----------------------|---------|

|                                       |              |
|---------------------------------------|--------------|
| Number of customers at June 30, 2018: | <u>4,306</u> |
|---------------------------------------|--------------|

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2018

| <u>Grantor/Pass Through Entity</u>   | <u>CFDA<br/>Number</u> | <u>Grant<br/>Number</u> | <u>Expenditures</u>      |
|--|------------------------|-------------------------|--------------------------|
| <b>Federal Financial Assistance:</b>   |                        |                         |                          |
| United States Department of Transportation/<br>Tennessee Department of Transportation: |                        |                         |                          |
| Highway Planning and Construction Cluster  |                        |                         |                          |
| Highway Planning and Construction  | 20.205                 | 140074                  | 61,626                   |
| Highway Planning and Construction  | 20.205                 | CRR070139               | 5,975                    |
| Highway Planning and Construction  | 20.205                 | CRR070140               | 141,706                  |
| Highway Planning and Construction  | 20.205                 | 140035                  | 113,340                  |
| Highway Planning and Construction  | 20.205                 | 170143                  | 13,812                   |
| Highway Planning and Construction  | 20.205                 | 130014                  | 400                      |
| Total United States Department of Transportation                                       |                        |                         | <u>336,859</u>           |
| <b>Total Expenditures of Federal Awards</b>  |                        |                         | <b><u>\$ 336,859</u></b> |

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards include the award activity of the Town under programs of the federal and state governments, respectively, for the year ended June 30, 2018. Because the schedule of expenditures of federal awards present only a selected portion of the operations of the Town, they are not intended to and do not present the financial position, statement of activities, or cash flows of the Town.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported on the schedule of expenditures of federal awards are reported on the modified accrual basis of accounting. Certain amounts shown on the schedule of expenditures of federal awards represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Town has elected not to use the 10- percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Grants of the Arlington Community Schools are not included in this schedule due to the fact that they are included in a separately issued report audited by other auditors as noted in the independent auditor's report.

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE**  
**SCHEDULE OF STATE FINANCIAL ASSISTANCE**  
For the Year Ended June 30, 2018

| <u>Grantor/Pass Through Entity</u>   | <u>State Grant<br/>Number</u> | <u>Expenditures</u>     |
|--|-------------------------------|-------------------------|
| <b>State Financial Assistance:</b>   |                               |                         |
| Tennessee Department of Environment and Conservation<br>Local Park and Recreation Fund Grant | 32701-03165                   | \$ <u>47,363</u>        |
| Tennessee Department of Agriculture<br>TAEP  | 32510-14318                   | <u>1,955</u>            |
| <b>Total state financial assistance</b>  |                               | <b>\$ <u>49,318</u></b> |

**Note 1 - Basis of Presentation**

The accompanying schedule of state financial assistance include the award activity of the Town under programs of state governments, respectively, for the year ended June 30, 2018. Because the schedule of state financial assistance present only a selected portion of the operations of the Town, they are not intended to and do not present the financial position, statement of activities, or cash flows of the Town.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported on the schedule of state financial assistance are reported on the modified accrual basis of accounting. Certain amounts shown on the schedule of state financial assistance represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

*See independent auditor's report.*

## **INTERNAL CONTROL AND COMPLIANCE SECTION**



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**Internal Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit  
of Financial Statements Performed in Accordance With  
*Government Auditing Standards***

Honorable Mike Wissman, Mayor  
Members of the Board of Aldermen  
Town of Arlington, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arlington, Tennessee (Town), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 21, 2019.

Our report includes a reference to other auditors who audited the financial statements of the Arlington Community School System, as described in our report on the Town's financial statements. This report includes our consideration of the results of the other auditors testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as 2018-001 that we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2018-001.

We noted other matters involving the internal control and its operation that we reported to management of the Town in a separate letter dated February 21, 2019.

## **Town's Responses to Findings**

The Town's response to the finding identified in our audit is described in the accompanying schedule of findings. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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.

A handwritten signature in black ink that reads "Alexander Thompson Arnold PLLC". The signature is written in a cursive, flowing style.

Jackson, Tennessee  
February 21, 2019

**TOWN OF ARLINGTON, TENNESSEE**  
**SCHEDULE OF FINDINGS**  
**June 30, 2018**

**FINANCIAL STATEMENT FINDINGS**

**2018-001      Expenditures in Excess of Budget (Significant Deficiency and Noncompliance)**

Condition: The Town had total expenditures in excess of the total budgeted for expenditures in the sanitation fund by \$51,470.

Criteria: Tennessee Code Annotated Section 6-56-203 requires that municipalities expend funds in accordance with an authorized budget.

Cause: The sanitation fund spent more than the budgeted amount, and a budget amendment was not completed.

Effect: The Town had expenditures not legally appropriated by the City Board of Mayor and Aldermen.

Recommendation: We recommend that the Town make amendments in order to include all expenditures as they are known.

Response: All Revenues and Expenses/Expenditures for each fund will be analyzed before money is spent to ensure that we are not spending over what is allocated in the budget. All budget amendments will be completed as needed to prevent over spending.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**TOWN OF ARLINGTON, TENNESSEE**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
June 30, 2018

**FINANCIAL STATEMENT FINDINGS**

| Prior Year<br>Finding Number | Finding Title  | Status/Current Year<br>Finding Number |
|------------------------------|--|---------------------------------------|
| 2017-001                     | Lack of Obtaining Bid<br>(original finding # 2017-001) | Corrected                             |

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no prior findings reported.

# Town of Arlington

5854 Airline Road  
PO Box 507  
Arlington, TN 38002



P: 901.867.2620  
F: 901.867.2638

## MANAGEMENT'S CORRECTIVE ACTION PLAN

The Town of Arlington, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2018.

Audit period: June 30, 2018

Contact persons/persons responsible for implementing Corrective Action:  
Brittney Owens, Town Recorder, CMFO

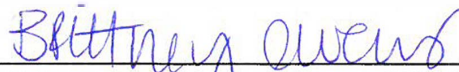
The finding from the June 30, 2018, schedule of findings is discussed below.  
The finding is numbered consistently with the number assigned in the schedule.

### 2018-001 Expenditures in Excess of Budget (Significant Deficiency and Noncompliance)

Action Taken/Planned: All Revenues and Expenses/Expenditures for each fund will be analyzed before money is spent to ensure that we are not spending over what is allocated in the budget. All budget amendments will be completed as needed to prevent over spending.

Anticipated Completion Date/Date Completed: 12/31/2018

Sincerely,

  
Brittney Owens, Town Recorder, CMFO

**Board of  
Mayor &  
Aldermen**

**Mike Wissman**  
Mayor

**Harry McKee**  
Vice Mayor

**Larry Harmon**  
Alderman

**Cheryl Pardue**  
Alderman

**Jeff McKee**  
Alderman

**Oscar Brooks**  
Alderman

**Jeremy Biggs**  
Alderman