

TOWN OF ARLINGTON, TENNESSEE

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

TOWN OF ARLINGTON, TENNESSEE

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INTRODUCTORY SECTION

TOWN OF ARLINGTON, TENNESSEE
LIST OF PRINCIPAL OFFICIALS
June 30, 2019

ELECTED OFFICIALS

Mayor
Vice Mayor
Alderman
Alderman
Alderman
Alderman
Alderman

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

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, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Arlington Community School System, which represents 64 percent, 64 percent, and 78 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the General Purpose School Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2020 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Jackson, Tennessee
January 31, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

As management of the Town of Arlington, we offer readers of the Town of Arlington's financial statements this narrative overview and analysis of the financial activities of the Town of Arlington for the fiscal year ended June 30, 2019. 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 \$205.82 million (net position). Of this amount, \$28.89 million (unrestricted net position) may be used to meet the Town of Arlington's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Town of Arlington's General Fund reported an ending fund balance of \$16.63 million, a decrease of \$350 thousand in comparison with the prior year. Of the total fund balance, \$12.12 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 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 and General Purpose School Fund have been provided on pages 19 through 30 of this report. Budgetary comparisons of the nonmajor governmental funds can be found on pages 83 through 89 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 31 through 34 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 37 through 69 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 \$205.82 million at the close of the most recent fiscal year. Seventy-three percent (73%) of the Town's net position reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that are still outstanding. The Town of Arlington uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Arlington's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 57,293,552	\$ 52,670,068	\$ 11,597,883	\$ 11,270,438	\$ 68,891,435	\$ 63,940,506
Capital assets	139,103,638	128,473,586	21,910,404	21,985,686	161,014,042	150,459,272
Total assets	196,397,190	181,143,654	33,508,287	33,256,124	229,905,477	214,399,778
Deferred outflows of resources	6,193,568	7,150,937	-	-	6,193,568	7,150,937
Long-term liabilities	8,564,637	7,733,302	9,601,308	10,619,550	18,165,945	18,352,852
Other liabilities	2,735,302	3,158,278	47,976	8,577	2,783,278	3,166,855
Total liabilities	11,299,939	10,891,580	9,649,284	10,628,127	20,949,223	21,519,707
Deferred inflows of resources	9,325,702	8,208,214	-	-	9,325,702	8,208,214
Net position:						
Net investment in capital assets	137,351,826	128,172,085	12,327,296	11,380,275	149,679,122	139,552,360
Restricted for:						
Street aid	4,692,648	4,528,404	-	-	4,692,648	4,528,404
Sanitation	1,037,159	963,270	-	-	1,037,159	963,270
Net pension asset	2,353,960	533,297	-	-	2,353,960	533,297
Inventory	19,716	14,088	-	-	19,716	14,088
Education	18,943,352	18,221,382	-	-	18,943,352	18,221,382
Future capital project	-	-	100,000	-	100,000	-
Stabilization reserve trust	103,429	-	-	-	103,429	-
Unrestricted	17,463,027	16,762,271	11,431,707	11,247,722	28,894,734	28,009,993
Total net position	\$ 181,965,117	\$ 169,194,797	\$ 23,859,003	\$ 22,627,997	\$ 205,824,120	\$ 191,822,794

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

An additional portion of the Town of Arlington's net position (\$27.25 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position representing unrestricted net position (\$28.89 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 \$12.77 million. In the business-type activities, revenues exceeded expenses by \$1.23 million.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 3,301,811	\$ 3,275,446	\$ 2,584,896	\$ 2,546,337	\$ 5,886,707	\$ 5,821,783
Operating grants and contributions	45,738,221	45,826,794	-	-	45,738,221	45,826,794
Capital grants and contributions	6,136,361	1,656,951	564,661	179,772	6,701,022	1,836,723
General revenues:						
Property taxes	4,692,320	4,430,154	-	-	4,692,320	4,430,154
Other taxes	4,422,138	3,942,778	-	-	4,422,138	3,942,778
Other sources	1,301,372	153,766	175,795	79,776	1,477,167	233,542
Total revenues	<u>65,592,223</u>	<u>59,285,889</u>	<u>3,325,352</u>	<u>2,805,885</u>	<u>68,917,575</u>	<u>62,091,774</u>
Expenses:						
General government	3,646,567	3,384,238	-	-	3,646,567	3,384,238
Public safety	1,927,911	1,880,286	-	-	1,927,911	1,880,286
Highway and streets	944,649	496,821	-	-	944,649	496,821
Storm drainage	116,811	106,563	-	-	116,811	106,563
Public works	1,094,482	1,040,808	-	-	1,094,482	1,040,808
Sanitation collection	992,397	964,759	-	-	992,397	964,759
Culture and recreation	1,076,728	929,537	-	-	1,076,728	929,537
Education	43,019,332	41,286,632	-	-	43,019,332	41,286,632
Debt service	3,026	4,667	-	-	3,026	4,667
Sewer	-	-	2,094,346	1,908,901	2,094,346	1,908,901
Total expenses	<u>52,821,903</u>	<u>50,094,311</u>	<u>2,094,346</u>	<u>1,908,901</u>	<u>54,916,249</u>	<u>52,003,212</u>
Increase in net position	<u>12,770,320</u>	<u>9,191,578</u>	<u>1,231,006</u>	<u>896,984</u>	<u>14,001,326</u>	<u>10,088,562</u>
Net position - beginning	169,194,797	163,111,667	22,627,997	21,731,013	191,822,794	184,842,680
Prior period adjustment	-	(3,108,448)	-	-	-	(3,108,448)
Net position - beginning - restated	<u>169,194,797</u>	<u>160,003,219</u>	<u>22,627,997</u>	<u>21,731,013</u>	<u>191,822,794</u>	<u>181,734,232</u>
Net position - ending	<u>\$ 181,965,117</u>	<u>\$ 169,194,797</u>	<u>\$ 23,859,003</u>	<u>\$ 22,627,997</u>	<u>\$ 205,824,120</u>	<u>\$ 191,822,794</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 18.92% of governmental fund revenues. Accordingly this discussion will focus on the General Fund. General Fund balance was \$16.63 million at the end of the current fiscal year. Of that balance, \$12.12 million is available to meet the day-to-day needs of the Town.

Revenues in the General Fund increased from the previous year by approximately \$2.27 million. The most significant changes in revenues in the General Fund were:

- Property taxes increased by \$198 thousand.
- Sales tax increased by \$254 thousand.
- State and federal grants increased by \$268 thousand.
- State shared revenues increased by approximately \$222 thousand.
- Street light water fees increased by \$194 thousand.
- Sale of land and equipment increased by \$1.03 million.
- Interest income increased by \$137 thousand
- Impact fees decreased by \$103 thousand.

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

Proprietary funds - The Town of Arlington's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the proprietary fund at the end of the year amounted to \$11.43 million. The total increase in net position for this fund was \$1.23 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

Final Budgeted and Actual Amounts

Actual revenues were over the budgeted amounts by \$765 thousand. Significant variances are as follows:

- Intergovernmental (state shared taxes) were more than the budgeted amounts by \$354 thousand.
- Local sales taxes were more than the budgeted amounts by \$289 thousand.

Actual expenditures were under the final budgeted amount by \$161 thousand. Significant variances are as follows:

- General Government was under budget by \$195 thousand.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

- Public Works was under budget by \$154 thousand.
- Debt Service was over budget by \$215 thousand.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - At the end of fiscal year 2019, the Town had invested \$161.01 million net of accumulated depreciation in a variety of capital assets and infrastructure. Infrastructure was valued at \$27.89 million net of accumulated depreciation. Assets accounted for under this approach include improvements to streets that the Town of Arlington is responsible for maintaining.

Long-term debt - At the end of the current fiscal year, the Town of Arlington had total debt outstanding of \$13.47 million. Of this amount, \$9.56 million consists of revenue bonds and \$1.46 million of capital outlay notes. In addition, \$2.16 million of the Town's debt represents Arlington Community School System's note payable less discount and \$292 thousand of the Town's debt represents Arlington Community School System's capital lease payable.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- Arlington's residential and commercial growth has been steady. We are expecting 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 122 new single-family home permits in 2019 which is consistent with 2018, an increase of 11 new home permits over 2017 and 52 more than 2016. The last time the Town saw construction at this rate was in 2010 prior to the recession. The rate of residential construction is projected to continue increasing in 2020 due to the amount of residential lots being developed. Arlington's inventory of available lots started to decline during the recession as new lots were not being developed. However, new phases of the White Oak Subdivision and Meyers Park a 45-acre residential subdivision have added new lots for construction. 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. Arlington Community Schools were named an Exemplary School District by the TN Department of Education again this year, as well as being named a TN Reward School for both performance and progress.
- Fiscal year 2018 - 2019 represents the Arlington Community Schools' fifth year in operation. Student enrollment is the primary driver of instruction and school expenditure budgets. Enrollment in the System includes Arlington Residents for grades K-12, Lakeland Residents for grades 9-12, and non-resident students. The System allows open enrollment for non-resident students at schools that have capacity in which those students meet the open enrollment criteria established by the district.
- Commercial investment in Arlington during the 2018 - 2019 fiscal year has continued the upward growth trend of previous years. The Town has opened over 85,000 square feet of new commercial and office space this fiscal year, including Ortho One, O'Reilly's, RedMed Urgent Care Clinic, Olympic Steak & Pizza, Arlington Climate Controlled Storage and an expansion at Steamfitters Building. Another nine (9) commercial projects totaling 115,000 square feet are currently under construction in Town.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

- The Town has begun construction on a second Fire Station to be located South of Interstate 40. The new company will come on board January 2020 and be housed in the current Fire Station until such time the second station has been completed. The new company will consist of 12 additional personnel to include 3 lieutenants, 3 drivers, 3 paramedics and 3 firefighter privates.
- The Board of Mayor and Aldermen approved a 22-cent tax increase to accommodate the additional personnel and expenses associated with the increase in staffing.

All of these factors were considered in preparing the Town of Arlington's budget for the 2020 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, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 29,562,189	\$ 4,141,035	\$ 33,703,224
Investments	13,650,114	7,223,896	20,874,010
Receivables:			
Interest	13,906	2,138	16,044
Taxes (net of allowance for uncollectibles of \$35,665)	5,480,333	-	5,480,333
Accounts	137,574	332,178	469,752
Internal balances	101,365	(101,365)	-
Due from other governments - grants	985,749	-	985,749
Intergovernmental - nongrant	4,782,112	-	4,782,112
Inventory	19,716	-	19,716
Prepayments and other current assets	103,105	-	103,105
Investment - restricted	103,429	-	103,429
Net pension asset	2,353,960	-	2,353,960
Capital assets not being depreciated:			
Land	4,903,034	231,762	5,134,796
Construction in process	10,627,789	-	10,627,789
Capital assets net of accumulated depreciation:			
Buildings and improvements	87,900,834	-	87,900,834
Machinery and equipment	7,778,137	-	7,778,137
Sewer plant	-	21,678,642	21,678,642
Infrastructure	27,893,844	-	27,893,844
Total assets	<u>196,397,190</u>	<u>33,508,286</u>	<u>229,905,476</u>
Deferred outflows of resources			
Deferred outflows related to pension	5,914,525	-	5,914,525
Deferred outflows related to OPEB	279,043	-	279,043
Total deferred outflows of resources	<u>6,193,568</u>	<u>-</u>	<u>6,193,568</u>

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

TOWN OF ARLINGTON, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Accounts payable	810,614	47,975	858,589
Accrued payroll	1,897,206	-	1,897,206
Unearned revenue	27,482	-	27,482
Long-term debt			
Due within one year			
Notes and bonds payable	787,359	1,059,303	1,846,662
Capital lease payable	143,818	-	143,818
Accrued annual leave	227,504	10,443	237,947
Due in more than one year			
Notes and bonds payable	2,828,649	8,523,805	11,352,454
Capital lease payable	147,787	-	147,787
Net OPEB liability	4,017,876	-	4,017,876
Accrued annual leave	120,615	7,757	128,372
Accrued landfill closing and postclosing costs	291,029	-	291,029
Total liabilities	<u>11,299,939</u>	<u>9,649,283</u>	<u>20,949,222</u>
Deferred Inflows of Resources			
Deferred inflows related to pension	3,035,798	-	3,035,798
Deferred inflows related to OPEB	864,832	-	864,832
Unavailable revenue - property taxes	5,425,072	-	5,425,072
Total deferred inflows of resources	<u>9,325,702</u>	<u>-</u>	<u>9,325,702</u>
Net Position			
Net investment in capital assets	137,351,826	12,327,296	149,679,122
Restricted for:			
State street aid	4,692,648	-	4,692,648
Sanitation	1,037,159	-	1,037,159
Net pension asset	2,353,960	-	2,353,960
Inventory	19,716	-	19,716
Education	18,943,352	-	18,943,352
Future capital project	-	100,000	100,000
Stabilization reserve trust	103,429	-	103,429
Unrestricted	17,463,027	11,431,707	28,894,734
Total net position	<u>\$ 181,965,117</u>	<u>\$ 23,859,003</u>	<u>\$ 205,824,120</u>

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

TOWN OF ARLINGTON, TENNESSEE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

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	\$ 3,646,568	\$ 732,804	\$ -	\$ 43,300	\$ (2,870,464)	\$ -	\$ (2,870,464)
Public safety	1,927,911	9,600	4,650	42,449	(1,871,212)	-	(1,871,212)
Highways and streets	944,649	-	549,634	3,700,974	3,305,959	-	3,305,959
Storm drainage	116,811	171,934	-	-	55,123	-	55,123
Public works	1,094,482	-	-	-	(1,094,482)	-	(1,094,482)
Sanitation collection	992,397	1,030,137	-	-	37,740	-	37,740
Parks and recreation	1,076,727	89,082	5,530	484,629	(497,486)	-	(497,486)
Education	43,019,332	1,268,254	45,178,407	1,865,009	5,292,338	-	5,292,338
Interest on long-term debt	3,026	-	-	-	(3,026)	-	(3,026)
Total governmental activities	<u>52,821,903</u>	<u>3,301,811</u>	<u>45,738,221</u>	<u>6,136,361</u>	<u>2,354,490</u>	<u>-</u>	<u>2,354,490</u>
Business-type activities							
Sewer	<u>2,094,346</u>	<u>2,584,896</u>	<u>-</u>	<u>564,661</u>	<u>-</u>	<u>1,055,211</u>	<u>1,055,211</u>
Total primary government	<u>\$ 54,916,249</u>	<u>\$ 5,886,707</u>	<u>\$ 45,738,221</u>	<u>\$ 6,701,022</u>	<u>\$ 2,354,490</u>	<u>\$ 1,055,211</u>	<u>\$ 3,409,701</u>
General revenues							
Property taxes - levied for general government					4,451,735	-	4,451,735
Payments in lieu of taxes - other governments					240,585	-	240,585
Sales taxes					3,687,462	-	3,687,462
Franchise taxes					126,401	-	126,401
Alcoholic beverage taxes					346,235	-	346,235
Business taxes					186,263	-	186,263
State income and excise taxes					75,777	-	75,777
Interest, penalties and court costs					13,354	-	13,354
Gain (loss) on sale of capital assets					908,807	-	908,807
Interest income					379,211	175,795	555,006
Total general revenues					<u>10,415,830</u>	<u>175,795</u>	<u>10,591,625</u>
Changes in net position					12,770,320	1,231,006	14,001,326
Net position - beginning					169,194,797	22,627,997	191,822,794
Net position - ending					<u>\$ 181,965,117</u>	<u>\$ 23,859,003</u>	<u>\$ 205,824,120</u>

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

TOWN OF ARLINGTON, TENNESSEE
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2019

	General Fund	General Purpose School	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 4,618,030	\$ 20,240,682	\$ 4,703,477	\$ 29,562,189
Investments	11,422,058	-	2,228,056	13,650,114
Investments - restricted	-	103,429	-	103,429
Inventory	-	-	19,716	19,716
Prepaid expense	-	103,105	-	103,105
Receivables:				
Interest	11,167	-	2,739	13,906
Taxes (net of allowance for uncollectibles of \$35,665)	5,480,333	-	-	5,480,333
Accounts - other	67,169	70,405	-	137,574
Due from other funds	14,236	76,609	100,936	191,781
Due from other governments - grants	307,756	-	677,993	985,749
Intergovernmental - nongrant	713,110	3,122,124	946,878	4,782,112
Total assets	\$ 22,633,859	\$ 23,716,354	\$ 8,679,795	\$ 55,030,008
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 225,753	\$ 317,682	\$ 267,179	\$ 810,614
Accrued payroll	-	1,851,637	45,569	1,897,206
Due to other funds	13,807	-	76,609	90,416
Unearned revenue	-	-	27,482	27,482
Total liabilities	239,560	2,169,319	416,839	2,825,718
Deferred inflows of resources				
Unavailable revenue - nongrant	-	-	408,065	408,065
Unavailable revenue - grants	307,756	-	542,340	850,096
Unavailable revenue - property taxes	5,454,323	984,224	-	6,438,547
Total deferred inflows of resources	5,762,079	984,224	950,405	7,696,708
Fund balances				
Nonspendable				
Inventory	-	-	19,716	19,716
Prepaid expenses	-	103,105	-	103,105
Restricted				
State street aid	-	-	4,692,648	4,692,648
Sanitation	-	-	1,037,159	1,037,159
Education	-	-	1,563,028	1,563,028
Stabilization reserve trust	-	103,429	-	103,429
Assigned:				
Impact fees	149,400	-	-	149,400
Traffic signal- Arlington Trails	50,000	-	-	50,000
Tennis complex	589,159	-	-	589,159
Committed:				
Fire Department Development	3,722,091	-	-	3,722,091
Unassigned	12,121,570	20,356,277	-	32,477,847
Total fund balances	16,632,220	20,562,811	7,312,551	44,507,582
Total liabilities, deferred inflows of resources, and fund balances	\$ 22,633,859	\$ 23,716,354	\$ 8,679,795	\$ 55,030,008

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, 2019

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

Fund balances - total governmental funds (Page 15)	\$ 44,507,582
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds	139,103,638
Net pension asset is not a financial resource in the current period and, therefore, are not reported an asset in governmental funds.	2,353,960
Receivables not available to pay for current expenditures and, therefore, are deferred in the funds.	
Unavailable revenue	2,271,636
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	6,193,568
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	(3,900,630)
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>(8,564,637)</u>
Net position of governmental activities (Page 13)	<u>\$ 181,965,117</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, 2019

	General Fund	General Purpose School	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 6,732,240	\$ 20,749,561	\$ -	\$ 27,481,801
Licenses and permits	135,122	-	-	135,122
Intergovernmental	2,709,569	21,741,976	3,384,747	27,836,292
Charges for services	686,046	390,226	1,908,165	2,984,437
Other	1,726,639	418,701	2,784,031	4,929,371
Total revenues	<u>11,989,616</u>	<u>43,300,464</u>	<u>8,076,943</u>	<u>63,367,023</u>
Expenditures				
Current				
General government	1,520,193	-	-	1,520,193
Public safety	2,190,381	-	-	2,190,381
Highways and streets	1,230,565	-	1,021,442	2,252,007
Storm drainage	121,773	-	-	121,773
Sanitation collection	-	-	1,026,850	1,026,850
Parks and recreation	1,203,668	-	-	1,203,668
Education	-	42,145,996	5,575,707	47,721,703
Capital outlay	5,581,674	-	836,241	6,417,915
Debt service:				
Principal	300,000	433,450	-	733,450
Interest	3,026	51,749	-	54,775
Total expenditures	<u>12,151,280</u>	<u>42,631,195</u>	<u>8,460,240</u>	<u>63,242,715</u>
Revenues over (under) expenditures	(161,664)	669,269	(383,297)	124,308
Other financing sources (uses)				
Issuance of debt	1,458,706	440,970	-	1,899,676
Sale of capital assets	-	44,133	-	44,133
Transfers in	-	654,902	1,062,000	1,716,902
Transfers out	(1,646,642)	-	(70,260)	(1,716,902)
Total other financing sources (uses)	<u>(187,936)</u>	<u>1,140,005</u>	<u>991,740</u>	<u>1,943,809</u>
Net changes in fund balances	(349,600)	1,809,274	608,443	2,068,117
Fund balances - beginning	<u>16,981,820</u>	<u>18,753,537</u>	<u>6,704,108</u>	<u>42,439,465</u>
Fund balances - ending	<u>\$ 16,632,220</u>	<u>\$ 20,562,811</u>	<u>\$ 7,312,551</u>	<u>\$ 44,507,582</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, 2019

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)	\$ 2,068,117
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	10,630,052
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).	(243,079)
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	1,471,284
Difference between actual contributions and OPEB expense	(17,632)
Change in compensated absences	(6,293)
Change in landfill liability	34,097
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources of governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Capital outlay notes	(1,158,706)
Board of Education note payment and amortization of discount	284,085
Board of Education capital lease issuance and current year's payments	<u>(291,605)</u>
Change in net position of governmental activities (Page 14)	<u>\$ 12,770,320</u>

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

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

For the Year Ended June 30, 2019

	Budgeted Amounts			Variance
	Original	Final	Actual	Over (Under)
Revenues				
Taxes:				
Real property taxes	\$ 3,560,500	\$ 3,696,241	\$ 3,721,710	\$ 25,469
Personal property taxes	310,000	345,702	343,103	(2,599)
Public utility taxes	397,000	405,728	404,691	(1,037)
Interest and penalties	15,000	15,000	13,354	(1,646)
In lieu of tax payments -				
Other governments	81,000	91,674	77,207	(14,467)
Local sales tax	1,175,000	1,447,180	1,735,953	288,773
Wholesale beer tax	225,000	225,000	213,056	(11,944)
Wholesale liquor tax	78,000	87,331	96,765	9,434
Franchise taxes	125,000	125,000	126,401	1,401
Total taxes	<u>5,966,500</u>	<u>6,438,856</u>	<u>6,732,240</u>	<u>293,384</u>
Licenses and permits:				
Licenses and permits	27,500	56,268	60,656	4,388
Planning commission submittals	30,000	63,899	64,516	617
Excavating permits	5,000	9,950	9,950	-
Total licenses and permits	<u>62,500</u>	<u>130,117</u>	<u>135,122</u>	<u>5,005</u>
Intergovernmental:				
Federal grants	-	95,749	95,749	-
State grant	-	137,212	174,236	37,024
TVA in lieu of tax	147,000	163,378	163,378	-
Business tax	125,000	172,812	186,263	13,451
State sales tax	1,050,000	1,050,000	1,172,237	122,237
State local sales tax	530,000	649,631	779,272	129,641
State income tax	10,000	10,000	46,879	36,879
State beer tax	6,300	6,300	6,119	(181)
State alcoholic beverage tax	12,500	12,500	30,295	17,795
State petroleum special fee	26,000	26,000	26,243	243
State telecommunications sales tax	1,000	9,646	11,412	1,766
State excise tax	22,500	22,500	17,486	(5,014)
Total intergovernmental	<u>1,930,300</u>	<u>2,355,728</u>	<u>2,709,569</u>	<u>353,841</u>
Charges for services:				
Community development fees	-	32,400	32,400	-
Street light fees	-	375,262	375,262	-
Storm water fees	132,150	143,072	171,934	28,862
Inspection fees	-	24,300	24,300	-

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, 2019

	Budgeted Amounts			Variance
	Original	Final	Actual	Over Over (Under)
Meeting room fees	1,000	-	-	-
Community garden	500	-	30	30
Park and recreation fees	69,500	81,488	82,120	632
Total charges for services	<u>203,150</u>	<u>656,522</u>	<u>686,046</u>	<u>29,524</u>
Other:				
Other	13,300	16,350	14,159	(2,191)
Rent	3,801	3,801	3,801	-
Sale of land and equipment	-	1,057,971	1,057,972	1
Interest earned	75,000	204,344	242,010	37,666
Insurance recovery	-	23,541	23,541	-
Impact fees	165,000	305,725	305,725	-
Library fines	18,000	18,000	19,251	1,251
Contributions	-	13,330	60,180	46,850
Total other	<u>275,101</u>	<u>1,643,062</u>	<u>1,726,639</u>	<u>83,577</u>
Total revenues	<u>8,437,551</u>	<u>11,224,285</u>	<u>11,989,616</u>	<u>765,331</u>
Expenditures				
Current expenditures:				
General government:				
Salaries	448,000	410,000	406,840	(3,160)
OASI	38,500	38,500	33,872	(4,628)
Hospital and health insurance	77,000	77,000	47,772	(29,228)
Workmen's compensation	2,000	2,000	2,000	-
Employee education and training	5,000	5,000	1,958	(3,042)
Other employer contributions	28,500	28,500	25,830	(2,670)
Board and committee members	61,000	61,000	61,000	-
Elections	5,000	5,000	-	(5,000)
Contractual services	45,000	45,000	46,036	1,036
Postage	7,000	7,000	5,802	(1,198)
Messenger and delivery services	1,500	2,005	2,143	138
Publication of legal notices	30,000	30,000	23,028	(6,972)
Memberships and registration fees	5,000	5,000	4,965	(35)
Public relations	10,000	10,000	5,250	(4,750)
Utility services	25,000	146,500	148,898	2,398
Telephone	20,000	30,000	28,617	(1,383)
Legal services	160,000	160,000	129,058	(30,942)
Accounting and auditing services	20,000	20,000	15,235	(4,765)
Architectural and engineering services	160,000	160,000	93,906	(66,094)
Web site services	6,000	6,500	6,393	(107)

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, 2019

	Budgeted Amounts			Variance
	Original	Final	Actual	Over (Under)
Data processing services	20,000	37,000	29,718	(7,282)
Other professional services	44,000	44,000	42,194	(1,806)
Repair and maintenance services	7,000	8,000	9,104	1,104
Repair and maintenance of buildings	25,000	25,000	18,487	(6,513)
Travel	3,000	3,000	2,560	(440)
Collection fees	20,000	24,000	23,525	(475)
Sundry	7,000	14,500	14,970	470
Operating supplies	17,500	21,500	18,790	(2,710)
Off site record storage	6,000	6,000	5,100	(900)
Insurance on buildings	10,000	8,580	8,577	(3)
Insurance - liability	12,500	10,500	10,440	(60)
Capital outlay	445,000	2,134,617	1,919,105	(215,512)
Machinery and equipment rent	17,000	17,000	17,649	649
Other machinery and equipment	5,000	5,000	4,351	(649)
Donations to the Chamber of Commerce	25,000	25,000	25,000	-
Donations to West TN Veterans Home	-	-	200,000	200,000
Clothing and uniforms	-	1,200	1,125	(75)
Total general government	<u>1,818,500</u>	<u>3,633,902</u>	<u>3,439,298</u>	<u>(194,604)</u>
Fire protection and control:				
Salaries	1,025,500	985,000	977,748	(7,252)
OASI	79,000	79,000	71,869	(7,131)
Hospital and health insurance	130,000	130,000	114,532	(15,468)
Workmen's compensation	35,000	35,000	31,215	(3,785)
Employee education and training	25,000	25,000	20,074	(4,926)
Other employer contributions	66,500	66,500	60,478	(6,022)
Volunteer firemen	15,000	-	-	-
Contractual services	400,000	400,000	390,580	(9,420)
Membership fees, dues	5,000	5,000	3,271	(1,729)
Utility services	25,000	25,000	15,131	(9,869)
Telephone	11,000	11,000	10,309	(691)
Medical and dental	30,000	9,000	7,407	(1,593)
Repair and maintenance	90,000	125,000	108,758	(16,242)
Data processing	7,000	9,750	9,619	(131)
Travel	6,000	6,000	4,893	(1,107)
Operating supplies	28,000	44,500	42,073	(2,427)
Clothing and uniforms	10,000	13,000	12,264	(736)
Gas, oil and diesel	16,000	16,000	9,876	(6,124)
Insurance-building and liability	18,500	17,500	16,562	(938)
Insurance-vehicles and equipment	8,750	8,250	8,235	(15)
Capital outlay	60,000	1,020,000	1,168,225	148,225
Machinery and equipment rent	5,000	5,000	5,683	683
Other machinery and equipment	60,000	270,000	262,926	(7,074)
	<u>2,156,250</u>	<u>3,305,500</u>	<u>3,351,728</u>	<u>46,228</u>

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

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

For the Year Ended June 30, 2019

	Budgeted Amounts			Variance
	Original	Final	Actual	Over (Under)
Fire fighting:				
Supplies	10,000	7,000	6,878	(122)
 Total public safety	 2,166,250	 3,312,500	 3,358,606	 46,106
 Public Works:				
Highway and streets:				
Salaries	728,000	650,000	646,908	(3,092)
OASI	56,000	56,000	46,810	(9,190)
Hospital and health insurance	92,000	92,000	87,047	(4,953)
Workmen's compensation	29,000	29,000	25,215	(3,785)
Other employer contributions	51,000	51,000	35,507	(15,493)
Memberships, registration fees	3,000	3,000	2,376	(624)
Employee education and training	5,000	5,000	4,808	(192)
Utility services	25,000	29,000	28,918	(82)
Ambulance services	2,000	2,000	599	(1,401)
Other professional services	8,000	8,000	1,380	(6,620)
Telephone	18,000	20,000	19,604	(396)
Data processing	13,000	22,000	20,723	(1,277)
Repair and maintenance services	72,000	168,000	102,769	(65,231)
Travel	1,000	1,000	73	(927)
Operating supplies	21,139	35,139	24,957	(10,182)
Clothing and uniforms	8,000	10,000	9,039	(961)
Gas, oil and diesel	20,000	33,000	32,759	(241)
Insurance	18,500	18,500	16,047	(2,453)
Machinery and equipment rental	5,000	10,000	9,580	(420)
Other machinery and equipment	84,500	120,000	115,446	(4,554)
Capital outlay	47,000	55,000	54,065	(935)
Total highway and streets	1,307,139	1,417,639	1,284,630	(133,009)
 Storm drainage:				
Salaries	45,500	51,000	50,949	(51)
OASI	3,500	3,800	3,660	(140)
Hospital and health insurance	13,500	13,500	8,671	(4,829)
Workmen's compensation	2,500	2,500	608	(1,892)
Other employer contributions	3,500	3,500	3,616	116
Contractual services	40,000	45,000	44,116	(884)
Employee education and training	1,000	1,000	150	(850)

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, 2019

	Budgeted Amounts			Variance
	Original	Final	Actual	Over (Under)
Memberships, registration fees	4,000	4,000	4,060	60
Donations to the Chamber of Commerce	2,000	2,000	1,250	(750)
Data processing	1,000	1,000	740	(260)
Other professional service	11,000	11,000	1,156	(9,844)
Operating supplies	1,000	1,000	182	(818)
Clothing and uniforms	650	650	514	(136)
Gas, oil and diesel	1,000	1,000	1,252	252
Other machinery and equipment	2,000	2,000	849	(1,151)
Total storm drainage	132,150	142,950	121,773	(21,177)
 Total public works	 1,439,289	 1,560,589	 1,406,403	 (154,186)
 Parks and recreation:				
Salaries	338,000	322,000	322,317	317
OASI	27,300	27,300	23,431	(3,869)
Hospital and health insurance	42,400	49,400	42,814	(6,586)
Workmen's compensation	9,500	9,500	7,608	(1,892)
Employee education and training	4,000	1,000	359	(641)
Basketball fees	31,000	35,161	35,161	-
Postage	500	500	396	(104)
Memberships and registration fees	2,000	2,600	2,535	(65)
Other employer contributions	18,500	18,500	11,388	(7,112)
Contractual services	252,500	252,500	239,774	(12,726)
Data processing services	15,500	17,500	15,732	(1,768)
Other professional services	3,000	3,000	2,411	(589)
Public relations	25,000	25,000	27,475	2,475
Utility services	75,000	83,500	80,007	(3,493)
Telephone	10,800	12,200	12,380	180
Repair and maintenance	132,500	181,100	163,569	(17,531)
Travel	4,000	2,100	2,049	(51)
Sundry	3,600	3,600	3,557	(43)
Operating supplies	49,400	60,400	52,150	(8,250)
Clothing and uniforms	4,500	5,500	5,490	(10)
Gas, oil and diesel fuel	8,000	8,000	8,264	264
Fabricated materials	20,000	17,250	17,240	(10)
Insurance	16,200	13,800	13,747	(53)
Other machinery and equipment	95,750	110,575	110,327	(248)
Machinery and equipment rent	3,000	3,000	3,487	487
Capital outlay	87,000	2,451,849	2,440,279	(11,570)
Total parks and recreation	1,278,950	3,716,835	3,643,947	(72,888)

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, 2019

	Budgeted Amounts			Variance
	Original	Final	Actual	Over (Under)
Debt Service:				
Principal	80,000	80,000	300,000	220,000
Interest	8,000	8,000	3,026	(4,974)
Total debt service	<u>88,000</u>	<u>88,000</u>	<u>303,026</u>	<u>215,026</u>
 Total expenditures	 <u>6,790,989</u>	 <u>12,311,826</u>	 <u>12,151,280</u>	 <u>(160,546)</u>
 Excess (deficiency) of revenues over (under) expenditures	 1,646,562	 (1,087,541)	 (161,664)	 925,877
 Other financing sources (uses)				
Issuance of debt	-	1,458,706	1,458,706	-
Transfers out	<u>(1,646,562)</u>	<u>(1,646,562)</u>	<u>(1,646,642)</u>	<u>(80)</u>
Total other financing sources (uses)	<u>(1,646,562)</u>	<u>(187,856)</u>	<u>(187,936)</u>	<u>(80)</u>
 Net change in fund balances	 <u>\$ -</u>	 <u>\$ (1,275,397)</u>	 <u>(349,600)</u>	 <u>\$ 925,797</u>
 Fund balance, July 1			<u>16,981,820</u>	
 Fund balance, June 30			<u>\$ 16,632,220</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, 2019

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues:				
Taxes:				
Current property tax	\$ 12,550,000	\$ 12,550,000	\$ 13,328,168	\$ 778,168
Prior years property tax	355,000	355,000	335,337	(19,663)
Payments in lieu of taxes	232,000	232,000	223,495	(8,505)
Local option sales tax	4,700,000	5,200,000	5,693,621	493,621
Business tax	1,500	1,500	1,621	121
Mixed drink tax	15,000	15,000	13,595	(1,405)
Wheel tax	587,360	587,360	1,153,724	566,364
Total taxes	18,440,860	18,940,860	20,749,561	1,808,701
Intergovernmental:				
State revenues:				
State education funds:				
Basic Education Program	21,225,000	21,225,000	21,606,169	381,169
Career ladder program	86,000	86,000	88,788	2,788
Other	25,000	25,000	47,019	22,019
Total state revenues	21,336,000	21,336,000	21,741,976	405,976
Other local revenues:				
Charges for services	361,126	361,126	390,226	29,100
Interest income	-	-	128,599	128,599
Other	149,300	149,300	290,102	140,802
	510,426	510,426	808,927	298,501
Total revenues	40,287,286	40,787,286	43,300,464	2,513,178
Expenditures:				
Instruction:				
Regular education:				
Salaries	20,687,762	21,400,706	15,000,469	(6,400,237)
Benefits	-	1,134,058	4,696,543	3,562,485
Contractual services	15,000	15,000	9,782	(5,218)
Materials and supplies	561,636	803,693	1,751,483	947,790
Other charges	41,150	72,150	56,062	(16,088)
Total regular education	21,305,548	23,425,607	21,514,339	(1,911,268)

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, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Alternative instruction:				
Salaries	211,800	211,800	166,376	(45,424)
Benefits	65,212	65,212	42,684	(22,528)
Materials and supplies	2,950	2,950	2,421	(529)
Total alternative instruction	<u>279,962</u>	<u>279,962</u>	<u>211,481</u>	<u>(68,481)</u>
Special education:				
Salaries	-	-	1,734,939	1,734,939
Benefits	-	-	492,402	492,402
Contractual services	2,771,087	2,745,287	58,818	(2,686,469)
Materials and supplies	12,200	38,000	40,808	2,808
Total special education	<u>2,783,287</u>	<u>2,783,287</u>	<u>2,326,967</u>	<u>(456,320)</u>
Vocational education:				
Salaries	779,130	769,130	674,415	(94,715)
Benefits	224,353	224,353	184,532	(39,821)
Contractual services	-	-	1,948	1,948
Materials and supplies	35,000	35,000	54,556	19,556
Other charges	-	10,000	3,929	(6,071)
Total vocational education	<u>1,038,483</u>	<u>1,038,483</u>	<u>919,380</u>	<u>(119,103)</u>
Total instruction	<u>25,407,280</u>	<u>27,527,339</u>	<u>24,972,167</u>	<u>(2,555,172)</u>
Support services:				
Attendance:				
Salaries	286,754	286,754	284,399	(2,355)
Benefits	94,375	94,375	68,278	(26,097)
Contractual services	28,450	31,450	11,409	(20,041)
Materials and supplies	8,000	9,950	9,897	(53)
Other charges	17,200	15,250	13,418	(1,832)
Total attendance	<u>434,779</u>	<u>437,779</u>	<u>387,401</u>	<u>(50,378)</u>
Health services:				
Salaries	-	-	160,682	160,682
Benefits	-	-	56,444	56,444
Contractual services	238,659	246,494	14,535	(231,959)
Materials and supplies	5,800	5,058	5,028	(30)
Other charges	1,750	957	699	(258)
Total health services	<u>246,209</u>	<u>252,509</u>	<u>237,388</u>	<u>(15,121)</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, 2019**

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Other student support:				
Salaries	883,192	883,192	880,935	(2,257)
Benefits	322,966	338,316	320,305	(18,011)
Materials and supplies	9,000	10,000	9,253	(747)
Other charges	12,200	7,050	4,127	(2,923)
Total other student support	<u>1,227,358</u>	<u>1,238,558</u>	<u>1,214,620</u>	<u>(23,938)</u>
Instructional staff:				
Regular education:				
Salaries	1,030,822	1,031,822	989,343	(42,479)
Benefits	285,597	285,597	264,330	(21,267)
Contractual services	10,000	4,100	4,100	-
Materials and supplies	41,100	38,829	35,756	(3,073)
Other charges	101,900	110,071	98,831	(11,240)
Total regular education	<u>1,469,419</u>	<u>1,470,419</u>	<u>1,392,360</u>	<u>(78,059)</u>
Special education:				
Salaries	394,580	400,580	399,651	(929)
Benefits	113,704	111,204	109,705	(1,499)
Contractual services	281,550	278,050	164,529	(113,521)
Materials and supplies	13,000	13,000	9,714	(3,286)
Other charges	11,000	11,000	10,255	(745)
Total special education	<u>813,834</u>	<u>813,834</u>	<u>693,854</u>	<u>(119,980)</u>
Vocational education:				
Salaries	62,830	62,830	62,829	(1)
Benefits	17,597	17,597	16,034	(1,563)
Materials and supplies	1,000	-	-	-
Other charges	2,500	3,500	1,442	(2,058)
Total vocational education	<u>83,927</u>	<u>83,927</u>	<u>80,305</u>	<u>(3,622)</u>
Total instructional staff	<u>2,367,180</u>	<u>2,368,180</u>	<u>2,166,519</u>	<u>(201,661)</u>
General administration:				
Board of education services:				
Salaries	37,147	45,647	45,584	(63)
Benefits	157,722	167,022	156,075	(10,947)
Contractual services	404,500	417,000	374,000	(43,000)
Materials and supplies	1,000	1,000	1,353	353

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, 2019**

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Other charges	480,844	173,211	15,645	(157,566)
Total board of education services	1,081,213	803,880	592,657	(211,223)
Director of schools:				
Salaries	443,227	454,487	443,228	(11,259)
Benefits	104,532	109,492	102,186	(7,306)
Contractual services	6,128	38,902	26,617	(12,285)
Materials and supplies	16,200	30,426	5,288	(25,138)
Other charges	29,250	27,150	20,330	(6,820)
Total director of schools	599,337	660,457	597,649	(62,808)
Total general administration	1,680,550	1,464,337	1,190,306	(274,031)
School administration:				
Office of the principal:				
Salaries	2,090,900	2,090,900	2,057,307	(33,593)
Benefits	643,122	641,922	556,494	(85,428)
Other charges	18,600	19,800	17,838	(1,962)
Total office of the principal	2,752,622	2,752,622	2,631,639	(120,983)
Business administration:				
Fiscal services:				
Salaries	311,251	311,251	310,840	(411)
Benefits	82,733	82,733	77,541	(5,192)
Contractual services	8,500	8,500	5,829	(2,671)
Materials and supplies	7,500	9,500	7,437	(2,063)
Other charges	48,500	48,500	28,314	(20,186)
Total fiscal services	458,484	460,484	429,961	(30,523)
Human services/personnel:				
Salaries	162,037	162,037	162,036	(1)
Benefits	60,722	60,722	49,538	(11,184)
Contractual services	19,400	19,400	11,621	(7,779)
Materials and supplies	8,800	8,800	2,563	(6,237)
Other charges	18,200	40,200	13,028	(27,172)
Total human services/personnel	269,159	291,159	238,786	(52,373)
Total business administration	727,643	751,643	668,747	(82,896)

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, 2019

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Operation and maintenance of plant:				
Operation of plant:				
Salaries	272,890	278,890	269,779	(9,111)
Benefits	80,343	80,343	69,924	(10,419)
Contractual services	820,716	820,716	1,435,693	614,977
Materials and supplies	859,300	859,379	14,795	(844,584)
Other charges	275	346	256	(90)
Total operation of plant	<u>2,033,524</u>	<u>2,039,674</u>	<u>1,790,447</u>	<u>(249,227)</u>
Maintenance of plant:				
Salaries	392,762	392,762	385,625	(7,137)
Benefits	103,060	103,059	92,924	(10,135)
Contractual services	227,500	227,500	200,227	(27,273)
Materials and supplies	52,000	51,850	45,188	(6,662)
Other charges	9,700	9,700	864	(8,836)
Total maintenance of plant	<u>785,022</u>	<u>784,871</u>	<u>724,828</u>	<u>(60,043)</u>
Total operation and maintenance of plant	<u>2,818,546</u>	<u>2,824,545</u>	<u>2,515,275</u>	<u>(309,270)</u>
Transportation:				
Student transportation:				
Contractual services	1,209,400	1,209,400	1,077,889	(131,511)
Materials and supplies	140,000	140,000	126,744	(13,256)
Total student transportation	<u>1,349,400</u>	<u>1,349,400</u>	<u>1,204,633</u>	<u>(144,767)</u>
Central and other transportation:				
Salaries	279,873	295,073	292,516	(2,557)
Benefits	51,841	67,691	64,567	(3,124)
Contractual services	52,400	78,900	50,310	(28,590)
Materials and supplies	33,500	45,000	39,181	(5,819)
Other charges	27,100	27,100	10,029	(17,071)
Total central and other transportation	<u>444,714</u>	<u>513,764</u>	<u>456,603</u>	<u>(57,161)</u>
Total transportation	<u>1,794,114</u>	<u>1,863,164</u>	<u>1,661,236</u>	<u>(201,928)</u>
Technology:				
Salaries	210,453	210,453	208,913	(1,540)
Benefits	59,719	59,719	52,928	(6,791)

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, 2019**

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Contractual services	393,230	458,930	364,125	(94,805)
Materials and supplies	411,800	514,100	360,842	(153,258)
Other charges	202,845	102,845	93,171	(9,674)
Total technology	1,278,047	1,346,047	1,079,979	(266,068)
Total support services	15,327,048	15,299,384	13,753,110	(1,546,274)
Non-instructional services:				
Regular capital outlay:				
Engineering services	180,000	165,338	145,183	(20,155)
Architects	50,000	50,000	41,600	(8,400)
Building improvements	940,805	3,345,338	2,508,789	(836,549)
Other capital outlay	580,000	620,500	712,822	92,322
Other contracted services	-	12,325	12,325	-
Total regular capital outlay	1,750,805	4,193,501	3,420,719	(772,782)
Debt service:				
Principal	-	333,333	433,450	100,117
Interest	-	-	51,749	51,749
Total debt service	-	333,333	485,199	151,866
Total non-instructional services	1,750,805	4,526,834	3,905,918	(620,916)
Total expenditures	\$ 42,485,133	\$ 47,353,557	\$ 42,631,195	\$ (4,722,362)
Excess (deficiency) of revenues over (under) expenditures	(2,197,847)	(6,566,271)	669,269	7,235,540
Other financing sources (uses):				
Issuance of debt	-	-	440,970	440,970
Sale of capital assets	-	-	44,133	44,133
Transfers in	2,259,234	6,627,658	654,902	(5,972,756)
Transfers out	(61,387)	(61,387)	-	61,387
Total other financing sources (uses)	2,197,847	6,566,271	1,140,005	(5,426,266)
Net changes in fund balance	\$ -	\$ -	1,809,274	\$ 1,809,274
Fund balance - beginning			18,753,537	
Fund balance - ending			<u>\$ 20,562,811</u>	

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

TOWN OF ARLINGTON, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2019

	<u>Sewer Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 4,141,035
Investments	7,223,896
Receivables	
Interest	2,138
Accounts	<u>332,178</u>
Total current assets	<u>11,699,247</u>
Noncurrent assets	
Capital assets	
Land	231,762
Sewer plant	30,444,003
Less accumulated depreciation	<u>(8,765,361)</u>
Total capital assets (net of accumulated depreciation)	<u>21,910,404</u>
Total noncurrent assets	<u>21,910,404</u>
Total assets	<u>33,609,651</u>
Liabilities	
Current liabilities	
Accounts payable	47,975
Accrued annual leave	10,443
Due to other funds	101,365
Bonds payable	<u>1,059,303</u>
Total current liabilities	<u>1,219,086</u>
Noncurrent liabilities	
Accrued annual leave	7,757
Bonds payable	<u>8,523,805</u>
Total noncurrent liabilities	<u>8,531,562</u>
Total liabilities	<u>9,750,648</u>
Net position	
Net investment in capital assets	12,327,296
Restricted for Lillian Bend lift station	100,000
Unrestricted	<u>11,431,707</u>
Total net position	<u>\$ 23,859,003</u>

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

TOWN OF ARLINGTON, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND

For the Year Ended June 30, 2019

	Sewer Fund
Operating revenues	
Sewer service charges	\$ 1,919,744
Surcharges and inspection fees	665,152
Total operating revenues	<u>2,584,896</u>
Operating expenses	
Salaries	274,265
OASI	19,636
Hospital and health insurance	31,847
Workmen's compensation	10,808
Other employer contributions	16,769
Employee education and materials	3,887
Memberships and dues	8,290
Utility services	227,784
Telephone	9,649
Accounting and auditing	7,170
Other professional services	10,141
Contractual services	5,880
Data processing services	9,506
Repair and maintenance	166,532
Lab costs	48,028
Operating supplies	18,807
Clothing and uniforms	2,236
Gas, oil and diesel	5,784
Insurance	28,200
Travel	605
Rental	1,416
Depreciation	920,529
Total operating expenses	<u>1,827,769</u>
Operating income (loss)	<u>757,127</u>
Non-operating income (expense)	
Interest earned	175,795
Interest expense	(233,084)
Debt fees	(33,493)
Total non-operating revenues (expenses)	<u>(90,782)</u>
Change in net position before contributed capital	666,345
Capital contributions	564,661
Change in net position	1,231,006
Total net position, beginning	<u>22,627,997</u>
Total net position, ending	<u>\$ 23,859,003</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, 2019

	Sewer Fund
Cash flows from operating activities:	
Cash received from consumers	\$ 2,562,701
Cash received from other funds	3,257
Cash paid to employees for services	(293,901)
Other operating payments	(569,880)
Net cash provided (used) by operating activities	<u>1,702,177</u>
Cash flows from capital and related financing activities:	
Capital contributed by customers and grants	100,000
Principal paid on debt	(1,021,000)
Interest and debt fees paid	(267,880)
Construction and acquisition of plant	(380,586)
Net cash provided (used) by capital and related financing activities	<u>(1,569,466)</u>
Cash flows from investing activities:	
Purchase of investments	(7,223,896)
Proceeds from sale and maturities of investments	7,088,112
Interest and unrealized change in investments	174,611
Net cash provided (used) by investing activities	<u>38,827</u>
Net increase (decrease) in cash and cash equivalents	171,538
Cash and cash equivalents - beginning of year	<u>3,969,497</u>
Cash and cash equivalents - end of year	<u>\$ 4,141,035</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, 2019

	<u>Sewer Fund</u>
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income (loss)	\$ 757,127
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	920,529
(Increase) decrease in accounts receivable	(22,195)
Increase (decrease) in payables	39,398
Increase (decrease) in accrued annual leave	4,061
Increase (decrease) in due to other funds	<u>3,257</u>
Net cash provided (used) by operating activities	<u>\$ 1,702,177</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, 2019

	Other Postemployment Benefits	Agency Fund
Assets		
Cash and cash equivalents	\$ 39,765	\$ 1,154,773
Accounts receivable	454	-
Inventory	-	13,205
Investments at fair value	2,473,496	-
Total assets	<u>\$ 2,513,715</u>	<u>\$ 1,167,978</u>
Liabilities		
Accounts payable	\$ 677	\$ -
Due to student general fund	-	688,391
Due to student groups	-	479,587
Total liabilities	<u>677</u>	<u>\$ 1,167,978</u>
Net Position		
Restricted for OPEB benefits	<u>\$ 2,513,038</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, 2019

	Other Postemployment Benefits
ADDITIONS	
Contributions	\$ 588,184
Investment earnings (losses):	
Interest and dividends	77,077
Net appreciation in fair value of investments	<u>16,313</u>
Total investment earnings	<u>93,390</u>
 Total additions	 681,574
DEDUCTIONS	
Benefits	88,184
Administrative expenses	<u>8,132</u>
Total deductions	<u>96,316</u>
 Change in net position	 585,258
 Net position - beginning of the year	 <u>1,927,780</u>
 Net position - end of the year	 <u><u>\$ 2,513,038</u></u>

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

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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 Town reports the following major proprietary fund:

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

The Town reports the following fiduciary funds:

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

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

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

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

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

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

Deposits and Investments

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

Investments for the Town, including other postemployment benefit investments held in fiduciary funds, are reported at fair value except for investments measured using Net Asset Value ("NAV") per share which have no readily determinable fair value and have been determined using amortized cost which approximates fair value. Restricted investments consist of assets held in an irrevocable trust for future TCRS pension benefits.

Receivables and Payables

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

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

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

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

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

Inventories and Prepaid Items

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

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

Realty and Personal Property Taxes

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

Capital Assets

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

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

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

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

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

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

Compensated Absences

Town of Arlington

The Town has established vacation and sick leave policies. According to the vacation policy, employees other than Senior Citizen Center Department employees can accrue vacation and sick time based on longevity of service. The Fire Department employees can accrue up to 10 days of vacation time and 45 days of sick time based on 24 hour shifts. Other Town employees can accrue up to 20 days of vacation time and 90 days of sick time based on 8 hour shifts. Upon separation, employees are entitled to be reimbursed for any unused vacation and sick time up to 20 days maximum. The current portion of the accrued vacation at June 30, 2019 recorded in the governmental funds is the amount that would normally be liquidated with expendable available financial resources.

Long-term Obligations

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

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be 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.

TOWN OF ARLINGTON, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Pensions and Other Postemployment Benefits

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

For purposes of measuring the net pension and net OPEB asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position, and additions to/deductions from each plan's fiduciary net position have been determined on the same basis as they are reported to the actuaries. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of each plan. Expenses of the plans, such as investment fees, trustee fees, and audit fees, are paid by the plans. However, certain administrative functions performed by employees of the System are not reimbursed by the plans. Investments, other than contracts, are reported at fair value. Investment income is recognized as earned. Plan assets do not include any securities of the System nor have any of the plans made loans to the System.

Fair Value Measurement

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets and liabilities recorded at fair value in the statements of net position are categorized based on the level of judgment associated with the inputs used to measure their value. The three categories of level inputs are as follows: Level 1 inputs include unadjusted quoted prices in active markets for identical assets or liabilities accessible at the measurement date; Level 2 inputs include quoted prices for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in inactive markets; or other inputs that can be corroborated by observable market data. Such inputs include market interest rates and volatilities, spreads and yield curves; Level 3 inputs are inputs which are unobservable for the asset or liability and rely on management's own assumptions that market participants would use in pricing the asset or liability.

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

Estimates

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

New Governmental Accounting Standards Board (GASB) Pronouncements

The Town implemented GASB Statement No. 83, *Certain Asset Retirement Obligations* which requires accounting and financial reporting for certain asset retirement obligations (ARO). An ARO

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

is a legally enforceable liability associated with the retirement of a tangible capital asset. As of June 30, 2019, the Town has not identified asset retirement obligations that have been incurred.

In March 2018, the GASB issued Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for financial statements for periods beginning after June 15, 2018. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. Management has implemented this statement in the current financial statements.

GASB Statement No. 84, *Fiduciary Activities* was issued to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The requirements of GASB Statement No. 84 are effective for fiscal year 2020. The System is currently evaluating the impact of GASB Statement No. 84 may have on its financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of the Construction Period*, was issued to enhance the relevance and comparability of information about capital assets and the costs of borrowing for a period and to simplify accounting for interest cost incurred before the end of a construction period. The requirements are effective for fiscal periods beginning after December 15, 2019, with early implementation encouraged. The System implemented the new standard as of June 30, 2019.

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.

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

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 \$8,564,637 difference are as follows:

Long-term debt due within a year	\$ 939,225
Long-term debt due in more than a year	2,968,388
Compensated absences payable	348,119
Net OPEB liability	4,017,876
Accrued postclosure care costs	291,029
Net adjustment to reduce fund balance - total government funds to arrive at net position - governmental activities	<u>\$ 8,564,637</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

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period." The details of this \$10,630,052 difference are as follows:

Capital outlay net of contributed capital	\$ 16,224,028
Amount costs of disposed assets exceeded accumulated depreciation	(416,775)
Depreciation expense	<u>(5,177,201)</u>
Net adjustment to reduce net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ 10,630,052</u></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 \$243,079 difference are as follows:

Change in unavailable property taxes	\$ (476,247)
Change in unavailable grant revenue	651,162
Change in unavailable revenue	<u>(417,994)</u>
Net adjustment to reduce net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ (243,079)</u></u>

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Town of Arlington

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

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

Arlington Community Schools

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

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

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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, 2019, 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, 2019.

Arlington Community Schools

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

The System is a member of the Tennessee Consolidated Retirement System ("TCRS") Stabilization Reserve Trust. The School has placed funds into the irrevocable trust as authorized by statute under *Tennessee Code Annotated*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the trust. Funds of trust members are held and invested in the name of the trust for the benefit of each member. Each member's funds are restricted for the payment of retirement benefits of that member's employees. Trust funds are not subject to the claims of general creditors of the System. The trust is authorized to make investments as directed by the TCRS Board of Trustees. The System may not impose restrictions on investments placed by the trust on their behalf.

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

TOWN OF ARLINGTON, TENNESSEE NOTES TO FINANCIAL STATEMENTS

June 30, 2019

a) Restricted Investments – TCRS Stabilization Reserve Trust

Assets of the TCRS, including the Stabilization Reserve Trust, are invested in the Tennessee Retiree Group Trust ("TRGT"). The TRGT is not registered with the Securities and Exchange Commission (SEC) as an investment company. The State of Tennessee has not obtained a credit quality rating for the TRGT from a nationally recognized credit ratings agency. The fair value of investment positions in the TRGT is determined daily based on the fair value of the pool's underlying portfolio. Furthermore, TCRS had not obtained or provided any legally binding guarantees to support the value of participant shares during the fiscal year. There are no restrictions on the sale or redemption of shares. For further information concerning the System's investments with the TCRS Stabilization Reserve Trust, audited financial statements of the Tennessee Consolidated Retirement System may be obtained at <https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/disclaimer/2019/aq18092.pdf>. The following table summarizes fair value disclosures and measurements for the System's investments held by the TRGT on its behalf June 30, 2019:

Investments at Fair Value

	Level 1	Level 2	Level 3	Total
Mutual Funds				
U.S. equity	\$ 32,063	\$ -	\$ -	\$ 32,063
Developed market international equity	14,480	-	-	14,480
Emerging market international equity	4,137	-	-	4,137
U.S. fixed income	-	20,686	-	20,686
Short-term securities	-	1,034	-	1,034
Real estate	-	-	10,343	10,343
Total Investments	<u>50,680</u>	<u>21,720</u>	<u>10,343</u>	<u>82,743</u>

Investment at amortized cost using NAV

Private equity and strategic lending	-	-	-	20,686
Total restricted investments	<u>\$ 50,680</u>	<u>\$ 21,720</u>	<u>\$ 10,343</u>	<u>\$ 103,429</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, 2019:

Investments at Fair Value

	Level 1	Level 2	Level 3	Total
Mutual Funds				
U.S. equity	\$ 1,118,603	\$ -	\$ -	\$ 1,118,603
International equity	475,092	-	-	475,092
Fixed income	728,977	-	-	728,977
Emerging market	100,549	-	-	100,549
Alternatives	50,275	-	-	50,275
Total investments	<u>\$ 2,473,496</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,473,496</u>

TOWN OF ARLINGTON, TENNESSEE
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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, 2019:

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

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

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

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

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

TOWN OF ARLINGTON, TENNESSEE
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June 30, 2019

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, 2019.

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, 2019 for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	General Purpose School	Sewer	Other Governmental Funds	Total
Receivables					
Interest	\$ 11,167	\$ -	\$ 2,138	\$ 2,739	\$ 16,044
Taxes	5,515,998	-	-	-	5,515,998
Accounts	67,169	70,405	332,178	-	469,752
Due from other					
governments - grants	307,756	-	-	677,993	985,749
Intergovernmental	713,110	3,122,124	-	946,878	4,782,112
Gross receivables	6,615,200	3,192,529	334,316	1,627,610	11,769,655
Less: allowance for uncollectibles	(35,665)	-	-	-	(35,665)
Net total receivables	<u>\$ 6,579,535</u>	<u>\$ 3,192,529</u>	<u>\$ 334,316</u>	<u>\$ 1,627,610</u>	<u>\$ 11,733,990</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:

TOWN OF ARLINGTON, TENNESSEE
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	Unavailable	Unearned/Unavailable	Total
Grant revenue	\$ 850,096	\$ -	\$ 850,096
Delinquent property taxes receivable	29,251	-	29,251
2019 property tax assessment	-	5,425,072	5,425,072
Delinquent property taxes receivable - Schools	488,828	-	488,828
Sales taxes receivable - Schools	495,396	-	495,396
County allocation - construction in progress	408,065	-	408,065
Prepaid lunch balances	-	27,482	27,482
Total deferred revenue for governmental funds	<u>\$ 2,271,636</u>	<u>\$ 5,452,554</u>	<u>\$ 7,724,190</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 4,867,437	\$ 35,597	\$ -	\$ 4,903,034
Construction in progress	<u>1,992,986</u>	<u>9,368,886</u>	<u>734,083</u>	<u>10,627,789</u>
Total capital assets, not being depreciated	<u>6,860,423</u>	<u>9,404,483</u>	<u>734,083</u>	<u>15,530,823</u>
Capital assets being depreciated:				
Buildings and improvements	98,815,107	1,739,448	361,968	100,192,587
Machinery and equipment	10,318,850	3,196,736	539,808	12,975,778
Infrastructure	<u>35,906,134</u>	<u>2,617,444</u>	<u>-</u>	<u>38,523,578</u>
Total capital assets being depreciated	<u>145,040,091</u>	<u>7,553,628</u>	<u>901,776</u>	<u>151,691,943</u>
Less: accumulated depreciation for:				
Buildings and improvements	(10,111,460)	(2,393,096)	(212,803)	(12,291,753)
Machinery and equipment	(4,023,410)	(1,446,429)	(272,198)	(5,197,641)
Infrastructure	<u>(9,292,058)</u>	<u>(1,337,676)</u>	<u>-</u>	<u>(10,629,734)</u>
Total accumulated depreciation	<u>(23,426,928)</u>	<u>(5,177,201)</u>	<u>(485,001)</u>	<u>(28,119,128)</u>
Total capital assets, being depreciated, net	<u>121,613,163</u>	<u>2,376,427</u>	<u>416,775</u>	<u>123,572,815</u>
Governmental activities, capital assets, net	<u>\$ 128,473,586</u>	<u>\$ 11,780,910</u>	<u>\$ 1,150,858</u>	<u>\$ 139,103,638</u>

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Business-type Activities:	Beginning			Ending
Capital assets not being depreciated:	Balance	Increases	Decreases	Balance
Land	\$ 231,762	\$ -	\$ -	\$ 231,762
Total capital assets, not being depreciated	<u>231,762</u>	<u>-</u>	<u>-</u>	<u>231,762</u>
Capital assets being depreciated:				
Sewer plant	29,598,756	845,247	-	30,444,003
Total capital assets being depreciated	<u>29,598,756</u>	<u>845,247</u>	<u>-</u>	<u>30,444,003</u>
Less: accumulated depreciation for:				
Infrastructure	(7,844,832)	(920,529)	-	(8,765,361)
Total accumulated depreciation	<u>(7,844,832)</u>	<u>(920,529)</u>	<u>-</u>	<u>(8,765,361)</u>
Total capital assets being depreciated, net	<u>21,753,924</u>	<u>(75,282)</u>	<u>-</u>	<u>21,678,642</u>
Business-type activities capital assets, net	<u>\$ 21,985,686</u>	<u>\$ (75,282)</u>	<u>\$ -</u>	<u>\$ 21,910,404</u>

The Town had outstanding commitments to contractors of \$5,437,197 at June 30, 2019 for capital improvement projects.

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

Governmental activities:	
General government	\$ 112,234
Public safety	227,695
Public works	172,509
Street department	1,287,564
Parks department	323,279
Education	3,053,920
Total depreciation expense - governmental activities	<u>\$ 5,177,201</u>
Business-type activities:	
Sewer	<u>\$ 920,529</u>

D. Interfund Transfers and Balances

The composition of interfund transfers as of June 30, 2019, is as follows:

Transfer from	Transfer to	Amount
General	General Purpose School	\$ 584,642
General	State Street Aid	1,000,000
General	Sanitation	62,000
Federal Projects	General Purpose School	70,260
Total		<u>\$ 1,716,902</u>

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

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Transfers are used to move revenues from the fund with collection authorization to the fund in which the related expenditures take place. In this case, funds were transferred from the General Fund to the State Street Aid Fund to cover street repair expenditures. 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 for indirect cost reimbursements.

The composition of due to and due from other funds as of June 30, 2019, is as follows:

Due from (Payable)	Due to (Receivable)	Amount
General Fund	State Street Aid	\$ 13,807
Federal Projects	General Purpose School	54,059
Discretionary Grants Fund	General Purpose School	22,550
Sewer Fund	General Fund	14,236
Sewer Fund	Sanitation	87,129
Total		191,781
Governmental fund activities eliminated		(90,416)
Internal balances		<u>\$ 101,365</u>

The balance due from the General Fund to the State Street Aid Fund is related to a check that was issued out of the incorrect fund. The balance due from the Sewer Fund to the Sanitation Fund relates to collections for sanitation services by the Sewer Fund. The balance due from the Sewer Fund to the General Fund relates to collections for storm drainage services by the Sewer Fund. The balances due from the Federal Projects Fund and the Discretionary Grants Fund to the General Purpose School Fund are for the negative cash balances in the pooled bank account at the end of the year.

E. Long-term Debt

Long-term debt at June 30, 2019 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, 2019	\$ 4,694,000
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 2.00% at June 30, 2019	4,865,000

TOWN OF ARLINGTON, TENNESSEE

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Notes Payable:

Fire Equipment Acquisition Capital Outlay Note, Series 2012, Tennessee Municipal Bond Fund; the total amount of the bond issue is for \$535,628; due in annual installments of \$142,026 to \$180,000 through 2026; interest at 3.88% 1,125,026

Fire Department Capital Outlay Note, Series 2018; Tennessee Municipal Bond Fund; the total amount of the bond issue is for \$1,125,026; due in annual installments of \$70,628 to \$82,000 through 2019; interest at 2.48%. 82,000

General Obligation Capital Outlay Note, Series 2018, Tennessee Municipal Bond Fund; the total amount of the bond issue is for \$6,000,000; due in annual installments of \$220,000 to \$392,000 through 2038; interest at 3.02%
Total of \$5,526,819 remains available for draws as of June 30, 2019. 253,181

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. 2,333,331

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 (177,530)
2,155,801

Arlington Community School System capital lease for financing the acquisition of computer equipment; cumulative amount of assets under the capital lease total \$440,970; interest rate at 2.76%; due through 2021 291,605

Total \$ 13,466,613

The following is a summary of long-term debt transactions for the year ended June 30, 2019:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
<i>Direct borrowings:</i>					
Notes from direct borrowings					
Note payable-capital outlay	\$ 301,501	\$ 1,458,706	\$ 300,000	\$ 1,460,207	\$ 454,026
Note payable-Board of Education	<u>2,666,664</u>	<u>-</u>	<u>333,333</u>	<u>2,333,331</u>	<u>333,333</u>
Less deferred amount for issuance discount	<u>(226,778)</u>	<u>-</u>	<u>49,248</u>	<u>(177,530)</u>	<u>-</u>
Total notes from direct borrowings	<u>2,741,387</u>	<u>1,458,706</u>	<u>682,581</u>	<u>3,616,008</u>	<u>787,359</u>
Capital lease - Board of Education	<u>-</u>	<u>440,970</u>	<u>149,365</u>	<u>291,605</u>	<u>143,818</u>
Total direct borrowings	<u>2,741,387</u>	<u>1,899,676</u>	<u>831,946</u>	<u>3,907,613</u>	<u>931,177</u>
Compensated absences	341,826	352,686	346,393	348,119	227,504
Landfill closing and post closing monitoring costs	<u>325,126</u>	<u>-</u>	<u>34,097</u>	<u>291,029</u>	<u>-</u>
	<u><u>\$ 3,408,339</u></u>	<u><u>\$ 2,252,362</u></u>	<u><u>\$ 1,212,436</u></u>	<u><u>\$ 4,546,761</u></u>	<u><u>\$ 1,158,681</u></u>

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable					
Revenue bonds 2002	\$ 5,515,000	\$ -	\$ 821,000	\$ 4,694,000	\$ 858,000
Revenue bonds 2012	5,065,000	-	200,000	4,865,000	200,000
Bond premium	25,411	-	1,303	24,108	1,303
Total bonds payable	10,605,411	-	1,022,303	9,583,108	1,059,303
Compensated absences	14,139	18,200	14,139	18,200	10,443
	<u>\$ 10,619,550</u>	<u>\$ 18,200</u>	<u>\$ 1,036,442</u>	<u>\$ 9,601,308</u>	<u>\$ 1,069,746</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 \$143,626 in the general fund, \$201,723 in the general purpose fund, and \$2,770 in the sanitation fund.

The annual requirements to amortize all long-term debt and obligations outstanding, except accrued employee vacation, and landfill closing and post-closing monitoring costs, at June 30, 2019, including interest payments of \$2,035,534, are as follows:

Year Ending June 30,	Governmental Activities				Business-Type Activities			
	Notes payable		Direct Borrowings		Bonds		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 787,359	\$ 56,437	\$ 143,818	\$ 16,096	\$ 1,058,000	\$ 209,807	\$ 1,989,177	\$ 282,340
2021	505,514	38,840	147,787	8,158	1,102,000	192,802	1,755,301	239,800
2022	487,333	32,359	-	-	1,147,000	175,107	1,634,333	207,466
2023	493,333	26,384	-	-	1,194,000	156,304	1,687,333	182,688
2024	500,333	20,176	-	-	1,243,000	136,356	1,743,333	156,532
2025-2029	1,019,666	20,680	-	-	1,180,000	521,253	2,199,666	541,933
2030-2034	-	-	-	-	1,360,000	337,481	1,360,000	337,481
2035-2038	-	-	-	-	1,275,000	87,294	1,275,000	87,294
Total	<u>\$ 3,793,538</u>	<u>\$ 194,876</u>	<u>\$ 291,605</u>	<u>\$ 24,254</u>	<u>\$ 9,559,000</u>	<u>\$ 1,816,404</u>	<u>\$ 13,644,143</u>	<u>\$ 2,035,534</u>

All significant debt covenants and restrictions as set forth in the bond agreements were complied with.

NOTE 5 – OTHER INFORMATION

A. Commitments

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

TOWN OF ARLINGTON, TENNESSEE NOTES TO FINANCIAL STATEMENTS

June 30, 2019

higher due to inflation, changes in technology, or changes in regulations. Expenditures were \$34,097 for the year ended June 30, 2019.

B. Risk Management

Town of Arlington

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

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

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

Arlington Community School System

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

The System has not incurred any losses in excess of commercial insurance coverage for the past 3 fiscal years. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated

C. Pensions

Town of Arlington

The Town provides benefits for all employees through a single employer defined contribution plan in the form of a 457(b) deferred compensation plan titled Town of Arlington 457 Plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate the first day of employment and are immediately vested. The plan permits participants to make voluntary contributions in any amount up to the

TOWN OF ARLINGTON, TENNESSEE
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June 30, 2019

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, 2019, total employer contributions were \$111,506 and employee contributions were \$168,631 based on total covered wages of \$2,787,166. 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, 2019.

Arlington Community School System

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

- I. **Legacy Public Employee Retirement Plan ("Administrative Legacy")** – Certain administrative employees of the Arlington Community School System with membership in TCRS prior to July 1, 2014 are included in this plan. This plan was closed to new membership on June 30, 2014, but continues to provide benefits to existing members. This is an agent multiple-employer pension plan.
- II. **Hybrid Public Employee Retirement Plan ("Administrative Hybrid")** – Certain administrative employees of the Arlington Community School System with membership in TCRS beginning on or after July 1, 2014 are included in this plan. This plan is a hybrid plan which features both a defined contribution element and a pension plan element. This is an agent multiple-employer pension plan.
- III. **Teacher Legacy Pension Plan ("Teacher Legacy")** – Teachers with membership in TCRS prior to July 1, 2014 are included in this plan. The plan was closed to new membership on June 30, 2014, but continues to provide benefits to existing members. The plan is a cost-sharing multiple-employer pension plan.
- IV. **Teacher Retirement Plan ("Teacher Hybrid")** – Teachers with membership in TCRS beginning July 1, 2014 are included in this plan. The plan is a hybrid plan which features both a defined contribution element and a pension plan element. The plan is a cost-sharing multiple-employer pension plan.

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

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

TOWN OF ARLINGTON, TENNESSEE NOTES TO FINANCIAL STATEMENTS

June 30, 2019

	Net Pension Asset	Deferred Outflows of Resources	Deferred Inflows of Resources
Administrative Legacy Pension Plan	\$ 361,206	\$ 184,011	\$ 161,944
Administrative Hybrid Pension Plan	50,620	60,318	2,352
Teacher Legacy Pension Plan	1,819,616	5,576,239	2,859,297
Teacher Retirement Plan	122,518	93,957	12,205
	<u>\$ 2,353,960</u>	<u>\$ 5,914,525</u>	<u>\$ 3,035,798</u>

a) General Information about the Pension Plan

Benefits Provided

Under the Administrative Legacy Plan and Teacher Legacy Plan, members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Under the Administrative Hybrid Plan and Teacher Hybrid Plan, members are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

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

Employees Covered by Benefit Terms

At the measurement date of June 30, 2018, 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	11	-
Inactive employees entitled to but not yet receiving benefits	20	6
Active employees	<u>59</u>	<u>40</u>
	<u>90</u>	<u>46</u>

TOWN OF ARLINGTON, TENNESSEE

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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, 2019 were as follows:

	Administrative		Teacher	
	Legacy Plan	Hybrid Plan	Legacy Plan	Hybrid Plan
Employer contributions	\$ 161,857	\$ 32,061	\$ 1,894,950	\$ 64,626
Covered payroll	2,187,254	1,644,131	18,130,264	3,293,188
As a percentage of covered payroll	<u>7.40%</u>	<u>1.95%</u>	<u>10.45%</u>	<u>1.96%</u>

b) Actuarial Assumptions

The total pension liability as of June 30, 2018 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, 2018 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

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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%
		100%

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

Discount Rate

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

c) Net Pension Liability (Asset)

The net pension liability (asset) for each TCRS administered plan was measured as of June 30, 2018. The total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of the respective dates.

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The components of the net pension liability (asset) as of those dates are as follows:

	Administrative		Teacher	
	Agent Plans		Cost-Sharing Plans	
	Legacy Plan	Hybrid Plan	Legacy Plan	Hybrid Plan
Total Pension Liability				
Service cost	\$ 240,205	\$ 52,779		
Interest	83,556	9,498		
Changes in benefit terms	-	-		
Differences between expected and actual experience	(54,602)	30,826		
Changes in assumptions	-	-		
Benefit payments, including refunds	(12,842)	(4,889)		
Net change in total pension liability	<u>256,317</u>	<u>88,214</u>		
Total pension liability - beginning	918,713	80,673		
Total pension liability - ending	<u>1,175,030</u>	<u>168,887</u>		
Plan Fiduciary Net Position				
Contributions - employer	\$ 158,364	\$ 51,925		
Contributions - employee	107,397	64,907		
Net investment income	108,271	12,664		
Benefit payments	(12,842)	(4,889)		
Administrative expense	(5,699)	(3,404)		
Other charges	<u>(78)</u>	<u>-</u>		
Net change in plan fiduciary net position	355,413	121,203		
Plan fiduciary net position - beginning	<u>1,180,823</u>	<u>98,304</u>		
Plan fiduciary net position - ending	<u>1,536,236</u>	<u>219,507</u>		
Net pension liability (asset)	<u>\$ (361,206)</u>	<u>\$ (50,620)</u>		

Proportionate share of net pension liability (asset)	<u>\$ (1,819,616)</u>	<u>\$ (122,518)</u>
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Proportionate share at June 30, 2018 measurement date	0.517096%	0.270144%
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Proportionate share at June 30, 2017 measurement date	0.520200%	0.315942%
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The System's proportion of the net pension liability (asset) was based on the System's share of contributions to each cost-sharing plan relative to the contributions of all participating LEAs. Detailed information about each cost-sharing pension plan's fiduciary net position is available in a separately issued TCRS financial reports.

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

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

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

	<u>Current Rate</u>	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net pension liability (asset)				
Administrative Legacy Plan	7.25%	\$ (172,306)	\$ (361,206)	\$ (516,263)
Administrative Hybrid Plan	7.25%	(7,657)	(50,620)	(83,929)
Proportionate share of the net pension asset				
Teacher Legacy Plan	7.25%	\$14,026,744	\$ (1,819,616)	\$ (14,930,270)
Teacher Hybrid Plan	7.25%	18,941	(122,518)	(226,740)

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

For the year ended June 30, 2019, the System reported pension expense and deferred outflows of resources and deferred inflows of resources related to each plan from the following sources:

	<u>Administrative</u>		<u>Teacher</u>	
	<u>Legacy Plan</u>	<u>Hybrid Plan</u>	<u>Legacy Plan</u>	<u>Hybrid Plan</u>
Pension Expense				
(Negative Pension Expense)	<u>\$ 105,052</u>	<u>\$ (8,395)</u>	<u>\$ 540,732</u>	<u>\$ 43,174</u>
Deferred Outflows of Resources				
Difference between expected and actual experience	\$ -	\$ 28,257	\$ 367,806	\$ 6,939
Net difference between projected and actual earnings on plan investments	-	-	-	-
Changes in assumptions	22,154	-	1,074,674	5,780
Change in proportion of net pension liability (asset)	-	-	2,238,809	16,612
Contributions subsequent to the measurement date of June 30, 2018.	161,857	32,061	1,894,950	64,626
	<u>\$ 184,011</u>	<u>\$ 60,318</u>	<u>\$ 5,576,239</u>	<u>\$ 93,957</u>

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	Administrative		Teacher	
	Legacy Plan	Hybrid Plan	Legacy Plan	Hybrid Plan
Deferred Inflows of Resources				
Difference between expected and actual experience	\$ 142,659	\$ -	\$ 2,454,806	\$ 4,880
Net difference between projected and actual earnings on plan investments	19,285	2,352	396,024	6,921
Changes in assumptions	-	-	-	-
Change in proportion of net pension liability (asset)	-	-	8,467	404
	<u>\$ 161,944</u>	<u>\$ 2,352</u>	<u>\$ 2,859,297</u>	<u>\$ 12,205</u>

The amounts shown above for "Contributions subsequent to the measurement date of June 30, 2018," 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
2020	\$ (22,520)	\$ 1,893	\$ 1,436,710	\$ 437
2021	(24,283)	1,893	480,508	217
2022	(29,987)	1,893	(924,883)	(769)
2023	(22,823)	2,249	(170,343)	1,039
2024	(20,083)	2,569	-	1,961
Thereafter	(20,094)	15,408	-	14,241

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 2019, the System's employer contribution to the defined contribution plan was \$286,515.

TOWN OF ARLINGTON, TENNESSEE
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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.

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	26
Active employees	<u>444</u>
	<u><u>470</u></u>

Contributions

The System's intent is to partially fund the annual required contribution and pay for the pay-go costs from the general purpose 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, 2019:

Employer contributions	\$ 588,184
Covered payroll	<u>23,825,256</u>
As a percentage of covered payroll	<u><u>2.47%</u></u>

Actuarial Assumptions

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

The total OPEB liability was determined as part of the June 30, 2019 actuarial valuation using the entry age normal level percent of pay actuarial cost method. Liabilities as of July 1, 2018 are based on an actuarial valuation date of July 1, 2017 projected to July 1, 2018 on a "no loss/no gain" basis.

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June 30, 2019

Inflation	3.0%
Salary increases	Payroll growth including general wage inflation plus merit/productivity increases are based on the TCRS valuation as of June 30, 2016
Investment rate of return	7.5%, net of investment expense, including inflation
Health care cost trend rate	8.0% initial rate, 4.5% ultimate rate
Mortality rates	RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018

Changes in Assumptions

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

Investment Policy

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

It is the policy of the TSBA OPEB Trust Board to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad 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, 2019 as summarized as follows:

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

TOWN OF ARLINGTON, TENNESSEE
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June 30, 2019

Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return on investment was 4.74 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate Information

The discount rate used to value OPEB liabilities in funded plans as of the measurement date must be based on the long-term expected rate of return on OPEB plan investments that are expected to be used to finance future benefit payments to the extent that they are sufficient to pay for the projected benefit payments and the OPEB plan assets are invested using a strategy that will achieve that return. When the OPEB plan investments are insufficient to cover future benefit payments, a yield of 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale) must be used. The final equivalent single discount rate used for this year's valuation is 7.50% as of June 30, 2019 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, 2019, were as follows:

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability (Asset)</u>
Beginning of year	\$ 6,252,743	\$ 1,927,009	\$ 4,325,734
Changes for the year:			
Service cost	338,969	-	338,969
Interest	491,131	-	491,131
Changes in benefit terms	-	-	-
Changes in assumptions	(182,915)	-	(182,915)
Differences between expected and actual experience	(280,153)	-	(280,153)
Contributions-employer	-	588,184	(588,184)
Contributions-employees	-	-	-
Net investment income	-	94,615	(94,615)
Benefit payments	(88,184)	(88,184)	-
Administrative expense	-	(7,909)	7,909
Net changes	<u>278,848</u>	<u>586,706</u>	<u>(307,858)</u>
End of year	<u>\$ 6,531,591</u>	<u>\$ 2,513,715</u>	<u>\$ 4,017,876</u>

TOWN OF ARLINGTON, TENNESSEE
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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, 2019, calculated using the discount rate of 7.5%, as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate:

	<u>Current Rate</u>	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability (asset)	7.50%	\$ 4,550,166	\$ 4,017,876	\$ 3,526,575

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

The following represents the net OPEB liability (asset) calculated using the healthcare cost trend rate of 8.0% decreasing to 4.5% as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1% lower (7.0% decreasing to 3.5%) or 1% higher (9% decreasing to 5.5%) than the current rate:

	<u>Current Rate</u>	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability (asset)	8% to 4.5%	\$ 3,390,440	\$ 4,017,876	\$ 4,740,515

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

For the year ended June 30, 2019, the System recognized OPEB expense of \$595,032.

For the year ended June 30, 2019, the System reported deferred outflows of resources and deferred inflows of resources of related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 702,241
Changes in assumptions	240,889	162,591
Net difference between projected and actual earnings on OPEB investments	38,154	-
Total	<u>\$ 279,043</u>	<u>\$ 864,832</u>

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

Year Ended June 30:

2020	\$ (80,332)
2021	(80,332)
2022	(76,646)
2023	(73,680)
2024	(87,286)
Thereafter	(187,513)

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

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Trusted OPEB Plans without Stand-Alone Financial Statements

The System's OPEB plan does not issue stand-alone financial reports and they are not included in the report of a public employee retirement system or report of another entity. The plan financial statements are as follows:

Statement of OPEB Trust net Position

ASSETS

Cash and cash equivalents	\$ 39,765
Accounts receivable	454
Investments	
Mutual funds	2,473,496
Total assets	<u>2,513,715</u>

LIABILITIES

Accounts payable	<u>677</u>
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NET POSITION

Restricted for OPEB	<u><u>\$ 2,513,038</u></u>
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Statement of Changes in OPEB Plan Net Position

ADDITIONS

Contributions:	
Employer	\$ 588,184
Total contributions	588,184
Investment earnings (losses):	
Interest and dividends	77,077
Net appreciation in fair value of investments	16,313
Total investment earnings	<u>93,390</u>
Total additions	681,574

DEDUCTIONS

Benefits	88,184
Administrative expense	<u>8,132</u>
Total deductions	<u>96,316</u>

Change in net position	585,258
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NET POSITION RESTRICTED FOR OPEB

Beginning of year	<u>1,927,780</u>
End of year	<u><u>\$ 2,513,038</u></u>

E. Interlocal Health Benefits Plan Asset Trust

The Arlington Community School System participates in the Interlocal Health Benefits Plan Asset Trust in order 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

TOWN OF ARLINGTON, TENNESSEE
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be amended by an insurance committee. Members have the option of choosing between a Health Reimbursement Account (HRA) option, an Exclusive Provider Organization (EPO) option, and a basic option for healthcare benefits. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop a contribution policy in term of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The plan has a separately issued Comprehensive Annual Report (CAFR) and can be found on the state's website at http://www.comptroller.tn.gov/RA_MA_Financial/.

The System is only liable for their portion of plan premiums plus any outstanding capital requirements from the Interlocal Health Plan. The liability for any incurred-but-not-reported claims is borne by the Interlocal Health Plan and not by the individual members. During the year ended June 30, 2019, the System contributed premiums of \$3,888,829 to the Interlocal Health Benefits Plan Asset Trust.

F. Operating Lease Commitments

Town of Arlington

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

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

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

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

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

The annual requirements under these operating leases as of June 30, 2019, are as follows:

Years Ended June 30		
2020	\$	12,698
2021		8,606
Total	\$	<u>21,304</u>

Lease expense for the Town for the year ended June 30, 2019 was \$15,024.

Arlington Community School System

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

TOWN OF ARLINGTON, TENNESSEE
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NOTE 6 – CONTINGENT LIABILITIES

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

On May 16, 1997 the Town signed an agreement with Memphis Light Gas and Water Division (MLGW) which included requirement for the Town to reimburse MLGW for certain water system development costs. This reimbursement is made monthly only to the extent that water system development fees are collected by the Town. This continues to accumulate as MLGW incurs development costs plus interest at 6% and is reduced only by the reimbursement from the development fees. The Town has no obligation to pay this liability beyond the amount of development fees collected. The balance of this contingent liability is \$1,787,720.

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

NOTE 7 – SUBSEQUENT EVENTS

In February 2018, the Town obtained a new bond for \$6,000,000 for the purpose of financing certain public works projects, including a walking trail, a maintenance/storage building, a farmers market, a library, an amphitheater, a splash pad/fountain, a new town hall, and a new facility known as Forrest Street Campus. The loan is to be drawn from the lender on an as needed basis for funding of the approved projects. As of June 30, 2019, they had only drawn \$473,181 from the lender, leaving \$5,526,819 available to be drawn. The remaining balance is expected to be used in future fiscal years.

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

See independent auditor's report.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution (ADC)	\$ 114,612	\$ 120,943	\$ 136,763	\$ 247,505	\$ 262,260
Contributions in relation to the actuarially determined contribution	<u>161,857</u>	<u>158,364</u>	<u>183,342</u>	<u>247,505</u>	<u>262,260</u>
Contribution deficiency (excess)	<u>\$ (47,245)</u>	<u>\$ (37,421)</u>	<u>\$ (46,579)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,187,254	\$ 2,179,151	\$ 2,477,596	\$ 2,669,956	\$ 2,829,235
Contributions as a percentage of covered payroll	7.40%	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 2019 were calculated based on the June 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	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% 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 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>
Arlington Community Schools' proportion of the net pension liability (asset)	0.01074%	0.45743%	0.50713%	0.52020%	0.51710%
Arlington Community Schools' proportionate share of the net pension liability (asset)	\$ (1,744)	\$ 187,377	\$ 3,169,249	\$ (170,201)	\$ (1,819,616)
Arlington Community Schools' covered payroll	\$ 421,371	\$ 17,123,741	\$ 18,306,197	\$ 18,396,999	\$ 18,107,569
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%
Plan fiduciary net position as a percentage of the total pension asset	99.81%	97.14%	97.14%	100.14%	101.49%

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>
Contractually required	\$ 37,418	\$ 1,547,985	\$ 1,654,879	\$ 1,662,347	\$ 1,644,116	\$ 1,894,950
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>1,894,950</u>
Contribution deficiency (excess)	<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	\$18,130,264
Contributions as a percentage of covered payroll	8.88%	9.04%	9.04%	9.04%	9.08%	10.45%

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>
Arlington Community Schools' proportion of the net pension liability (asset)	0.360154%	0.370023%	0.315942%	0.270144%
Arlington Community Schools' proportionate share of the net pension liability (asset)	\$ (14,489)	\$ (38,521)	\$ (83,357)	\$ (122,518)
Arlington Community Schools' covered payroll	\$ 748,310	\$ 1,628,121	\$ 2,065,462	\$ 2,360,717
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%
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%	126.81%	126.97%

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>
Contractually required	\$ 18,708	\$ 40,755	\$ 82,946	\$ 38,498	\$ 64,626
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>64,626</u>
Contribution deficiency (excess)	<u>\$ (11,224)</u>	<u>\$ (24,370)</u>	<u>\$ -</u>	<u>\$ (55,931)</u>	<u>\$ -</u>
Covered payroll	\$ 748,310	\$ 1,628,121	\$ 2,065,462	\$ 2,360,717	\$ 3,293,188
Contributions as a percentage covered payroll	4.00%	4.00%	4.02%	4.00%	1.96%

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 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>2018</u>	<u>2017</u>
Total pension liability (asset)		
Service cost	\$ 52,779	\$ -
Interest	9,498	-
Changes in benefit terms	-	80,781
Differences between actual and expected experience	30,826	-
Change of assumptions	-	-
Benefit payments, including refunds of employee contributions	(4,889)	(108)
Net change in total pension liability (asset)	88,214	80,673
Total pension liability (asset) - beginning	80,673	-
Total pension liability (asset) - ending (a)	<u>\$ 168,887</u>	<u>\$ 80,673</u>
 Plan fiduciary net position		
Contributions - employer	51,925	42,182
Contributions - employee	64,907	52,728
Net investment income	12,664	5,271
Benefit payments, including refunds of employee contributions	(4,889)	(108)
Administrative expense	(3,404)	(1,769)
Other	-	-
Net change in plan fiduciary net position	121,203	98,304
Plan fiduciary net position - beginning	98,304	-
Plan fiduciary net position - ending (b)	<u>\$ 219,507</u>	<u>\$ 98,304</u>
 Net pension liability (asset) - ending (a) - (b)	<u>\$ (50,620)</u>	<u>\$ (17,631)</u>
 Plan fiduciary net position as a percentage of total pension liability	129.97%	121.85%
 Covered payroll	\$ 1,266,904	\$ 633,729
 Net pension liability (asset) as a percentage of covered payroll	-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>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution (ADC)	\$ 32,061	\$ 17,592	\$ 7,161
Contributions in relation to the actuarially determined contribution	<u>32,061</u>	<u>51,925</u>	<u>42,182</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (34,333)</u>	<u>\$ (35,021)</u>
Covered payroll	\$ 1,644,131	\$ 1,266,904	\$ 633,729
Contributions as a percentage of covered payroll	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 2019 were calculated based on the June 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

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

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

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

See independent auditor's report.

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

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

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

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

See independent auditor's report.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 738,157	\$ 697,756	\$ 1,442,649
Contributions	<u>588,184</u>	<u>646,886</u>	<u>629,512</u>
Contribution deficiency (excess)	<u>149,973</u>	<u>50,870</u>	<u>813,137</u>
Covered payroll	23,825,256	22,456,759	21,802,679
Contributions as a percentage of covered payroll	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	3.0%
Healthcare cost trend rates	8.0% initial, decreasing to an ultimate rate of 4.5%,
Salary increases	Payroll growth including general wage inflation plus merit/ productivity increases are based on the TCRS valuation as of June 30, 2016
Investment rate of return	7.5%, net of investment expenses, including inflation
Mortality	SOA RPH-2018 Total Dataset Mortality Table Fully generational using Scale MP-2018

NOTE 3 - CHANGES OF ASSUMPTIONS

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

See independent auditor's report.

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

	Annual Money-Weighted Rate of Return Net of Investment Expenses
2019	4.75%
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, 2019

	<u>Sanitation</u>	<u>State Street Aid Fund</u>	<u>Education Capital Projects</u>	<u>Federal Projects</u>	<u>School Nutrition</u>	<u>Discretionary Grants</u>	<u>Total</u>
Assets							
Cash and cash equivalents	\$ 950,038	\$ 2,481,858	\$ 836,982	\$ 1,623	\$ 436,112	\$ (3,136)	\$ 4,703,477
Investments	-	2,228,056	-	-	-	-	2,228,056
Interest receivable	-	2,739	-	-	-	-	2,739
Intergovernmental - nongrant	-	80,234	866,644	-	-	-	946,878
Due from other governments - grants	-	542,339	-	103,224	-	32,430	677,993
Due from other funds	87,129	13,807	-	-	-	-	100,936
Inventory	-	-	-	-	19,716	-	19,716
Total assets	\$ 1,037,167	\$ 5,349,033	\$ 1,703,626	\$ 104,847	\$ 455,828	\$ 29,294	\$ 8,679,795
Liabilities, Deferred Inflows of Resources, and Fund Balances:							
Liabilities							
Accounts payable	\$ 8	\$ 114,045	\$ 141,134	\$ 11,963	\$ 29	\$ -	\$ 267,179
Due to other funds	-	-	-	54,059	-	22,550	76,609
Unearned revenue	-	-	-	-	27,482	-	27,482
Accrued payroll and expenses	-	-	-	38,825	-	6,744	45,569
Total liabilities	8	114,045	141,134	104,847	27,511	29,294	416,839
Deferred Inflows of Resources							
Unavailable revenue - grants	-	542,340	-	-	-	-	542,340
Unavailable revenue - nongrant	-	-	408,065	-	-	-	408,065
Total deferred inflows of resources	-	542,340	408,065	-	-	-	950,405
Fund Balances							
Nonspendable							
Inventory	-	-	-	-	19,716	-	19,716
Restricted	1,037,159	4,692,648	1,154,427	-	408,601	-	7,292,835
Total fund balance	1,037,159	4,692,648	1,154,427	-	428,317	-	7,312,551
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,037,167	\$ 5,349,033	\$ 1,703,626	\$ 104,847	\$ 455,828	\$ 29,294	\$ 8,679,795

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, 2019

	<u>Sanitation</u>	<u>State Street Aid Fund</u>	<u>Education Capital Projects</u>	<u>Federal Projects</u>	<u>School Nutrition</u>	<u>Discretionary Grants</u>	<u>Total</u>
Revenues:							
Charges for services	\$ 1,030,137	\$ -	\$ -	\$ -	\$ 878,028	\$ -	\$ 1,908,165
Other local revenues	-	395,000	2,320,751	-	-	-	2,715,751
State revenue	-	464,165	-	-	-	233,000	697,165
Federal revenue	-	103,536	-	2,208,741	375,305	-	2,687,582
Other income	-	-	-	-	452	-	452
Interest	<u>8,602</u>	<u>59,226</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,828</u>
Total revenues	<u>1,038,739</u>	<u>1,021,927</u>	<u>2,320,751</u>	<u>2,208,741</u>	<u>1,253,785</u>	<u>233,000</u>	<u>8,076,943</u>
Expenditures:							
Current:							
Public works	1,026,850	1,857,683	-	-	-	-	2,884,533
Instruction	-	-	-	1,481,873	-	1,200	1,483,073
Support services	-	-	-	654,913	-	231,800	886,713
Non-instructional services	-	-	2,122,785	1,695	-	-	2,124,480
Food service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,081,441</u>	<u>-</u>	<u>1,081,441</u>
Total expenditures	<u>1,026,850</u>	<u>1,857,683</u>	<u>2,122,785</u>	<u>2,138,481</u>	<u>1,081,441</u>	<u>233,000</u>	<u>8,460,240</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11,889</u>	<u>(835,756)</u>	<u>197,966</u>	<u>70,260</u>	<u>172,344</u>	<u>-</u>	<u>(383,297)</u>
Other financing sources (uses):							
Operating transfers in	62,000	1,000,000	-	-	-	-	1,062,000
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(70,260)</u>	<u>-</u>	<u>-</u>	<u>(70,260)</u>
Total other financing sources (uses)	<u>62,000</u>	<u>1,000,000</u>	<u>-</u>	<u>(70,260)</u>	<u>-</u>	<u>-</u>	<u>991,740</u>
Net changes in fund balance	73,889	164,244	197,966	-	172,344	-	608,443
Fund balance - beginning	<u>963,270</u>	<u>4,528,404</u>	<u>956,461</u>	<u>-</u>	<u>255,973</u>	<u>-</u>	<u>6,704,108</u>
Fund balance - ending	<u>\$ 1,037,159</u>	<u>\$ 4,692,648</u>	<u>\$ 1,154,427</u>	<u>\$ -</u>	<u>\$ 428,317</u>	<u>\$ -</u>	<u>\$ 7,312,551</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, 2019

	Budgeted Amounts			Variance
Revenues	Original	Final	Actual	Over (Under)
Charges for services:				
Refuse collection charges	\$ 945,250	\$ 945,250	\$ 1,030,137	\$ 84,887
Other:				
Interest earned	2,000	7,871	8,602	731
 Total revenues	 947,250	 953,121	 1,038,739	 85,618
Expenditures				
Current expenditures:				
Public works:				
Solid waste collection:				
Salaries	42,000	42,000	40,843	(1,157)
OASI	3,100	3,100	2,907	(193)
Hospital and health insurance	6,500	6,500	5,866	(634)
Workmen's compensation	3,500	3,500	1,608	(1,892)
Other employer contributions	3,000	3,000	3,208	208
Contracted services	888,000	977,000	962,861	(14,139)
Clothing and uniforms	650	650	319	(331)
Employee education	500	500	-	(500)
Capital outlay	-	2,018	2,018	-
Landfill closure:				
Professional services	16,800	16,800	100	(16,700)
Repair and maintenance	45,200	45,200	7,120	(38,080)
Total public works	1,009,250	1,100,268	1,026,850	(73,418)
 Total expenditures	 1,009,250	 1,100,268	 1,026,850	 (73,418)
 Excess (deficiency) of revenues over (under) expenditures	 (62,000)	 (147,147)	 11,889	 159,036
 Other financing sources (uses)				
Operating transfers in	62,000	62,000	62,000	-
 Net changes in fund balance	 \$ -	 \$ (85,147)	 \$ 73,889	 \$ 159,036
 Fund balance - beginning			963,270	
 Fund balance - ending			<u>\$ 1,037,159</u>	

See independent auditor's report.

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

For the Year Ended June 30, 2019

	Budgeted Amounts			Variance
Revenues	Original	Final	Actual	Over (Under)
Intergovernmental:				
Gas 1989	\$ 35,000	\$ 35,000	\$ 39,924	\$ 4,924
Gas 3 cent	65,000	65,000	73,976	8,976
Gasoline and motor fuel tax	230,000	230,000	250,265	20,265
2017 gas tax	45,000	82,639	100,000	17,361
Grant revenue	320,000	278,982	103,536	(175,446)
Total intergovernmental	<u>695,000</u>	<u>691,621</u>	<u>567,701</u>	<u>(123,920)</u>
Other:				
Developer fees	-	-	105,000	105,000
Donation	-	-	290,000	290,000
Interest earned	18,000	50,833	59,226	8,393
Total other	<u>18,000</u>	<u>50,833</u>	<u>454,226</u>	<u>403,393</u>
Total revenues	<u>713,000</u>	<u>742,454</u>	<u>1,021,927</u>	<u>279,473</u>
Expenditures				
Current:				
Public works:				
Highways and streets:				
Utilities	350,000	376,000	375,555	(445)
Repair and maintenance services	65,000	65,000	19,970	(45,030)
Repair and maintenance - streets	550,000	650,000	625,917	(24,083)
Gas, oil and diesel	15,000	-	-	-
Capital outlay, including grants	733,000	849,901	836,241	(13,660)
Total expenditures	<u>1,713,000</u>	<u>1,940,901</u>	<u>1,857,683</u>	<u>(83,218)</u>
Excess (deficiency) of revenues				
 over (under) expenditures	<u>(1,000,000)</u>	<u>(1,198,447)</u>	<u>(835,756)</u>	<u>362,691</u>
Other financing sources (uses)				
Transfers in	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ (198,447)</u>	<u>164,244</u>	<u>\$ 362,691</u>
Fund balance, July 1			<u>4,528,404</u>	
Fund balance, June 30			<u>\$ 4,692,648</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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Federal through State:				
Title I	\$ 1,250,454	\$ 1,521,360	\$ 1,324,840	\$ (196,520)
Special education - grants to State	877,272	1,159,279	827,354	(331,925)
Other federal through state	90,170	59,982	56,547	(3,435)
Total revenues	2,217,896	2,740,621	2,208,741	(531,880)
Expenditures				
Instruction:				
Regular education:				
Salaries	547,936	398,522	288,704	(109,818)
Benefits	-	-	74,704	74,704
Contractual services	122,018	23,013	21,058	(1,955)
Materials and supplies	2,883	289,395	280,669	(8,726)
Other charges	7,290	12,000	8,513	(3,487)
Total regular instruction	680,127	722,930	673,648	(49,282)
Special education program:				
Salaries	-	-	586,460	586,460
Benefits	-	-	156,554	156,554
Contractual services	776,422	808,795	-	(808,795)
Materials and supplies	21,497	169,645	21,270	(148,375)
Total special education	797,919	978,440	764,284	(214,156)
Vocational education:				
Materials and supplies	78,378	47,378	43,941	(3,437)
Total vocational education	78,378	47,378	43,941	(3,437)
Total instruction	1,556,424	1,748,748	1,481,873	(266,875)
Support Services:				
Other student support:				
Other charges	90,329	34,614	28,391	(6,223)
Total other student support	90,329	34,614	28,391	(6,223)
Regular instruction:				
Salaries	152,900	161,900	155,626	(6,274)

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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Benefits	36,363	37,226	33,499	(3,727)
Contractual services	20,860	95,736	62,757	(32,979)
Materials and supplies	-	2,500	224	(2,276)
Other charges	228,274	422,226	340,608	(81,618)
Total regular instruction	<u>438,397</u>	<u>719,588</u>	<u>592,714</u>	<u>(126,874)</u>
Special education program:				
Salaries	3,000	10,000	-	(10,000)
Benefits	230	765	-	(765)
Materials and supplies	9,835	21,468	2,835	(18,633)
Other charges	17,000	88,754	29,973	(58,781)
Total special education	<u>30,065</u>	<u>120,987</u>	<u>32,808</u>	<u>(88,179)</u>
Vocational education:				
Other charges	1,000	1,000	1,000	-
Total vocational education	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Total support services	<u>559,791</u>	<u>876,189</u>	<u>654,913</u>	<u>(221,276)</u>
Operation of non-instructional services:				
Transportation				
Contractual services	4,937	15,500	1,695	(13,805)
Materials and supplies	2,500	2,500	-	(2,500)
Total transportation	<u>7,437</u>	<u>18,000</u>	<u>1,695</u>	<u>(16,305)</u>
Total expenditures	<u>2,123,652</u>	<u>2,642,937</u>	<u>2,138,481</u>	<u>(504,456)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>94,244</u>	<u>97,684</u>	<u>70,260</u>	<u>(27,424)</u>
Other financing sources (uses):				
Transfers out	<u>(94,244)</u>	<u>(97,684)</u>	<u>(70,260)</u>	<u>(27,424)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance - beginning			<u>-</u>	
Fund balance - ending			<u>\$ -</u>	

See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
SCHOOL NUTRITION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Charges for current services:				
Lunch payments - children	\$ 400,000	\$ 400,000	\$ 474,600	\$ 74,600
Lunch payments - adults	26,000	26,000	28,904	2,904
Income from breakfast	25,000	25,000	26,082	1,082
A La Carte sales	280,000	280,000	348,442	68,442
Total charges for current services	731,000	731,000	878,028	147,028
Federal through State:				
State assistance	9,200	9,200	-	(9,200)
Nutrition cluster	365,000	365,000	364,760	(240)
Other state funding	-	-	10,545	10,545
Total Federal through State	374,200	374,200	375,305	1,105
Other income	707	707	452	(255)
Total revenues	1,105,907	1,105,907	1,253,785	147,878
Expenditures				
Food services:				
Salaries	464,158	464,158	434,960	(29,198)
Benefits	126,636	126,636	109,638	(16,998)
Contractual services	6,000	6,000	1,920	(4,080)
Materials and supplies	557,000	557,000	524,766	(32,234)
Other charges	13,500	13,500	10,157	(3,343)
Total expenditures	1,167,294	1,167,294	1,081,441	(85,853)
Excess (deficiency) of revenues over (under) expenditures	(61,387)	(61,387)	172,344	233,731
Other financing sources (uses):				
Operating transfers in	61,387	61,387	-	(61,387)
Net changes in fund balance	\$ -	\$ -	172,344	\$ 172,344
Fund balance - beginning			255,973	
Fund balance - ending			<u>\$ 428,317</u>	

See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
DISCRETIONARY GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
State revenue	135,000	237,073	233,000	(4,073)
Total revenues	135,000	237,073	233,000	(4,073)
Expenditures				
Instruction:				
Technical education :				
Salaries	-	162	-	(162)
Contractual services	-	1,200	1,200	-
Total instruction	-	1,362	1,200	(162)
Support Services:				
Health Services:				
Salaries	72,821	70,324	70,290	(34)
Benefits	10,467	10,000	10,033	33
Materials and supplies	1,712	4,677	4,677	-
Total health services	85,000	85,001	85,000	(1)
Other Student Support:				
Contractual services	50,000	25,000	21,160	(3,840)
Materials and supplies	-	74,501	74,501	-
Total other student support	50,000	99,501	95,661	(3,840)
Regular Instruction Support:				
Salaries	-	36,522	36,522	-
Benefits	-	11,987	11,987	-
Materials and supplies	-	2,700	2,630	(70)
Total other regular instruction support	-	51,209	51,139	(70)
Total support services	135,000	235,711	231,800	(3,911)
Total expenditures	135,000	237,073	233,000	(4,073)
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	\$ -	<u>\$ -</u>
Fund balance - beginning			-	
Fund balance - ending			<u>\$ -</u>	

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, 2019

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Shelby County CIP allocation	\$ 1,636,816	\$ 743,816	\$ 2,320,751	\$ 1,576,935
Expenditures				
Capital outlay:				
Building improvements	2,276,195	1,383,195	1,381,487	(1,708)
Other contracted services	750,000	750,000	741,298	(8,702)
Total expenditures	3,026,195	2,133,195	2,122,785	(10,410)
Net changes in fund balance	\$ (1,389,379)	\$ (1,389,379)	197,966	\$ 1,587,345
Fund balance - beginning			956,461	
Fund balance - ending			\$ 1,154,427	

See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
ARLINGTON COMMUNITY SCHOOLS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
INTERNAL SCHOOL FUNDS
For the Year Ended June 30, 2019

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019
Assets				
Cash	\$ 1,047,518	\$ 2,303,271	\$ (2,196,016)	\$ 1,154,773
Inventories	<u>13,738</u>	<u>59,976</u>	<u>(60,509)</u>	<u>13,205</u>
Total assets	<u>\$ 1,061,256</u>	<u>\$ 2,363,247</u>	<u>\$ (2,256,525)</u>	<u>\$ 1,167,978</u>
Liabilities				
Due to student general fund	\$ 622,397	\$ 682,360	\$ (616,366)	\$ 688,391
Due to student groups	<u>438,859</u>	<u>1,680,887</u>	<u>(1,640,159)</u>	<u>479,587</u>
Total liabilities	<u>\$ 1,061,256</u>	<u>\$ 2,363,247</u>	<u>\$ (2,256,525)</u>	<u>\$ 1,167,978</u>

See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION DEBT
June 30, 2019

Year Ended June 30,	Capital Outlay Note						Board of Education Note		Board of Education Capital Lease		Total Requirements		
	Series 2012		Series 2018		Series 2018		Principal	Interest	Principal	Interest	Principal	Interest	Total
	Principal	Interest	Principal	Interest	Principal	Interest							
2020	\$ 82,000	\$ 1,017	\$ 230,000	\$ 7,646	\$ 142,026	\$ 47,774	\$ 333,333	\$ -	\$ 143,818	\$ 8,048	\$ 931,177	\$ 64,485	\$ 995,662
2021	-	-	23,181	700	149,000	38,140	333,333	-	147,787	4,079	653,301	42,919	696,220
2022	-	-	-	-	154,000	32,359	333,333	-	-	-	487,333	32,359	519,692
2023	-	-	-	-	160,000	26,384	333,333	-	-	-	493,333	26,384	519,717
2024	-	-	-	-	167,000	20,176	333,333	-	-	-	500,333	20,176	520,509
2025	-	-	-	-	173,000	13,696	333,333	-	-	-	506,333	13,696	520,029
2026	-	-	-	-	180,000	6,984	333,333	-	-	-	513,333	6,984	520,317
	<u>\$ 82,000</u>	<u>\$ 1,017</u>	<u>\$ 253,181</u>	<u>\$ 8,346</u>	<u>\$ 1,125,026</u>	<u>\$ 185,514</u>	<u>\$ 2,333,331</u>	<u>\$ -</u>	<u>\$ 291,605</u>	<u>\$ 12,127</u>	<u>\$ 4,085,143</u>	<u>\$ 207,003</u>	<u>\$ 4,292,146</u>

See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
PROPRIETARY FUNDS DEBT
June 30, 2019

Year Ended June 30,	Series 2002		Revenue Bonds Series 2012		Total Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2020	\$ 858,000	\$ 70,879	\$ 200,000	\$ 138,928	\$ 1,058,000	\$ 209,807	\$ 1,267,807
2021	897,000	57,924	205,000	134,878	1,102,000	192,802	1,294,802
2022	937,000	44,379	210,000	130,728	1,147,000	175,107	1,322,107
2023	979,000	30,230	215,000	126,074	1,194,000	156,304	1,350,304
2024	1,023,000	15,447	220,000	120,909	1,243,000	136,356	1,379,356
2025	-	-	225,000	115,624	225,000	115,624	340,624
2026	-	-	230,000	110,221	230,000	110,221	340,221
2027	-	-	235,000	104,553	235,000	104,553	339,553
2028	-	-	240,000	98,615	240,000	98,615	338,615
2029	-	-	250,000	92,240	250,000	92,240	342,240
2030	-	-	255,000	85,423	255,000	85,423	340,423
2031	-	-	265,000	77,343	265,000	77,343	342,343
2032	-	-	270,000	67,980	270,000	67,980	337,980
2033	-	-	280,000	58,355	280,000	58,355	338,355
2034	-	-	290,000	48,380	290,000	48,380	338,380
2035	-	-	300,000	38,055	300,000	38,055	338,055
2036	-	-	315,000	27,293	315,000	27,293	342,293
2037	-	-	325,000	16,418	325,000	16,418	341,418
2038	-	-	335,000	5,528	335,000	5,528	340,528
	<u>\$ 4,694,000</u>	<u>\$ 218,859</u>	<u>\$ 4,865,000</u>	<u>\$ 1,597,545</u>	<u>\$ 9,559,000</u>	<u>\$ 1,816,404</u>	<u>\$ 11,375,404</u>

See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
June 30, 2019

Description of Indebtness	Original amount of issue	Interest rate	Date of issue	Last maturity date	Outstanding 7/1/18	Issued during period	Paid and/or matured during period	Refunded during period	Outstanding 6/30/19
Governmental Activities									
Notes Payable									
Payable through general fund									
Fire Department Capital Outlay Note, Series 2019	\$ 1,125,026	3.88%	December 27, 2018	August 1, 2026	\$ -	\$ 1,125,026	\$ -	\$ -	\$ 1,125,026
Fire Equipment Acquisition Capital Outlay Note, Series 2012	535,628	2.48%	July 27, 2012	August 1, 2019	162,000	-	80,000	-	82,000
Local Government Loan Program Bond, Series 2018 (1)	6,000,000	3.02%	February 9, 2018	February 9, 2038	139,501	333,680	220,000	-	253,181
Total notes payable through general fund					<u>\$ 301,501</u>	<u>\$ 1,458,706</u>	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ 1,460,207</u>
Payable from general purpose school fund									
Notes payable- Board of Education (3)	3,999,996	0%	November 1, 2014	May 1, 2026	2,439,886	-	284,085	-	2,155,801
Total notes payable through general purpose school fund									
Capital lease payable									
Payable through general purpose school fund									
Board of Education Capital Lease	440,970	2.76%	June 1, 2018	August 15, 2020	-	440,970	149,365	-	291,605
Total capital lease payable through general purpose school fund					<u>\$ -</u>	<u>\$ 440,970</u>	<u>\$ 149,365</u>	<u>\$ -</u>	<u>\$ 291,605</u>
Business-Type Activities									
Bonds Payable									
Payable through sewer fund									
Revenue Bonds, Series 2002	13,000,000	Variable (2)	July 29, 2004	May 25, 2024	5,515,000	-	821,000	-	4,694,000
Revenue Bonds, Series 2012	6,000,000	2.0% - 3.3%	December 14, 2012	December 1, 2037	5,065,000	-	200,000	-	4,865,000
Total bonds payable through sewer fund					<u>\$ 10,580,000</u>	<u>\$ -</u>	<u>\$ 1,021,000</u>	<u>\$ -</u>	<u>\$ 9,559,000</u>

Notes to the Schedule:

(1) Total amount approved was \$6,000,000, of which \$5,526,819 remains available for draws as of June 30, 2019.

(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 CHANGES IN TAXES RECEIVABLE
For the Year Ended June 30, 2019

Tax Levy for Year	Tax Rate	Tax Levy	Beginning Outstanding Taxes	Additions and Adjustments	Collections	Ending Outstanding Taxes	Outstanding Taxes Filed With Trustee
2018	\$1.15	\$ 4,024,313	\$ -	\$ 4,025,193	\$ 3,986,373	\$ 38,820	\$ 38,820
2017	1.15	3,897,006	64,176	(364)	46,576	17,236	17,236
2016	1.15	3,390,841	7,752	-	2,294	5,458	5,458
2015	1.15	3,216,147	7,385	(569)	814	6,002	6,002
2014	1.15	3,147,413	7,796	(64)	346	7,386	7,386
2013	1.15	3,086,420	7,969	(46)	1,460	6,463	6,463
2012	1.15	3,191,116	3,655	-	365	3,290	3,290
2011	1.00	2,707,557	2,335	-	-	2,335	2,335
2010	1.00	2,677,703	2,066	(39)	-	2,027	2,027
2009	1.00	2,757,236	1,964	(45)	10	1,909	1,909
			<u>\$ 105,098</u>	<u>\$ 4,024,066</u>	<u>\$ 4,038,238</u>	<u>\$ 90,926</u>	<u>\$ 90,926</u>

Above balances represented as follows:

Considered current receivables	\$ 26,010
Allowance for uncollectible accounts	35,665
Unavailable revenue	<u>29,251</u>
	90,926

Tax levy due October 1, 2019 considered unavailable revenue	<u>5,425,072</u>
Total taxes receivable	<u>\$ 5,515,998</u>

See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF UTILITY RATES IN EFFECT
June 30, 2019

Sewer Rates

Residential, Commercial and Industrial:

	\$8.65
Each 100 cubic feet	\$3.27 per 100 cubic feet

Industrial Surcharge:

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

Number of customers at June 30, 2019:	<u>4,214</u>
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Sanitation Rates

Charge per residence	\$20.40
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Number of customers at June 30, 2019:	<u>4,254</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, 2019

<u>Grantor/Pass Through Entity</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Federal Financial Assistance			
United States Department of Housing and Urban Development / Shelby County, Tennessee:			
Community Development Block Grants/Entitlement Grants	14.218	CA-1519396	\$ 43,300
Total United States Department of Housing and Urban Development			<u>43,300</u>
United States Department of Transportation/ Tennessee Department of Transportation:			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	140074	101,504
Highway Planning and Construction	20.205	140035	369,669
Highway Planning and Construction	20.205	170143	26,218
Highway Planning and Construction	20.205	130014	9,219
Total United States Department of Transportation			<u>506,610</u>
United States Department of Homeland Security			
Assistance to Firefighters grant	97.044	WMW207FO02476	42,449
Total United States Department of Homeland Security			<u>42,449</u>
Total Expenditures of Federal Awards:			<u>\$ 592,359</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards include the award activity of the Town under programs of the federal and state governments, respectively, for the year ended June 30, 2019. Because the schedule of expenditures of federal awards present only a selected portion of the operations of the Town, they are not intended to and do not present the financial position, statement of activities, or cash flows of the Town.

Note 2 - Summary of Significant Accounting Policies:

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

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

See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2019

<u>Grantor/Pass Through Entity</u>	<u>State Grant Number</u>	<u>Expenditures</u>
State Financial Assistance:		
Tennessee Department of Environment and Conservation		
Local Park and Recreation Fund Grant	32701-03165	\$ 434,629
Total state financial assistance		\$ 434,629

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, 2019. Because the schedule of state financial assistance present only a selected portion of the operations of the Town, they are not intended to and do not present the financial position, statement of activities, or cash flows of the Town.

Note 2 - Summary of Significant Accounting Policies

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

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arlington, Tennessee (Town), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 31, 2020. Our report includes a reference to other auditors who audited the financial statements of the Arlington Community School System, as described in our report on the Town's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted other matters involving the internal control and its operation that we reported to management of the Town in a separate letter dated January 31, 2020.

Purpose of this Report

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

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

Jackson, Tennessee
January 31, 2020

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF FINDINGS
June 30, 2019

FINANCIAL STATEMENT FINDINGS

None reported.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2019

FINANCIAL STATEMENT FINDINGS

Prior Year Finding Number	Finding Title	Status/Current Year Finding Number
2018-001	Expenditures in Excess of Budget (Significant Deficiency and Noncompliance) (original finding # 2018-001)	Corrected

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no prior findings reported.