

TOWN OF ARLINGTON, TENNESSEE

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

TOWN OF ARLINGTON, TENNESSEE

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INTRODUCTORY SECTION

TOWN OF ARLINGTON, TENNESSEE
LIST OF PRINCIPAL OFFICIALS
June 30, 2020

ELECTED OFFICIALS

Mayor	Mike Wissman
Vice Mayor	Harry McKee
Alderman	Jeremy Biggs
Alderman	Oscar Brooks
Alderman	Harry McKee
Alderman	Jeff McKee
Alderman	Russell Wiseman

APPOINTED OFFICIALS

Town Superintendent	Catherine Durant
Town Recorder/Treasurer, CMFO	Brittney Owens

FINANCIAL SECTION



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, 2020, 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 62 percent, 63 percent, and 76 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, General Purpose School Fund, and State Street Aid Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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, including the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 December 31, 2020 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
December 31, 2020

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, 2020. 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 \$219.09 million (net position). Of this amount, \$26.85 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 \$15.20 million, a decrease of \$1.43 million in comparison with the prior year. Of the total fund balance, \$12.78 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 12 through 14 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 15 through 18 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, State Street Aid, and General Purpose School 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, General Purpose School Fund, and State Street Aid Fund have been provided on pages 19 through 26 of this report. Budgetary comparisons of the nonmajor governmental funds can be found on pages 78 through 85 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 27 through 30 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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 33 through 64 of this report.

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 \$219.09 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 Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 66,397,832	\$ 57,293,552	\$ 11,811,291	\$ 11,597,883	\$ 78,209,123	\$ 68,891,435
Capital assets	149,651,550	139,103,638	22,129,801	21,910,404	171,781,351	161,014,042
Total assets	216,049,382	196,397,190	33,941,092	33,508,287	249,990,474	229,905,477
Deferred outflows of resources	5,758,981	6,193,568	-	-	5,758,981	6,193,568
Long-term liabilities	11,492,415	8,564,637	8,542,853	9,601,308	20,035,268	18,165,945
Other liabilities	5,102,659	2,735,302	30,150	47,976	5,132,809	2,783,278
Total liabilities	16,595,074	11,299,939	8,573,003	9,649,284	25,168,077	20,949,223
Deferred inflows of resources	11,490,826	9,325,702	-	-	11,490,826	9,325,702
Net position:						
Net investment in capital assets	146,267,305	137,351,826	13,606,951	12,327,296	159,874,256	149,679,122
Restricted for:						
Street aid	5,303,845	4,692,648	-	-	5,303,845	4,692,648
Sanitation	1,011,291	1,037,159	-	-	1,011,291	1,037,159
Net pension asset	6,205,910	2,353,960	-	-	6,205,910	2,353,960
Inventory	45,012	19,716	-	-	45,012	19,716
Education	19,470,708	18,943,352	-	-	19,470,708	18,943,352
Future capital project	-	-	100,000	100,000	100,000	100,000
Stabilization reserve trust	228,898	103,429	-	-	228,898	103,429
Unrestricted	15,189,494	17,463,027	11,661,138	11,431,707	26,850,632	28,894,734
Total net position	\$ 193,722,463	\$ 181,965,117	\$ 25,368,089	\$ 23,859,003	\$ 219,090,552	\$ 205,824,120

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

An additional portion of the Town of Arlington's net position (\$32.37 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 (\$26.85 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.

Statement of Activities – Revenues in governmental activities exceeded expenses by \$11.76 million. In the business-type activities, revenues exceeded expenses by \$1.51 million.

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 2,875,127	\$ 3,301,811	\$ 2,693,766	\$ 2,584,896	\$ 5,568,893	\$ 5,886,707
Operating grants and contributions	46,829,923	45,738,221	-	-	46,829,923	45,738,221
Capital grants and contributions	7,920,676	6,136,361	895,883	564,661	8,816,559	6,701,022
General revenues:						
Property taxes	5,623,753	4,692,320	-	-	5,623,753	4,692,320
Other taxes	4,923,038	4,422,138	-	-	4,923,038	4,422,138
Other sources	397,674	1,301,372	193,092	175,795	590,766	1,477,167
Total revenues	<u>68,570,191</u>	<u>65,592,223</u>	<u>3,782,741</u>	<u>3,325,352</u>	<u>72,352,932</u>	<u>68,917,575</u>
Expenses:						
General government	4,122,322	3,646,567	-	-	4,122,322	3,646,567
Public safety	2,517,270	1,927,911	-	-	2,517,270	1,927,911
Highway and streets	597,159	944,649	-	-	597,159	944,649
Storm drainage	89,985	116,811	-	-	89,985	116,811
Public works	1,160,617	1,094,482	-	-	1,160,617	1,094,482
Sanitation collection	1,068,401	992,397	-	-	1,068,401	992,397
Culture and recreation	1,098,197	1,076,728	-	-	1,098,197	1,076,728
Education	46,110,104	43,019,332	-	-	46,110,104	43,019,332
Debt service	48,790	3,026	-	-	48,790	3,026
Sewer	-	-	2,273,655	2,094,346	2,273,655	2,094,346
Total expenses	<u>56,812,845</u>	<u>52,821,903</u>	<u>2,273,655</u>	<u>2,094,346</u>	<u>59,086,500</u>	<u>54,916,249</u>
Increase in net position	<u>11,757,346</u>	<u>12,770,320</u>	<u>1,509,086</u>	<u>1,231,006</u>	<u>13,266,432</u>	<u>14,001,326</u>
Net position - beginning	181,965,117	169,194,797	23,859,003	22,627,997	205,824,120	191,822,794
Net position - ending	<u>\$ 193,722,463</u>	<u>\$ 181,965,117</u>	<u>\$ 25,368,089</u>	<u>\$ 23,859,003</u>	<u>\$ 219,090,552</u>	<u>\$ 205,824,120</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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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 18.30% of governmental fund revenues. Accordingly this discussion will focus on the General Fund. General Fund balance was \$15.20 million at the end of the current fiscal year. Of that balance, \$12.78 million is available to meet the day-to-day needs of the Town.

In total, revenues in the General Fund remains comparable from the previous year. The most significant changes in revenues in the General Fund were:

- Property taxes increased by \$894 thousand.
- Sales tax increased by \$482 thousand.
- State grants increased by \$148 thousand.
- Streetlight fees decreased by \$231 thousand.
- Sale of land and equipment decreased by \$1.06 million.

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 \$11.66 million. The total increase in net position for this fund was \$1.51 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

Final Budgeted and Actual Amounts

Actual revenues were over the budgeted amounts by \$614 thousand. Significant variances are as follows:

- Intergovernmental (state shared taxes) were more than the budgeted amounts by \$394 thousand.
- Local sales taxes were more than the budgeted amounts by \$161 thousand.

Actual expenditures were under the final budgeted amount by \$193 thousand. Significant variances are as follows:

- General government was over budget by \$556 thousand.
- Public safety was under budget by \$461 thousand.
- Public works was under budget by \$186 thousand.
- Parks and recreation was under budget by \$102 thousand.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - At the end of fiscal year 2020, the Town had invested \$171.78 million net of accumulated depreciation in a variety of capital assets and infrastructure. Infrastructure was valued

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

at \$29.60 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 \$13.75 million. Of this amount, \$8.50 million consists of revenue bonds and \$3.24 million of capital outlay notes. In addition, \$1.87 million of the Town's debt represents Arlington Community School System's note payable less discount and \$148 thousand of the Town's debt represents Arlington Community School System's capital lease payable.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- Arlington's growth has remained steady, even through all the challenges of 2020. We expect this growth to continue in the next fiscal year. The residential growth will result in an increase in permit and development fees, taxes and an increase in population. The increased commercial development will result in an increase to real property and personal property taxes, as well as sales and business taxes.
- The Town processed 149 new single-family home permits in 2020, which is a 22% increase over each of the last two years, and more than double the new homes started in 2016. The rate of residential construction is projected to continue increasing in 2021 due to the number of residential subdivisions under construction. New phases of the White Oak Subdivision continue to be developed and several other new subdivisions, including Myers Park, Wilson Lake, and Village at Donelson Farms, have all been approved and should have lots for construction in 2021. Arlington is a desirable place to live due to its proximity to the interstate systems and highways, quality schools, low crime, and small-town feel.
- 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. ACS continues to be recognized for excellence and continues to expand the district's facilities. A new gym was recently added at Arlington Middle School and a large Indoor Practice Facility was completed at the High School.
- Commercial investment during the 2019 - 2020 fiscal year continues the upward growth trend of previous years. The Town has opened over 110,000 square feet of new retail and industrial space this fiscal year, including: Caliber Collision, ATown Crossfit, Depot Square Retail, Sherwin Williams, Wendy's, Brendalay Grill, Arl Animal Clinic, Regions Bank and expansions at Wright Medical, the Pet Hospital, and Most Dependable Fountain. In addition, another seven (7) projects totaling 250,000 square feet of additional commercial and industrial space are currently under construction, including the Town's first hotel.
- Fiscal year 2019 - 2020 represents the Arlington Community Schools' sixth year in operation. Student enrollment is the primary driver of instruction and school expenditure budgets. Enrollment in the System includes Arlington Residents for grades K-12, Lakeland Residents for grades 9-12, and non-resident students. The System allows open enrollment for non-resident students at schools that have capacity in which those students meet the open enrollment criteria established by the district.
- Work is wrapping up on construction on a second Fire Station located on the south side of Town. The new company came on board in 2020 and will be moved to the second station once it has been completed, which is expected in the 1st Quarter of 2021. The second company includes 3 lieutenants, 3 drivers, 3 paramedics and 3 firefighter privates.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

- The Board of Mayor and Aldermen approved a 22-cent tax increase to accommodate the additional personnel and expenses associated with the increase in staffing.

All of these factors were considered in preparing the Town of Arlington's budget for the 2021 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, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 38,087,166	\$ 4,191,633	\$ 42,278,799
Investments	10,762,667	7,369,194	18,131,861
Receivables:			
Interest	8,883	10,540	19,423
Taxes (net of allowance for uncollectibles of \$20,737)	5,579,167	-	5,579,167
Accounts	205,228	344,064	549,292
Internal balances	104,140	(104,140)	-
Due from other governments - grants	742,923	-	742,923
Intergovernmental - nongrant	4,358,678	-	4,358,678
Inventory	45,012	-	45,012
Prepayments and other current assets	69,161	-	69,161
Investment - restricted	228,898	-	228,898
Net pension asset	6,205,910	-	6,205,910
Capital assets not being depreciated:			
Land	4,927,907	231,762	5,159,669
Construction in process	11,785,714	85,808	11,871,522
Capital assets net of accumulated depreciation:			
Buildings and improvements	96,172,169	-	96,172,169
Machinery and equipment	7,163,348	-	7,163,348
Sewer plant	-	21,812,231	21,812,231
Infrastructure	29,602,412	-	29,602,412
Total assets	<u>216,049,383</u>	<u>33,941,092</u>	<u>249,990,475</u>
Deferred outflows of resources			
Deferred outflows related to pension	4,499,016	-	4,499,016
Deferred outflows related to OPEB	1,259,965	-	1,259,965
Total deferred outflows of resources	<u>5,758,981</u>	<u>-</u>	<u>5,758,981</u>

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

TOWN OF ARLINGTON, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Accounts payable	3,026,922	30,150	3,057,072
Accrued payroll	2,008,277	-	2,008,277
Unearned revenue	67,461	-	67,461
Long-term debt			
Due within one year			
Notes and bonds payable	681,669	1,103,303	1,784,972
Capital lease payable	147,787	-	147,787
Accrued annual leave	301,774	13,165	314,939
Due in more than one year			
Notes and bonds payable	4,420,770	7,419,547	11,840,317
Net OPEB liability	5,530,649	-	5,530,649
Accrued annual leave	155,823	6,838	162,661
Accrued landfill closing and postclosing costs	253,943	-	253,943
Total liabilities	<u>16,595,075</u>	<u>8,573,003</u>	<u>25,168,078</u>
Deferred Inflows of Resources			
Deferred inflows related to pension	5,222,752	-	5,222,752
Deferred inflows related to OPEB	741,925	-	741,925
Unavailable revenue - property taxes	5,526,149	-	5,526,149
Total deferred inflows of resources	<u>11,490,826</u>	<u>-</u>	<u>11,490,826</u>
Net Position			
Net investment in capital assets	146,267,305	13,606,951	159,874,256
Restricted for:			
State street aid	5,303,845	-	5,303,845
Sanitation	1,011,291	-	1,011,291
Net pension asset	6,205,910	-	6,205,910
Inventory	45,012	-	45,012
Education	19,470,708	-	19,470,708
Future capital project	-	100,000	100,000
Stabilization reserve trust	228,898	-	228,898
Unrestricted	15,189,494	11,661,138	26,850,632
Total net position	<u>\$ 193,722,463</u>	<u>\$ 25,368,089</u>	<u>\$ 219,090,552</u>

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

TOWN OF ARLINGTON, TENNESSEE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government							
Governmental activities							
General government	\$ 4,122,322	\$ 449,205	\$ -	\$ -	\$ (3,673,117)	\$ -	\$ (3,673,117)
Public safety	2,517,270	12,805	-	-	(2,504,465)	-	(2,504,465)
Highways and streets	597,159	-	569,467	4,153,211	4,125,519	-	4,125,519
Storm drainage	89,985	176,218	-	-	86,233	-	86,233
Public works	1,160,617	-	-	-	(1,160,617)	-	(1,160,617)
Sanitation collection	1,068,401	1,068,928	-	-	527	-	527
Parks and recreation	1,098,197	64,189	210	14,896	(1,018,902)	-	(1,018,902)
Education	46,110,104	1,103,782	46,260,246	3,752,569	5,006,493	-	5,006,493
Interest on long-term debt	48,790	-	-	-	(48,790)	-	(48,790)
Total governmental activities	<u>56,812,845</u>	<u>2,875,127</u>	<u>46,829,923</u>	<u>7,920,676</u>	<u>812,881</u>	<u>-</u>	<u>812,881</u>
Business-type activities							
Sewer	<u>2,273,655</u>	<u>2,693,766</u>	<u>-</u>	<u>895,883</u>	<u>-</u>	<u>1,315,994</u>	<u>1,315,994</u>
Total primary government	<u>\$ 59,086,500</u>	<u>\$ 5,568,893</u>	<u>\$ 46,829,923</u>	<u>\$ 8,816,559</u>	<u>\$ 812,881</u>	<u>\$ 1,315,994</u>	<u>\$ 2,128,875</u>
General revenues							
Property taxes - levied for general government					5,369,108	-	5,369,108
Payments in lieu of taxes - other governments					254,645	-	254,645
Sales taxes					4,201,527	-	4,201,527
Franchise taxes					129,685	-	129,685
Alcoholic beverage taxes					356,353	-	356,353
Business taxes					180,030	-	180,030
State income and excise taxes					55,443	-	55,443
Interest, penalties and court costs					11,881	-	11,881
Gain (loss) on sale of capital assets					904	-	904
Interest income					<u>384,889</u>	<u>193,092</u>	<u>577,981</u>
Total general revenues					<u>10,944,465</u>	<u>193,092</u>	<u>11,137,557</u>
Changes in net position					11,757,346	1,509,086	13,266,432
Net position - beginning					181,965,117	23,859,003	205,824,120
Net position - ending					<u>\$ 193,722,463</u>	<u>\$ 25,368,089</u>	<u>\$ 219,090,552</u>

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

TOWN OF ARLINGTON, TENNESSEE
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2020

	General Fund	General Purpose School	State Street Aid Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 6,568,870	\$ 22,860,585	\$ 3,913,980	\$ 4,743,731	\$ 38,087,166
Investments	8,487,786	-	2,274,881	-	10,762,667
Investments - restricted	-	228,898	-	-	228,898
Inventory	-	-	-	45,012	45,012
Prepaid expense	-	69,161	-	-	69,161
Receivables:					
Interest	6,544	-	2,339	-	8,883
Taxes (net of allowance for uncollectibles of \$20,737)	5,579,167	-	-	-	5,579,167
Accounts - other	145,787	59,441	-	-	205,228
Due from other funds	14,701	128,767	13,807	89,439	246,714
Due from other governments - grants	-	-	489,425	253,498	742,923
Intergovernmental - nongrant	893,330	2,426,458	77,907	960,983	4,358,678
Total assets	\$ 21,696,185	\$ 25,773,310	\$ 6,772,339	\$ 6,092,663	\$ 60,334,497
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ 937,400	\$ 813,704	\$ 1,040,648	\$ 235,170	\$ 3,026,922
Accrued payroll	-	1,963,473	-	44,804	2,008,277
Due to other funds	13,807	-	-	128,767	142,574
Unearned revenue	-	8,200	-	59,261	67,461
Total liabilities	951,207	2,785,377	1,040,648	468,002	5,245,234
Deferred inflows of resources					
Unavailable revenue - nongrant	-	-	-	364,965	364,965
Unavailable revenue - grants	-	-	427,846	11,066	438,912
Unavailable revenue - property taxes	5,543,649	930,686	-	-	6,474,335
Total deferred inflows of resources	5,543,649	930,686	427,846	376,031	7,278,212
Fund balances					
Nonspendable					
Inventory	-	-	-	45,012	45,012
Prepaid expenses	-	69,161	-	-	69,161
Restricted					
State street aid	-	-	5,303,845	-	5,303,845
Sanitation	-	-	-	1,011,291	1,011,291
Education	-	-	-	4,192,327	4,192,327
Stabilization reserve trust	-	228,898	-	-	228,898
Assigned:					
Impact fees	149,400	-	-	-	149,400
Traffic signal- Arlington Trails	50,000	-	-	-	50,000
Fire station equipment	189,183	-	-	-	189,183
Committed:					
Fire Department Development	2,028,367	-	-	-	2,028,367
Unassigned	12,784,379	21,759,188	-	-	34,543,567
Total fund balances	15,201,329	22,057,247	5,303,845	5,248,630	47,811,051
Total liabilities, deferred inflows of resources, and fund balances	\$ 21,696,185	\$ 25,773,310	\$ 6,772,339	\$ 6,092,663	\$ 60,334,497

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, 2020

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

Fund balances - total governmental funds (Page 15)	\$ 47,811,051
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds	149,651,550
Net pension asset is not a financial resource in the current period and, therefore, are not reported an asset in governmental funds.	6,205,910
Receivables not available to pay for current expenditures and, therefore, are deferred in the funds.	
Unavailable revenue	1,752,063
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	5,758,981
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	(5,964,677)
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>(11,492,415)</u>
Net position of governmental activities (Page 13)	<u>\$ 193,722,463</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, 2020

	General Fund	General Purpose School	State Street Aid Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 8,009,504	\$ 20,688,839	\$ -	\$ -	\$ 28,698,343
Licenses and permits	123,973	-	-	-	123,973
Intergovernmental	2,909,812	22,697,925	1,417,483	2,599,882	29,625,102
Charges for services	416,750	374,481	-	1,798,228	2,589,459
Other	612,255	424,194	73,513	3,804,455	4,914,417
Total revenues	<u>12,072,294</u>	<u>44,185,439</u>	<u>1,490,996</u>	<u>8,202,565</u>	<u>65,951,294</u>
Expenditures					
Current					
General government	1,608,337	-	-	-	1,608,337
Public safety	2,444,324	-	-	-	2,444,324
Highways and streets	1,238,565	-	1,585,905	-	2,824,470
Storm drainage	128,082	-	-	-	128,082
Sanitation collection	-	-	-	1,167,581	1,167,581
Parks and recreation	1,124,973	-	-	-	1,124,973
Education	-	42,454,944	-	4,415,102	46,870,046
Capital outlay	6,628,380	-	1,093,894	-	7,722,274
Debt service:					
Principal	454,026	433,638	-	-	887,664
Interest	48,790	51,561	-	-	100,351
Total expenditures	<u>13,675,477</u>	<u>42,940,143</u>	<u>2,679,799</u>	<u>5,582,683</u>	<u>64,878,102</u>
Revenues over (under) expenditures	(1,603,183)	1,245,296	(1,188,803)	2,619,882	1,073,192
Other financing sources (uses)					
Issuance of debt	2,230,277	-	-	-	2,230,277
Transfers in	400,000	650,194	1,800,000	65,054	2,915,248
Transfers out	(2,457,985)	(401,054)	-	(56,209)	(2,915,248)
Total other financing sources (uses)	<u>172,292</u>	<u>249,140</u>	<u>1,800,000</u>	<u>8,845</u>	<u>2,230,277</u>
Net changes in fund balances	(1,430,891)	1,494,436	611,197	2,628,727	3,303,469
Fund balances - beginning	<u>16,632,220</u>	<u>20,562,811</u>	<u>4,692,648</u>	<u>2,619,903</u>	<u>44,507,582</u>
Fund balances - ending	<u>\$ 15,201,329</u>	<u>\$ 22,057,247</u>	<u>\$ 5,303,845</u>	<u>\$ 5,248,630</u>	<u>\$ 47,811,051</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, 2020

Amounts reported for the governmental activities in the statement of activities (Page 14) are different because:

Net change in fund balances - total governmental funds (Page 17)	\$ 3,303,469
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.	10,547,912
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).	(519,573)
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	249,487
Difference between actual contributions and OPEB expense	(408,944)
Change in compensated absences	(109,478)
Change in landfill liability	37,086
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	(1,776,251)
Board of Education note payment and amortization of discount	289,820
Board of Education capital lease current year's payments	143,818
Change in net position of governmental activities (Page 14)	<u>\$ 11,757,346</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, 2020

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over</u> <u>(Under)</u>
Revenues				
Taxes:				
Real property taxes	\$ 4,425,983	\$ 4,615,303	\$ 4,631,957	\$ 16,654
Personal property taxes	307,344	314,885	326,937	12,052
Public utility taxes	484,201	484,568	421,966	(62,602)
Interest and penalties	12,500	12,500	11,881	(619)
In lieu of tax payments -				
Other governments	71,500	86,420	86,779	359
Local sales tax	1,500,000	1,908,000	2,068,681	160,681
Wholesale beer tax	227,000	227,000	216,808	(10,192)
Wholesale liquor tax	89,000	103,590	114,810	11,220
Franchise taxes	127,000	127,000	129,685	2,685
Total taxes	<u>7,244,528</u>	<u>7,879,266</u>	<u>8,009,504</u>	<u>130,238</u>
Licenses and permits:				
Licenses and permits	28,500	50,193	62,550	12,357
Planning commission submittals	40,000	53,237	57,558	4,321
Excavating permits	8,500	8,500	3,865	(4,635)
Total licenses and permits	<u>77,000</u>	<u>111,930</u>	<u>123,973</u>	<u>12,043</u>
Intergovernmental:				
State grant	-	322,650	322,652	2
TVA in lieu of tax	150,000	167,800	167,866	66
Business tax	170,000	170,000	180,030	10,030
State sales tax	1,100,000	1,100,000	1,204,136	104,136
State local sales tax	660,000	671,000	928,710	257,710
State income tax	10,000	10,000	19,723	9,723
State beer tax	6,600	6,600	6,191	(409)
State alcoholic beverage tax	13,000	13,000	18,544	5,544
State petroleum special fee	26,000	26,000	26,240	240
State telecommunications sales tax	1,000	5,836	12,057	6,221
State excise tax	22,500	22,500	23,663	1,163
Total intergovernmental	<u>2,159,100</u>	<u>2,515,386</u>	<u>2,909,812</u>	<u>394,426</u>
Charges for services:				
Fire reports	-	5	5	-
Community development fees	-	19,600	19,600	-
Street light fees	-	102,764	144,101	41,337
Storm water fees	167,350	167,350	176,218	8,868
Inspection fees	-	16,900	16,900	-

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, 2020

	Budgeted Amounts			Variance
	Original	Final	Actual	Over (Under)
Meeting room fees	-	900	900	-
Community garden	500	700	1,140	440
Park and recreation fees	84,000	55,362	57,886	2,524
Total charges for services	<u>251,850</u>	<u>363,581</u>	<u>416,750</u>	<u>53,169</u>
Other:				
Other	14,100	19,754	18,397	(1,357)
Rent	3,101	3,101	3,401	300
Sale of land and equipment	-	308	904	596
Interest earned	125,000	244,950	267,982	23,032
Insurance recovery	-	46,620	46,621	1
Impact fees	160,000	254,000	254,965	965
Library fines	19,500	19,500	19,775	275
Contributions	-	210	210	-
Total other	<u>321,701</u>	<u>588,443</u>	<u>612,255</u>	<u>23,812</u>
Total revenues	<u>10,054,179</u>	<u>11,458,606</u>	<u>12,072,294</u>	<u>613,688</u>
Expenditures				
Current expenditures:				
General government:				
Salaries	458,000	458,000	427,210	(30,790)
OASI	35,000	35,000	35,413	413
Hospital and health insurance	65,200	65,200	63,963	(1,237)
Workmen's compensation	2,000	2,000	1,471	(529)
Employee education and training	3,500	4,896	4,935	39
Other employer contributions	35,800	35,800	27,336	(8,464)
Board and committee members	61,000	61,000	61,030	30
Elections	15,000	55,234	54,233	(1,001)
Contractual services	50,000	50,000	40,465	(9,535)
Postage	8,000	8,000	4,019	(3,981)
Messenger and delivery services	1,500	1,500	1,002	(498)
Publication of legal notices	20,000	25,000	25,672	672
Memberships and registration fees	5,000	5,666	5,681	15
Public relations	10,000	10,000	6,500	(3,500)
Utility services	27,500	101,000	94,304	(6,696)
Telephone	20,000	28,500	28,500	-
Legal services	130,000	130,000	118,025	(11,975)

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, 2020

	Budgeted Amounts			Variance
	Original	Final	Actual	Over (Under)
Accounting and auditing services	20,000	20,000	18,661	(1,339)
Architectural and engineering services	130,000	200,000	202,399	2,399
Web site services	6,000	6,500	5,325	(1,175)
Data processing services	20,000	40,000	33,400	(6,600)
Other professional services	44,000	50,000	48,299	(1,701)
Repair and maintenance services	5,000	11,000	10,639	(361)
Repair and maintenance of buildings	15,000	15,000	12,064	(2,936)
Travel	3,000	3,000	1,038	(1,962)
Collection fees	22,000	35,000	33,258	(1,742)
Sundry	10,000	22,000	16,571	(5,429)
Operating supplies	17,000	30,000	25,543	(4,457)
Off site record storage	5,000	8,000	7,259	(741)
Insurance on buildings	9,500	9,500	7,269	(2,231)
Insurance - liability	11,000	11,250	11,238	(12)
Capital outlay	414,556	5,777,279	6,379,980	602,701
Machinery and equipment rent	13,000	30,000	19,301	(10,699)
Other machinery and equipment	10,000	10,000	-	(10,000)
Donations to the Chamber of Commerce	35,000	35,000	35,000	-
Clothing and uniforms	1,000	1,500	1,333	(167)
COVID-19 related expenses	-	40,000	119,981	79,981
Total general government	<u>1,738,556</u>	<u>7,431,825</u>	<u>7,988,317</u>	<u>556,492</u>
Fire protection and control:				
Salaries	1,641,700	1,310,026	1,309,502	(524)
OASI	125,200	125,200	94,884	(30,316)
Hospital and health insurance	266,500	266,500	162,730	(103,770)
Workmen's compensation	47,975	39,560	39,559	(1)
Employee education and training	20,000	20,000	14,565	(5,435)
Other employer contributions	106,200	106,200	65,845	(40,355)
Volunteer firemen	5,000	-	-	-
Contractual services	440,000	440,325	393,672	(46,653)
Membership fees, dues	5,000	5,000	3,470	(1,530)
Utility services	25,000	28,000	26,271	(1,729)
Telephone	15,000	15,000	14,663	(337)
Medical and dental	15,000	26,000	20,901	(5,099)
Repair and maintenance	65,000	123,690	109,188	(14,502)
Data processing	10,000	12,000	10,744	(1,256)
Travel	6,000	6,000	2,390	(3,610)
Operating supplies	20,000	20,900	17,798	(3,102)
Clothing and uniforms	14,500	14,500	14,289	(211)
Gas, oil and diesel	20,000	12,000	10,294	(1,706)
Insurance-building and liability	18,926	22,696	22,695	(1)

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, 2020

	Budgeted Amounts			Variance
	Original	Final	Actual	Over (Under)
Insurance-vehicles and equipment	13,749	15,908	15,908	-
Capital outlay	-	400,566	211,300	(189,266)
Machinery and equipment rent	5,000	8,000	6,785	(1,215)
Other machinery and equipment	87,537	93,780	85,159	(8,621)
	<u>2,973,287</u>	<u>3,111,851</u>	<u>2,652,612</u>	<u>(459,239)</u>
Fire fighting:				
Supplies	5,000	5,000	3,012	(1,988)
	<u>2,978,287</u>	<u>3,116,851</u>	<u>2,655,624</u>	<u>(461,227)</u>
Total public safety				
Public Works:				
Highway and streets:				
Salaries	739,000	739,000	683,644	(55,356)
OASI	55,800	55,800	49,067	(6,733)
Hospital and health insurance	127,000	127,000	99,845	(27,155)
Workmen's compensation	31,000	31,000	25,935	(5,065)
Other employer contributions	51,700	51,700	34,398	(17,302)
Memberships, registration fees	3,000	3,000	1,650	(1,350)
Employee education and training	8,000	8,000	4,369	(3,631)
Utility services	25,000	28,500	27,064	(1,436)
Ambulance services	2,000	2,000	219	(1,781)
Other contractual services	-	1,500	1,289	(211)
Other professional services	8,000	8,000	1,214	(6,786)
Telephone	20,500	22,000	21,068	(932)
Data processing	16,200	24,000	21,525	(2,475)
Repair and maintenance services	42,500	113,000	107,570	(5,430)
Travel	1,000	1,000	44	(956)
Sundry	-	350	307	(43)
Operating supplies	32,000	33,500	27,241	(6,259)
Clothing and uniforms	9,650	13,000	12,571	(429)
Gas, oil and diesel	25,000	25,000	23,729	(1,271)
Insurance	18,500	23,852	23,852	-
Machinery and equipment rental	7,000	10,000	9,186	(814)
Other machinery and equipment	49,000	64,000	62,778	(1,222)
Capital outlay	30,000	25,800	25,798	(2)
Total highway and streets	<u>1,301,850</u>	<u>1,411,002</u>	<u>1,264,363</u>	<u>(146,639)</u>
Storm drainage:				
Salaries	55,000	55,000	32,165	(22,835)
OASI	4,200	4,200	2,313	(1,887)

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, 2020

	Budgeted Amounts			Variance Over (Under)
	Original	Final	Actual	
Hospital and health insurance	6,500	6,500	3,911	(2,589)
Workmen's compensation	2,000	2,000	1,886	(114)
Other employer contributions	4,000	4,000	3,723	(277)
Contractual services	40,000	40,000	44,554	4,554
Employee education and training	3,000	3,000	1,560	(1,440)
Memberships, registration fees	4,000	4,000	5,210	1,210
Donations to the Chamber of Commerce	2,000	2,000	849	(1,151)
Data processing	1,000	1,000	1,490	490
Other professional service	11,000	11,000	120	(10,880)
Operating supplies	1,000	1,000	319	(681)
Clothing and uniforms	650	650	388	(262)
Gas, oil and diesel	1,000	1,000	-	(1,000)
Other machinery and equipment	32,000	32,000	29,594	(2,406)
Total storm drainage	<u>167,350</u>	<u>167,350</u>	<u>128,082</u>	<u>(39,268)</u>
 Total public works	 <u>1,469,200</u>	 <u>1,578,352</u>	 <u>1,392,445</u>	 <u>(185,907)</u>
 Parks and recreation:				
Salaries	423,000	423,000	391,254	(31,746)
OASI	33,500	33,500	27,392	(6,108)
Hospital and health insurance	76,400	76,400	66,213	(10,187)
Workmen's compensation	11,000	7,500	6,857	(643)
Employee education and training	4,250	2,750	2,701	(49)
Basketball fees	31,000	26,736	28,936	2,200
Postage	500	500	247	(253)
Memberships and registration fees	2,000	1,375	1,375	-
Other employer contributions	26,100	16,500	9,885	(6,615)
Contractual services	240,000	257,250	253,380	(3,870)
Data processing services	23,000	29,150	21,773	(7,377)
Other professional services	3,000	3,029	2,309	(720)
Public relations	20,000	22,895	16,169	(6,726)
Utility services	78,000	108,280	101,473	(6,807)
Telephone	10,500	16,000	15,704	(296)
Repair and maintenance	52,500	69,500	60,524	(8,976)
Travel	2,000	3,590	3,588	(2)
Sundry	3,600	3,600	2,586	(1,014)
Operating supplies	40,400	55,400	49,100	(6,300)
Clothing and uniforms	5,700	5,700	3,477	(2,223)
Gas, oil and diesel fuel	9,000	9,000	7,711	(1,289)
Fabricated materials	10,000	6,700	6,126	(574)
Insurance	16,200	22,355	22,339	(16)

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, 2020

	Budgeted Amounts			Variance
	Original	Final	Actual	Over (Under)
Other machinery and equipment	11,500	22,855	21,355	(1,500)
Machinery and equipment rent	3,000	3,000	2,499	(501)
Capital outlay	-	11,302	11,302	-
Total parks and recreation	1,136,150	1,237,867	1,136,275	(101,592)
Debt Service:				
Principal	225,000	455,000	454,026	(974)
Interest	49,000	49,000	48,790	(210)
Total debt service	274,000	504,000	502,816	(1,184)
Total expenditures	7,596,193	13,868,895	13,675,477	(193,418)
Excess (deficiency) of revenues over (under) expenditures	2,457,986	(2,410,289)	(1,603,183)	807,106
Other financing sources (uses)				
Issuance of debt	-	2,230,275	2,230,277	2
Transfers in	-	400,000	400,000	-
Transfers out	(2,457,986)	(2,457,986)	(2,457,985)	1
Total other financing sources (uses)	(2,457,986)	172,289	172,292	3
Net change in fund balances	\$ -	\$ (2,238,000)	(1,430,891)	\$ 807,109
Fund balance, July 1			16,632,220	
Fund balance, June 30			<u>\$ 15,201,329</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 Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 19,071,518	\$ 19,071,518	\$ 20,688,839	\$ 1,617,321
Intergovernmental	22,468,000	22,468,000	22,697,925	229,925
Charges for services	500,877	500,877	374,481	(126,396)
Operating Federal and State Grants	-	30,000	30,000	-
Interest income	96,000	96,000	108,122	12,122
Other	215,500	215,500	286,072	70,572
Total revenues	42,351,895	42,381,895	44,185,439	1,803,544
Expenditures:				
Instruction	26,617,868	26,757,958	24,655,649	(2,102,309)
Support services	15,711,120	16,118,680	14,402,607	(1,716,073)
Non-instructional services	5,773,333	5,440,333	3,881,887	(1,558,446)
Total expenditures	\$ 48,102,321	\$ 48,316,971	\$ 42,940,143	\$ (5,376,828)
Excess (deficiency) of revenues over (under) expenditures	(5,750,426)	(5,935,076)	1,245,296	7,180,372
Other financing sources (uses):				
Transfers in	6,138,686	6,329,976	650,194	(5,679,782)
Transfers out	(388,260)	(394,900)	(401,054)	(6,154)
Total other financing sources (uses)	5,750,426	5,935,076	249,140	(5,685,936)
Net changes in fund balance	\$ -	\$ -	1,494,436	\$ 1,494,436
Fund balance - beginning			20,562,811	
Fund balance - ending			<u>\$ 22,057,247</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
STATE STREET AID FUND

For the Year Ended June 30, 2020

	Budgeted Amounts			Variance
	Original	Final	Actual	Over (Under)
Revenues				
Intergovernmental:				
Gas 1989	\$ 38,000	\$ 38,000	\$ 38,032	\$ 32
Gas 3 cent	70,000	70,000	70,470	470
Gasoline and motor fuel tax	235,000	235,000	240,541	5,541
2017 gas tax	70,000	100,530	120,671	20,141
Grant revenue	1,000,000	885,385	947,769	62,384
Total intergovernmental	<u>1,413,000</u>	<u>1,328,915</u>	<u>1,417,483</u>	<u>88,568</u>
Other:				
Interest earned	<u>30,000</u>	<u>64,700</u>	<u>73,513</u>	<u>8,813</u>
Total other	<u>30,000</u>	<u>64,700</u>	<u>73,513</u>	<u>8,813</u>
Total revenues	<u>1,443,000</u>	<u>1,393,615</u>	<u>1,490,996</u>	<u>97,381</u>
Expenditures				
Current:				
Public works:				
Highways and streets:				
Utilities	370,000	431,500	398,410	(33,090)
Repair and maintenance services	95,000	21,000	12,096	(8,904)
Repair and maintenance - streets	1,270,000	1,270,000	1,102,609	(167,391)
Operating supplies	230,000	183,115	72,790	(110,325)
Capital outlay, including grants	<u>1,278,000</u>	<u>1,288,000</u>	<u>1,093,894</u>	<u>(194,106)</u>
Total expenditures	<u>3,243,000</u>	<u>3,193,615</u>	<u>2,679,799</u>	<u>(513,816)</u>
Excess (deficiency) of revenues				
 over (under) expenditures	<u>(1,800,000)</u>	<u>(1,800,000)</u>	<u>(1,188,803)</u>	<u>611,197</u>
Other financing sources (uses)				
Transfers in	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,800,000</u>	<u>-</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>611,197</u>	<u>\$ 611,197</u>
Fund balance, July 1			<u>4,692,648</u>	
Fund balance, June 30			<u>\$ 5,303,845</u>	

See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2020

	<u>Sewer Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 4,191,633
Investments	7,369,194
Receivables	
Interest	10,540
Accounts	344,064
Total current assets	<u>11,915,431</u>
Noncurrent assets	
Capital assets	
Land	231,762
Sewer plant	31,553,255
Construction in progress	85,808
Less accumulated depreciation	<u>(9,741,024)</u>
Total capital assets (net of accumulated depreciation)	<u>22,129,801</u>
Total noncurrent assets	<u>22,129,801</u>
Total assets	<u>34,045,232</u>
Liabilities	
Current liabilities	
Accounts payable	30,150
Accrued annual leave	13,165
Due to other funds	104,140
Bonds payable	1,103,303
Total current liabilities	<u>1,250,758</u>
Noncurrent liabilities	
Accrued annual leave	6,838
Bonds payable	7,419,547
Total noncurrent liabilities	<u>7,426,385</u>
Total liabilities	<u>8,677,143</u>
Net position	
Net investment in capital assets	13,606,951
Restricted for Lillian Bend lift station	100,000
Unrestricted	<u>11,661,138</u>
Total net position	<u>\$ 25,368,089</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, 2020

	Sewer Fund
Operating revenues	
Sewer service charges	\$ 2,111,954
Surcharges and inspection fees	581,812
Total operating revenues	<u>2,693,766</u>
Operating expenses	
Salaries	293,023
OASI	21,072
Hospital and health insurance	36,757
Workmen's compensation	11,025
Other employer contributions	17,267
Employee education and materials	3,726
Memberships and dues	7,390
Utility services	186,096
Telephone	17,649
Accounting and auditing	4,414
Other professional services	28,045
Contractual services	1,766
Data processing services	12,535
Repair and maintenance	331,522
Lab costs	42,388
Operating supplies	33,576
Insurance	15,852
Travel	980
Rental	8,017
Depreciation	975,663
Total operating expenses	<u>2,048,763</u>
Operating income (loss)	<u>645,003</u>
Non-operating income (expense)	
Interest earned	193,092
Interest expense	(196,170)
Debt fees	(28,722)
Total non-operating revenues (expenses)	<u>(31,800)</u>
Change in net position before contributed capital	613,203
Capital contributions	895,883
Change in net position	1,509,086
Total net position, beginning	<u>23,859,003</u>
Total net position, ending	<u><u>\$ 25,368,089</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, 2020

	Sewer Fund
Cash flows from operating activities:	
Cash received from consumers	\$ 2,681,880
Cash received from other funds	2,775
Cash paid to employees for services	(314,095)
Other operating payments	<u>(775,027)</u>
Net cash provided (used) by operating activities	<u>1,595,533</u>
Cash flows from capital and related financing activities:	
Principal paid on debt	(1,058,955)
Interest and debt fees paid	(226,195)
Construction and acquisition of plant	<u>(299,177)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,584,327)</u>
Cash flows from investing activities:	
Purchase of investments	(3,998,286)
Proceeds from sale and maturities of investments	3,852,988
Interest and unrealized change in investments	<u>184,690</u>
Net cash provided (used) by investing activities	<u>39,392</u>
Net increase (decrease) in cash and cash equivalents	50,598
Cash and cash equivalents - beginning of year	<u>4,141,035</u>
Cash and cash equivalents - end of year	<u>\$ 4,191,633</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, 2020

	<u>Sewer Fund</u>
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income (loss)	\$ 645,003
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	975,663
(Increase) decrease in accounts receivable	(11,886)
Increase (decrease) in payables	(17,825)
Increase (decrease) in accrued annual leave	1,803
Increase (decrease) in due to other funds	<u>2,775</u>
Net cash provided (used) by operating activities	<u>\$ 1,595,533</u>

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

TOWN OF ARLINGTON, TENNESSEE
ARLINGTON COMMUNITY SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2020

	Other Postemployment Benefits	Agency Fund
Assets		
Cash and cash equivalents	\$ 122,917	\$ 1,186,458
Accounts receivable	200,000	-
Inventory	-	11,040
Investments at fair value	2,473,496	-
Total assets	<u>\$ 2,796,413</u>	<u>\$ 1,197,498</u>
Liabilities		
Due to student general fund	\$ -	\$ 704,144
Due to student groups	-	493,354
Total liabilities	<u>-</u>	<u>\$ 1,197,498</u>
Net Position		
Restricted for OPEB benefits	<u>\$ 2,796,413</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
For the Year Ended June 30, 2020

	Other Postemployment Benefits
ADDITIONS	
Contributions	\$ 315,681
Investment earnings (losses):	
Interest and dividends	92,266
Net appreciation in fair value of investments	1,517
Total investment earnings	<u>93,783</u>
 Total additions	 409,464
DEDUCTIONS	
Benefits	115,459
Administrative expenses	10,630
Total deductions	<u>126,089</u>
 Change in net position	 283,375
 Net position - beginning of the year	 <u>2,513,038</u>
 Net position - end of the year	 <u><u>\$ 2,796,413</u></u>

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

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Arlington, Tennessee (the 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 (the System) 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.

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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 State Street Aid Fund accounts for street and road repair and maintenance

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

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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 except for investments measured using Net Asset Value ("NAV") per share which have no readily determinable fair value and have been determined using amortized cost which approximates fair value. Restricted investments consist of assets held in an irrevocable trust for future TCRS pension benefits.

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.

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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 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 contractual or otherwise required 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 \$4.05 per \$100 of assessed value includes \$1.96 for both the county schools and the municipal schools of the County. Distribution of the \$1.96 to the county schools and the municipal school districts is based on the average daily attendance of each system. Approximately, 77.17% and 22.83% was distributed to Shelby County Schools and the municipal school districts of Shelby County, respectively. 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.

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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

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 25 days maximum. The current portion of the accrued vacation at June 30, 2020 recorded in the governmental funds is the amount that would normally be liquidated with expendable available financial resources.

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 amounts related to pension and OPEB changes.

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

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recognized as an inflow of resources (revenue) until that time. The items that qualify for reporting as a deferred inflow of resources are unavailable revenues from grant and taxes, as well as amounts related to pension and OPEB changes.

Pensions and Other Postemployment Benefits

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 plan's 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. Plan assets do not include any securities of the System nor have any of the plans made loans to the System.

Fair Value Measurement

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets and liabilities recorded at fair value in the statements of net position are categorized based on the level of judgment associated with the inputs used to measure their value. The three categories of level inputs are as follows: 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 for identical or similar assets or liabilities in inactive 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 the 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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New Governmental Accounting Standards Board (GASB) Pronouncements

GASB Statement No. 84, *Fiduciary Activities* was issued to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The requirements of GASB Statement No. 84 are effective for fiscal year 2021. The System is currently evaluating the impact of GASB Statement No. 84 may have on its financial statements.

GASB Statement No. 87, *Leases*, was issued to increase the usefulness of financial statements by requiring reporting of certain lease liabilities that currently are not reported, enhance comparability by requiring lessees and lessors to report leases under a single model, and enhance the usefulness of information by requiring notes to the financial statements regarding leasing arrangements. The requirements of GASB No. 87 are effective for fiscal year 2022. The Town is currently evaluating the impact of GASB No. 87 may have on its financial statements.

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

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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.

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 \$11,492,415 difference are as follows:

Long-term debt due within a year	\$ 829,456
Long-term debt due in more than a year	4,420,770
Compensated absences payable	457,597
Net OPEB liability	5,530,649
Accrued postclosure care costs	<u>253,943</u>
Net adjustment to reduce fund balance - total government funds to arrive at net position - governmental activities	<u><u>\$ 11,492,415</u></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 \$10,547,912 difference are as follows:

TOWN OF ARLINGTON, TENNESSEE
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Capital outlay net of contributed capital	\$ 16,405,503
Amount costs of disposed assets exceeded accumulated depreciation	(168,214)
Depreciation expense	<u>(5,689,377)</u>
Net adjustment to reduce net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 10,547,912</u>

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 (\$519,573) difference are as follows:

Change in unavailable property taxes	\$ (102,207)
Change in unavailable grant revenue	(411,184)
Change in unavailable revenue	<u>(6,182)</u>
Net adjustment to reduce net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (519,573)</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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.

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.

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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, 2020, all deposits were fully collateralized or insured.

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, 2020.

Arlington Community Schools

Legal Provisions – Investments of the System are limited to those authorized by Tennessee State Law. State statutes authorize the System to make direct investments in in bonds, notes or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the Local Government Investment Pool ("LGIP"); bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and nonconvertible debt securities of certain federal government sponsored enterprises. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction. State statutes limit maturities of the above investments to four years from the date of investment unless a greater maturity is approved by the State Director of Finance.

The System is a member of the Tennessee Consolidated Retirement System ("TCRS") Stabilization Reserve Trust. The School has placed funds into the irrevocable trust as authorized by 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 trust. Funds of trust members are held and invested in the name of the trust for the benefit of each member. Each member's funds are restricted for the payment of retirement benefits of that member's employees. Trust funds are not subject to the claims of general creditors of the System. The trust is authorized to make investments as directed by the TCRS Board of Trustees. The System may not impose restrictions on investments placed by the trust on their behalf.

In addition to investments allowed by the System, the fiduciary fund's investment policy authorizes investments in mutual funds, common stocks, and other equities. The OPEB's investment policy has been formally adopted by the System's Board of Directors.

TOWN OF ARLINGTON, TENNESSEE NOTES TO FINANCIAL STATEMENTS

June 30, 2020

a) Restricted Investments – TCRS Stabilization Reserve Trust

Assets of the TCRS, including the Stabilization Reserve Trust, are invested in the Tennessee Retiree Group Trust ("TRGT"). The TRGT is not registered with the Securities and Exchange Commission (SEC) as an investment company. The State of Tennessee has not obtained a credit quality rating for the TRGT from a nationally recognized credit ratings agency. The fair value of investment positions in the TRGT is determined daily based on the fair value of the pool's underlying portfolio. Furthermore, TCRS had not obtained or provided any legally binding guarantees to support the value of participant shares during the fiscal year. There are no restrictions on the sale or redemption of shares. For further information concerning the System's investments with the TCRS Stabilization Reserve Trust, audited financial statements of the Tennessee Consolidated Retirement System may be obtained at <https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/disclaimer/2020/ag19091.pdf>. The following table summarizes fair value disclosures and measurements for the System's investments held by the TRGT on its behalf June 30, 2020:

Investments at Fair Value

	Level 1	Level 2	Level 3	Total
Mutual Funds				
U.S. equity	\$ 70,959	\$ -	\$ -	\$ 70,959
Developed market international equity	32,046	-	-	32,046
Emerging market international equity	9,156	-	-	9,156
U.S. fixed income	-	45,780	-	45,780
Short-term securities	-	2,287	-	2,287
Real estate	-	-	22,890	22,890
Total Investments	<u>112,161</u>	<u>48,067</u>	<u>22,890</u>	<u>183,118</u>

Investment at amortized cost using NAV

Private equity and strategic lending	-	-	-	45,780
Total restricted investments	<u>\$ 112,161</u>	<u>\$ 48,067</u>	<u>\$ 22,890</u>	<u>\$ 228,898</u>

b) Fiduciary Investments

The System administers a fiduciary fund whose investments are held by a third party trustee bank. Additionally, the System utilizes an advisor to select appropriate investment choices. The following table summarizes fair value disclosures and measurements for fiduciary investments at June 30, 2020:

<u>Investments at Fair Value</u>	Level 1	Level 2	Level 3	Total
Equity exchange traded funds	\$ 550,215	\$ -	\$ -	\$ 550,215
Fixed income exchange traded funds	48,653	-	-	48,653
Equity mutual funds	1,052,320	-	-	1,052,320
Fixed income mutual funds	665,820	-	-	665,820
Structured investments	-	-	156,488	156,488
Total investments	<u>\$ 2,317,008</u>	<u>\$ -</u>	<u>\$ 156,488</u>	<u>\$ 2,473,496</u>

TOWN OF ARLINGTON, TENNESSEE NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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, 2020:

- *Short-term securities*: generally, include investments in money market-type securities reported at cost plus accrued interest.
- *Equity and equity derivative securities*: Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Level 2 are securities whose values are derived daily from associated traded securities. Level 3 are valued with last trade data having limited trading volume.
- *US Treasury Bills, Bonds, Notes and Futures*: Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Level 2 are valued using a bid-ask spread price from multiple independent brokers, dealers, or market principals, which are known to be actively involved in the market. Level 3 are valued using proprietary information, a single pricing source, or other unobservable inputs related to similar assets or liabilities.
- *Real estate investments*: Level 3 are valued using the last valuations provided by external investment advisors or independent external appraisers. Generally, all direct real estate investments are appraised by a qualified independent appraiser(s) with the professional designation of Member of the Appraisal Institute ("MAI"), or its equivalent, every three (3) years beginning from the acquisition date of the property. The appraisals are performed using generally accepted valuation approaches applicable to the property type.
- *Private mutual funds, traditional private equity funds, strategic lending funds and real estate funds*: Those funds that report using GAAP, the fair value, as well as the unfunded commitments, were determined using the prior quarter's NAV, as reported by the fund managers, plus the current cash flows. These assets were then categorized by investment strategy. In instances where the fund investment reported using non-GAAP standards, the investment was valued using the same method, but was classified in Level 3.

Risks and Uncertainties – The fiduciary fund trust's and TRGT's investments include various types of investment funds, which in turn invest in any combination of stock, bonds and other investments exposed to various risks, such as interest rate, credit, and market risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported for trust investments.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System does not have the ability to limit TRGT investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The System manages its exposure to declines in fair value by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System does not have the ability to limit the credit ratings of individual investments made by the trust.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer. The System places no limit on the amount the TRGT

TOWN OF ARLINGTON, TENNESSEE
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may invest in one issuer. The System has adopted the investment policy established by TCA 6-5-106 for investments other than those held for pension and OPEB benefits. The System diversifies its fiduciary fund investment portfolios so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized. The System had no investments that comprised more than 5% of its total investments at June 30, 2020.

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The third party bank is also a participant in the State collateral pool. Pursuant to the trust agreements, investments held in the TRGT and fiduciary trust are for the benefit the System to pay retirement benefits of their respective employees.

B. Receivables

Receivables as of June 30, 2020 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	State Street Aid	Sewer	Other Governmental Funds	Total
Receivables						
Interest	\$ 6,544	\$ -	\$ 2,339	\$ 10,540	\$ -	\$ 19,423
Taxes	5,599,904	-	-	-	-	5,599,904
Accounts	145,787	59,441	-	344,064	-	549,292
Due from other						
governments - grants	-	-	489,425	-	253,498	742,923
Intergovernmental	893,330	2,426,458	77,907	-	960,983	4,358,678
Gross receivables	6,645,565	2,485,899	569,671	354,604	1,214,481	11,270,220
Less: allowance for uncollectibles	(20,737)	-	-	-	-	(20,737)
Net total receivables	<u>\$ 6,624,828</u>	<u>\$ 2,485,899</u>	<u>\$ 569,671</u>	<u>\$ 354,604</u>	<u>\$ 1,214,481</u>	<u>\$ 11,249,483</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:

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	Unavailable	Unearned/Unavailable	Total
Grant revenue	\$ 438,912	\$ -	\$ 438,912
Delinquent property taxes receivable	17,500	-	17,500
2020 property tax assessment	-	5,526,149	5,526,149
Delinquent property taxes receivable - Schools	398,372	-	398,372
Sales taxes receivable - Schools	532,314	-	532,314
County allocation - construction in progress	364,965	-	364,965
Prepaid lunch balances	-	54,261	54,261
Other unearned revenue	-	13,200	13,200
Total deferred revenue for governmental funds	<u>\$ 1,752,063</u>	<u>\$ 5,593,610</u>	<u>\$ 7,345,673</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 4,903,034	\$ 24,873	\$ -	\$ 4,927,907
Construction in progress	10,627,789	11,379,906	10,221,981	11,785,714
Total capital assets, not being depreciated	<u>15,530,823</u>	<u>11,404,779</u>	<u>10,221,981</u>	<u>16,713,621</u>
Capital assets being depreciated:				
Buildings and improvements	100,192,587	10,913,461	-	111,106,048
Machinery and equipment	12,975,778	1,170,773	422,710	13,723,841
Infrastructure	38,523,578	3,138,471	-	41,662,049
Total capital assets being depreciated	<u>151,691,943</u>	<u>15,222,705</u>	<u>422,710</u>	<u>166,491,938</u>
Less: accumulated depreciation for:				
Buildings and improvements	(12,291,753)	(2,642,126)	-	(14,933,879)
Machinery and equipment	(5,197,641)	(1,617,348)	(254,496)	(6,560,493)
Infrastructure	(10,629,734)	(1,429,903)	-	(12,059,637)
Total accumulated depreciation	<u>(28,119,128)</u>	<u>(5,689,377)</u>	<u>(254,496)</u>	<u>(33,554,009)</u>
Total capital assets, being depreciated, net	<u>123,572,815</u>	<u>9,533,328</u>	<u>168,214</u>	<u>132,937,929</u>
Governmental activities, capital assets, net	<u>\$ 139,103,638</u>	<u>\$ 20,938,107</u>	<u>\$ 10,390,195</u>	<u>\$ 149,651,550</u>

TOWN OF ARLINGTON, TENNESSEE
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Business-type Activities:	Beginning			Ending
Capital assets not being depreciated:	Balance	Increases	Decreases	Balance
Land	\$ 231,762	\$ -	\$ -	\$ 231,762
Construction in progress	-	85,808	-	85,808
Total capital assets, not being depreciated	<u>231,762</u>	<u>85,808</u>	<u>-</u>	<u>317,570</u>
Capital assets being depreciated:				
Sewer plant	<u>30,444,003</u>	<u>1,109,252</u>	<u>-</u>	<u>31,553,255</u>
Total capital assets being depreciated	<u>30,444,003</u>	<u>1,109,252</u>	<u>-</u>	<u>31,553,255</u>
Less: accumulated depreciation for:				
Infrastructure	<u>(8,765,361)</u>	<u>(975,663)</u>	<u>-</u>	<u>(9,741,024)</u>
Total accumulated depreciation	<u>(8,765,361)</u>	<u>(975,663)</u>	<u>-</u>	<u>(9,741,024)</u>
Total capital assets being depreciated, net	<u>21,678,642</u>	<u>133,589</u>	<u>-</u>	<u>21,812,231</u>
Business-type activities capital assets, net	<u>\$ 21,910,404</u>	<u>\$ 219,397</u>	<u>\$ -</u>	<u>\$ 22,129,801</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	\$ 96,507
Public safety	321,478
Public works	191,960
Street department	1,399,783
Parks department	500,734
Education	3,178,915
Total depreciation expense - governmental activities	<u>\$ 5,689,377</u>
Business-type activities:	
Sewer	<u>\$ 975,663</u>

D. Interfund Transfers and Balances

The composition of interfund transfers as of June 30, 2020, is as follows:

Transfer from	Transfer to	Amount
General	General Purpose School	\$ 593,985
General Purpose School	General	400,000
General	State Street Aid	1,800,000
General	Sanitation	64,000
Federal Projects	General Purpose School	56,209
General Purpose School	School Nutrition	1,054
Total		<u>\$ 2,915,248</u>

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

TOWN OF ARLINGTON, TENNESSEE
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The transfer from the General Fund to General Purpose School Fund was to transfer the Schools' share of property tax. The transfer from General Purpose School Fund to the General Fund was a one-time donation for the use of the tennis courts. The transfer from the General Fund to the State Street Aid Fund to cover street repair expenditures. Funds were transferred from the General Fund to the Sanitation Fund to cover operational expenses. The transfer from the Federal Projects Fund to the General Purpose School Fund and the transfer from General Purpose School Fund to School Nutrition were to offset cash advance from the General Purpose Fund during outstanding billing periods for federal funds.

The composition of due to and due from other funds as of June 30, 2020, is as follows:

Due from (Payable)	Due to (Receivable)	Amount
General Fund	State Street Aid	\$ 13,807
Federal Projects	General Purpose School	120,830
Discretionary Grants Fund	General Purpose School	7,937
Sewer Fund	General Fund	14,701
Sewer Fund	Sanitation	89,439
Total		246,714
Governmental fund activities eliminated		(142,574)
Internal balances		<u>\$ 104,140</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. The balance due from the 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, 2020 is summarized as follows:

Revenue Bonds:

Adjustable Rate Pooled Financing Revenue Bonds, Series 2002
Tennessee County Loan Pool; the total amount of the
bond issue is for \$13,000,000; due in annual installments of
\$484,000 to \$1,023,000 through 2024; interest at 2.07% at June 30, 2020 \$ 3,835,045

Adjustable Rate Pooled Financing Revenue Bonds, Series 2012
Tennessee County Loan Pool; the total amount of the
bond issue is for \$6,000,000; due in annual installments of
\$180,000 to \$335,000 through 2037; interest at 2.07% at June 30, 2020 4,665,000

TOWN OF ARLINGTON, TENNESSEE
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Notes Payable:

Fire Equipment Acquisition Capital Outlay Note, Series 2012, Tennessee Municipal Bond Fund; the total amount of the bond issue is for \$535,628; due in annual installments of \$142,026 to \$180,000 through 2026; interest at 3.88% 983,000

General Obligation Capital Outlay Note, Series 2018, Tennessee Municipal Bond Fund; the total amount of the bond issue is for \$6,000,000; due in annual installments of \$220,000 to \$392,000 through 2038; interest at 3.02%
Total of \$3,296,542 remains available for draws as of June 30, 2020. 2,253,458

Arlington Community School System Note payable to the Shelby County Board of Education; the total amount of the note is \$3,999,996; due in annual payments of \$333,333 through 2026. 1,999,998

The Schools elected to establish the liability incurred through the settlement agreement at its present value with a discount rate of 2.0%.
Schools liability to Shelby County Board of Education, net of discount (134,017)
1,865,981

Arlington Community School System capital lease for financing the acquisition of computer equipment; cumulative amount of assets under the capital lease total \$440,970; interest rate at 2.76%; due through 2021 147,787
147,787

Total \$ 13,750,271

The following is a summary of long-term debt transactions for the year ended June 30, 2020:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
<i>Direct borrowings:</i>					
Notes from direct borrowings					
Note payable- capital outlay	\$ 1,460,207	\$ 2,230,277	\$ 454,026	\$ 3,236,458	\$ 386,000
Note payable- Board of Education, net of discount	<u>2,155,801</u>	<u>-</u>	<u>289,820</u>	<u>1,865,981</u>	<u>295,669</u>
Total notes from direct borrowings	<u>3,616,008</u>	<u>2,230,277</u>	<u>743,846</u>	<u>5,102,439</u>	<u>681,669</u>
Capital lease - Board of Education	<u>291,605</u>	<u>-</u>	<u>143,818</u>	<u>147,787</u>	<u>147,787</u>
Total direct borrowings	<u>3,907,613</u>	<u>2,230,277</u>	<u>887,664</u>	<u>5,250,226</u>	<u>829,456</u>
Compensated absences	348,119	408,451	298,973	457,597	301,774
Landfill closing and post closing monitoring costs	<u>291,029</u>	<u>-</u>	<u>37,086</u>	<u>253,943</u>	<u>-</u>
	<u>\$ 4,546,761</u>	<u>\$ 2,638,728</u>	<u>\$ 1,223,723</u>	<u>\$ 5,961,766</u>	<u>\$ 1,131,230</u>

TOWN OF ARLINGTON, TENNESSEE
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	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable					
Revenue bonds 2002	\$ 4,694,000	\$ -	\$ 858,955	\$ 3,835,045	\$ 897,000
Revenue bonds 2012	4,865,000	-	200,000	4,665,000	205,000
Bond premium	24,108	-	1,303	22,805	1,303
Total bonds payable	<u>9,583,108</u>	<u>-</u>	<u>1,060,258</u>	<u>8,522,850</u>	<u>1,103,303</u>
Compensated absences	14,139	20,003	14,139	20,003	13,165
	<u>\$ 9,597,247</u>	<u>\$ 20,003</u>	<u>\$ 1,074,397</u>	<u>\$ 8,542,853</u>	<u>\$ 1,116,468</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 \$203,238 in the general fund and \$254,359 in the general purpose 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, 2020, including interest payments of \$2,880,991, are as follows:

Year Ending June 30,	Governmental Activities				Business-Type Activities				Total Principal	Total Interest
	Direct Borrowings									
	Notes payable Principal	Interest	Capital lease Principal	Interest	Bonds Principal	Interest				
2021	\$ 719,333	\$ 205,750	\$ 147,787	\$ 4,079	\$ 1,102,000	\$ 192,802	\$ 1,969,120	\$ 402,631		
2022	731,333	192,812	-	-	1,147,000	175,107	1,878,333	367,919		
2023	744,333	179,468	-	-	1,194,000	156,304	1,938,333	335,772		
2024	759,333	165,680	-	-	1,242,045	136,356	2,001,378	302,036		
2025	772,333	151,378	-	-	225,000	115,624	997,333	267,002		
2026-2030	1,509,791	375,227	-	-	1,210,000	491,052	2,719,791	866,279		
2031-2035	-	-	-	-	1,405,000	290,113	1,405,000	290,113		
2036-2038	-	-	-	-	975,000	49,239	975,000	49,239		
Total	\$ 5,236,456	\$ 1,270,315	\$ 147,787	\$ 4,079	\$ 8,500,045	\$ 1,606,597	\$ 13,884,288	\$ 2,880,991		

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

TOWN OF ARLINGTON, TENNESSEE
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inflation, changes in technology, or changes in regulations. Expenditures were \$37,086 for the year ended June 30, 2020.

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 of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The System considers it more economically feasible to participate in a public entity risk pool as opposed to purchasing commercial insurance for certain general liability, workers' compensation, and property insurance. As such, the System participates in the Public Entity Partners Risk Management Pool (the "Pool"), which is a public entity risk pool consisting of member political subdivisions of the State of Tennessee. The System pays an annual premium to the Pool and each political subdivision that has participated in the Pool is subject to assessment if the funds it paid as premiums are insufficient to meet the obligations of the Pool. The Pool may reinsure through the Local Government Reinsurance Fund of Tennessee or a commercial insurance company. The System continues to carry commercial insurance for all other risks of loss, including public officials' bond. The System has replacement cost insurance, including earthquake coverage, on all buildings and on mobile equipment and vehicles costing more than \$25,000 each.

The System has not incurred any losses in excess of commercial insurance coverage for the past three fiscal years. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated

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

TOWN OF ARLINGTON, TENNESSEE NOTES TO FINANCIAL STATEMENTS

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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, 2020, total employer contributions were \$104,452 and employee contributions were \$159,500 based on total covered wages of \$3,235,690. 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, 2020.

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")

- I. **Legacy Public Employee Retirement Plan ("Administrative 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.
- II. **Hybrid Public Employee Retirement Plan ("Administrative 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.
- III. **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.
- IV. **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.

The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs. 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.

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

TOWN OF ARLINGTON, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

	Net Pension Asset	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
Administrative Legacy Pension Plan	\$ 396,017	\$ 188,204	\$ 138,335	\$ 83,832
Administrative Hybrid Pension Plan	52,989	86,784	2,105	17,700
Teacher Legacy Pension Plan	5,577,825	4,108,967	5,023,249	1,800,865
Teacher Retirement Plan	179,079	115,061	59,063	55,879
	<u>\$ 6,205,910</u>	<u>\$ 4,499,016</u>	<u>\$ 5,222,752</u>	<u>\$ 1,958,276</u>

a) General Information about the Pension Plan

Benefits Provided

Under the Administrative Legacy Plan and Teacher Legacy Plan, 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. Under the Administrative Hybrid Plan and Teacher Hybrid Plan, members 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. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Plan and Teacher Hybrid Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, under the Administrative Hybrid Plan, Teacher Legacy Plan, and Teacher Hybrid Plan, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2019, the following employees were covered by the benefit terms of the agent plans:

TOWN OF ARLINGTON, TENNESSEE

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June 30, 2020

	Administrative	
	Legacy Plan	Hybrid Plan
Inactive employees or beneficiaries currently receiving benefits	12	-
Inactive employees entitled to but not yet receiving benefits	22	18
Active employees	<u>53</u>	<u>45</u>
	<u>87</u>	<u>63</u>

Contributions

Under the TCRS Plans, contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or, for the Administrative Hybrid Plan and Teacher Hybrid Plan, by automatic cost controls set by law. Employees contribute 5 percent of salary. The Board of Education makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions are required to be paid. The TCRS may intercept the Board of Education's state shared taxes if required employer contributions are not remitted. The employer rate 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. Per statutory provisions governing TCRS, the employer contribution rate for the Hybrid Plans cannot be less than 4 percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees is reached.

Employer contributions to each plan for the year ended June 30, 2020 were as follows:

	Administrative		Teacher	
	Legacy Plan	Hybrid Plan	Legacy Plan	Hybrid Plan
Employer contributions	\$ 144,358	\$ 46,681	\$ 1,920,060	\$ 86,186
Covered payroll	<u>1,950,784</u>	<u>2,131,147</u>	<u>18,077,664</u>	<u>4,246,944</u>
As a percentage of covered payroll	<u>7.40%</u>	<u>2.19%</u>	<u>10.62%</u>	<u>2.03%</u>

b) Actuarial Assumptions

The total pension liability as of June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, net of investment expense, including inflation
Cost-of-living adjustment	2.25%
Mortality rates	Actual experience including an adjustment for anticipated movement

The actuarial assumptions used in the June 30, 2019 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.

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Investment Policy

The long-term expected rate of return on pension plan investments were 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%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

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

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25% 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%. 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 Board of Education 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 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 total pension liability.

c) Net Pension Liability (Asset)

The net pension liability (asset) for each TCRS administered plan was measured as of June 30, 2019. The total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of the respective dates.

TOWN OF ARLINGTON, TENNESSEE
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The components of the net pension liability (asset) as of those dates are as follows:

	Administrative		Teacher	
	Agent Plans		Cost-Sharing Plans	
	Legacy Plan	Hybrid Plan	Legacy Plan	Hybrid Plan
Total Pension Liability				
Service cost	\$ 228,051	\$ 93,687		
Interest	101,061	18,957		
Changes in benefit terms	-	-		
Differences between expected and actual experience	29,616	16,017		
Changes in assumptions	-	-		
Benefit payments, including refunds	(18,259)	(2,191)		
Net change in total pension liability	<u>340,469</u>	<u>126,470</u>		
Total pension liability - beginning	1,175,030	168,887		
Total pension liability - ending	<u>1,515,499</u>	<u>295,357</u>		
Plan Fiduciary Net Position				
Contributions - employer	\$ 163,944	\$ 32,162		
Contributions - employee	110,774	82,467		
Net investment income	123,752	20,382		
Benefit payments	(18,259)	(2,191)		
Administrative expense	(4,931)	(3,981)		
Other charges	-	-		
Net change in plan fiduciary net position	<u>375,280</u>	<u>128,839</u>		
Plan fiduciary net position - beginning	<u>1,536,236</u>	<u>219,507</u>		
Plan fiduciary net position - ending	<u>1,911,516</u>	<u>348,346</u>		
Net pension liability (asset)	<u>\$ (396,017)</u>	<u>\$ (52,989)</u>		

Proportionate share of net pension liability (asset)	<u>\$ (5,577,825)</u>	<u>\$ (179,079)</u>
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Proportionate share at June 30, 2019 measurement date	0.542495%	0.317243%
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Proportionate share at June 30, 2018 measurement date	0.517096%	0.270144%
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The System's proportion of the net pension liability (asset) was based on the System's share of contributions to each cost-sharing plan relative to the contributions of all participating LEAs. Detailed information about each cost-sharing pension plan's fiduciary net position is available in a separately issued TCRS financial reports.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability (asset) or proportionate share of net pension liability (asset) of the System related to each plan calculated using the current discount rates as well as what the net pension liability (asset) or proportionate share of net pension liability (asset) would be

TOWN OF ARLINGTON, TENNESSEE
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if it were calculated using a discount rate that is 1-percentage- point lower or 1-percentage-point higher than the current rate:

	<u>Current Rate</u>	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net pension liability (asset)				
Administrative Legacy Plan	7.25%	\$ (156,591)	\$ (396,017)	\$ (592,839)
Administrative Hybrid Plan	7.25%	15,088	(52,989)	(106,292)
Proportionate share of the net pension asset				
Teacher Legacy Plan	7.25%	\$11,405,040	\$ (5,577,825)	\$ (19,087,223)
Teacher Hybrid Plan	7.25%	56,739	(179,079)	(353,393)

d) Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2020, the System reported pension expense and deferred outflows of resources and deferred inflows of resources related to each plan from the following sources:

	<u>Administrative</u>		<u>Teacher</u>	
	<u>Legacy Plan</u>	<u>Hybrid Plan</u>	<u>Legacy Plan</u>	<u>Hybrid Plan</u>
Pension Expense				
(Negative Pension Expense)	<u>\$ 83,832</u>	<u>\$ 17,700</u>	<u>\$ 1,800,865</u>	<u>\$ 55,879</u>
Deferred Outflows of Resources				
Difference between expected and actual experience	\$ 25,385	\$ 40,103	\$ 271,570	\$ 7,425
Net difference between projected and actual earnings on plan investments	-	-	-	-
Changes in assumptions	18,461	-	751,641	6,222
Change in proportion of net pension liability (asset)	-	-	1,165,696	15,228
Contributions subsequent to the measurement date of June 30, 2019.	<u>144,358</u>	<u>46,681</u>	<u>1,920,060</u>	<u>86,186</u>
	<u>\$ 188,204</u>	<u>\$ 86,784</u>	<u>\$ 4,108,967</u>	<u>\$ 115,061</u>
Deferred Inflows of Resources				
Difference between expected and actual experience	\$ 118,883	\$ -	\$ 3,407,046	\$ 31,262
Net difference between projected and actual earnings on plan investments	19,452	2,105	1,593,692	7,571
Changes in assumptions	-	-	-	-
Change in proportion of net pension liability (asset)	-	-	22,511	20,230
	<u>\$ 138,335</u>	<u>\$ 2,105</u>	<u>\$ 5,023,249</u>	<u>\$ 59,063</u>

TOWN OF ARLINGTON, TENNESSEE
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The amounts shown above for "Contributions subsequent to the measurement date of June 30, 2019," 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 for the years ending June 30:

	School Administrative		Teacher Plans	
	Legacy Plan	Hybrid Plan	Legacy Plan	Hybrid Plan
2021	\$ (20,703)	\$ 3,388	\$ (81,617)	\$ (4,118)
2022	(26,407)	3,388	(1,507,877)	(5,276)
2023	(19,243)	3,744	(711,727)	(3,152)
2024	(16,503)	4,064	(533,121)	(2,070)
2025	(15,852)	4,171	-	(1,761)
Thereafter	4,219	19,243	-	(13,811)

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

Arlington Community School System - Defined Contribution Employee Benefit Plan

TCRS Hybrid 401(k) Plan

The Teacher Retirement Plan and the Hybrid Public Employee Retirement Plan (the Hybrid Plans) provides 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 2020, the System's employer contribution to the defined contribution plan was \$386,403.

D. Postemployment Benefits Other than Pension (OPEB)

In addition to the pension benefits described above, the Arlington Community School System administers 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 postemployment health benefits at the same cost as current employees until age 65. Eligible employees must have been enrolled in the Arlington Community School sponsored insurance plan for twelve consecutive months immediately

TOWN OF ARLINGTON, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

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prior to retirement and have complete 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 are hired by the System 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.

Benefits and premiums are set by the Board of Education. The Board is authorized to (1) add, change, or end any coverage offered, (2) change or discontinue benefits, (3) establish premiums, (4) change the rules for eligibility at any time, for any reason.

Employees Covered by Benefit Terms

Plan membership as of June 30, 2019, the date of the OPEB valuation, consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	26
Active employees	<u>444</u>
	<u>470</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 fund until the Trust balance is sufficient to meet future benefit payments. Employer contributions are based on an actuarially determined rate and are as follows for the year ended June 30, 2020:

Employer contributions	\$ 315,681
Covered payroll	<u>19,423,688</u>
As a percentage of covered payroll	<u>1.63%</u>

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.

The total OPEB liability was determined as part of the June 30, 2019 actuarial valuation using the entry age normal level percent of pay actuarial cost method with results actuarially projected on a "no gain/no loss" basis to get to the June 30, 2020 measurement date. Liabilities as of July 1, 2019 are based on an actuarial valuation date of July 1, 2019 with no adjustments.

Inflation	3.0%
Salary increases	Payroll growth including general wage inflation plus merit/productivity increases are based on the TCRS valuation as of June 30, 2016
Investment rate of return	7.5%, net of investment expense, including inflation
Health care cost trend rate	8.0% initial rate, 4.5% ultimate rate

TOWN OF ARLINGTON, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Mortality rates RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018

Changes in Assumptions

In 2020, the System OPEB changes of assumptions included a decrease in the investment rate of return and discount rate from 7.50% to 6.00%.

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 regarding 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, 2020, 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, 2020 as summarized as follows:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	7.50%	45.50%
Developed market international equity	6.70%	16.25%
Emerging market international equity	8.30%	3.25%
U.S. Fixed income	3.50%	35.00%
	6.00%	100%

Rate of Return

For the year ended June 30, 2020, the annual money-weighted rate of return on investment was 3.75 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts 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

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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, 2020 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, 2020, were as follows:

	Increase (Decrease)		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability (Asset)</u>
Beginning of year	\$ 6,531,591	\$ 2,513,715	\$ 4,017,876
Changes for the year:			
Service cost	342,320	-	342,320
Interest	511,284	-	511,284
Changes in benefit terms	-	-	-
Changes in assumptions	896,336	-	896,336
Differences between expected and actual experience	161,667	-	161,667
Contributions-employer	-	315,681	(315,681)
Net investment income	-	93,783	(93,783)
Benefit payments	(116,136)	(116,136)	-
Administrative expense	-	(10,630)	10,630
Net changes	<u>1,795,471</u>	<u>282,698</u>	<u>1,512,773</u>
End of year	<u>\$ 8,327,062</u>	<u>\$ 2,796,413</u>	<u>\$ 5,530,649</u>

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, 2020, calculated using the current discount rate, as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	<u>Current Rate</u>	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability (asset)	6.00%	\$ 6,185,720	\$ 5,530,649	\$ 4,924,147

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

The following represents the net OPEB liability (asset) as of June 30, 2020, calculated using the current healthcare cost trend rate as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1% lower or 1% than the current rate:

	<u>Current Rate</u>	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability (asset)	7.5% to 4.5%	\$ 4,656,304	\$ 5,530,649	\$ 6,550,546

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

For the year ended June 30, 2020, the System recognized OPEB expense of \$725,302.

For the year ended June 30, 2020, the System reported deferred outflows of resources and deferred inflows of resources of related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 143,704	\$ 599,658
Changes in assumptions	1,002,009	142,267
Net difference between projected and actual earnings on OPEB investments	<u>114,252</u>	<u>-</u>
Total	<u>\$ 1,259,965</u>	<u>\$ 741,925</u>

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:

Year Ended June 30:

2021	\$ 57,986
2022	61,674
2023	64,639
2024	51,033
2025	30,270
Thereafter	252,438

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

E. Health Insurance

The Arlington Community School System participates in the Interlocal Health Benefits Plan Asset Trust to reduce costs of benefit plan administration and lower premium rates related to healthcare benefits. The Interlocal Health Plan is accounted for as a public entity risk pool but operates solely as a risk-sharing pool. Benefits and premium requirements are established and may be amended by an insurance committee. Members have the option of choosing between a Health Reimbursement Account (HRA) option, an Exclusive Provider Organization (EPO) option, and a basic option for healthcare benefits. 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. 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/.

The System is only liable for their portion of plan premiums plus any outstanding capital requirements from the Interlocal Health Plan. The liability for any incurred-but-not-reported claims is borne by the Interlocal Health Plan and not by the individual members. During the year ended June

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

30, 2020, the System contributed premiums of \$4,491,872 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:

Town Hall leases a copier machine. The lease began in September 2019 and will continue until September 2024 with monthly payments of \$193.

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 January 2020 and will continue until January 2025 with monthly payments of \$200.

The annual requirements under these operating leases as of June 30, 2020, are as follows:

Years Ended June 30	
2021	\$ 10,389
2022	4,701
2023	4,701
2024	4,701
2025	1,973
Total	<u>\$ 26,465</u>

Lease expense for the Town for the year ended June 30, 2020 was \$12,698.

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

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

obligation to pay this liability beyond the amount of development fees collected. The balance of this contingent liability as of June 3, 2020 is \$1,703,823.

On November 5, 2018, the Town entered into an agreement with Arlington Community School System (the System) which granted the System the exclusive use of six tennis courts during the months of February through May for a one-time contribution of \$400,000. This agreement is effective from February 1, 2019 through February 1, 2039. In the event the System is denied the use of said tennis courts or finds the tennis courts to be unsafe or unusable during the term of the agreement, the System is entitled to a full refund of the \$400,000 initial contribution.

NOTE 7 – 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, 2020, the Town had drawn \$2,703,458 from the lender, leaving \$3,296,542 available to be drawn. The remaining balance is expected to be used in future fiscal years.

NOTE 8 – OTHER MATTER

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on the Town and the duration cannot be estimated at this time.

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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability (asset)					
Service cost	\$ 228,051	\$ 240,205	\$ 258,233	\$ 268,523	\$ 403,716
Interest	101,061	83,556	63,315	42,617	30,274
Changes in benefit terms	-	-	-	-	-
Differences between actual and expected experience	29,616	(54,602)	(10,817)	(13,936)	(130,756)
Change of assumptions	-	-	29,540	-	-
Benefit payments	<u>(18,259)</u>	<u>(12,842)</u>	<u>(15,057)</u>	<u>(6,812)</u>	<u>(127)</u>
Net change in total pension liability (asset)	340,469	256,317	325,214	290,392	303,107
Total pension liability (asset) - beginning	<u>1,175,030</u>	<u>918,713</u>	<u>593,499</u>	<u>303,107</u>	<u>-</u>
Total pension liability (asset) - ending (a)	<u>\$ 1,515,499</u>	<u>\$ 1,175,030</u>	<u>\$ 918,713</u>	<u>\$ 593,499</u>	<u>\$ 303,107</u>
Plan fiduciary net position					
Contributions - employer	163,944	158,364	\$ 183,342	\$ 247,505	\$ 262,260
Contributions - employee	110,774	107,397	123,880	133,498	141,457
Net investment income	123,752	108,271	105,712	15,649	6,140
Benefit payments	(18,259)	(12,842)	(15,057)	(6,812)	(127)
Administrative expense	(4,931)	(5,699)	(5,695)	(6,088)	(4,842)
Other	<u>-</u>	<u>(78)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	375,280	355,413	392,182	383,752	404,888
Plan fiduciary net position - beginning	<u>1,536,236</u>	<u>1,180,823</u>	<u>788,640</u>	<u>404,888</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>\$ 1,911,516</u>	<u>\$ 1,536,236</u>	<u>\$ 1,180,822</u>	<u>\$ 788,640</u>	<u>\$ 404,888</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ (396,017)</u>	<u>\$ (361,206)</u>	<u>\$ (262,109)</u>	<u>\$ (195,141)</u>	<u>\$ (101,781)</u>
Plan fiduciary net position as a percentage of total pension liability	126.13%	130.74%	128.53%	132.88%	133.58%
Covered payroll	\$ 2,191,846	\$ 2,179,151	\$ 2,477,596	\$ 2,669,956	\$ 2,829,235
Net pension liability (asset) as a percentage of covered payroll	-18.07%	-16.58%	-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.

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.

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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution (ADC)	\$ 97,344	\$ 116,090	\$ 120,943	\$ 136,763	\$ 247,505	\$ 262,260
Contributions in relation to the actuarially determined contribution	<u>144,358</u>	<u>163,944</u>	<u>158,364</u>	<u>183,342</u>	<u>247,505</u>	<u>262,260</u>
Contribution deficiency (excess)	<u>\$ (47,014)</u>	<u>\$ (47,854)</u>	<u>\$ (37,421)</u>	<u>\$ (46,579)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,950,784	\$ 2,191,846	\$ 2,179,151	\$ 2,477,596	\$ 2,669,956	\$ 2,829,235
Contributions as a percentage of covered payroll	7.40%	7.48%	7.27%	7.40%	9.27%	9.27%

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.

Notes to schedule:

Valuation date: Actuarially determined contribution rates for fiscal year 2020 were calculated based on the June 30, 2018 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.0 percent
Investment rate of return	7.25 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.25 percent

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

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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Arlington Community Schools' proportion of the net pension liability (asset)	0.01074%	0.45743%	0.50713%	0.52020%	0.51710%	0.54250%
Arlington Community Schools' proportionate share of the net pension liability (asset)	\$ (1,744)	\$ 187,377	\$ 3,169,249	\$ (170,201)	\$ (1,819,616)	\$ (5,577,825)
Arlington Community Schools' covered payroll	\$ 421,371	\$ 17,123,741	\$ 18,306,197	\$ 18,396,999	\$ 18,107,569	\$ 18,228,357
Arlington Community Schools' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.00%	1.09%	17.31%	-0.93%	-10.05%	-30.60%
Plan fiduciary net position as a percentage of the total pension asset	99.81%	97.14%	97.14%	100.14%	101.49%	104.28%

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

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 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>	<u>2019</u>	<u>2020</u>
Contractually required	\$ 37,418	\$ 1,547,985	\$ 1,654,879	\$ 1,662,347	\$ 1,644,116	\$ 1,902,740	\$ 1,920,060
Contribution in relation to the contractually 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>	<u>1,902,740</u>	<u>1,920,060</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<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	\$18,228,357	\$18,077,664
Contributions as a percentage of covered payroll	8.88%	9.04%	9.04%	9.04%	9.08%	10.44%	10.62%

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.

Changes of assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3% to 2.5%; decreased the investment rate of return from 7.5% to 7.25%; decreased the cost-of-living adjustment from 2.5% to 2.25%; decreased salary growth graded ranges from an average of 4.25% to an average of 4%; and modified mortality assumptions.

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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Arlington Community Schools' proportion of the net pension liability (asset)	0.360154%	0.370023%	0.315942%	0.270144%	0.317243%
Arlington Community Schools' proportionate share of the net pension liability (asset)	\$ (14,489)	\$ (38,521)	\$ (83,357)	\$ (122,518)	\$ (179,079)
Arlington Community Schools' covered payroll	\$ 748,310	\$ 1,628,121	\$ 2,065,462	\$ 2,360,717	\$ 3,319,051
Arlington Community Schools' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-1.94%	-2.37%	-4.04%	-5.19%	-5.40%
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%	126.81%	126.97%	123.07%

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 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>	<u>2019</u>	<u>2020</u>
Contractually required	\$ 18,708	\$ 40,755	\$ 82,946	\$ 38,498	\$ 65,127	\$ 86,186
Contributions in relation to the contractually required contributions	<u>29,932</u>	<u>65,125</u>	<u>82,946</u>	<u>94,429</u>	<u>65,127</u>	<u>86,186</u>
Contribution deficiency (excess)	<u>\$ (11,224)</u>	<u>\$ (24,370)</u>	<u>\$ -</u>	<u>\$ (55,931)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 748,310	\$ 1,628,121	\$ 2,065,462	\$ 2,360,717	\$ 3,319,051	\$ 4,246,944
Contributions as a percentage covered payroll	4.00%	4.00%	4.02%	4.00%	1.96%	2.03%

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.

Changes of assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3% to 2.5%; decreased the investment rate of return from 7.5% to 7.25%; decreased the cost-of-living adjustment from 2.5% to 2.25%; decreased salary growth graded ranges from an average of 4.25% to an average of 4%; and modified mortality assumptions.

In fiscal year 2020, the actuarially determined contribution rate of 2.03% of covered payroll was placed into the pension plan and 1.92% of covered payroll was placed into the Pension Stabilization Reserve Trust. In fiscal year 2019, the actuarially determined contribution rate of 1.96% of covered payroll was placed into the pension plan and 1.95% of covered payroll was placed into the Pension Stabilization Reserve Trust.

See independent auditor's report.

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>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability (asset)			
Service cost	\$ 93,687	\$ 52,779	\$ -
Interest	18,957	9,498	-
Changes in benefit terms	-	-	80,781
Differences between actual and expected experience	16,017	30,826	-
Change of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(2,191)	(4,889)	(108)
Net change in total pension liability (asset)	126,470	88,214	80,673
Total pension liability (asset) - beginning	168,887	80,673	-
Total pension liability (asset) - ending (a)	<u>\$ 295,357</u>	<u>\$ 168,887</u>	<u>\$ 80,673</u>
Plan fiduciary net position			
Contributions - employer	32,162	51,925	42,182
Contributions - employee	82,467	64,907	52,728
Net investment income	20,382	12,664	5,271
Benefit payments, including refunds of employee contributions	(2,191)	(4,889)	(108)
Administrative expense	(3,981)	(3,404)	(1,769)
Other	-	-	-
Net change in plan fiduciary net position	128,839	121,203	98,304
Plan fiduciary net position - beginning	219,507	98,304	-
Plan fiduciary net position - ending (b)	<u>\$ 348,346</u>	<u>\$ 219,507</u>	<u>\$ 98,304</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ (52,989)</u>	<u>\$ (50,620)</u>	<u>\$ (17,631)</u>
Plan fiduciary net position			
as a percentage of total pension liability	117.94%	129.97%	121.85%
Covered payroll	\$ 1,649,316	\$ 1,266,904	\$ 633,729
Net pension liability (asset)			
as a percentage of covered payroll	-3.21%	-4.00%	-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.

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 THE SYSTEM'S CONTRIBUTIONS BASED ON PARTICIPATION
IN THE HYBRID PUBLIC EMPLOYEE RETIREMENT PLAN OF TCRS
Last Ten Fiscal Years Ending June 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution (ADC)	\$ 46,033	\$ 32,162	\$ 17,592	\$ 7,161
Contributions in relation to the actuarially determined contribution	<u>46,681</u>	<u>32,162</u>	<u>51,925</u>	<u>42,182</u>
Contribution deficiency (excess)	<u>\$ (648)</u>	<u>\$ -</u>	<u>\$ (34,333)</u>	<u>\$ (35,021)</u>
Covered payroll	\$ 2,131,147	\$ 1,649,316	\$ 1,266,904	\$ 633,729
Contributions as a percentage of covered payroll	2.19%	1.95%	4.10%	6.66%

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.

Notes to schedule:

Valuation date: Actuarially determined contribution rates for fiscal year 2020 were calculated based on the June 30, 2018 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.0 percent
Investment rate of return	7.25 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.25 percent

Changes of assumptions: In 2017, the following assumptions were changed: decreased inflation rate from 3.0 percent to 2.5 percent; decreased the investment rate of return from 7.5 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.0 percent.

In fiscal year 2020, the actuarially determined contribution rate of 2.19% of covered payroll was placed into the pension plan and 1.72% of covered payroll was placed into the Pension Stabilization Reserve Trust. In fiscal year 2019, the actuarially determined contribution rate of 1.95% of covered payroll was placed into the pension plan and 2.08% of covered payroll was placed into the Pension Stabilization Reserve Trust.

See independent auditor's report.

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

Total OPEB Liability	2020	2019	2018	2017
Service cost	\$ 342,320	\$ 338,969	\$ 288,645	\$ 574,975
Interest	511,284	491,131	466,928	833,313
Changes of benefit terms	-	-	-	(5,817,754)
Differences between expected and actual experience	161,667	(280,153)	(220,328)	(402,643)
Changes in assumptions	896,336	(182,915)	244,396	72,575
Benefit payments	<u>(116,136)</u>	<u>(88,184)</u>	<u>(146,886)</u>	<u>(111,651)</u>
Net change in total OPEB liability	1,795,471	278,848	632,755	(4,851,185)
Total OPEB liability - beginning	<u>6,531,591</u>	<u>6,252,743</u>	<u>5,619,988</u>	<u>10,471,173</u>
Total OPEB liability - ending	\$ 8,327,062	\$ 6,531,591	\$ 6,252,743	\$ 5,619,988
Plan Fiduciary Net Position				
Contributions - employer	\$ 315,681	\$ 588,184	\$ 646,886	\$ 629,512
Contributions - employee	-	-	-	-
Net investment income	93,783	94,615	131,066	94,877
Benefit payments	(116,136)	(88,184)	(146,886)	(111,651)
Administrative expense	<u>(10,630)</u>	<u>(7,909)</u>	<u>(16,688)</u>	<u>(3,188)</u>
Net change in plan fiduciary net position	282,698	586,706	614,378	609,550
Plan fiduciary net position - beginning	<u>2,513,715</u>	<u>1,927,009</u>	<u>1,312,631</u>	<u>703,081</u>
Plan fiduciary net position - ending	\$ 2,796,413	\$ 2,513,715	\$ 1,927,009	\$ 1,312,631
Net OPEB liability (asset)	\$ 5,530,649	\$ 4,017,876	\$ 4,325,734	\$ 4,307,357
Plan fiduciary net position as a percentage of the total OPEB liability	33.58%	34.49%	30.83%	23.36%
Covered payroll	\$ 19,423,688	\$ 23,825,256	\$ 22,456,759	\$ 21,802,679
Net OPEB liability as a percentage of covered payroll	28.47%	16.86%	19.26%	19.76%

Changes of assumptions. In 2020, amounts reported as changes of assumptions resulted from changes to the long-term rate of return and discount rate. In 2019, amounts reported as changes of assumptions resulted from changes to the mortality tables and health care cost trend rates. In 2018, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, payroll growth rate, and mortality tables.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Year 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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 719,164	\$ 738,157	\$ 697,756	\$ 1,442,649
Contributions	<u>315,681</u>	<u>588,184</u>	<u>646,886</u>	<u>629,512</u>
Contribution deficiency (excess)	<u>403,483</u>	<u>149,973</u>	<u>50,870</u>	<u>813,137</u>
Covered payroll	19,423,688	23,825,256	22,456,759	21,802,679
Contributions as a percentage of covered payroll	1.63%	2.47%	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, 2019.

NOTE 2 - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Asset valuation method	Market value
Inflation	3%
Healthcare cost trend rates	8.0% initial, decreasing to an ultimate rate of 4.5%,
Salary increases	Payroll growth including general wage inflation plus merit/ productivity increases are based on the TCRS valuation as of June 30, 2016
Investment rate of return	7.5%, net of investment expenses, including inflation
Mortality	SOA RPH-2018 Total Dataset Mortality Table Fully generational using Scale MP-2018

NOTE 3 - CHANGES OF ASSUMPTIONS

In 2019, the following assumptions were changed; updated mortality tables from SOA RPH-2016 Total Dataset Mortality Table fully generational using scale MP-2016 to SOA RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018; and health care trend rates have been set to initial rate of 8% decreasing by 0.5% annually to an ultimate rate of 4.5%.

See independent auditor's report.

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 Rate of Return Net of Investment Expenses
2020	3.75%
2019	4.74%
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.

See independent auditor's report.

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, 2020

	Sanitation	Education Capital Projects	Federal Projects	School Nutrition	Discretionary Grants	Total
Assets						
Cash and cash equivalents	\$ 1,009,336	\$ 3,333,652	\$ 1,623	\$ 399,120	\$ -	\$ 4,743,731
Intergovernmental - nongrant	-	960,983	-	-	-	960,983
Due from other governments - grants	-	-	197,741	11,066	44,691	253,498
Due from other funds	89,439	-	-	-	-	89,439
Inventory	-	-	-	45,012	-	45,012
Total assets	\$ 1,098,775	\$ 4,294,635	\$ 199,364	\$ 455,198	\$ 44,691	\$ 6,092,663
Liabilities, Deferred Inflows of Resources, and Fund Balances:						
Liabilities						
Accounts payable	\$ 87,484	\$ 82,058	\$ 35,608	\$ 144	\$ 29,876	\$ 235,170
Due to other funds	-	-	120,830	-	7,937	128,767
Unearned revenue	-	-	5,000	54,261	-	59,261
Accrued payroll and expenses	-	-	37,926	-	6,878	44,804
Total liabilities	87,484	82,058	199,364	54,405	44,691	468,002
Deferred Inflows of Resources						
Unavailable revenue - grants	-	-	-	11,066	-	11,066
Unavailable revenue - nongrant	-	364,965	-	-	-	364,965
Total deferred inflows of resources	-	364,965	-	11,066	-	376,031
Fund Balances						
Nonspendable						
Inventory	-	-	-	45,012	-	45,012
Restricted	1,011,291	3,847,612	-	344,715	-	5,203,618
Total fund balance	1,011,291	3,847,612	-	389,727	-	5,248,630
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,098,775	\$ 4,294,635	\$ 199,364	\$ 455,198	\$ 44,691	\$ 6,092,663

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, 2020

	<u>Sanitation</u>	<u>Education Capital Projects</u>	<u>Federal Projects</u>	<u>School Nutrition</u>	<u>Discretionary Grants</u>	<u>Total</u>
Revenues:						
Charges for services	\$ 1,068,927	\$ -	\$ -	\$ 729,301	\$ -	\$ 1,798,228
Other local revenues	-	3,795,669	-	-	-	3,795,669
State revenue	-	-	-	-	188,965	188,965
Federal revenue	-	-	2,118,641	292,276	-	2,410,917
Interest	8,786	-	-	-	-	8,786
Total revenues	<u>1,077,713</u>	<u>3,795,669</u>	<u>2,118,641</u>	<u>1,021,577</u>	<u>188,965</u>	<u>8,202,565</u>
Expenditures:						
Current:						
Public works	1,167,581	-	-	-	-	1,167,581
Instruction	-	-	1,375,488	-	13,000	1,388,488
Support services	-	-	685,780	-	175,965	861,745
Non-instructional services	-	1,102,484	1,164	-	-	1,103,648
Food service	-	-	-	1,061,221	-	1,061,221
Total expenditures	<u>1,167,581</u>	<u>1,102,484</u>	<u>2,062,432</u>	<u>1,061,221</u>	<u>188,965</u>	<u>5,582,683</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(89,868)</u>	<u>2,693,185</u>	<u>56,209</u>	<u>(39,644)</u>	<u>-</u>	<u>2,619,882</u>
Other financing sources (uses):						
Operating transfers in	64,000	-	-	1,054	-	65,054
Operating transfers out	-	-	(56,209)	-	-	(56,209)
Total other financing sources (uses)	<u>64,000</u>	<u>-</u>	<u>(56,209)</u>	<u>1,054</u>	<u>-</u>	<u>8,845</u>
Net changes in fund balance	(25,868)	2,693,185	-	(38,590)	-	2,628,727
Fund balance - beginning	<u>1,037,159</u>	<u>1,154,427</u>	<u>-</u>	<u>428,317</u>	<u>-</u>	<u>2,619,903</u>
Fund balance - ending	<u>\$ 1,011,291</u>	<u>\$ 3,847,612</u>	<u>\$ -</u>	<u>\$ 389,727</u>	<u>\$ -</u>	<u>\$ 5,248,630</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, 2020

	Budgeted Amounts			Variance
	Original	Final	Actual	Over (Under)
Revenues				
Charges for services:				
Refuse collection charges	\$ 1,000,000	\$ 1,089,000	\$ 1,068,927	\$ (20,073)
Other:				
Interest earned	6,000	8,500	8,786	286
Total revenues	<u>1,006,000</u>	<u>1,097,500</u>	<u>1,077,713</u>	<u>(19,787)</u>
Expenditures				
Current expenditures:				
Public works:				
Solid waste collection:				
Salaries	42,000	38,500	38,301	(199)
OASI	3,100	3,100	2,741	(359)
Hospital and health insurance	6,500	6,500	5,377	(1,123)
Workmen's compensation	3,500	3,500	3,386	(114)
Other employer contributions	3,000	3,000	2,689	(311)
Contracted services	930,000	1,044,907	1,042,779	(2,128)
Clothing and uniforms	650	650	294	(356)
Employee education	500	500	57	(443)
Capital outlay	75,000	60,700	60,519	(181)
Landfill closure:				
Professional services	16,800	16,800	1,480	(15,320)
Repair and maintenance	45,200	45,200	9,958	(35,242)
Total expenditures	<u>1,126,250</u>	<u>1,223,357</u>	<u>1,167,581</u>	<u>(55,776)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(120,250)</u>	<u>(125,857)</u>	<u>(89,868)</u>	<u>35,989</u>
Other financing sources (uses)				
Operating transfers in	64,000	64,000	64,000	-
Net changes in fund balance	<u>\$ (56,250)</u>	<u>\$ (61,857)</u>	<u>\$ (25,868)</u>	<u>\$ 35,989</u>
Fund balance - beginning			<u>1,037,159</u>	
Fund balance - ending			<u>\$ 1,011,291</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 Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Federal through State:				
Title I	\$ 1,149,545	\$ 1,356,255	\$ 1,168,181	\$ (188,074)
Special education - grants to State	877,311	1,212,058	889,731	(322,327)
Other federal through state	49,516	63,516	60,729	(2,787)
Total revenues	2,076,372	2,631,829	2,118,641	(513,188)
Expenditures				
Instruction:				
Regular education:				
Salaries	303,065	312,635	279,341	(33,294)
Benefits	96,783	99,983	86,931	(13,052)
Contractual services	15,363	26,589	-	(26,589)
Materials and supplies	195,692	141,456	138,162	(3,294)
Other charges	6,000	6,000	2,400	(3,600)
Total regular instruction	616,903	586,663	506,834	(79,829)
Title II				
Salaries	1,168	-	-	-
Benefits	15	-	-	-
Contractual services	10,000	100	61	(39)
Materials and supplies	7,500	-	-	-
Total Title II	18,683	100	61	(39)
Title III Part A:				
Materials and supplies	-	2,500	2,500	-
Contractual services	-	1,684	1,665	(19)
Total vocational education	-	4,184	4,165	(19)
Carl Perkins				
Materials and Supplies	33,463	45,995	45,995	-
Total Carl Perkins	33,463	45,995	45,995	-
CTE Perkins Reserve				
Materials and Supplies	-	14,000	11,213	(2,787)
Total CTE Perkins Reserve	-	14,000	11,213	(2,787)

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 Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
IDEA Discretionary				
Materials and Supplies	-	5,510	5,337	(173)
Total IDEA Discretionary	-	5,510	5,337	(173)
IDEA, Part B				
Salaries	-	-	606,387	606,387
Benefits	-	-	186,082	186,082
Contractual services	765,107	877,160	-	(877,160)
Materials and supplies	9,000	145,000	6,484	(138,516)
Total IDEA, Part B	774,107	1,022,160	798,953	(223,207)
IDEA, Preschool				
Materials and supplies	5,646	9,201	2,930	(6,271)
Total IDEA, Preschool	5,646	9,201	2,930	(6,271)
Total instruction	1,448,802	1,687,813	1,375,488	(312,325)
Support Services:				
Consolidated Administration:				
Salaries	100,000	100,000	99,813	(187)
Benefits	27,670	27,670	24,841	(2,829)
Other charges	5,000	5,000	-	(5,000)
Total Consolidated Administration	132,670	132,670	124,654	(8,016)
Title I, Part A:				
Contractual services	76,507	140,160	128,022	(12,138)
Other charges	194,799	313,804	264,251	(49,553)
Total Title I, Part A	271,306	453,964	392,273	(61,691)
Title II:				
Salaries	56,500	56,500	55,500	(1,000)
Benefits	10,509	10,509	9,796	(713)
Materials and supplies	-	8,000	7,883	(117)
Other charges	19,000	37,191	33,235	(3,956)
Total Title II	86,009	112,200	106,414	(5,786)

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 Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Title IV:				
Contractual Services	2,500	12,000	3,989	(8,011)
Materials and Supplies	1,500	10,000	7,451	(2,549)
Other charges	3,200	27,700	8,405	(19,295)
Total Title IV	7,200	49,700	19,845	(29,855)
Carl Perkins				
Other Charges	16,053	3,521	3,521	-
Total Carl Perkins	16,053	3,521	3,521	-
IDEA Supplemental				
Materials and Supplies	-	2,919	2,919	-
Other charges	-	6,000	5,876	(124)
Total IDEA Supplemental	-	8,919	8,795	(124)
IDEA, Part B				
Salaries	5,000	5,000	-	(5,000)
Benefits	765	765	-	(765)
Materials and Supplies	12,942	25,000	-	(25,000)
Other Charges	15,000	52,454	27,983	(24,471)
Total IDEA, Part B	33,707	83,219	27,983	(55,236)
IDEA Preschool				
Other Charges	4,000	5,137	2,295	(2,842)
Total IDEA Preschool	4,000	5,137	2,295	(2,842)
Total support services	550,945	849,330	685,780	(163,550)
Operation of non-instructional services:				
Transportation				
Contractual services	15,500	15,500	1,164	(14,336)
Materials and supplies	2,500	2,500	-	(2,500)
Total transportation	18,000	18,000	1,164	(16,836)
Total expenditures	2,017,747	2,555,143	2,062,432	(492,711)

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 Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>58,625</u>	<u>76,686</u>	<u>56,209</u>	<u>(20,477)</u>
Other financing sources (uses):				
Transfers out	<u>(58,625)</u>	<u>(76,686)</u>	<u>(56,209)</u>	<u>(20,477)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance - beginning			-	
Fund balance - ending			<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 Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Charges for current services:				
Lunch payments - children	\$ 400,000	\$ 400,000	\$ 387,602	\$ (12,398)
Lunch payments - adults	26,000	26,000	21,218	(4,782)
Income from breakfast	25,000	25,000	23,479	(1,521)
A La Carte sales	280,000	280,000	297,002	17,002
Total charges for current services	<u>731,000</u>	<u>731,000</u>	<u>729,301</u>	<u>(1,699)</u>
Federal through State:				
State assistance	9,200	14,200	5,000	(9,200)
Nutrition cluster	365,000	376,066	277,374	(98,692)
Other state funding	-	-	9,902	9,902
Total Federal through State	<u>374,200</u>	<u>390,266</u>	<u>292,276</u>	<u>(97,990)</u>
Total revenues	<u>1,105,200</u>	<u>1,121,266</u>	<u>1,021,577</u>	<u>(99,689)</u>
Expenditures				
Food services:				
Salaries	452,904	463,514	456,560	(6,954)
Benefits	126,056	128,881	116,924	(11,957)
Contractual services	6,000	2,500	1,920	(580)
Materials and supplies	558,000	661,623	481,322	(180,301)
Other charges	15,500	9,500	4,495	(5,005)
Total expenditures	<u>1,158,460</u>	<u>1,266,018</u>	<u>1,061,221</u>	<u>(204,797)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(53,260)</u>	<u>(144,752)</u>	<u>(39,644)</u>	<u>105,108</u>
Other financing sources (uses):				
Operating transfers in	<u>55,260</u>	<u>144,752</u>	<u>1,054</u>	<u>(143,698)</u>
Net changes in fund balance	<u>\$ 2,000</u>	<u>\$ -</u>	<u>(38,590)</u>	<u>\$ (38,590)</u>
Fund balance - beginning			<u>428,317</u>	
Fund balance - ending			<u>\$ 389,727</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 Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
State revenue	85,000	189,830	188,965	(865)
Total revenues	85,000	189,830	188,965	(865)
Expenditures				
Instruction:				
Technical education :				
Materials and supplies	-	13,000	13,000	-
Total instruction	-	13,000	13,000	-
Support Services:				
Health Services:				
Salaries	67,323	71,051	71,051	-
Benefits	10,749	10,479	10,488	9
Materials and supplies	3,928	1,624	1,615	(9)
Other charges	3,000	1,848	1,848	-
Total health services	85,000	85,002	85,002	-
Other Student Support:				
Contractual services	-	25,000	25,000	-
Materials and supplies	-	5,058	4,538	(520)
Total other student support	-	30,058	29,538	(520)
Operation and Maintenance of Plant				
Safe Schools				
Materials and supplies	-	61,700	61,425	(275)
School Safety				
Materials and supplies	-	70	-	(70)
Total operation and maintenance of plant	-	61,770	61,425	(345)
Total support services	85,000	176,830	175,965	(865)
Total expenditures	85,000	189,830	188,965	(865)
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 Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Shelby County CIP allocation	\$ 538,600	\$ 4,446,556	\$ 3,795,669	\$ (650,887)
Expenditures				
Capital outlay:				
Building improvements	-	1,198,430	633,058	(565,372)
Other contracted services	538,600	4,402,556	469,426	(3,933,130)
Total expenditures	538,600	5,600,986	1,102,484	(4,498,502)
Net changes in fund balance	\$ -	\$ (1,154,430)	2,693,185	\$ 3,847,615
Fund balance - beginning			1,154,427	
Fund balance - ending			\$ 3,847,612	

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, 2020

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020
Assets				
Cash	\$ 1,154,773	\$ 2,165,938	\$ (2,134,253)	\$ 1,186,458
Inventories	<u>13,205</u>	<u>52,466</u>	<u>(54,631)</u>	<u>11,040</u>
Total assets	<u>\$ 1,167,978</u>	<u>\$ 2,218,404</u>	<u>\$ (2,188,884)</u>	<u>\$ 1,197,498</u>
Liabilities				
Due to student general fund	\$ 688,391	\$ 557,767	\$ (542,014)	\$ 704,144
Due to student groups	<u>479,587</u>	<u>1,660,637</u>	<u>(1,646,870)</u>	<u>493,354</u>
Total liabilities	<u>\$ 1,167,978</u>	<u>\$ 2,218,404</u>	<u>\$ (2,188,884)</u>	<u>\$ 1,197,498</u>

See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION DEBT

June 30, 2020

Year Ended June 30,	Capital Outlay Notes						Board of Education Capital Lease		Total Requirements		
	Series 2018		Series 2018		Board of Education Note		Principal	Interest	Principal	Interest	Total
	Principal	Interest	Principal	Interest	Principal	Interest					
2021	\$ 237,000	\$ 167,610	\$ 149,000	\$ 38,140	\$ 333,333	\$ -	\$ 147,787	\$ 4,079	\$ 867,120	\$ 209,829	\$ 1,076,949
2022	244,000	160,453	154,000	32,359	333,333	-	-	-	731,333	192,812	924,145
2023	251,000	153,084	160,000	26,384	333,333	-	-	-	744,333	179,468	923,801
2024	259,000	145,504	167,000	20,176	333,333	-	-	-	759,333	165,680	925,013
2025	266,000	137,682	173,000	13,696	333,333	-	-	-	772,333	151,378	923,711
2026	275,000	129,649	180,000	6,983	333,333	-	-	-	788,333	136,632	924,965
2027	283,000	121,344	-	-	-	-	-	-	283,000	121,344	404,344
2028	291,000	112,797	-	-	-	-	-	-	291,000	112,797	403,797
2029	147,458	4,454	-	-	-	-	-	-	147,458	4,454	151,912
	<u>\$ 2,253,458</u>	<u>\$ 1,132,577</u>	<u>\$ 983,000</u>	<u>\$ 137,738</u>	<u>\$ 1,999,998</u>	<u>\$ -</u>	<u>\$ 147,787</u>	<u>\$ 4,079</u>	<u>\$ 5,384,243</u>	<u>\$ 1,274,394</u>	<u>\$ 6,658,637</u>

See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
PROPRIETARY FUNDS DEBT
June 30, 2020

Year Ended June 30,	Series 2002		Revenue Bonds Series 2012		Total Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
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	1,022,045	15,447	220,000	120,909	1,242,045	136,356	1,378,401
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>\$ 3,835,045</u>	<u>\$ 147,980</u>	<u>\$ 4,665,000</u>	<u>\$ 1,458,617</u>	<u>\$ 8,500,045</u>	<u>\$ 1,606,597</u>	<u>\$ 10,106,642</u>

See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
June 30, 2020

Description of Indebtedness	Original amount of issue	Interest rate	Date of issue	Final maturity date	Outstanding 7/1/19	Issued during period	Paid and/or matured during period	Refunded during period	Outstanding 6/30/20
Governmental Activities									
Notes Payable									
Payable through general fund									
Fire Department Capital Outlay Note, Series 2019	\$ 1,125,026	3.88%	December 27, 2018	August 1, 2026	\$ 1,125,026	\$ -	\$ 142,026	\$ -	\$ 983,000
Fire Equipment Acquisition Capital Outlay Note, Series 2012	535,628	2.48%	July 27, 2012	August 1, 2019	82,000	-	82,000	-	-
Local Government Loan Program Bond, Series 2018 (1)	6,000,000	3.02%	February 9, 2018	February 9, 2038	253,181	2,230,277	230,000	-	2,253,458
Total notes payable through general fund					<u>\$ 1,460,207</u>	<u>\$ 2,230,277</u>	<u>\$ 454,026</u>	<u>\$ -</u>	<u>\$ 3,236,458</u>
Payable from general purpose school fund									
Notes payable- Board of Education (3)	3,999,996	0%	November 1, 2014	May 1, 2026	2,155,801	-	289,820	-	1,865,981
Total notes payable through general purpose school fund									
Capital lease payable									
Payable through general purpose school fund									
Board of Education Capital Lease	440,970	2.76%	June 1, 2018	August 15, 2020	291,605	-	143,818	-	147,787
Total capital lease payable through general purpose school fund					<u>\$ 291,605</u>	<u>\$ -</u>	<u>\$ 143,818</u>	<u>\$ -</u>	<u>\$ 147,787</u>
Business-Type Activities									
Bonds Payable									
Payable through sewer fund									
Revenue Bonds, Series 2002	13,000,000	Variable (2)	July 29, 2004	May 25, 2024	4,694,000	-	858,955	-	3,835,045
Revenue Bonds, Series 2012	6,000,000	2.0% - 3.3%	December 14, 2012	December 1, 2037	4,865,000	-	200,000	-	4,665,000
Total bonds payable through sewer fund					<u>\$ 9,559,000</u>	<u>\$ -</u>	<u>\$ 1,058,955</u>	<u>\$ -</u>	<u>\$ 8,500,045</u>

Notes to the Schedule:

(1) Total amount approved was \$6,000,000, of which \$3,296,542 remains available for draws as of June 30, 2020.

(2) Interest rate is calculated by the Trustee based on the interest rate determined by Remarketing Agent each month.

(3) The settlement agreement between the Arlington Community School System and the Shelby County Board of Education did not specify the interest rate. However, The System elected to establish the liability incurred through the settlement agreement at its present value with a discount rate of 2.0%.

See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF TRANSFERS
June 30, 2020

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	State Street Aid	Street repairs	\$1,800,000
General	Sanitation	Landfill post-closure expenses	64,000
General	General Purpose Fund	Transfer the Schools' share of property tax	593,985
General Purpose Fund	General	One-time donation for the use of the tennis courts	400,000
General Purpose Fund	School Nutrition Fund	Offsetting cash advance from the general purpose fund during outstanding billing periods for federal funds	1,054
Federal Projects Fund	General Purpose Fund	Offsetting cash advance from the general purpose fund during outstanding billing periods for federal funds	<u>56,209</u>
Total Transfers			<u>\$ 2,915,248</u>

See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF CHANGES IN TAXES RECEIVABLE
For the Year Ended June 30, 2020

<u>Tax Levy for Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Beginning Outstanding Taxes</u>	<u>Additions and Adjustments</u>	<u>Collections</u>	<u>Ending Outstanding Taxes</u>	<u>Outstanding Taxes Filed With Trustee</u>
2019	\$1.37	\$ 5,425,072	\$ -	\$ 5,317,672	\$ 5,287,888	\$ 29,784	\$ 29,784
2018	1.15	4,024,313	38,820	(886)	24,958	12,976	12,976
2017	1.15	3,897,006	17,236	(756)	3,942	12,538	12,538
2016	1.15	3,390,841	5,458	43	483	5,018	5,018
2015	1.15	3,216,147	6,002	(56)	1,520	4,426	4,426
2014	1.15	3,147,413	7,386	(2,722)	143	4,521	4,521
2013	1.15	3,086,420	6,463	(2,396)	1,788	2,279	2,279
2012	1.15	3,191,116	3,290	(1,971)	12	1,307	1,307
2011	1.00	2,707,557	2,335	(1,758)	9	568	568
2010	1.00	2,677,703	2,027	(1,685)	4	338	337
			<u>\$ 89,017</u>	<u>\$ 5,305,485</u>	<u>\$ 5,320,747</u>	<u>\$ 73,755</u>	<u>\$ 73,754</u>

Above balances represented as follows:

Considered current receivables	\$ 35,518
Allowance for uncollectible accounts	20,737
Unavailable revenue	<u>17,500</u>

73,755

Tax levy due October 1, 2020 considered unavailable revenue

5,526,149

Total taxes receivable

\$ 5,599,904

See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF UTILITY RATES IN EFFECT
June 30, 2020

Sewer Rates

Residential, Commercial and Industrial:

	\$8.65
Each 100 cubic feet	\$3.27 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, 2020:	<u>4,353</u>
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Sanitation Rates

Charge per residence	\$20.40
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Number of customers at June 30, 2020:	<u>4,388</u>
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See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

<u>Grantor/Pass Through Entity</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Federal Financial Assistance:			
United States Department of Transportation/ Tennessee Department of Transportation:			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205*	140074	629,061
Highway Planning and Construction	20.205*	140035	208,513
Highway Planning and Construction	20.205*	170143	3,161
Highway Planning and Construction	20.205*	130014	1,471
Total United States Department of Transportation			<u>842,206</u>
Total Expenditures of Federal Awards			<u>\$ 842,206</u>

*Major federal financial assistance program.

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the award activity of the Town under programs of the federal and state governments, respectively, for the year ended June 30, 2020. The information in the SEFA is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule of expenditures of federal awards presents 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, 2020

<u>Grantor/Pass Through Entity</u>	<u>State Grant Number</u>	<u>Expenditures</u>
State Financial Assistance:		
Tennessee Department of Environment and Conservation		
Local Park and Recreation Fund Grant	32701-03165	\$ 14,896
Total state financial assistance		\$ 14,896

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, 2020. 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



**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, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 31, 2020. 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 does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those 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) as a basis for designing 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Alexander Thompson Arnold PLLC".

Jackson, Tennessee
December 31, 2020



Independent Auditor's Report on Compliance for the Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Arlington, Tennessee's (the Town) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Town's major federal program for the year ended June 30, 2020. The Town's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal award applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of the Town's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Town of Arlington, Tennessee is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

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



Jackson, Tennessee
December 31, 2020

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements:

	Unmodified	
Internal control over financial reporting:		
Material weaknesses identified?	_____ yes	_____ <u>X</u> no
Significant deficiencies identified?	_____ yes	_____ <u>X</u> none reported
Noncompliance material to financial statements noted?	_____ yes	_____ <u>X</u> no

Federal Awards:

Internal control over major federal programs:		
Material weaknesses identified?	_____ yes	_____ <u>X</u> no
Significant deficiencies identified?	_____ yes	_____ <u>X</u> none reported

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

Unmodified

Any audit findings disclosed that are required
to be reported in accordance with
2CFR 200.516(a)

_____ yes	_____ <u>X</u> no
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Identification of Major Federal Programs:

CFDA Number	Name of Federal Program or Cluster
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between
Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ yes	_____ <u>X</u> no
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SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2020

FINANCIAL STATEMENT FINDINGS

There were no prior findings reported

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no prior findings reported.