

**TOWN OF ARLINGTON, TENNESSEE**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**TOWN OF ARLINGTON, TENNESSEE  
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## **INTRODUCTORY SECTION**

**TOWN OF ARLINGTON, TENNESSEE**  
**LIST OF PRINCIPAL OFFICIALS**  
June 30, 2021

**ELECTED OFFICIALS**

Mayor  
Vice Mayor  
Alderman  
Alderman  
Alderman  
Alderman  
Alderman

Mike Wissman  
Harry McKee  
Jeremy Biggs  
Oscar Brooks  
Harry McKee  
Jeff McKee  
Russell Wiseman

**APPOINTED OFFICIALS**

Town Superintendent  
Town Recorder/Treasurer, CMFO

Catherine Durant  
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, 2021, 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 61 percent, 62 percent, and 75 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, 2021, 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***

### ***Emphasis of Matters***

During the year ended June 30, 2021, the Town adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, which established accounting and financial reporting standards for the identification of fiduciary activities.

### ***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 March 1, 2022 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  
March 1, 2022

## 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, 2021. 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 \$233.87 million (net position). Of this amount, \$30.33 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 \$18.36 million, an increase of \$3.16 million in comparison with the prior year. Of the total fund balance, \$16.10 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 86 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 \$233.87 million at the close of the most recent fiscal year. Seventy-three percent (72%) 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	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 70,311,013	\$ 66,397,833	\$ 11,896,603	\$ 11,811,291	\$ 82,207,616	\$ 78,209,124
Capital assets	158,665,601	149,651,550	22,595,628	22,129,801	181,261,229	171,781,351
Total assets	<u>228,976,614</u>	<u>216,049,383</u>	<u>34,492,231</u>	<u>33,941,092</u>	<u>263,468,845</u>	<u>249,990,475</u>
Deferred outflows of resources	5,404,242	5,758,981	-	-	5,404,242	5,758,981
Long-term liabilities	11,885,767	11,492,415	7,434,579	8,542,853	19,320,346	20,035,268
Other liabilities	4,209,295	5,102,660	58,758	30,150	4,268,053	5,132,810
Total liabilities	<u>16,095,062</u>	<u>16,595,075</u>	<u>7,493,337</u>	<u>8,573,003</u>	<u>23,588,399</u>	<u>25,168,078</u>
Deferred inflows of resources	11,415,164	11,490,826	-	-	11,415,164	11,490,826
<b>Net position:</b>						
Net investment in capital assets	153,153,383	146,267,305	15,176,863	13,606,951	168,330,246	159,874,256
Restricted for:						
Street aid	4,539,285	5,303,845	-	-	4,539,285	5,303,845
Sanitation	1,113,033	1,011,291	-	-	1,113,033	1,011,291
Net pension asset	4,832,675	6,205,910	-	-	4,832,675	6,205,910
Inventory	-	45,012	-	-	-	45,012
Education	24,175,648	19,470,708	-	-	24,175,648	19,470,708
Future capital project	-	-	100,000	100,000	100,000	100,000
Stabilization reserve trust	446,752	228,898	-	-	446,752	228,898
Unrestricted	18,609,854	15,189,494	11,722,031	11,661,138	30,331,885	26,850,632
<b>Total net position</b>	<u><b>\$ 206,870,630</b></u>	<u><b>\$ 193,722,463</b></u>	<u><b>\$ 26,998,894</b></u>	<u><b>\$ 25,368,089</b></u>	<u><b>\$ 233,869,524</b></u>	<u><b>\$ 219,090,552</b></u>

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

An additional portion of the Town of Arlington's net position (\$35.21 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 (\$30.33 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 \$11.95 million. In the business-type activities, revenues exceeded expenses by \$1.63 million.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 3,069,547	\$ 2,875,127	\$ 3,534,600	\$ 2,693,766	\$ 6,604,147	\$ 5,568,893
Operating grants and contributions	55,340,836	46,829,923	-	-	55,340,836	46,829,923
Capital grants and contributions	3,926,191	7,920,676	324,682	895,883	4,250,873	8,816,559
General revenues:						
Property taxes	5,832,129	5,623,753	-	-	5,832,129	5,623,753
Other taxes	6,426,885	4,923,038	-	-	6,426,885	4,923,038
Other sources	250,975	397,674	133,772	193,092	384,747	590,766
Total revenues	<u>74,846,563</u>	<u>68,570,191</u>	<u>3,993,054</u>	<u>3,782,741</u>	<u>78,839,617</u>	<u>72,352,932</u>
Expenses:						
General government	2,106,134	4,122,322	-	-	2,106,134	4,122,322
Public safety	3,164,032	2,517,270	-	-	3,164,032	2,517,270
Highway and streets	4,037,704	597,159	-	-	4,037,704	597,159
Storm drainage	119,761	89,985	-	-	119,761	89,985
Public works	-	1,160,617	-	-	-	1,160,617
Sanitation collection	1,087,093	1,068,401	-	-	1,087,093	1,068,401
Culture and recreation	1,581,590	1,098,197	-	-	1,581,590	1,098,197
Education	50,634,525	46,110,104	-	-	50,634,525	46,110,104
Debt service	165,055	48,790	-	-	165,055	48,790
Sewer	-	-	2,362,249	2,273,655	2,362,249	2,273,655
Total expenses	<u>62,895,894</u>	<u>56,812,845</u>	<u>2,362,249</u>	<u>2,273,655</u>	<u>65,258,143</u>	<u>59,086,500</u>
<b>Increase in net position</b>	<b><u>11,950,669</u></b>	<b><u>11,757,346</u></b>	<b><u>1,630,805</u></b>	<b><u>1,509,086</u></b>	<b><u>13,581,474</u></b>	<b><u>13,266,432</u></b>
Net position - beginning	193,722,463	181,965,117	25,368,089	23,859,003	219,090,552	205,824,120
Restatement	1,197,498	-	-	-	1,197,498	-
Net position - beginning - restated	<u>194,919,961</u>	<u>181,965,117</u>	<u>25,368,089</u>	<u>23,859,003</u>	<u>220,288,050</u>	<u>205,824,120</u>
Net position - ending	<u>\$ 206,870,630</u>	<u>\$ 193,722,463</u>	<u>\$ 26,998,894</u>	<u>\$ 25,368,089</u>	<u>\$ 233,869,524</u>	<u>\$ 219,090,552</u>

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

### COMMENTS ON FUND FINANCIAL STATEMENTS

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

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

The General Fund accounts for approximately 20.08% of governmental fund revenues. Accordingly this discussion will focus on the General Fund. General Fund balance was \$18.36 million at the end of the current fiscal year. Of that balance, \$16.10 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 \$293 thousand.
- Local sales tax increased by \$817 thousand.
- Federal grants increased by \$728 thousand.
- State grants decreased by \$323 thousand.
- State sales tax increased by \$198 thousand.
- State local sales tax increased by \$363 thousand.
- Interest income decreased by \$150 thousand.
- Impact fees increased by \$331 thousand.

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

The General Purpose School fund, which is reported as a major fund, has an ending fund balance of \$25.53 million which is a \$3.47 million increase from the prior year. This was largely related to Taxes and Intergovernmental revenue coming in over-budget in the current year.

The Capital Projects fund, which is reported as a major fund, has an ending fund balance of \$45 thousand which is a \$3.80 million decrease from the prior year. This was largely related to a significant amount of building improvements and contracted services in the current year that were planned expenditures.

The State Street Aid fund, which is reported as a major fund, has an ending fund balance of \$4.54 million which is a \$765 thousand decrease from the prior year. This was largely related to a significant amount of capital outlay expenditures in the current year mainly related to paving projects.

The Sanitation fund has an ending fund balance of \$1.11 million which is a \$102 thousand increase from the prior year. This was largely related to a current year operations.

The Internal School fund has an ending fund balance of \$1.36 million which is a \$166 thousand increase from the prior year. The increase is related to the activity at the individual schools in the current year.

The Federal Projects fund has an ending fund balance of zero. This fund is used for reporting the activity at the schools related to their federal grants revenue and the related expenditures.

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

The School Nutrition fund has an ending fund balance of \$402 thousand which is a \$12 thousand increase from the prior year. The increase is not related to any significant reason in the current year.

The Discretionary Grants fund has an ending fund balance of \$119 which is the current year increase. There is no significant reason for the change in the current year.

*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 \$11.72 million. The total increase in net position for this fund was \$1.63 million.

### GENERAL FUND BUDGETARY HIGHLIGHTS

#### Final Budgeted and Actual Amounts

Actual revenues were over the budgeted amounts by \$1.62 million. Significant variances are as follows:

- Intergovernmental (state shared taxes) were more than the budgeted amounts by \$601 thousand mainly due to the increases in state sales tax and state local sales tax.
- Local sales taxes were more than the budgeted amounts by \$826 thousand due to unexpected increases in the current year related to local shopping.

Actual expenditures were under the final budgeted amount by \$1.35 million. Significant variances are as follows:

- General government was under budget by \$791 thousand.
- Public safety was under budget by \$284 thousand.
- Public works was under budget by \$145 thousand.
- Parks and recreation was under budget by \$151 thousand.

### CAPITAL ASSET AND DEBT ADMINISTRATION

*Capital Assets* - At the end of fiscal year 2021, the Town had invested \$181.26 million net of accumulated depreciation in a variety of capital assets and infrastructure. Infrastructure was valued at \$29.50 million net of accumulated depreciation. Assets accounted for under this approach include improvements to streets that the Town of Arlington is responsible for maintaining. The governmental activities had \$5.88 million of additions to construction in process this year related to the following projects: Fire Station #2, Airline Road I-40 Widening, Highway 70 Widening, Forrest St. Campus, and a few other smaller projects.

*Long-term debt* - At the end of the current fiscal year, the Town of Arlington had total debt outstanding of \$14.48 million. Of this amount, \$7.40 million consists of revenue bonds and \$5.51 million of capital outlay notes. In addition, \$1.57 million of the Town's debt represents Arlington Community School System's note payable less discount. The Town issued \$2.66 million of capital outlay notes in the current year for various projects. There are still \$635 thousand of available draws on the 2018 capital outlay notes.

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

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

- Arlington's growth has remained steady, even through all the challenges of 2021. 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 74 new single-family home permits in 2021, which is a decrease over each of the last two years. The rate of residential construction is projected to increase in 2022 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 2022. 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 2020-2021 fiscal year continues the upward growth trend of previous years. The Town has 292,031 square feet of new retail and industrial space complete or under construction this fiscal year including the Town's first hotel.
- The Town moved in to the second Fire Station located on the south side of Town in October 2021. In April 2021, the new Producer's Market and Amphitheater opened and held over 35 events for the year.

All of these factors were considered in preparing the Town of Arlington's budget for the 2022 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, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 40,210,619	\$ 4,165,367	\$ 44,375,986
Investments	10,850,669	7,479,108	18,329,777
Receivables:			
Interest	2,978	5,102	8,080
Taxes (net of allowance for uncollectibles of \$19,922)	6,874,621	-	6,874,621
Accounts	142,285	346,744	489,029
Internal balances	99,718	(99,718)	-
Due from other governments - grants	1,126,410	-	1,126,410
Intergovernmental - nongrant	5,621,485	-	5,621,485
Inventory	37,555	-	37,555
Prepayments and other current assets	65,246	-	65,246
Investment - restricted	446,752	-	446,752
Net pension asset	4,832,675	-	4,832,675
Capital assets not being depreciated:			
Land	4,927,907	231,762	5,159,669
Construction in process	17,372,151	339,515	17,711,666
Capital assets net of accumulated depreciation:			
Buildings and improvements	99,324,933	-	99,324,933
Machinery and equipment	7,538,634	-	7,538,634
Sewer plant	-	22,024,351	22,024,351
Infrastructure	29,501,976	-	29,501,976
Total assets	<u>228,976,614</u>	<u>34,492,231</u>	<u>263,468,845</u>
<b>Deferred outflows of resources</b>			
Deferred outflows related to pension	3,988,850	-	3,988,850
Deferred outflows related to OPEB	1,415,392	-	1,415,392
Total deferred outflows of resources	<u>5,404,242</u>	<u>-</u>	<u>5,404,242</u>

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

**TOWN OF ARLINGTON, TENNESSEE**  
**STATEMENT OF NET POSITION**  
June 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Liabilities</b>			
Accounts payable	1,912,168	58,758	1,970,926
Accrued payroll	2,245,758	-	2,245,758
Unearned revenue	51,369	-	51,369
Long-term debt			
Due within one year			
Notes and bonds payable	699,637	1,148,304	1,847,941
Accrued annual leave	285,455	13,165	298,620
Due in more than one year			
Notes and bonds payable	6,382,893	6,270,461	12,653,354
Net OPEB liability	4,143,404	-	4,143,404
Accrued annual leave	149,636	2,649	152,285
Net pension liability	4,799	-	4,799
Accrued landfill closing and postclosing costs	219,943	-	219,943
Total liabilities	<u>16,095,062</u>	<u>7,493,337</u>	<u>23,588,399</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to pension	2,357,529	-	2,357,529
Deferred inflows related to OPEB	2,276,722	-	2,276,722
Unavailable revenue - property taxes	6,780,913	-	6,780,913
Total deferred inflows of resources	<u>11,415,164</u>	<u>-</u>	<u>11,415,164</u>
<b>Net Position</b>			
Net investment in capital assets	153,153,383	15,176,863	168,330,246
Restricted for:			
State street aid	4,539,285	-	4,539,285
Sanitation	1,113,033	-	1,113,033
Net pension asset	4,832,675	-	4,832,675
Education	24,175,648	-	24,175,648
Future capital project	-	100,000	100,000
Stabilization reserve trust	446,752	-	446,752
Unrestricted	18,609,854	11,722,031	30,331,885
<b>Total net position</b>	<b><u>\$ 206,870,630</u></b>	<b><u>\$ 26,998,894</u></b>	<b><u>\$ 233,869,524</u></b>

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

**TOWN OF ARLINGTON, TENNESSEE**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2021

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	\$ 2,106,134	\$ 283,365	\$ 792,665	\$ 1,395,274	\$ 365,170	\$ -	\$ 365,170
Public safety	3,164,032	87,746	-	-	(3,076,286)	-	(3,076,286)
Highways and streets	4,037,704	535,975	-	2,530,917	(970,812)	-	(970,812)
Storm drainage	119,761	176,079	-	-	56,318	-	56,318
Sanitation collection	1,087,093	1,083,383	-	-	(3,710)	-	(3,710)
Parks and recreation	1,581,590	84,439	-	-	(1,497,151)	-	(1,497,151)
Education	50,634,525	818,560	54,548,171	-	4,732,206	-	4,732,206
Interest on long-term debt	165,055	-	-	-	(165,055)	-	(165,055)
Total governmental activities	<u>62,895,894</u>	<u>3,069,547</u>	<u>55,340,836</u>	<u>3,926,191</u>	<u>(559,320)</u>	<u>-</u>	<u>(559,320)</u>
Business-type activities							
Sewer	2,362,249	3,534,600	-	324,682	-	1,497,033	1,497,033
Total primary government	<u>\$ 65,258,143</u>	<u>\$ 6,604,147</u>	<u>\$ 55,340,836</u>	<u>\$ 4,250,873</u>	<u>\$ (559,320)</u>	<u>\$ 1,497,033</u>	<u>\$ 937,713</u>
<b>General revenues</b>							
Property taxes - levied for general government					5,600,941	-	5,600,941
Payments in lieu of taxes - other governments					231,188	-	231,188
Sales taxes					5,580,262	-	5,580,262
Franchise taxes					126,551	-	126,551
Alcoholic beverage taxes					382,204	-	382,204
Business taxes					185,842	-	185,842
State income and excise taxes					152,026	-	152,026
Interest, penalties and court costs					13,996	-	13,996
Gain (loss) on sale of capital assets					6,800	-	6,800
Interest income					230,179	133,772	363,951
Total general revenues					<u>12,509,989</u>	<u>133,772</u>	<u>12,643,761</u>
<b>Changes in net position</b>					<b>11,950,669</b>	<b>1,630,805</b>	<b>13,581,474</b>
Net position - beginning					193,722,463	25,368,089	219,090,552
Restatement - change in accounting principle					1,197,498	-	1,197,498
Net position - beginning, restated					<u>194,919,961</u>	<u>25,368,089</u>	<u>220,288,050</u>
Net position - ending					<u>\$ 206,870,630</u>	<u>\$ 26,998,894</u>	<u>\$ 233,869,524</u>

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

**TOWN OF ARLINGTON, TENNESSEE**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
June 30, 2021

	General Fund	General Purpose School	Capital Projects Fund	State Street Aid Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 8,872,231	\$ 25,341,875	\$ 887,821	\$ 2,365,058	\$ 2,743,634	\$ 40,210,619
Investments	8,556,970	-	-	2,293,699	-	10,850,669
Investments - restricted	-	446,752	-	-	-	446,752
Inventory	-	-	-	-	37,555	37,555
Prepaid expense	-	64,046	-	-	1,200	65,246
Receivables:						
Interest	2,247	-	-	731	-	2,978
Taxes (net of allowance for uncollectibles of \$19,922)	6,874,621	-	-	-	-	6,874,621
Accounts - other	99,935	42,350	-	-	-	142,285
Due from other funds	14,388	227,875	-	-	85,330	327,593
Due from other governments - grants	51,665	-	-	647,563	427,182	1,126,410
Intergovernmental - nongrant	1,097,214	3,142,648	1,293,544	88,079	-	5,621,485
<b>Total assets</b>	<b>\$ 25,569,271</b>	<b>\$ 29,265,546</b>	<b>\$ 2,181,365</b>	<b>\$ 5,395,130</b>	<b>\$ 3,294,901</b>	<b>\$ 65,706,213</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 425,784	\$ 298,408	\$ 871,791	\$ 227,850	\$ 88,335	\$ 1,912,168
Accrued payroll	-	2,196,746	-	-	49,012	2,245,758
Due to other funds	-	-	-	-	227,875	227,875
Unearned revenue	-	-	-	-	51,369	51,369
<b>Total liabilities</b>	<b>425,784</b>	<b>2,495,154</b>	<b>871,791</b>	<b>227,850</b>	<b>416,591</b>	<b>4,437,170</b>
<b>Deferred inflows of resources</b>						
Unavailable revenue - nongrant	-	-	1,264,451	-	-	1,264,451
Unavailable revenue - grants	-	271,410	-	627,995	35	899,440
Unavailable revenue - property taxes	6,780,913	967,369	-	-	-	7,748,282
<b>Total deferred inflows of resources</b>	<b>6,780,913</b>	<b>1,238,779</b>	<b>1,264,451</b>	<b>627,995</b>	<b>35</b>	<b>9,912,173</b>
<b>Fund balances</b>						
<b>Nonspendable</b>						
Inventory	-	-	-	-	37,555	37,555
Prepaid expenses	-	64,046	-	-	1,200	65,246
<b>Restricted</b>						
State street aid	-	-	-	4,539,285	-	4,539,285
Sanitation	-	-	-	-	1,113,033	1,113,033
Education	-	-	-	-	1,727,687	1,727,687
Stabilization reserve trust	-	446,752	-	-	-	446,752
<b>Assigned:</b>						
Impact fees	180,000	-	-	-	-	180,000
Traffic signal- Arlington Trails	50,000	-	-	-	-	50,000
<b>Committed:</b>						
Capital projects	-	-	45,123	-	-	45,123
Fire Department Development	2,028,367	-	-	-	-	2,028,367
Unassigned	16,104,207	25,020,815	-	-	(1,200)	41,123,822
<b>Total fund balances</b>	<b>18,362,574</b>	<b>25,531,613</b>	<b>45,123</b>	<b>4,539,285</b>	<b>2,878,275</b>	<b>51,356,870</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 25,569,271</b>	<b>\$ 29,265,546</b>	<b>\$ 2,181,365</b>	<b>\$ 5,395,130</b>	<b>\$ 3,294,901</b>	<b>\$ 65,706,213</b>

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

**TOWN OF ARLINGTON, TENNESSEE**  
**RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL**  
**FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
June 30, 2021

Amounts reported for the governmental activities in the statement of net position (Pages 12 and 13) are different because:

Fund balances - total governmental funds (Page 15)	\$	51,356,870
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds		158,665,601
Net pension asset is not a financial resource in the current period and, therefore, are not reported an asset in governmental funds.		4,832,675
Receivables not available to pay for current expenditures and, therefore, are deferred in the funds.		
Unavailable revenue		3,131,260
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		5,404,242
Deferred inflows of resources related to pensions and OPEB in which the acquisition of net position will occur in future periods, therefore, it is not reported in the funds		(4,634,251)
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>(11,885,767)</u>
Net position of governmental activities (Page 13)	\$	<u>206,870,630</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, 2021

	General Fund	General Purpose School	Capital Projects Fund	State Street Aid Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 9,103,981	\$ 22,456,797	\$ -	\$ -	\$ -	\$ 31,560,778
Licenses and permits	130,525	-	-	-	-	130,525
Intergovernmental	3,979,806	23,704,819	466,586	2,223,218	5,033,358	35,407,787
Contributions	-	-	-	-	1,633,851	1,633,851
Charges for services	438,875	425,641	-	-	1,191,783	2,056,299
Other	818,182	386,654	-	33,674	32,386	1,270,896
<b>Total revenues</b>	<u>14,471,369</u>	<u>46,973,911</u>	<u>466,586</u>	<u>2,256,892</u>	<u>7,891,378</u>	<u>72,060,136</u>
<b>Expenditures</b>						
Current						
General government	1,987,295	-	-	-	-	1,987,295
Public safety	2,820,569	-	-	-	-	2,820,569
Highways and streets	1,207,290	-	-	1,337,537	-	2,544,827
Storm drainage	148,757	-	-	-	-	148,757
Sanitation collection	-	-	-	-	1,054,088	1,054,088
Parks and recreation	1,117,653	-	-	-	-	1,117,653
Education	-	43,672,017	4,269,075	-	6,573,448	54,514,540
Capital outlay	4,007,420	-	-	3,195,871	-	7,203,291
Debt service:						
Principal	386,000	433,638	-	-	-	819,638
Fees	25,519	-	-	-	-	25,519
Interest	97,793	51,561	-	-	-	149,354
<b>Total expenditures</b>	<u>11,798,296</u>	<u>44,157,216</u>	<u>4,269,075</u>	<u>4,533,408</u>	<u>7,627,536</u>	<u>72,385,531</u>
Revenues over (under) expenditures	2,673,073	2,816,695	(3,802,489)	(2,276,516)	263,842	(325,395)
Other financing sources (uses)						
Issuance of debt	2,661,760	-	-	-	-	2,661,760
Transfers in	-	657,671	-	1,500,000	66,000	2,223,671
Transfers out	(2,173,588)	-	-	-	(50,083)	(2,223,671)
Total other financing sources (uses)	<u>488,172</u>	<u>657,671</u>	<u>-</u>	<u>1,500,000</u>	<u>15,917</u>	<u>2,661,760</u>
<b>Net changes in fund balances</b>	<u><b>3,161,245</b></u>	<u><b>3,474,366</b></u>	<u><b>(3,802,489)</b></u>	<u><b>(776,516)</b></u>	<u><b>279,759</b></u>	<u><b>2,336,365</b></u>
Fund balances - beginning	15,201,329	22,057,247	3,847,612	5,303,845	1,401,018	47,811,051
Prior period restatement	-	-	-	-	1,197,498	1,197,498
Fund balances - beginning (restated)	<u>15,201,329</u>	<u>22,057,247</u>	<u>3,847,612</u>	<u>5,303,845</u>	<u>2,598,516</u>	<u>49,008,549</u>
Fund balances - ending	<u>\$ 18,362,574</u>	<u>\$ 25,531,613</u>	<u>\$ 45,123</u>	<u>\$ 4,527,329</u>	<u>\$ 2,878,275</u>	<u>\$ 51,344,914</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, 2021

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)	\$ 2,336,365
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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.

Add: Capital outlays capitalized	13,930,052	
Less: Depreciation expense	(6,248,742)	
Less: Loss from the disposition of capital asset:	<u>(62,533)</u>	7,618,777

Contributed capital assets are considered as revenue on the statement of activities but are not considered revenues in the funds. This amount represents capital assets donated to the Town by outside parties.

1,395,274

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds (property taxes, grants and nongrant).

1,379,197

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	977,023	
Difference between actual contributions and OPEB expense	7,875	
Change in compensated absences	22,506	
Change in landfill postclosure liability	34,000	

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.

Issuance of capital outlay notes	(2,661,760)	
Capital outlay notes	386,000	
Board of Education note payment and amortization of discount	<u>443,456</u>	

Change in net position of governmental activities (Page 14)	<u>\$ 11,938,713</u>
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**TOWN OF ARLINGTON, TENNESSEE  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND**

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final		Over (Under)
<b>Revenues</b>				
Taxes:				
Real property taxes	\$ 4,585,000	\$ 4,851,581	\$ 4,925,259	\$ 73,678
Personal property taxes	295,900	295,900	298,996	3,096
Public utility taxes	421,000	421,000	394,186	(26,814)
Interest and penalties	12,500	12,500	13,996	1,496
In lieu of tax payments -				
Other governments	74,500	74,500	76,833	2,333
Local sales tax	1,500,000	2,059,681	2,885,956	826,275
Wholesale beer tax	227,000	227,000	236,164	9,164
Wholesale liquor tax	95,000	132,754	146,040	13,286
Franchise taxes	127,000	127,000	126,551	(449)
Total taxes	<u>7,337,900</u>	<u>8,201,916</u>	<u>9,103,981</u>	<u>902,065</u>
Licenses and permits:				
Licenses and permits	33,500	52,896	63,990	11,094
Planning commission submittals	40,000	64,133	64,405	272
Excavating permits	8,500	8,500	2,130	(6,370)
Total licenses and permits	<u>82,000</u>	<u>125,529</u>	<u>130,525</u>	<u>4,996</u>
Intergovernmental:				
Federal grants	-	741,000	727,665	(13,335)
Local grant	-	-	65,000	65,000
TVA in lieu of tax	158,600	158,600	154,355	(4,245)
Business tax	170,000	170,000	185,842	15,842
Local occupancy tax	-	-	612	612
Sports betting	-	4,883	7,654	2,771
State sales tax	1,057,300	1,143,438	1,402,277	258,839
State local sales tax	650,000	1,049,618	1,292,029	242,411
State income tax	-	-	21,739	21,739
State beer tax	6,300	6,300	6,257	(43)
State alcoholic beverage tax	15,000	15,000	24,086	9,086
State petroleum special fee	26,300	26,300	26,240	(60)
State telecommunications sales tax	5,000	11,132	13,322	2,190
State excise tax	20,000	52,728	52,728	-
Total intergovernmental	<u>2,108,500</u>	<u>3,378,999</u>	<u>3,979,806</u>	<u>600,807</u>
Charges for services:				
Fire reports	-	-	46	46
Community development fees	-	86,400	86,400	-

*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, 2021

	<b>Budgeted Amounts</b>			<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Over (Under)</b>
Street light fees	-	45,704	45,705	1
Storm water fees	172,000	172,000	176,079	4,079
Inspection fees	-	64,800	64,800	-
Meeting room fees	-	-	2,564	2,564
Community garden	500	500	1,595	1,095
Park and recreation fees	76,800	55,810	61,686	5,876
Total charges for services	<u>249,300</u>	<u>425,214</u>	<u>438,875</u>	<u>13,661</u>
Other:				
Other	20,300	48,800	52,561	3,761
Rent	3,801	3,801	5,001	1,200
Sale of land and equipment	-	6,800	6,800	-
Interest earned	150,000	115,000	118,196	3,196
Insurance recovery	-	30,666	30,666	-
Impact fees	160,000	495,864	585,864	90,000
Library fines	19,000	19,000	18,594	(406)
Contributions	-	500	500	-
Total other	<u>353,101</u>	<u>720,431</u>	<u>818,182</u>	<u>97,751</u>
<b>Total revenues</b>	<u>10,130,801</u>	<u>12,852,089</u>	<u>14,471,369</u>	<u>1,619,280</u>
<b>Expenditures</b>				
Current expenditures:				
General government:				
Salaries	430,000	430,000	414,088	(15,912)
OASI	32,450	32,450	34,181	1,731
Hospital and health insurance	68,300	68,300	74,909	6,609
Workmen's compensation	2,000	2,000	2,000	-
Employee education and training	3,000	3,000	1,286	(1,714)
Other employer contributions	30,000	30,000	24,823	(5,177)
Board and committee members	61,000	61,000	61,000	-
Elections	15,000	-	-	-
Contractual services	-	-	150	150
Postage	8,000	8,000	6,966	(1,034)
Messenger and delivery services	2,000	2,000	798	(1,202)
Publication of legal notices	25,000	15,000	16,393	1,393
Memberships and registration fees	5,000	5,000	5,354	354
Public relations	10,000	10,000	4,250	(5,750)
Utility services	30,000	359,000	353,851	(5,149)
Telephone	30,000	45,000	45,204	204
Legal services	130,000	165,000	101,900	(63,100)

*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, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final		Over (Under)
Accounting and auditing services	28,000	28,000	27,715	(285)
Architectural and engineering services	130,000	130,000	71,905	(58,095)
Planning services	125,000	155,000	150,342	(4,658)
Web site services	6,500	6,500	5,325	(1,175)
Data processing services	30,000	70,000	67,741	(2,259)
Other professional services	71,450	16,100	70,309	54,209
Repair and maintenance services	9,500	56,000	56,365	365
Repair and maintenance of buildings	20,000	20,000	16,726	(3,274)
Travel	3,000	3,000	641	(2,359)
Collection fees	24,000	115,000	113,658	(1,342)
Sundry	10,000	21,000	17,731	(3,269)
Operating supplies	22,000	22,000	27,699	5,699
Off site record storage	5,100	5,100	6,246	1,146
Insurance on buildings	11,500	11,500	9,785	(1,715)
Insurance - liability	11,250	11,250	11,250	-
Capital outlay	1,409,610	4,174,000	3,445,444	(728,556)
Machinery and equipment rent	17,500	17,500	15,311	(2,189)
Other machinery and equipment	5,000	5,000	3,695	(1,305)
Donations to the Chamber of Commerce	35,000	35,000	35,000	-
Clothing and uniforms	1,200	1,200	238	(962)
COVID-19 related expenses	-	85,300	132,460	47,160
Total general government	<u>2,857,360</u>	<u>6,224,200</u>	<u>5,432,739</u>	<u>(791,461)</u>
Fire protection and control:				
Salaries	1,647,000	1,664,281	1,664,281	-
OASI	125,500	125,500	122,826	(2,674)
Hospital and health insurance	216,600	216,600	197,519	(19,081)
Workmen's compensation	39,600	39,600	22,850	(16,750)
Employee education and training	20,000	20,000	19,581	(419)
Other employer contributions	105,500	105,500	76,048	(29,452)
Contractual services	440,000	440,000	373,915	(66,085)
Membership fees, dues	5,000	5,000	3,411	(1,589)
Utility services	45,000	45,000	34,968	(10,032)
Telephone	22,000	22,000	15,185	(6,815)
Medical and dental	30,700	15,000	11,056	(3,944)
Repair and maintenance	73,000	91,000	100,992	9,992
Data processing	26,300	26,300	19,688	(6,612)
Travel	6,000	6,000	4,252	(1,748)
Operating supplies	52,000	44,000	41,510	(2,490)
Clothing and uniforms	14,500	14,500	13,558	(942)
Gas, oil and diesel	15,000	15,000	7,862	(7,138)
Insurance-building and liability	22,800	21,900	21,799	(101)

*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, 2021

	<b>Budgeted Amounts</b>			<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Over (Under)</b>
Insurance-vehicles and equipment	16,000	12,100	12,070	(30)
Capital outlay	121,083	377,562	262,626	(114,936)
Machinery and equipment rent	10,000	10,000	7,051	(2,949)
Other machinery and equipment	86,000	45,500	45,413	(87)
	<u>3,139,583</u>	<u>3,362,343</u>	<u>3,078,461</u>	<u>(283,882)</u>
Fire fighting:				
Supplies	5,000	5,000	4,734	(266)
Total public safety	<u>3,144,583</u>	<u>3,367,343</u>	<u>3,083,195</u>	<u>(284,148)</u>
Public Works:				
Highway and streets:				
Salaries	697,745	697,745	630,043	(67,702)
OASI	53,000	53,000	44,207	(8,793)
Hospital and health insurance	131,500	131,500	124,846	(6,654)
Workmen's compensation	25,950	16,000	15,359	(641)
Other employer contributions	48,600	48,600	33,328	(15,272)
Memberships, registration fees	3,000	6,600	6,570	(30)
Employee education and training	5,000	5,000	4,834	(166)
Utility services	30,000	30,000	23,314	(6,686)
Ambulance services	1,000	1,000	868	(132)
Other contractual services	-	1,000	958	(42)
Other professional services	2,000	2,000	1,117	(883)
Telephone	20,500	20,500	18,056	(2,444)
Data processing	25,100	32,000	31,996	(4)
Repair and maintenance services	97,500	100,305	93,392	(6,913)
Travel	500	500	-	(500)
Operating supplies	30,500	29,350	28,810	(540)
Clothing and uniforms	9,250	12,700	14,619	1,919
Gas, oil and diesel	35,000	35,000	32,669	(2,331)
Insurance	23,900	20,000	18,969	(1,031)
Machinery and equipment rental	10,000	10,000	9,332	(668)
Other machinery and equipment	72,000	74,005	74,003	(2)
Capital outlay	-	2,290	-	(2,290)
Total highway and streets	<u>1,322,045</u>	<u>1,329,095</u>	<u>1,207,290</u>	<u>(121,805)</u>
Storm drainage:				
Salaries	55,500	55,500	43,804	(11,696)
OASI	4,200	4,200	3,194	(1,006)

*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, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final		Over (Under)
Hospital and health insurance	6,500	6,500	5,866	(634)
Workmen's compensation	2,000	2,000	2,000	-
Other employer contributions	4,100	4,100	3,601	(499)
Contractual services	50,000	50,000	44,926	(5,074)
Employee education and training	1,000	1,000	350	(650)
Memberships, registration fees	4,200	4,200	5,010	810
Donations to the Chamber of Commerce	2,000	2,000	500	(1,500)
Data processing	1,300	1,300	6,733	5,433
Other professional service	6,000	6,000	1,547	(4,453)
Operating supplies	1,000	1,000	1,022	22
Clothing and uniforms	650	650	72	(578)
Gas, oil and diesel	1,300	1,300	696	(604)
Other machinery and equipment	32,000	32,000	29,436	(2,564)
Total storm drainage	<u>171,750</u>	<u>171,750</u>	<u>148,757</u>	<u>(22,993)</u>
 Total public works	 <u>1,493,795</u>	 <u>1,500,845</u>	 <u>1,356,047</u>	 <u>(144,798)</u>
 Parks and recreation:				
Salaries	413,000	413,000	367,980	(45,020)
OASI	34,160	34,160	25,290	(8,870)
Hospital and health insurance	73,900	73,900	75,611	1,711
Workmen's compensation	9,850	9,850	5,889	(3,961)
Employee education and training	2,250	2,250	225	(2,025)
Basketball fees	26,800	8,310	7,594	(716)
Postage	500	500	754	254
Memberships and registration fees	2,000	2,000	1,020	(980)
Other employer contributions	26,500	26,500	11,555	(14,945)
Contractual services	310,000	310,000	296,802	(13,198)
Data processing services	24,500	24,500	14,896	(9,604)
Other professional services	4,000	4,000	3,919	(81)
Public relations	30,000	15,000	10,027	(4,973)
Utility services	103,500	111,500	100,643	(10,857)
Telephone	12,500	13,500	13,626	126
Repair and maintenance	69,100	47,100	47,836	736
Travel	2,500	500	-	(500)
Sundry	3,600	3,600	406	(3,194)
Operating supplies	65,500	63,500	39,585	(23,915)
Clothing and uniforms	4,550	4,550	4,564	14
Gas, oil and diesel fuel	9,000	9,000	6,884	(2,116)
Fabricated materials	10,000	3,500	3,260	(240)
Insurance	22,500	21,700	17,499	(4,201)

*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, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final		Over (Under)
Other machinery and equipment	13,600	63,600	59,169	(4,431)
Machinery and equipment rent	3,000	3,000	2,619	(381)
Capital outlay	-	299,355	299,350	(5)
Total parks and recreation	<u>1,276,810</u>	<u>1,568,375</u>	<u>1,417,003</u>	<u>(151,372)</u>
Debt Service:				
Principal	149,000	386,000	386,000	-
Fees	-	-	25,519	25,519
Interest	38,200	97,855	97,793	(62)
Total debt service	<u>187,200</u>	<u>483,855</u>	<u>509,312</u>	<u>25,457</u>
Total expenditures	<u>8,959,748</u>	<u>13,144,618</u>	<u>11,798,296</u>	<u>(1,346,322)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	1,171,053	(292,529)	2,673,073	2,965,602
Other financing sources (uses)				
Issuance of debt	-	2,661,760	2,661,760	-
Transfers out	<u>(2,171,053)</u>	<u>(2,171,053)</u>	<u>(2,173,588)</u>	<u>(2,535)</u>
Total other financing sources (uses)	<u>(2,171,053)</u>	<u>490,707</u>	<u>488,172</u>	<u>(2,535)</u>
<b>Net change in fund balances</b>	<u><b>\$ (1,000,000)</b></u>	<u><b>\$ 198,178</b></u>	<u><b>3,161,245</b></u>	<u><b>\$ 2,963,067</b></u>
Fund balance, July 1			<u>15,201,329</u>	
Fund balance, June 30			<u><b>\$ 18,362,574</b></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, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over Under
<b>Revenues:</b>				
Taxes	\$ 19,285,940	\$ 19,939,357	\$ 22,456,797	\$ 2,517,440
Intergovernmental	23,592,000	23,284,000	23,704,819	420,819
Charges for services	574,154	574,154	425,641	(148,513)
Operating Federal and State Grants	45,000	497,205	56,212	(440,993)
Interest income	-	-	71,862	71,862
Other	358,500	358,500	258,580	(99,920)
<b>Total revenues</b>	<b>43,855,594</b>	<b>44,653,216</b>	<b>46,973,911</b>	<b>2,320,695</b>
<b>Expenditures:</b>				
Instruction	33,219,090	34,873,326	32,440,281	(2,433,045)
Support services	2,421,770	2,436,030	2,268,787	(167,243)
Central office	2,794,806	3,463,878	3,014,643	(449,235)
Operation of plant	2,944,162	2,954,722	2,743,240	(211,482)
Transportation	1,316,963	1,316,963	1,257,707	(59,256)
Technology	763,280	780,227	713,905	(66,322)
Debt service	333,333	333,333	485,199	151,866
Capital outlay	2,055,000	2,055,000	1,233,454	(821,546)
<b>Total expenditures</b>	<b>\$ 45,848,404</b>	<b>\$ 48,213,479</b>	<b>\$ 44,157,216</b>	<b>\$ (4,056,263)</b>
Excess (deficiency) of revenues over (under) expenditures	(1,992,810)	(3,560,263)	2,816,695	6,376,958
<b>Other financing sources (uses):</b>				
Transfers in	2,720,053	4,287,506	657,671	(3,629,835)
Transfers out	(727,243)	(727,243)	-	727,243
<b>Total other financing sources (uses)</b>	<b>1,992,810</b>	<b>3,560,263</b>	<b>657,671</b>	<b>(2,902,592)</b>
Net changes in fund balance	\$ -	\$ -	3,474,366	\$ 3,474,366
Fund balance - beginning			22,057,247	
Fund balance - ending			<b>\$ 25,531,613</b>	

*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, 2021

<b>Revenues</b>	<b>Budgeted Amounts</b>			<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Over (Under)</b>
Intergovernmental:				
Gas 1989	\$ 39,000	\$ 39,000	\$ 38,285	\$ (715)
Gas 3 cent	70,000	70,000	70,940	940
Gasoline and motor fuel tax	230,000	230,000	245,573	15,573
2017 gas tax	80,000	100,823	123,516	22,693
Grant revenue	800,000	983,478	1,744,904	761,426
Total intergovernmental	<u>1,219,000</u>	<u>1,423,301</u>	<u>2,223,218</u>	<u>799,917</u>
Other:				
Reimbursements	-	-	11,956	11,956
Interest earned	40,000	31,450	33,674	2,224
Total other	<u>40,000</u>	<u>31,450</u>	<u>45,630</u>	<u>14,180</u>
 Total revenues	 <u>1,259,000</u>	 <u>1,454,751</u>	 <u>2,268,848</u>	 <u>814,097</u>
 <b>Expenditures</b>				
Current:				
Public works:				
Highways and streets:				
Utilities	390,000	405,000	399,864	(5,136)
Repair and maintenance services	95,000	25,000	22,520	(2,480)
Repair and maintenance - streets	900,000	875,000	822,326	(52,674)
Operating supplies	120,000	120,000	92,827	(27,173)
Capital outlay, including grants	1,254,000	3,227,500	3,195,871	(31,629)
Total expenditures	<u>2,759,000</u>	<u>4,652,500</u>	<u>4,533,408</u>	<u>(119,092)</u>
 <b>Excess (deficiency) of revenues</b>				
<b>    over (under) expenditures</b>	<u>(1,500,000)</u>	<u>(3,197,749)</u>	<u>(2,264,560)</u>	<u>933,189</u>
 Other financing sources (uses)				
Transfers in	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>-</u>
 <b>Net changes in fund balance</b>	 <u>\$ -</u>	 <u>\$ (1,697,749)</u>	 <u>(764,560)</u>	 <u>\$ 933,189</u>
 Fund balance, July 1			<u>5,303,845</u>	
 Fund balance, June 30			<u>\$ 4,539,285</u>	

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
June 30, 2021

	<b>Sewer Fund</b>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 4,165,367
Investments	7,479,108
Receivables	
Interest	5,102
Accounts	346,744
Total current assets	11,996,321
Noncurrent assets	
Capital assets	
Land	231,762
Sewer plant	32,763,380
Construction in progress	339,515
Less accumulated depreciation	(10,739,029)
Total capital assets (net of accumulated depreciation)	22,595,628
Total noncurrent assets	22,595,628
Total assets	34,591,949
<b>Liabilities</b>	
Current liabilities	
Accounts payable	58,758
Accrued annual leave	13,165
Due to other funds	99,718
Bonds payable	1,148,304
Total current liabilities	1,319,945
Noncurrent liabilities	
Accrued annual leave	2,649
Bonds payable	6,270,461
Total noncurrent liabilities	6,273,110
Total liabilities	7,593,055
<b>Net position</b>	
Net investment in capital assets	15,176,863
Restricted for Lillian Bend lift station	100,000
Unrestricted	11,722,031
Total net position	\$ 26,998,894

*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, 2021

	<u>Sewer Fund</u>
<b>Operating revenues</b>	
Sewer service charges	\$ 2,153,932
Surcharges and inspection fees	1,092,534
Local support grant	288,134
Total operating revenues	<u>3,534,600</u>
<b>Operating expenses</b>	
Salaries	251,113
OASI	18,460
Hospital and health insurance	32,571
Workmen's compensation	7,306
Other employer contributions	15,968
Employee education and materials	1,773
Memberships and dues	9,847
Utility services	215,556
Telephone	22,100
Other professional services	7,026
Contractual services	3,287
Data processing services	16,142
Repair and maintenance	462,849
Lab costs	63,789
Operating supplies	33,866
Insurance	25,768
Rental	11,598
Depreciation	998,005
Total operating expenses	<u>2,197,024</u>
<b>Operating income (loss)</b>	<u>1,337,576</u>
Non-operating income (expense)	
Interest earned	133,772
Interest expense	(141,523)
Debt fees	(23,702)
Total non-operating revenues (expenses)	<u>(31,453)</u>
<b>Change in net position before contributed capital</b>	1,306,123
Capital contributions	324,682
<b>Change in net position</b>	<b>1,630,805</b>
Total net position, beginning	<u>25,368,089</u>
Total net position, ending	<u>\$ 26,998,894</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, 2021

	<u>Sewer Fund</u>
<b>Cash flows from operating activities:</b>	
Cash received from consumers	\$ 3,531,920
Cash received from other funds	(4,422)
Cash paid to employees for services	(269,573)
Other operating payments	<u>(905,027)</u>
Net cash provided (used) by operating activities	<u>2,352,898</u>
 <b>Cash flows from capital and related financing activities:</b>	
Capital contributed by customers and grants	324,682
Principal paid on debt	(1,104,085)
Interest and debt fees paid	(165,225)
Construction and acquisition of plant	<u>(1,463,832)</u>
Net cash provided (used) by capital and related financing activities	<u>(2,408,460)</u>
 <b>Cash flows from investing activities:</b>	
Purchase of investments	(7,479,108)
Proceeds from sale and maturities of investments	7,369,194
Interest and unrealized change in investments	<u>139,210</u>
Net cash provided (used) by investing activities	<u>29,296</u>
 <b>Net increase (decrease) in cash and cash equivalents</b>	 <b>(26,266)</b>
 Cash and cash equivalents - beginning of year	 <u>4,191,633</u>
 Cash and cash equivalents - end of year	 <u>\$ 4,165,367</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, 2021

	<u>Sewer Fund</u>
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income (loss)	\$ 1,337,576
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	998,005
(Increase) decrease in accounts receivable	(2,680)
Increase (decrease) in payables	28,608
Increase (decrease) in accrued annual leave	(4,189)
Increase (decrease) in due to other funds	<u>(4,422)</u>
Net cash provided (used) by operating activities	<u>\$ 2,352,898</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, 2021

	<b>Other Postemployment Benefits</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 88,402
Investments at fair value	3,994,060
Total assets	<u>\$ 4,082,462</u>
<b>Net Position</b>	
Restricted for OPEB benefits	<u>\$ 4,082,462</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, 2021

		<u>Other Postemployment Benefits</u>
<b>ADDITIONS</b>		
Contributions	\$	661,843
Investment earnings (losses):		
Interest and dividends		83,355
Net appreciation in fair value of investments		717,800
Total investment earnings		<u>801,155</u>
 Total additions		 1,462,998
<b>DEDUCTIONS</b>		
Benefits		161,843
Administrative expenses		15,106
Total deductions		<u>176,949</u>
 Change in net position		 1,286,049
 Net position - beginning of the year		 <u>2,796,413</u>
 Net position - end of the year	<u>\$</u>	 <u>4,082,462</u>

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

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

June 30, 2021

**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.

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

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

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

The Town reports the following major governmental funds:

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

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

The Capital Projects Fund is the School’s fund to account for all the financing of major School System capital asset purchases.

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 of resources that are required to be held in trust for the members and beneficiaries of other postemployment benefit plan.

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

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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.

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.

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***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 held for consumption and are valued at cost. The costs of inventory is recorded as expenditures/expenses when consumed rather than when purchased.

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.

***Capital Assets***

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

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

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

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

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

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***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.

***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 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

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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.

***New Governmental Accounting Standards Board (GASB) Pronouncements***

The Town implemented GASB Statement No. 84, *Fiduciary Activities*, required for fiscal periods ending June 30, 2021. The Statement 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 implementation resulted in a reclassification to a special revenue fund for the Internal School Fund which was previously classified as an agency fund. The implementation has been accounted for as a change in accounting principle with a prior year adjustment increasing beginning fund balance in the amount of \$1,197,498.

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 that GASB No. 87 may have on its financial statements.

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***Net Position Flow Assumption***

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

***Fund Equity***

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

**Nonspendable fund balance**

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

**Restricted fund balance**

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

**Committed fund balance**

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

**Assigned fund balance**

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

**Unassigned fund balance**

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

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**

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**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 \$11,885,767 difference are as follows:

Long-term debt due within a year	\$ 699,637
Long-term debt due in more than a year	6,382,893
Compensated absences payable	435,091
Net OPEB liability	4,143,404
Net pension liability	4,799
Accrued postclosure care costs	<u>219,943</u>
Net adjustment to reduce fund balance - total government funds to arrive at net position - governmental activities	<u>\$ 11,885,767</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 \$7,618,777 difference are as follows:

Capital outlay net of contributed capital	\$ 13,930,052
Amount costs of disposed assets exceeded accumulated depreciation	(62,533)
Depreciation expense	<u>(6,248,742)</u>
Net adjustment to reduce net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 7,618,777</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 \$1,379,197 difference are as follows:

Change in unavailable property taxes	\$ 1,196,548
Change in unavailable grant revenue	200,149
Change in unavailable revenue	<u>(17,500)</u>
Net adjustment to reduce net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 1,379,197</u>

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**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.

**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, 2021, 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, 2021.

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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.

*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 <http://www.comptroller.tn.gov/advance-search.html>. The following table summarizes fair value disclosures and measurements for the System’s investments held by the TRGT on its behalf June 30, 2021:

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Investments at Fair Value

<u>Mutual Funds</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. equity	\$ 138,493	\$ -	\$ -	\$ 138,493
Developed market international equity	62,545	-	-	62,545
Emerging market international equity	17,870	-	-	17,870
U.S. fixed income	-	89,350	-	89,350
Short-term securities	-	4,469	-	4,469
Real estate	-	-	44,675	44,675
Total Investments	<u>218,908</u>	<u>93,819</u>	<u>44,675</u>	<u>357,402</u>

Investment at amortized cost using NAV

Private equity and strategic lending	-	-	-	89,350
Total restricted investments	<u>\$ 218,908</u>	<u>\$ 93,819</u>	<u>\$ 44,675</u>	<u>\$ 446,752</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, 2021:

<u>Investments at Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity exchange traded funds	\$ 897,547	\$ -	\$ -	\$ 897,547
Fixed income exchange traded funds	61,588	-	-	61,588
Equity mutual funds	1,847,139	-	-	1,847,139
Fixed income mutual funds	1,156,436	-	-	1,156,436
Structured investments	31,350	-	-	31,350
Total investments	<u>\$ 3,994,060</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,994,060</u>

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, 2021:

- *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

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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 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, 2021.

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, 2021 for the government’s individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

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	General	General Purpose School	Education Capital Projects Fund	State Street Aid	Sewer	Other Governmental Funds	Total
Receivables							
Interest	\$ 2,247	\$ -	\$ -	\$ 731	\$ 5,102	\$ -	\$ 8,080
Taxes	6,894,543	-	-	-	-	-	6,894,543
Accounts	99,935	42,350	-	-	346,744	-	489,029
Due from other							
governments - grants	51,665	-	-	647,563	-	427,182	1,126,410
Intergovernmental	1,097,214	3,142,648	1,293,544	88,079	-	-	5,621,485
Gross receivables	8,145,604	3,184,998	1,293,544	736,373	351,846	427,182	14,139,547
Less: allowance for uncollectibles	(19,922)	-	-	-	-	-	(19,922)
Net total receivables	<u>\$ 8,125,682</u>	<u>\$ 3,184,998</u>	<u>\$ 1,293,544</u>	<u>\$ 736,373</u>	<u>\$ 351,846</u>	<u>\$ 427,182</u>	<u>\$ 14,119,625</u>

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

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

	Unavailable	Unearned/Unavailable	Total
Grant revenue	\$ 899,440	\$ -	\$ 899,440
2021 property tax assessment	-	6,780,913	6,780,913
Delinquent property taxes receivable - Schools	967,369	-	967,369
Sales taxes receivable - Schools	1,264,451	-	1,264,451
Prepaid lunch balances	-	51,139	51,139
Other unearned revenue	-	230	230
Total deferred revenue for governmental funds	<u>\$ 3,131,260</u>	<u>\$ 6,832,282</u>	<u>\$ 9,963,542</u>

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2021 was as follows:

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<b>Governmental Activities:</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 4,927,907		\$ -	\$ 4,927,907
Construction in progress	11,785,714	11,626,465	6,040,028	17,372,151
Total capital assets, not being depreciated	<u>16,713,621</u>	<u>11,626,465</u>	<u>6,040,028</u>	<u>22,300,058</u>
Capital assets being depreciated:				
Buildings and improvements	111,106,048	6,086,057	-	117,192,105
Machinery and equipment	13,723,841	2,257,558	139,766	15,841,633
Infrastructure	41,662,049	1,395,274	-	43,057,323
Total capital assets being depreciated	<u>166,491,938</u>	<u>9,738,889</u>	<u>139,766</u>	<u>176,091,061</u>
Less: accumulated depreciation for:				
Buildings and improvements	(14,933,879)	(2,933,293)	-	(17,867,172)
Machinery and equipment	(6,560,493)	(1,819,739)	(77,233)	(8,302,999)
Infrastructure	(12,059,637)	(1,495,710)	-	(13,555,347)
Total accumulated depreciation	<u>(33,554,009)</u>	<u>(6,248,742)</u>	<u>(77,233)</u>	<u>(39,725,518)</u>
Total capital assets, being depreciated, net	<u>132,937,929</u>	<u>3,490,147</u>	<u>62,533</u>	<u>136,365,543</u>
Governmental activities, capital assets, net	<u>\$ 149,651,550</u>	<u>\$ 15,116,612</u>	<u>\$ 6,102,561</u>	<u>\$ 158,665,601</u>

<b>Business-type Activities:</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 231,762	\$ -	\$ -	\$ 231,762
Construction in progress	85,808	253,707	-	339,515
Total capital assets, not being depreciated	<u>317,570</u>	<u>253,707</u>	<u>-</u>	<u>571,277</u>
Capital assets being depreciated:				
Sewer plant	31,553,255	1,210,125	-	32,763,380
Total capital assets being depreciated	<u>31,553,255</u>	<u>1,210,125</u>	<u>-</u>	<u>32,763,380</u>
Less: accumulated depreciation for:				
Infrastructure	(9,741,024)	(998,005)	-	(10,739,029)
Total accumulated depreciation	<u>(9,741,024)</u>	<u>(998,005)</u>	<u>-</u>	<u>(10,739,029)</u>
Total capital assets being depreciated, net	<u>21,812,231</u>	<u>212,120</u>	<u>-</u>	<u>22,024,351</u>
Business-type activities capital assets, net	<u>\$ 22,129,801</u>	<u>\$ 465,827</u>	<u>\$ -</u>	<u>\$ 22,595,628</u>

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

Governmental activities:	
General government	\$ 209,972
Public safety	335,422
Public works	157,404
Street department	1,510,421
Parks department	531,823
Education	3,503,700
Total depreciation expense - governmental activities	<u>\$ 6,248,742</u>
Business-type activities:	
Sewer	<u>\$ 998,005</u>

**D. Interfund Transfers and Balances**

The composition of interfund transfers as of June 30, 2021, is as follows:

Transfer from	Transfer to	Amount
General	General Purpose School	\$ 607,588
General	State Street Aid	1,500,000
General	Sanitation	66,000
Federal Projects	General Purpose School	50,083
Total		<u>\$ 2,223,671</u>

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

The transfer from the General Fund to General Purpose School Fund was to transfer the Schools' share of property tax. 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 was made 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, 2021, is as follows:

Due from (Payable)	Due to (Receivable)	Amount
Federal Projects	General Purpose School	\$ 185,846
Discretionary Grants Fund	General Purpose School	42,029
Sewer Fund	General Fund	14,388
Sewer Fund	Sanitation	85,330
Total		327,593
Governmental fund activities eliminated		<u>(227,875)</u>
Internal balances		<u>\$ 99,718</u>

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

**TOWN OF ARLINGTON, TENNESSEE**  
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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, 2021 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, 2021	\$ 2,937,264
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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, 2021	4,460,000
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Notes Payable:

Fire Equipment Acquisition Capital Outlay Note, Series 2019, Tennessee Municipal Bond Fund; the total amount of the bond issue is for \$1,125,026; due in annual installments of \$142,026 to \$180,000 through 2026; interest at 3.88%	834,000
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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 \$634,782 remains available for draws as of June 30, 2021.	4,678,218
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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.	<u>1,666,665</u>
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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	<u>(96,353)</u>
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Total	<u>\$ 14,479,794</u>
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The following is a summary of long-term debt transactions for the year ended June 30, 2021:

**TOWN OF ARLINGTON, TENNESSEE**  
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<b>Governmental activities:</b>	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<i>Direct borrowings:</i>					
Notes from direct borrowings					
Note payable- capital outlay	\$ 3,236,458	\$ 2,661,760	\$ 386,000	\$ 5,512,218	\$ 398,000
Note payable- Board of Education, net of discount	1,865,981	-	295,669	1,570,312	301,637
Total notes from direct borrowings	<u>5,102,439</u>	<u>2,661,760</u>	<u>681,669</u>	<u>7,082,530</u>	<u>699,637</u>
Capital lease - Board of Education	147,787	-	147,787	-	-
Total direct borrowings	<u>5,250,226</u>	<u>2,661,760</u>	<u>829,456</u>	<u>7,082,530</u>	<u>699,637</u>
Compensated absences	457,597	211,871	234,377	435,091	285,455
Landfill closing and post closing monitoring costs	253,943	-	34,000	219,943	-
	<u>\$ 5,961,766</u>	<u>\$ 2,873,631</u>	<u>\$ 1,097,833</u>	<u>\$ 7,737,564</u>	<u>\$ 985,092</u>
	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<b>Business-type activities:</b>					
Bonds payable					
Revenue bonds 2002	\$ 3,835,045	\$ -	\$ 897,781	\$ 2,937,264	\$ 937,000
Revenue bonds 2012	4,665,000	-	205,000	4,460,000	210,000
Bond premium	22,805	-	1,304	21,501	1,304
Total bonds payable	<u>8,522,850</u>	<u>-</u>	<u>1,104,085</u>	<u>7,418,765</u>	<u>1,148,304</u>
Compensated absences	20,003	15,814	20,003	15,814	13,165
	<u>\$ 8,542,853</u>	<u>\$ 15,814</u>	<u>\$ 1,124,088</u>	<u>\$ 7,434,579</u>	<u>\$ 1,161,469</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 \$160,772 in the general fund and \$274,319 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, 2021, including interest payments of \$2,706,261, are as follows:

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Year Ending June 30,	Governmental Activities		Business-Type Activities		Total Principal	Total Interest
	Direct Borrowings		Bonds			
	Notes payable Principal	Interest	Principal	Interest		
2022	\$ 731,333	\$ 192,812	\$ 1,147,000	\$ 191,565	\$ 1,878,333	\$ 384,377
2023	744,333	179,468	1,194,000	167,515	1,938,333	346,983
2024	759,333	165,680	1,241,264	142,085	2,000,597	307,765
2025	772,333	151,378	225,000	115,624	997,333	267,002
2026	788,333	136,634	230,000	110,221	1,018,333	246,855
2027-2031	1,502,000	518,716	1,245,000	458,174	2,747,000	976,890
2032-2036	1,743,000	277,810	1,455,000	240,063	3,198,000	517,873
2037-2038	138,218	8,451	660,000	21,943	798,218	30,394
Total	\$ 7,178,883	\$ 1,630,949	\$ 7,397,264	\$ 1,447,190	\$14,576,147	\$ 3,078,139

All significant debt covenants and restrictions as set forth in the bond agreements were complied with. There were no unused lines of credit in the current year. The outstanding notes from direct borrowings contain provisions that in the event of default, the lender can exercise one of more of the following options: (1) make all or any of the outstanding notes payable balances immediately due and accrued interest at highest post-maturity interest rate, (2) take possession of the collateralized properties, (3) gain access to other assets of the borrower to protect the lender's interest, and (4) use any remedy allowed by state or federal law.

**NOTE 5 – OTHER INFORMATION**

**A. Commitments**

The Town closed its solid waste landfill facility in August 1991. State and federal laws and regulations require the Town to place a final cover on the landfill and to perform certain maintenance and monitoring functions at the site for 30 years after closure. All closure activities were complete as of June 30, 1999. Although the remaining costs of monitoring will be paid as they are incurred, generally accepted accounting principles require these costs to be reflected as a liability of the entity owning the landfill as of the date of closure. Accordingly, the Town has recorded these estimated costs as a long-term liability in the government-wide statements. These amounts are based on what it would cost to perform all post-closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Expenditures were \$34,000 for the year ended June 30, 2021.

**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

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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 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, 2021, total employer contributions were \$107,832 and employee contributions were \$161,843 based on total covered wages of \$2,697,383. 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, 2021.

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")

**TOWN OF ARLINGTON, TENNESSEE  
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- 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](http://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:

	Net Pension Asset	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources	Pension (Negative) Expense
Administrative Legacy Pension Plan	\$ 475,667	\$ 192,637	\$ -	\$ 254,647	\$ 110,924
Administrative Hybrid Pension Plan	-	215,468	4,799	-	(8,319)
Teacher Legacy Pension Plan	4,164,259	3,432,336	-	2,026,387	978,367
Teacher Retirement Plan	192,749	148,409	-	76,495	76,720
	<u>\$ 4,832,675</u>	<u>\$ 3,988,850</u>	<u>\$ 4,799</u>	<u>\$ 2,357,529</u>	<u>\$ 1,157,692</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

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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, 2020, the following employees were covered by the benefit terms of the agent plans:

	Administrative	
	Legacy Plan	Hybrid Plan
Inactive employees or beneficiaries currently receiving benefits	13	-
Inactive employees entitled to but not yet receiving benefits	22	22
Active employees	48	56
	83	78

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, 2021 were as follows:

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	Administrative		Teacher	
	Legacy Plan	Hybrid Plan	Legacy Plan	Hybrid Plan
Employer contributions	\$ 135,166	\$ 60,421	\$ 1,873,096	\$ 105,658
Covered payroll	1,826,565	2,784,347	18,234,674	5,230,459
As a percentage of covered payroll	<u>7.40%</u>	<u>2.17%</u>	<u>10.27%</u>	<u>2.02%</u>

**b) Actuarial Assumptions**

The total pension liability as of June 30, 2020 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.

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.

**TOWN OF ARLINGTON, TENNESSEE**  
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June 30, 2021

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, 2020. The total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of the respective dates. 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	\$ 223,154	\$ 117,365		
Interest	125,316	29,831		
Differences between expected and actual experience	(186,130)	124,798		
Changes in assumptions	-	-		
Benefit payments, including refunds	<u>(20,326)</u>	<u>(2,528)</u>		
Net change in total pension liability	<u>142,014</u>	<u>269,466</u>		
Total pension liability - beginning	1,515,499	295,357		
Total pension liability - ending	<u>1,657,513</u>	<u>564,823</u>		
 Plan Fiduciary Net Position				
Contributions - employer	\$ 87,887	\$ 50,942		
Contributions - employee	60,624	146,180		
Net investment income	97,883	21,983		
Benefit payments	(20,326)	(2,528)		
Administrative expense	(4,404)	(4,899)		
Other charges	-	-		
Net change in plan fiduciary net position	<u>221,664</u>	<u>211,678</u>		
Plan fiduciary net position - beginning	<u>1,911,516</u>	<u>348,346</u>		
Plan fiduciary net position - ending	<u>2,133,180</u>	<u>560,024</u>		
Net pension liability (asset)	<u>\$ (475,667)</u>	<u>\$ 4,799</u>		
 Plan fiduciary net position as a percentage of total pension liability	<u>128.70%</u>	<u>99.15%</u>		
 Proportionate share of net pension liability (asset)			<u>\$ (4,164,259)</u>	<u>\$ (192,749)</u>
Proportionate share at June 30, 2020 measurement date			0.546080%	0.338965%
Proportionate share at June 30, 2019 measurement date			0.542495%	0.317243%

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

June 30, 2021

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 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%	\$ (215,938)	\$ (475,667)	\$ (689,652)
Administrative Hybrid Plan	7.25%	125,279	4,799	(90,822)
Proportionate share of the net pension asset				
Teacher Legacy Plan	7.25%	\$12,950,753	\$ (4,164,259)	\$ (18,356,624)
Teacher Hybrid Plan	7.25%	149,927	(192,749)	(445,345)

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

For the year ended June 30, 2021, the System reported pension expense and deferred outflows of resources and deferred inflows of resources related to each plan from the following sources:

**TOWN OF ARLINGTON, TENNESSEE**  
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June 30, 2021

	Administrative		Teacher	
	Legacy Plan	Hybrid Plan	Legacy Plan	Hybrid Plan
Pension Expense (Negative Pension Expense)	<u>\$ 110,924</u>	<u>\$ (8,319)</u>	<u>\$ 978,367</u>	<u>\$ 76,720</u>
Deferred Outflows of Resources				
Difference between expected and actual experience	\$ 21,154	\$ 148,250	\$ 158,307	\$ 7,161
Net difference between projected and actual earnings on plan investments	21,549	6,797	930,045	15,702
Changes in assumptions	14,768	-	378,304	6,044
Change in proportion of net pension liability (asset)	-	-	92,584	13,844
Contributions subsequent to the measurement date of June 30, 2020.	<u>135,166</u>	<u>60,421</u>	<u>1,873,096</u>	<u>105,658</u>
	<u>\$ 192,637</u>	<u>\$ 215,468</u>	<u>\$ 3,432,336</u>	<u>\$ 148,409</u>
Deferred Inflows of Resources				
Difference between expected and actual experience	\$ 254,647	\$ -	\$ 2,002,102	\$ 48,302
Net difference between projected and actual earnings on plan investments	-	-	-	-
Changes in assumptions	-	-	-	-
Change in proportion of net pension liability (asset)	-	-	24,285	28,193
	<u>\$ 254,647</u>	<u>\$ -</u>	<u>\$ 2,026,387</u>	<u>\$ 76,495</u>

The amounts shown above for “Contributions subsequent to the measurement date of June 30, 2020,” 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
2022	\$ (43,959)	\$ 17,898	\$ (955,684)	\$ (2,796)
2023	(36,795)	18,254	(153,662)	(527)
2024	(34,055)	18,574	26,111	630
2025	(33,404)	18,681	616,088	959
2026	(22,359)	16,651	-	(4,359)
Thereafter	(26,604)	64,989	-	(27,651)

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

June 30, 2021

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 2021, the System's employer contribution to the defined contribution plan was \$435,049.

**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 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, 2021, the date of the OPEB valuation, consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	29
Active employees	<u>289</u>
	<u>318</u>

**TOWN OF ARLINGTON, TENNESSEE  
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June 30, 2021

**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, 2021:

Employer contributions	\$	661,843
Covered payroll		17,635,682
As a percentage of covered payroll		3.75%

**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, 2021 actuarial valuation using the entry age normal level percent of pay actuarial cost method using the following assumptions:

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	6.0%, net of investment expense, including inflation
Health care cost trend rate	8.0% initial rate, 4.5% ultimate rate
Mortality rates	SOA Pub-2010 Teacher Headcount Weighted Mortality Table fully generational using Scale MP-2020 SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2020

**Changes in Assumptions**

In 2021, the System OPEB changes of assumptions included changes to the mortality tables and health care cost trend rates which increased the OPEB liability.

**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, 2021, was not available from other auditors as of the date of this report.

**TOWN OF ARLINGTON, TENNESSEE  
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June 30, 2021

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, 2021 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, 2021, the annual money-weighted rate of return on investment was 29.69 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 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 6.0% as of June 30, 2021 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, 2021, were as follows:

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

June 30, 2021

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Beginning of year	\$ 8,327,062	\$ 2,796,413	\$ 5,530,649
Changes for the year:			
Service cost	467,144	-	467,144
Interest	522,895	-	522,895
Changes in benefit terms	475,714	-	475,714
Changes in assumptions		-	-
Differences between expected and actual experience	(1,405,106)	-	(1,405,106)
Contributions-employer	-	661,843	(661,843)
Net investment income	-	801,155	(801,155)
Benefit payments	(161,843)	(161,843)	-
Administrative expense	-	(15,106)	15,106
Net changes	(101,196)	1,286,049	(1,387,245)
End of year	\$ 8,225,866	\$ 4,082,462	\$ 4,143,404

***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, 2021, 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:

	Current Rate	1% Decrease	Current Rate	1% Increase
Net OPEB liability (asset)	6.00%	\$ 4,764,759	\$ 4,143,404	\$ 3,559,775

***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, 2021, 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:

	Current Rate	1% Decrease	Current Rate	1% Increase
Net OPEB liability (asset)	8.0% to 4.5%	\$ 3,329,377	\$ 4,143,404	\$ 5,081,549

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

For the year ended June 30, 2021, the System recognized OPEB expense of \$653,969.

For the year ended June 30, 2021, the System reported deferred outflows of resources and deferred inflows of resources of related to OPEB from the following sources:

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

June 30, 2021

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 125,741	\$ 1,746,057
Changes in assumptions	1,289,651	121,943
Net difference between projected and actual earnings on OPEB investments	-	408,722
Total	\$ 1,415,392	\$ 2,276,722

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:**

2022	\$ (165,407)
2023	(162,441)
2024	(176,048)
2025	(196,811)
2026	(34,486)
Thereafter	(126,137)

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 Annual Comprehensive Financial Report (ACFR) and can be found on the state's website at <http://www.comptroller.tn.gov/advance-search.html>.

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 30, 2021, 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 OF ARLINGTON, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2021

Town Hall leases four copier machines. The lease began in July 2020 and will continue until October 2025 with monthly payments of \$1,699.

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, 2021, are as follows:

Years Ended June 30		
2022	\$	24,627
2023		24,627
2024		24,627
2025		23,241
2026		6,493
Total	\$	103,615

Lease expense for the Town for the year ended June 30, 2021 was \$10,389.

Arlington Community School System

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

**NOTE 6 – CONTINGENT LIABILITIES**

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

On May 16, 1997 the Town signed an agreement with Memphis Light Gas and Water Division (MLGW) which included requirement for the Town to reimburse MLGW for certain water system development costs. This reimbursement is made monthly only to the extent that water system development fees are collected by the Town. This continues to accumulate as MLGW incurs development costs plus interest at 6% and is reduced only by the reimbursement from the development fees. The Town has no obligation to pay this liability beyond the amount of development fees collected. The balance of this contingent liability as of June 30, 2021 is \$1,477,333.

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.

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

June 30, 2021

**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, 2021, the Town had drawn \$5,365,218 from the lender, leaving \$634,782 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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total pension liability (asset)</b>						
Service cost	\$ 223,154	\$ 228,051	\$ 240,205	\$ 258,233	\$ 268,523	\$ 403,716
Interest	125,316	101,061	83,556	63,315	42,617	30,274
Changes in benefit terms	-	-	-	-	-	-
Differences between actual and expected experience	(186,130)	29,616	(54,602)	(10,817)	(13,936)	(130,756)
Change of assumptions	-	-	-	29,540	-	-
Benefit payments	<u>(20,326)</u>	<u>(18,259)</u>	<u>(12,842)</u>	<u>(15,057)</u>	<u>(6,812)</u>	<u>(127)</u>
<b>Net change in total pension liability (asset)</b>	142,014	340,469	256,317	325,214	290,392	303,107
<b>Total pension liability (asset) - beginning</b>	<u>1,515,499</u>	<u>1,175,030</u>	<u>918,713</u>	<u>593,499</u>	<u>303,107</u>	<u>-</u>
<b>Total pension liability (asset) - ending (a)</b>	<u>\$ 1,657,513</u>	<u>\$ 1,515,499</u>	<u>\$ 1,175,030</u>	<u>\$ 918,713</u>	<u>\$ 593,499</u>	<u>\$ 303,107</u>
<b>Plan fiduciary net position</b>						
Contributions - employer	87,887	163,944	158,364	\$ 183,342	\$ 247,505	\$ 262,260
Contributions - employee	60,624	110,774	107,397	123,880	133,498	141,457
Net investment income	97,883	123,752	108,271	105,712	15,649	6,140
Benefit payments	(20,326)	(18,259)	(12,842)	(15,057)	(6,812)	(127)
Administrative expense	(4,404)	(4,931)	(5,699)	(5,695)	(6,088)	(4,842)
Other	-	-	(78)	-	-	-
<b>Net change in plan fiduciary net position</b>	<u>221,664</u>	<u>375,280</u>	<u>355,413</u>	<u>392,182</u>	<u>383,752</u>	<u>404,888</u>
<b>Plan fiduciary net position - beginning</b>	<u>1,911,516</u>	<u>1,536,236</u>	<u>1,180,823</u>	<u>788,640</u>	<u>404,888</u>	<u>-</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 2,133,180</u>	<u>\$ 1,911,516</u>	<u>\$ 1,536,236</u>	<u>\$ 1,180,822</u>	<u>\$ 788,640</u>	<u>\$ 404,888</u>
<b>Net pension liability (asset) - ending (a) - (b)</b>	<u>\$ (475,667)</u>	<u>\$ (396,017)</u>	<u>\$ (361,206)</u>	<u>\$ (262,109)</u>	<u>\$ (195,141)</u>	<u>\$ (101,781)</u>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	128.70%	126.13%	130.74%	128.53%	132.88%	133.58%
<b>Covered payroll</b>	\$ 1,950,784	\$ 2,191,846	\$ 2,179,151	\$ 2,477,596	\$ 2,669,956	\$ 2,829,235
<b>Net pension liability (asset) as a percentage of covered payroll</b>	-24.38%	-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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution (ADC)	\$ 88,771	\$ 59,265	\$ 116,090	\$ 120,943	\$ 136,763	\$ 247,505	\$ 262,260
Contributions in relation to the actuarially determined contribution	<u>135,166</u>	<u>87,887</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>\$ (46,395)</u>	<u>\$ (28,622)</u>	<u>\$ (47,854)</u>	<u>\$ (37,421)</u>	<u>\$ (46,579)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,826,565	\$ 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%	4.51%	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 2021 were calculated based on the June 30, 2019 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.

**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>	<u>2020</u>
Arlington Community Schools' proportion of the net pension liability (asset)	0.01074%	0.45743%	0.50713%	0.52020%	0.51710%	0.54250%	0.54608%
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)	\$ (4,164,259)
Arlington Community Schools' covered payroll	\$ 421,371	\$ 17,123,741	\$ 18,306,197	\$ 18,396,999	\$ 18,107,569	\$ 18,228,357	\$ 18,176,499
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%	-22.91%
Plan fiduciary net position as a percentage of the total pension asset	99.81%	97.14%	97.14%	100.14%	101.49%	104.28%	103.09%

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>	<u>2021</u>
Contractually required	\$ 37,418	\$ 1,547,985	\$ 1,654,879	\$ 1,662,347	\$ 1,644,116	\$ 1,902,740	\$ 1,931,996	\$ 1,873,096
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>1,931,996</u>	<u>1,873,096</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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	\$18,176,499	\$18,234,674
Contributions as a percentage of covered payroll	8.88%	9.04%	9.04%	9.04%	9.08%	10.44%	10.63%	10.27%

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.

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>	<u>2020</u>
Arlington Community Schools' proportion of the net pension liability (asset)	0.360154%	0.370023%	0.315942%	0.270144%	0.317243%	0.338965%
Arlington Community Schools' proportionate share of the net pension liability (asset)	\$ (14,489)	\$ (38,521)	\$ (83,357)	\$ (122,518)	\$ (179,079)	\$ (192,749)
Arlington Community Schools' covered payroll	\$ 748,310	\$ 1,628,121	\$ 2,065,462	\$ 2,360,717	\$ 3,319,051	\$ 4,278,815
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%	-4.50%
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%	126.81%	126.97%	123.07%	116.52%

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>	<u>2021</u>
Contractually required	\$ 18,708	\$ 40,755	\$ 82,946	\$ 38,498	\$ 65,127	\$ 86,833	\$ 105,658
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>86,833</u>	<u>105,658</u>
Contribution deficiency (excess)	<u>\$ (11,224)</u>	<u>\$ (24,370)</u>	<u>\$ -</u>	<u>\$ (55,931)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 748,310	\$ 1,628,121	\$ 2,065,462	\$ 2,360,717	\$ 3,319,051	\$ 4,278,815	\$ 5,230,459
Contributions as a percentage covered payroll	4.00%	4.00%	4.02%	4.00%	1.96%	2.03%	2.02%

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 2021, the actuarially determined contribution rate of 2.02% of covered payroll was placed into the pension plan and 1.98% of covered payroll was placed into the Pension Stabilization Reserve Trust. In fiscal year 2020, the actuarially determined contributions rate of 2.03% of covered payroll was placed into the pension plan and 1.97% 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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total pension liability (asset)</b>				
Service cost	\$ 117,365	\$ 93,687	\$ 52,779	\$ -
Interest	29,831	18,957	9,498	-
Changes in benefit terms	-	-	-	80,781
Differences between actual and expected experience	124,798	16,017	30,826	-
Change of assumptions	-	-	-	-
Benefit payments, including refunds of employee contributions	<u>(2,528)</u>	<u>(2,191)</u>	<u>(4,889)</u>	<u>(108)</u>
<b>Net change in total pension liability (asset)</b>	269,466	126,470	88,214	80,673
<b>Total pension liability (asset) - beginning</b>	<u>295,357</u>	<u>168,887</u>	<u>80,673</u>	<u>-</u>
<b>Total pension liability (asset) - ending (a)</b>	<u>\$ 564,823</u>	<u>\$ 295,357</u>	<u>\$ 168,887</u>	<u>\$ 80,673</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	50,942	32,162	51,925	42,182
Contributions - employee	146,180	82,467	64,907	52,728
Net investment income	21,983	20,382	12,664	5,271
Benefit payments, including refunds of employee contributions	(2,528)	(2,191)	(4,889)	(108)
Administrative expense	(4,899)	(3,981)	(3,404)	(1,769)
Other	-	-	-	-
<b>Net change in plan fiduciary net position</b>	<u>211,678</u>	<u>128,839</u>	<u>121,203</u>	<u>98,304</u>
<b>Plan fiduciary net position - beginning</b>	<u>348,346</u>	<u>219,507</u>	<u>98,304</u>	<u>-</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 560,024</u>	<u>\$ 348,346</u>	<u>\$ 219,507</u>	<u>\$ 98,304</u>
<b>Net pension liability (asset) - ending (a) - (b)</b>	<u>\$ 4,799</u>	<u>\$ (52,989)</u>	<u>\$ (50,620)</u>	<u>\$ (17,631)</u>
<b>Plan fiduciary net position</b> <b>as a percentage of total pension liability</b>	99.15%	117.94%	129.97%	121.85%
<b>Covered payroll</b>	\$2,162,555	\$ 1,649,316	\$ 1,266,904	\$ 633,729
<b>Net pension liability (asset)</b> <b>as a percentage of covered payroll</b>	0.22%	-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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution (ADC)	\$ 60,420	\$ 50,942	\$ 32,162	\$ 17,592	\$ 7,161
Contributions in relation to the actuarially determined contribution	<u>60,421</u>	<u>50,942</u>	<u>32,162</u>	<u>51,925</u>	<u>42,182</u>
Contribution deficiency (excess)	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (34,333)</u>	<u>\$ (35,021)</u>
Covered payroll	\$ 2,784,347	\$ 2,162,555	\$ 1,649,316	\$ 1,266,904	\$ 633,729
Contributions as a percentage of covered payroll	2.17%	2.36%	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 2021 were calculated based on the June 30, 2019 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 changes: 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 2021, the actuarially determined contribution rate of 2.17% of covered payroll was placed into the pension and 1.83% of covered payroll was placed into the Pension Stabilization Reserve Trust. 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.

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

<b>Total OPEB Liability</b>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Service cost	\$ 467,144	\$ 342,320	\$ 338,969	\$ 288,645	\$ 574,975
Interest	522,895	511,284	491,131	466,928	833,313
Changes of benefit terms	-	-	-	-	(5,817,754)
Differences between expected and actual experience	(1,405,106)	161,667	(280,153)	(220,328)	(402,643)
Changes in assumptions	475,714	896,336	(182,915)	244,396	72,575
Benefit payments	<u>(161,843)</u>	<u>(116,136)</u>	<u>(88,184)</u>	<u>(146,886)</u>	<u>(111,651)</u>
Net change in total OPEB liability	(101,196)	1,795,471	278,848	632,755	(4,851,185)
Total OPEB liability - beginning	<u>8,327,062</u>	<u>6,531,591</u>	<u>6,252,743</u>	<u>5,619,988</u>	<u>10,471,173</u>
Total OPEB liability - ending	<u>\$ 8,225,866</u>	<u>\$ 8,327,062</u>	<u>\$ 6,531,591</u>	<u>\$ 6,252,743</u>	<u>\$ 5,619,988</u>
 <b>Plan Fiduciary Net Position</b>					
Contributions - employer	\$ 661,843	\$ 315,681	\$ 588,184	\$ 646,886	\$ 629,512
Contributions - employee	-	-	-	-	-
Net investment income	801,155	93,783	94,615	131,066	94,877
Benefit payments	(161,843)	(116,136)	(88,184)	(146,886)	(111,651)
Administrative expense	<u>(15,106)</u>	<u>(10,630)</u>	<u>(7,909)</u>	<u>(16,688)</u>	<u>(3,188)</u>
Net change in plan fiduciary net position	1,286,049	282,698	586,706	614,378	609,550
Plan fiduciary net position - beginning	<u>2,796,413</u>	<u>2,513,715</u>	<u>1,927,009</u>	<u>1,312,631</u>	<u>703,081</u>
Plan fiduciary net position - ending	<u>\$ 4,082,462</u>	<u>\$ 2,796,413</u>	<u>\$ 2,513,715</u>	<u>\$ 1,927,009</u>	<u>\$ 1,312,631</u>
 <b>Net OPEB liability (asset)</b>	 <b><u>\$ 4,143,404</u></b>	 <b><u>\$ 5,530,649</u></b>	 <b><u>\$ 4,017,876</u></b>	 <b><u>\$ 4,325,734</u></b>	 <b><u>\$ 4,307,357</u></b>
 <b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	 49.63%	 33.58%	 34.49%	 30.83%	 23.36%
 <b>Covered payroll</b>	 \$ 17,635,682	 \$ 19,423,688	 \$ 23,825,256	 \$ 22,456,759	 \$ 21,802,679
 <b>Net OPEB liability as a percentage of covered payroll</b>	 23.49%	 28.47%	 16.86%	 19.26%	 19.76%

*Changes of assumptions.* In 2021, amounts reported as changes of assumption resulted from changes to the mortality table and healthcare cost trend rates resulting in increases to the liability. 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.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 920,665	\$ 719,164	\$ 738,157	\$ 697,756	\$ 1,442,649
Contributions	<u>661,843</u>	<u>315,681</u>	<u>588,184</u>	<u>646,886</u>	<u>629,512</u>
Contribution deficiency (excess)	<u>\$ 258,822</u>	<u>\$ 403,483</u>	<u>\$ 149,973</u>	<u>\$ 50,870</u>	<u>\$ 813,137</u>
Covered payroll	\$ 17,635,682	\$ 19,423,688	\$ 23,825,256	\$ 22,456,759	\$ 21,802,679
Contributions as a percentage of covered payroll	3.75%	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	6.0%, 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 2020, the following assumptions were changed; a decrease in the long term investment rate of return from 7.5% to 6.0%.

**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
2021	29.69%
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, 2021

	<b>Sanitation</b>	<b>Internal School Funds</b>	<b>Federal Projects</b>	<b>School Nutrition</b>	<b>Discretionary Grants</b>	<b>Total</b>
<b>Assets</b>						
Cash and cash equivalents	\$ 1,114,276	\$ 1,352,110	\$ 1,852	\$ 275,278	\$ 118	\$ 2,743,634
Due from other governments - grants	-	-	224,348	160,754	42,080	427,182
Due from other funds	85,330	-	-	-	-	85,330
Prepaid items	-	-	1,200	-	-	1,200
Inventory	-	11,491	-	26,064	-	37,555
<b>Total assets</b>	<b>\$ 1,199,606</b>	<b>\$ 1,363,601</b>	<b>\$ 227,400</b>	<b>\$ 462,096</b>	<b>\$ 42,198</b>	<b>\$ 3,294,901</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>						
<b>Liabilities</b>						
Accounts payable	\$ 86,573	\$ -	\$ 1,041	\$ 721	\$ -	\$ 88,335
Due to other funds	-	-	185,846	-	42,029	227,875
Unearned revenue	-	-	230	51,139	-	51,369
Accrued payroll and expenses	-	-	40,283	8,679	50	49,012
<b>Total liabilities</b>	<b>86,573</b>	<b>-</b>	<b>227,400</b>	<b>60,539</b>	<b>42,079</b>	<b>416,591</b>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue - grants	-	-	-	35	-	35
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35</b>	<b>-</b>	<b>35</b>
<b>Fund Balances</b>						
<b>Nonspendable</b>						
Prepays	-	-	1,200	-	-	1,200
Inventory	-	11,491	-	26,064	-	37,555
Restricted	1,113,033	1,352,110	-	375,458	119	2,840,720
Unassigned	-	-	(1,200)	-	-	(1,200)
<b>Total fund balance</b>	<b>1,113,033</b>	<b>1,363,601</b>	<b>-</b>	<b>401,522</b>	<b>119</b>	<b>2,878,275</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,199,606</b>	<b>\$ 1,363,601</b>	<b>\$ 227,400</b>	<b>\$ 462,096</b>	<b>\$ 42,198</b>	<b>\$ 3,294,901</b>

See independent auditor's report.

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

For the Year Ended June 30, 2021

	<u>Sanitation</u>	<u>Internal School Funds</u>	<u>Federal Projects</u>	<u>School Nutrition</u>	<u>Discretionary Grants</u>	<u>Total</u>
<b>Revenues:</b>						
Charges for services	\$ 1,082,895	\$ -	\$ -	\$ 108,888	\$ -	\$ 1,191,783
Other local revenues	-	-	-	-	25,000	25,000
State revenue	-	-	-	-	174,278	174,278
Federal revenue	-	-	3,828,450	1,030,630	-	4,859,080
Contributions	-	1,633,851	-	-	-	1,633,851
Other income	488	451	-	-	-	939
Interest	6,447	-	-	-	-	6,447
Total revenues	<u>1,089,830</u>	<u>1,634,302</u>	<u>3,828,450</u>	<u>1,139,518</u>	<u>199,278</u>	<u>7,891,378</u>
<b>Expenditures:</b>						
Current:						
Public works	1,054,088	-	-	-	-	1,054,088
Instruction	-	-	3,608,770	-	-	3,608,770
Support services	-	-	24,560	-	133,818	158,378
Non-instructional services	-	-	139,553	-	65,341	204,894
Student activities	-	1,468,199	-	-	-	1,468,199
Food service	-	-	5,484	1,127,723	-	1,133,207
Total expenditures	<u>1,054,088</u>	<u>1,468,199</u>	<u>3,778,367</u>	<u>1,127,723</u>	<u>199,159</u>	<u>7,627,536</u>
Excess (deficiency) of revenues over (under) expenditures	<u>35,742</u>	<u>166,103</u>	<u>50,083</u>	<u>11,795</u>	<u>119</u>	<u>263,842</u>
Other financing sources (uses):						
Operating transfers in	66,000	-	-	-	-	66,000
Operating transfers out	-	-	(50,083)	-	-	(50,083)
Total other financing sources (uses)	<u>66,000</u>	<u>-</u>	<u>(50,083)</u>	<u>-</u>	<u>-</u>	<u>15,917</u>
<b>Net changes in fund balance</b>	<b>101,742</b>	<b>166,103</b>	<b>-</b>	<b>11,795</b>	<b>119</b>	<b>279,759</b>
Fund balance - beginning	<u>1,011,291</u>	<u>-</u>	<u>-</u>	<u>389,727</u>	<u>-</u>	<u>1,401,018</u>
Prior period adjustment	<u>-</u>	<u>1,197,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,197,498</u>
Fund balance - beginning (restated)	<u>1,011,291</u>	<u>1,197,498</u>	<u>-</u>	<u>389,727</u>	<u>-</u>	<u>2,598,516</u>
Fund balance - ending	<u>\$ 1,113,033</u>	<u>\$ 1,363,601</u>	<u>\$ -</u>	<u>\$ 401,522</u>	<u>\$ 119</u>	<u>\$ 2,878,275</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, 2021

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance Over (Under)</b>
<b>Revenues</b>	<b>Original</b>	<b>Final</b>		
Charges for services:				
Refuse collection charges	\$ 1,035,000	\$ 1,035,000	\$ 1,082,895	\$ 47,895
Other:				
Other income	-	-	488	488
Interest earned	8,600	8,600	6,447	(2,153)
Total revenues	1,043,600	1,043,600	1,089,830	46,230
<b>Expenditures</b>				
Current expenditures:				
Public works:				
Contracted services	1,035,000	1,035,000	1,045,479	10,479
Clothing and uniforms	650	650	9	(641)
Landfill closure:				
Professional services	16,800	16,800	2,480	(14,320)
Repair and maintenance	57,150	57,150	6,120	(51,030)
Total expenditures	1,109,600	1,109,600	1,054,088	(55,512)
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(66,000)</b>	<b>(66,000)</b>	<b>35,742</b>	<b>101,742</b>
Other financing sources (uses)				
Operating transfers in	66,000	66,000	66,000	-
<b>Net changes in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 101,742</b>	<b>\$ 101,742</b>
Fund balance - beginning			1,011,291	
Fund balance - ending			<b>\$ 1,113,033</b>	

*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, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
<b>Revenues</b>				
Federal through State:				
Title I	\$ 1,045,902	\$ 1,209,810	\$ 1,054,527	\$ (155,283)
Special education - grants to State	931,989	1,290,969	928,229	(362,740)
ESSER	-	3,797,337	1,544,308	(2,253,029)
Other federal through state	63,516	304,644	301,386	(3,258)
<b>Total revenues</b>	<b>2,041,407</b>	<b>6,602,760</b>	<b>3,828,450</b>	<b>(2,774,310)</b>
<b>Expenditures</b>				
Instruction and Instruction Support:				
Consolidated Administration				
Salaries	102,547	103,047	102,943	(104)
Benefits	28,282	27,941	25,235	(2,706)
Other charges	9,585	5,000	-	(5,000)
Total consolidated administration	140,414	135,988	128,178	(7,810)
Title I, Part A				
Salaries	299,807	307,961	300,449	(7,512)
Benefits	92,586	101,109	91,000	(10,109)
Contractual servies	127,000	171,443	131,181	(40,262)
Materials and supplies	80,000	176,488	148,041	(28,447)
Other changes	133,799	122,752	108,983	(13,769)
Total Title I, Part A	733,192	879,753	779,654	(100,099)
Title II				
Salaries	6,000	-	-	-
Benefits	11,000	10,215	9,705	(510)
Materials and supplies	-	8,135	8,032	(103)
Other Charges	55,321	83,872	80,371	(3,501)
Total Title II	72,321	102,222	98,108	(4,114)

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, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
<b>Title III Part A:</b>				
Materials and supplies	3,453	3,014	3,013	(1)
Contractual services	3,454	4,000	3,876	(124)
Total Title III, Part A	<u>6,907</u>	<u>7,014</u>	<u>6,889</u>	<u>(125)</u>
<b>Title IV</b>				
Contractual services	21,044	18,000	5,145	(12,855)
Materials and supplies	21,044	25,300	18,710	(6,590)
Other charges	21,044	24,724	6,532	(18,192)
Total Title IV	<u>63,132</u>	<u>68,024</u>	<u>30,387</u>	<u>(37,637)</u>
<b>Carl Perkins</b>				
Materials and Supplies	33,463	54,269	54,269	-
Other charges	1,150	206	206	-
Total Carl Perkins	<u>34,613</u>	<u>54,475</u>	<u>54,475</u>	<u>-</u>
<b>CTE Perkins Reserve</b>				
Materials and Supplies	14,000	-	-	-
Total CTE Perkins Reserve	<u>14,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>IDEA Innovation</b>				
Salaries	-	4,000	2,374	(1,626)
Benefits	-	1,069	182	(887)
Materials and Supplies	-	14,856	14,174	(682)
Total IDEA Innovation	<u>-</u>	<u>19,925</u>	<u>16,730</u>	<u>(3,195)</u>
<b>IDEA Supplemental</b>				
Materials and Supplies	2,919	-	-	-
Other charges	6,000	-	-	-
Total IDEA Supplemental	<u>8,919</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>IDEA Preschool</b>				
Materials and supplies	8,603	17,682	3,038	(14,644)
Total IDEA Preschool	<u>8,603</u>	<u>17,682</u>	<u>3,038</u>	<u>(14,644)</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, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
IDEA, Part B				
Salaries	128,188	186,644	615,382	428,738
Benefits	-	-	207,274	207,274
Contractual services	695,548	814,000	-	(814,000)
Materials and supplies	25,000	143,152	26,214	(116,938)
Other charges	13,000	17,000	1,505	(15,495)
Total IDEA, Part B	<u>861,736</u>	<u>1,160,796</u>	<u>850,375</u>	<u>(310,421)</u>
IDEA, Partnership				
Materials and supplies	-	10,000	9,990	(10)
Total IDEA, Partnership	<u>-</u>	<u>10,000</u>	<u>9,990</u>	<u>(10)</u>
ESSER 1.0				
Salaries	-	210,731	135,699	(75,032)
Benefits	-	64,271	18,955	(45,316)
Contractual services	-	70,500	45,725	(24,775)
Materials and supplies	-	256,319	247,365	(8,954)
Other charges	-	34,000	3,451	(30,549)
Total ESSER 1.0	<u>-</u>	<u>635,821</u>	<u>451,195</u>	<u>(184,626)</u>
LEA Learning				
Contractual services	-	6,193	6,193	-
Materials and supplies	-	87,606	84,354	(3,252)
Other charges	-	6,195	6,195	-
Total LEA Learning	<u>-</u>	<u>99,994</u>	<u>96,742</u>	<u>(3,252)</u>
Remote Learning				
Materials and supplies	-	144,283	144,283	-
Total Remote Learning	<u>-</u>	<u>144,283</u>	<u>144,283</u>	<u>-</u>
Tech Connectivity				
Materials and supplies	-	3,000	3,000	-
Total Tech Connectivity	<u>-</u>	<u>3,000</u>	<u>3,000</u>	<u>-</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, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
<b>ESSER 2.0</b>				
Salaries	-	694,266	291,138	(403,128)
Benefits	-	188,795	47,998	(140,797)
Contractual services	-	70,000	425	(69,575)
Materials and supplies	-	618,644	592,687	(25,957)
Other charges	-	3,478	3,478	-
<b>Total ESSER 2.0</b>	-	1,575,183	935,726	(639,457)
<b>Total instruction</b>	<b>1,943,837</b>	<b>4,914,160</b>	<b>3,608,770</b>	<b>(1,305,390)</b>
Support Services:				
Title I, Part A				
Other charges	15,000	11,152	9,325	(1,827)
<b>Total Title I, Part A</b>	15,000	11,152	9,325	(1,827)
Coordinated School Health				
Salaries	-	9,298	4,649	(4,649)
Benefits	-	1,399	699	(700)
Materials and supplies	-	7,000	7,000	-
<b>Total Title II</b>	-	17,697	12,348	(5,349)
Carl Perkins				
Other Charges	14,903	2,887	2,887	-
<b>Total Carl Perkins</b>	14,903	2,887	2,887	-
IDEA, Preschool				
Other Charges	5,137	5,137	-	(5,137)
<b>Total IDEA, Preschool</b>	5,137	5,137	-	(5,137)
<b>Total support services</b>	<b>35,040</b>	<b>36,873</b>	<b>24,560</b>	<b>(12,313)</b>
Operation of Plant				
Operation of plant	-	214,887	139,553	(75,334)
<b>Total Operation of Plant</b>	-	<b>214,887</b>	<b>139,553</b>	<b>(75,334)</b>

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, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
Transportation				
Title 1, Part A				
Contractual services	3,250	3,250	-	(3,250)
Total Title 1, Part A	<u>3,250</u>	<u>3,250</u>	<u>-</u>	<u>(3,250)</u>
IDEA, Part B				
Contractual services	3,000	3,000	-	(3,000)
Materials and supplies	2,429	2,429	-	(2,429)
Total IDEA, Part B	<u>5,429</u>	<u>5,429</u>	<u>-</u>	<u>(5,429)</u>
<b>Total Transportation</b>	<b><u>8,679</u></b>	<b><u>8,679</u></b>	<b><u>-</u></b>	<b><u>(8,679)</u></b>
Food Services				
Cafeteria				
Salaries	-	2,700	2,329	(371)
Benefits	-	215	178	(37)
Material and supplies	-	25,000	2,977	(22,023)
<b>Total Food Services</b>	<u>-</u>	<u>27,915</u>	<u>5,484</u>	<u>(22,431)</u>
Capital Outlay				
Building improvements	-	1,325,834	-	(1,325,834)
<b>Total Capital Outlay</b>	<u>-</u>	<b><u>1,325,834</u></b>	<u>-</u>	<b><u>(1,325,834)</u></b>
<b>Total expenditures</b>	<b><u>1,987,556</u></b>	<b><u>6,528,348</u></b>	<b><u>3,778,367</u></b>	<b><u>(2,749,981)</u></b>
Excess (deficiency) of revenues over (under) expenditures	<u>53,851</u>	<u>74,412</u>	<u>50,083</u>	<u>(24,329)</u>
<b>Other financing sources (uses):</b>				
Transfers out	<u>(53,851)</u>	<u>(74,412)</u>	<u>(50,083)</u>	<u>(24,329)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund balance - beginning</b>			<u>-</u>	
<b>Fund balance - ending</b>			<u>\$ -</u>	

See independent auditor's report.

**TOWN OF ARLINGTON, TENNESSEE**  
**SCHOOL NUTRITION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
<b>Revenues</b>				
Charges for current services:				
Lunch payments - children	\$ 470,000	\$ 470,000	\$ 143	\$ (469,857)
Lunch payments - adults	28,000	28,000	12,013	(15,987)
Income from breakfast	25,000	25,000	895	(24,105)
A La Carte sales	340,000	340,000	95,837	(244,163)
Total charges for current services	863,000	863,000	108,888	(754,112)
Federal through State:				
State assistance	10,000	10,000	-	(10,000)
Nutrition cluster	345,000	345,000	1,021,347	676,347
Other state funding	-	-	9,283	9,283
Total Federal through State	355,000	355,000	1,030,630	675,630
<b>Total revenues</b>	<b>1,218,000</b>	<b>1,218,000</b>	<b>1,139,518</b>	<b>(78,482)</b>
<b>Expenditures</b>				
Food services:				
Salaries	483,200	507,700	485,493	(22,207)
Benefits	151,043	126,543	102,592	(23,951)
Contractual services	18,000	18,000	1,920	(16,080)
Materials and supplies	772,000	772,000	535,896	(236,104)
Other charges	11,000	11,000	1,822	(9,178)
<b>Total expenditures</b>	<b>1,435,243</b>	<b>1,435,243</b>	<b>1,127,723</b>	<b>(307,520)</b>
Excess (deficiency) of revenues over (under) expenditures	(217,243)	(217,243)	11,795	229,038
<b>Other financing sources (uses):</b>				
Operating transfers in	217,243	217,243	-	(217,243)
<b>Net changes in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>11,795</b>	<b>\$ 11,795</b>
Fund balance - beginning			389,727	
Fund balance - ending			\$ 401,522	

*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, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
<b>Revenues</b>				
State revenue	176,760	200,835	174,278	(26,557)
Other local revenues	-	-	25,000	25,000
<b>Total revenues</b>	<b>176,760</b>	<b>200,835</b>	<b>199,278</b>	<b>(1,557)</b>
<b>Expenditures</b>				
Support Services:				
Health Services:				
Salaries	58,115	58,116	58,115	(1)
Benefits	9,146	8,674	8,635	(39)
Materials and supplies	12,739	17,865	16,841	(1,024)
Other charges	5,000	345	345	-
Total health services	85,000	85,000	83,936	(1,064)
Safe Schools				
Contractual services	25,000	25,000	25,000	-
Materials and supplies	5,060	-	-	-
Total safe schools	30,060	25,000	25,000	-
Other Discretionary Grants				
Materials and supplies	-	25,000	24,882	(118)
Total discretionary grants	-	25,000	24,882	(118)
<b>Total support services</b>	<b>115,060</b>	<b>135,000</b>	<b>133,818</b>	<b>(1,182)</b>
Operation of Plant				
Safe Schools				
Materials and supplies	61,700	65,835	65,341	(494)
<b>Total operation of plant</b>	<b>61,700</b>	<b>65,835</b>	<b>65,341</b>	<b>(494)</b>
<b>Total expenditures</b>	<b>176,760</b>	<b>200,835</b>	<b>199,159</b>	<b>(1,676)</b>
Net changes in fund balance	\$ -	\$ -	\$ 119	\$ 119
Fund balance - beginning			-	
Fund balance - ending			\$ 119	

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, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over <u>(Under)</u>
<b>Revenues</b>				
Shelby County CIP allocation	\$ -	\$ 1,106,251	\$ 466,586	\$ (639,665)
<b>Expenditures</b>				
Capital outlay:				
Building improvements	2,050,000	1,900,000	1,895,285	(4,715)
Other contracted services	<u>1,700,000</u>	<u>2,457,848</u>	<u>2,373,790</u>	<u>(84,058)</u>
Total expenditures	<u>3,750,000</u>	<u>4,357,848</u>	<u>4,269,075</u>	<u>(88,773)</u>
<b>Net changes in fund balance</b>	<u>\$ (3,750,000)</u>	<u>\$ (3,251,597)</u>	(3,802,489)	<u>\$ (550,892)</u>
Fund balance - beginning			3,847,612	
<b>Fund balance - ending</b>			<u><b>\$ 45,123</b></u>	

*See independent auditor's report.*

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

June 30, 2021

**Capital Outlay Notes**

Year Ended June 30,	Series 2018		Series 2018		Board of Education Note		Total Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
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	6,985	333,333	-	788,333	136,634	924,967
2027	283,000	121,344	-	-	-	-	283,000	121,344	404,344
2028	291,000	112,797	-	-	-	-	291,000	112,797	403,797
2029	300,000	104,009	-	-	-	-	300,000	104,009	404,009
2030	309,000	94,949	-	-	-	-	309,000	94,949	403,949
2031	319,000	85,617	-	-	-	-	319,000	85,617	404,617
2032	328,000	75,983	-	-	-	-	328,000	75,983	403,983
2033	338,000	66,078	-	-	-	-	338,000	66,078	404,078
2034	348,000	55,870	-	-	-	-	348,000	55,870	403,870
2035	359,000	45,360	-	-	-	-	359,000	45,360	404,360
2036	370,000	34,519	-	-	-	-	370,000	34,519	404,519
2037	138,218	8,451	-	-	-	-	138,218	8,451	146,669
	<u>\$ 4,678,218</u>	<u>\$ 1,531,349</u>	<u>\$ 834,000</u>	<u>\$ 99,600</u>	<u>\$ 1,666,665</u>	<u>\$ -</u>	<u>\$ 7,178,883</u>	<u>\$ 1,630,949</u>	<u>\$ 8,809,832</u>

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE**  
**SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS**  
**PROPRIETARY FUNDS DEBT**  
June 30, 2021

Year Ended June 30,	<b>Revenue Bonds</b>						Total	
	Series 2002		Series 2012		Total Requirements			
	Principal	Interest	Principal	Interest	Principal	Interest		Total
2022	\$ 937,000	\$ 60,837	\$ 210,000	\$ 130,728	\$ 1,147,000	\$ 191,565	\$ 1,338,565	
2023	979,000	41,441	215,000	126,074	1,194,000	167,515	1,361,515	
2024	1,021,264	21,176	220,000	120,909	1,241,264	142,085	1,383,349	
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	5,525	335,000	5,525	340,525	
	<u>\$ 2,937,264</u>	<u>\$ 123,454</u>	<u>\$ 4,460,000</u>	<u>\$ 1,323,736</u>	<u>\$ 7,397,264</u>	<u>\$ 1,447,190</u>	<u>\$ 8,844,454</u>	

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE**  
**SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE**  
June 30, 2021

Description of Indebtedness	Original amount of issue	Interest rate	Date of issue	Final maturity date	Outstanding 7/1/20	Issued during period	Paid and/or matured during period	Refunded during period	Outstanding 6/30/21
<b>Governmental Activities</b>									
<b>Notes Payable</b>									
<b>Payable through general fund</b>									
Fire Department Capital Outlay Note, Series 2019	\$ 1,125,026	3.88%	December 27, 2018	August 1, 2026	\$ 983,000	\$ -	\$ 149,000	\$ -	\$ 834,000
Local Government Loan Program Bond, Series 2018 (1)	6,000,000	3.02%	February 9, 2018	February 9, 2038	<u>2,253,458</u>	<u>2,661,760</u>	<u>237,000</u>	<u>-</u>	<u>4,678,218</u>
Total notes payable through general fund					<u>\$ 3,236,458</u>	<u>\$ 2,661,760</u>	<u>\$ 386,000</u>	<u>\$ -</u>	<u>\$ 5,512,218</u>
<b>Payable from general purpose school fund</b>									
Notes payable- Board of Education (3)	3,999,996	2.00%	November 1, 2014	November 1, 2025	<u>1,865,981</u>	<u>-</u>	<u>295,669</u>	<u>-</u>	<u>1,570,312</u>
Total notes payable through general purpose school fund					<u>\$ 1,865,981</u>	<u>\$ -</u>	<u>\$ 295,669</u>	<u>\$ -</u>	<u>\$ 1,570,312</u>
<b>Capital lease payable</b>									
<b>Payable through general purpose school fund</b>									
Board of Education Capital Lease	440,970	2.76%	June 1, 2018	August 15, 2020	<u>147,787</u>	<u>-</u>	<u>147,787</u>	<u>-</u>	<u>-</u>
Total capital lease payable through general purpose school fund					<u>\$ 147,787</u>	<u>\$ -</u>	<u>\$ 147,787</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Business-Type Activities</b>									
<b>Bonds Payable</b>									
<b>Payable through sewer fund</b>									
Revenue Bonds, Series 2002	13,000,000	Variable (2)	July 29, 2004	May 25, 2024	3,835,045	-	897,781	-	2,937,264
Revenue Bonds, Series 2012	6,000,000	2.0% - 3.3%	December 14, 2012	December 1, 2037	<u>4,665,000</u>	<u>-</u>	<u>205,000</u>	<u>-</u>	<u>4,460,000</u>
Total bonds payable through sewer fund					<u>\$ 8,500,045</u>	<u>\$ -</u>	<u>\$ 1,102,781</u>	<u>\$ -</u>	<u>\$ 7,397,264</u>

*Notes to the Schedule:*

- (1) Total amount approved was \$6,000,000, of which \$634,782 remains available for draws as of June 30, 2021.
- (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, 2021

From Fund	To Fund	Purpose	Amount
General	State Street Aid	Street repairs	\$1,500,000
General	Sanitation	Landfill post-closure expenses	66,000
General	General Purpose Fund	Transfer the Schools' share of property tax	607,588
Federal Projects Fund	General Purpose Fund	Offsetting cash advance from the general purpose fund during outstanding billing periods for federal funds	<u>50,083</u>
Total Transfers			<u>\$ 2,223,671</u>

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE**  
**SCHEDULE OF CHANGES IN TAXES RECEIVABLE**  
For the Year Ended June 30, 2021

Tax Levy for Year	Tax Rate	Tax Levy	Beginning Outstanding Taxes	Additions and Adjustments	Collections	Ending Outstanding Taxes	Outstanding Taxes Filed With Trustee
2020	\$1.37	\$ 5,526,149	\$ -	\$ 5,487,537	\$ 5,433,531	54,006	\$ 54,006
2019	1.37	5,425,072	29,784	9,088	11,295	27,577	27,577
2018	1.15	4,024,313	12,976	27,162	33,761	6,377	6,377
2017	1.15	3,897,006	12,538	(204)	726	11,608	11,608
2016	1.15	3,390,841	5,018	8,050	8,908	4,160	4,160
2015	1.15	3,216,147	4,426	-	390	4,036	4,036
2014	1.15	3,147,413	4,521	-	572	3,949	3,949
2013	1.15	3,086,420	2,279	-	1,191	1,088	1,088
2012	1.15	3,191,116	1,307	-	788	519	519
2011	1.00	2,707,557	568	-	292	276	276
2010	1.00	2,677,703	338	-	304	34	35
			<u>\$ 73,755</u>	<u>\$ 5,531,633</u>	<u>\$ 5,491,758</u>	<u>\$ 113,630</u>	<u>\$ 113,631</u>

Above balances represented as follows:

Considered current receivables	\$ 93,708
Allowance for uncollectible accounts	19,922
Unavailable revenue	<u>-</u>
	113,630
Tax levy due October 1, 2021 considered unavailable revenue	<u>6,780,913</u>
Total taxes receivable	<u>\$ 6,894,543</u>

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE**  
**SCHEDULE OF UTILITY RATES IN EFFECT**  
June 30, 2021

Sewer Rates

Residential, Commercial and Industrial:

	\$8.83
Each 100 cubic feet	\$3.34 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, 2021:	<u>4,323</u>
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Sanitation Rates

Charge per residence	\$20.40
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Number of customers at June 30, 2021:	<u>4,380</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, 2021

<u>Grantor/Pass Through Entity</u>	<u>Assistance Listing Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
<b>Federal Financial Assistance:</b>			
United States Department of Health and Human Services Passed through the Tennessee Department of Human Services COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	EDISON ID 71161	\$ <u>51,665</u>
United States Department of Treasury COVID-19 - Coronavirus Relief Fund - Tennessee Community Cares	21.019		<u>676,000</u>
United States Department of Transportation/ Tennessee Department of Transportation: Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205*	140074	438,208
Highway Planning and Construction	20.205*	140035	1,362,545
Highway Planning and Construction	20.205*	170143	91,883
Highway Planning and Construction	20.205*	130014	<u>52,420</u>
Total United States Department of Transportation			<u>1,945,056</u>
<b>Total Expenditures of Federal Awards</b>			<b>\$ <u>2,672,721</u></b>

\*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, 2021. 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.

**TOWN OF ARLINGTON, TENNESSEE**  
**SCHEDULE OF STATE FINANCIAL ASSISTANCE**  
For the Year Ended June 30, 2021

<u>Grantor/Pass Through Entity</u>	<u>State Grant Number</u>	<u>Expenditures</u>
<b>State Financial Assistance:</b>		
Governor's Direct Support Grant		\$ 288,134
<b>Total state financial assistance</b>		<b><u>\$ 288,134</u></b>

**Note 1 - Basis of Presentation**

The accompanying schedule of state financial assistance include the award activity of the Town under programs of state governments, respectively, for the year ended June 30, 2021. Because the schedule of state financial assistance present only a selected portion of the operations of the Town, they are not intended to and do not present the financial position, statement of activities, or cash flows of the Town.

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

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

*See independent auditor's report.*

## **INTERNAL CONTROL AND COMPLIANCE SECTION**



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arlington, Tennessee (Town), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements, and have issued our report thereon dated March 1, 2022. 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.

*Alexander Thompson Arnold PLLC*

Jackson, Tennessee  
March 1, 2022



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**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, 2021. 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, 2021.

## 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.

*Alexander Thompson Arnold PLLC*

Jackson, Tennessee  
March 1, 2022

**TOWN OF ARLINGTON, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

June 30, 2021

**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, 2021

**FINANCIAL STATEMENT FINDINGS**

There were no prior findings reported

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no prior findings reported.