

TOWN OF ARLINGTON, TENNESSEE

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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INTRODUCTORY SECTION

TOWN OF ARLINGTON, TENNESSEE
LIST OF PRINCIPAL OFFICIALS
June 30, 2011

ELECTED OFFICIALS

Mayor	Russell Wiseman
Vice Mayor	Harry McKee
Alderman	Glenn Bascom, II
Alderman	Oscar Brooks
Alderman	Gerald McGee
Alderman	Brian Thompson
Alderman	Hugh Lamar

APPOINTED OFFICIALS

Recorder	Catherine Durant
Town Superintendent	Ed Haley

FINANCIAL SECTION



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Independent Auditor's Report

Honorable Russell Wiseman, Mayor
Members of the Board of Aldermen
Town of Arlington, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Arlington, Tennessee (Town), as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Arlington, Tennessee, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and state street aid fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2011 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Arlington's financial statements as a whole. The introductory section and accompanying financial information listed as other supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The other supplementary information and schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section 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.

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

Jackson, Tennessee
November 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2011. 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 of the Town of Arlington exceeded its liabilities at the close of the most recent fiscal year by \$54.35 million (net assets). Of this amount, \$14.72 million (unrestricted net assets) 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 \$8.56 million, an increase of \$1.19 million in comparison with the prior year. Of the total fund balance, \$8.09 million is available for spending at the Town of Arlington's discretion (unrestricted fund balance).
- The Town of Arlington's total bonds payable decreased by \$577 thousand during the current fiscal year.

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 other required supplementary 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 Assets presents information on all of the Town of Arlington's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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, compensated absences, etc.).

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, and debt

MANAGEMENT'S DISCUSSION AND ANALYSIS

service. The business-type activities of the Town of Arlington include Public Utilities (sewer). The government-wide financial statements can be found on pages 10 and 11 of this report.

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 12 through 15 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 Special Revenue Funds, which are considered to be major funds.

The Town of Arlington adopts an annual appropriated budget for each governmental fund. Budgetary comparisons of the major fund statements have been provided on pages 16 through 21 of this report for the General Fund and Special Revenue Funds 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 22 through 25 of this report.

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 26 through 36 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town of Arlington's ability to meet its projected budget.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Arlington, assets exceeded liabilities by \$54.35 million at the close of the most recent fiscal year. Sixty-four percent (64%) of the Town's net assets 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		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Current and other assets	\$16,079,789	\$14,833,917	\$ 6,923,232	\$ 6,176,499	\$23,003,021	\$21,010,416
Capital assets	24,894,001	20,139,070	20,175,230	20,140,665	45,069,231	40,279,735
Total assets	<u>40,973,790</u>	<u>34,972,987</u>	<u>27,098,462</u>	<u>26,317,164</u>	<u>68,072,252</u>	<u>61,290,151</u>
Long-term liabilities	674,361	695,637	9,749,000	10,352,000	10,423,361	11,047,637
Other liabilities	2,623,106	2,588,168	674,491	644,550	3,297,597	3,232,718
Total liabilities	<u>3,297,467</u>	<u>3,283,805</u>	<u>10,423,491</u>	<u>10,996,550</u>	<u>13,720,958</u>	<u>14,280,355</u>
Net assets:						
Invested in capital assets, net of related debt	24,894,001	20,139,070	9,823,230	9,149,432	34,717,231	29,288,502
Restricted street aid	4,742,454	4,330,383	-	-	4,742,454	4,330,383
Restricted for development	169,400	274,278	-	-	169,400	274,278
Unrestricted	<u>7,870,468</u>	<u>6,945,451</u>	<u>6,851,741</u>	<u>6,171,182</u>	<u>14,722,209</u>	<u>13,116,633</u>
Total net assets	<u>\$37,676,323</u>	<u>\$31,689,182</u>	<u>\$16,674,971</u>	<u>\$15,320,614</u>	<u>\$54,351,294</u>	<u>\$47,009,796</u>

An additional portion of the Town of Arlington's net assets (\$4.60 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net assets representing unrestricted net assets (\$14.72 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 assets, 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 \$6.38 million. In the business-type activities, revenues exceeded expenses by \$1.35 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

	Governmental		Business-type		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 927,250	\$ 862,802	\$ 1,823,677	\$ 1,735,144	\$ 2,750,927	\$ 2,597,946
Operating grants and contributions	444,836	558,243	-	-	444,836	558,243
Capital grants and contributions	5,056,019	5,704,601	585,365	1,750,064	5,641,384	7,454,665
General revenues:						
Property taxes	2,820,060	3,084,805	-	-	2,820,060	3,084,805
Other taxes	2,186,517	2,028,543	-	-	2,186,517	2,028,543
Other sources	2,213,422	3,639,710	98,853	148,193	2,312,275	3,787,903
Total revenues	<u>13,648,104</u>	<u>15,878,704</u>	<u>2,507,895</u>	<u>3,633,401</u>	<u>16,155,999</u>	<u>19,512,105</u>
Expenses:						
General government	1,780,819	1,103,691	-	-	1,780,819	1,103,691
Public safety	1,117,662	1,149,107	-	-	1,117,662	1,149,107
Highway and streets	1,433,016	1,604,601	-	-	1,433,016	1,604,601
Public works	1,740,573	3,212,802	-	-	1,740,573	3,212,802
Sanitation collection	794,790	729,523	-	-	794,790	729,523
Culture and recreation	398,554	434,545	-	-	398,554	434,545
Debt service	-	354	-	-	-	354
Sewer	-	-	1,153,538	1,158,626	1,153,538	1,158,626
Total expenses	<u>7,265,414</u>	<u>8,234,623</u>	<u>1,153,538</u>	<u>1,158,626</u>	<u>8,418,952</u>	<u>9,393,249</u>
Increase in net assets	<u>6,382,690</u>	<u>7,644,081</u>	<u>1,354,357</u>	<u>2,474,775</u>	<u>7,737,047</u>	<u>10,118,856</u>
Net assets - beginning	31,689,182	24,045,101	15,320,614	14,343,309	47,009,796	38,388,410
Prior period adjustment	(395,549)	-	-	(1,497,470)	(395,549)	(1,497,470)
Net assets - beginning - restated	<u>31,293,633</u>	<u>24,045,101</u>	<u>15,320,614</u>	<u>12,845,839</u>	<u>46,614,247</u>	<u>36,890,940</u>
Net assets - ending	<u>\$ 37,676,323</u>	<u>\$ 31,689,182</u>	<u>\$ 16,674,971</u>	<u>\$ 15,320,614</u>	<u>\$ 54,351,294</u>	<u>\$ 47,009,796</u>

COMMENTS ON FUND FINANCIAL STATEMENTS

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The general fund accounts for more than 52.29% of governmental fund revenues. Accordingly this discussion will focus on the general fund. General fund balance was \$8.57 million at the end of the current fiscal year. Of that balance, \$8.40 million is available to meet the day-to-day needs of the Town.

Revenues in the general fund were down from the previous year by approximately \$336 thousand. The most significant changes in revenues and other financing sources in the general fund were:

- Personal Property Taxes decreased by \$71 thousand.
- Local Sales Tax increased by \$97 thousand.
- Wholesale Beer Tax increased by \$10 thousand.
- Federal grants decreased by \$53 thousand.
- State-Shared sales taxes increased by \$33 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 assets of the proprietary fund at the end of the year amounted to \$6.85 million. The total growth in net assets for these funds was \$1.35 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

Final Budgeted and Actual Amounts

Actual revenues and other financing sources were over the budgeted amounts by \$764 thousand. Significant variances are as follows:

- Local sales taxes were up \$173 thousand.
- Public utility taxes were up \$59 thousand.
- Local business taxes were up \$53 thousand
- Intergovernmental (state shared taxes) were up \$208 thousand.

Actual expenditures were under the final budgeted amount by \$260 thousand. Significant variances are as follows:

- General Government was under by \$24 thousand.
- Public Safety was under by \$111 thousand.
- Public Works was under by \$80 thousand
- Parks & Library and Senior Center were under by \$45 thousand

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal 2011, the Town had invested \$45.07 million net of accumulated depreciation in a variety of capital assets and infrastructure. Infrastructure was valued at \$34.75 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 \$10.35 million. Of this amount, \$10.35 million comprises debt backed by the full faith and credit of the Town of Arlington.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The economic outlook for the country is being closely monitored; the Town of Arlington will continue to project its revenues conservatively while assuring that services are provided to our citizens as economical as possible.
- Arlington's growth, both commercial and residential continues to be slow due to economic conditions; however, Arlington has continued to issue building permits for construction, reducing the inventory of available lots.
- Commercial and Industrial growth includes Sonic Drive In set to open in early Spring 2012, Arlington Pet Hospital and Ranger Pumps.
- The Town of Arlington saw its population increase according to the 2010 US Census from 9,707 to 11,517 which has lead to an increase in State Shared Taxes.
- The Town of Arlington has completed several locally Managed STP Projects all aimed at managing growth and improving safe movement of traffic which will enhance future commercial and residential development. Several other projects are either under construction or in the process of being design with Grant Agreements approved through Tennessee Department of Transportation and the Local MPO.

All of these factors were considered in preparing the Town of Arlington's budget for the 2011/2012 fiscal year and will aid in the 2012/2013 budget preparation.

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 ASSETS
June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 6,506,440	\$ 2,795,619	\$ 9,302,059
Investments	6,019,750	3,808,979	9,828,729
Receivables:			
Interest	2,539	1,108	3,647
Taxes (net of allowance for uncollectibles of \$42,643)	2,687,492	-	2,687,492
Accounts	54,449	260,494	314,943
Due to (from) other funds	66,175	(66,175)	-
Intergovernmental - nongrant	378,471	-	378,471
Grants	364,473	-	364,473
Unamortized bond cost	-	46,944	46,944
Restricted assets:			
Cash and cash equivalents	-	10,088	10,088
Capital assets not being depreciated:			
Land	1,296,762	231,762	1,528,524
Construction in process	4,890,081	291,283	5,181,364
Capital assets net of accumulated depreciation:			
Buildings and improvements	3,246,843	-	3,246,843
Machinery and equipment	361,662	-	361,662
Sewer plant	-	19,652,185	19,652,185
Infrastructure	15,098,653	-	15,098,653
Total assets	<u>40,973,790</u>	<u>27,032,287</u>	<u>68,006,077</u>
Liabilities			
Accounts payable	48,216	5,316	53,532
Deferred property tax	2,521,546	-	2,521,546
Long-term debt			
Due within one year	-	603,000	603,000
Due in more than one year	-	9,749,000	9,749,000
Accrued annual leave	53,344	-	53,344
Accrued landfill closing and postclosing costs	674,361	-	674,361
Total liabilities	<u>3,297,467</u>	<u>10,357,316</u>	<u>13,654,783</u>
Net Assets			
Investment in capital assets, net of related debt	24,894,001	9,823,230	34,717,231
Restricted for state street aid	4,742,454	-	4,742,454
Restricted for development	169,400	-	169,400
Unrestricted	7,870,468	6,851,741	14,722,209
Total net assets	<u>\$ 37,676,323</u>	<u>\$ 16,674,971</u>	<u>\$ 54,351,294</u>

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

TOWN OF ARLINGTON, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government							
Governmental activities							
General government	\$ 1,780,819	\$ 120,512	\$ 104,629	\$ 1,895	\$ (1,553,783)	\$ -	\$ (1,553,783)
Public safety	1,117,662	168	-	-	(1,117,494)	-	(1,117,494)
Highways and streets	1,433,016	-	339,857	5,054,124	3,960,965	-	3,960,965
Public works	740,573	-	-	-	(740,573)	-	(740,573)
Sanitation collection	743,730	780,386	-	-	36,656	-	36,656
Parks and recreation	398,554	26,184	350	-	(372,020)	-	(372,020)
Interest on long-term debt	-	-	-	-	-	-	-
Total governmental activities	<u>6,214,354</u>	<u>927,250</u>	<u>444,836</u>	<u>5,056,019</u>	<u>213,751</u>	<u>-</u>	<u>213,751</u>
Business-type activities							
Sewer	<u>1,153,538</u>	<u>1,823,677</u>	<u>-</u>	<u>585,365</u>	<u>-</u>	<u>1,255,504</u>	<u>1,255,504</u>
Total primary government	<u>\$ 7,367,892</u>	<u>\$ 2,750,927</u>	<u>\$ 444,836</u>	<u>\$ 5,641,384</u>	213,751	1,255,504	1,469,255
General revenues							
Property taxes - levied for general government					2,820,060	-	2,820,060
Payments in lieu of taxes - other governments					178,591	-	178,591
Sales taxes					1,452,287	-	1,452,287
Franchise taxes					75,703	-	75,703
Alcoholic beverage taxes					282,364	-	282,364
Business taxes					98,286	-	98,286
Licenses and permits					38,708	-	38,708
State income and excise taxes					60,580	-	60,580
Interest, penalties and court costs					32,583	-	32,583
Rentals and recoveries					35,918	-	35,918
Forfeited bonds					993,686	-	993,686
Miscellaneous					-	1,059	1,059
Unrestricted interest income					100,173	97,794	197,967
Total general revenues					<u>6,168,939</u>	<u>98,853</u>	<u>6,267,792</u>
Changes in net assets					6,382,690	1,354,357	7,737,047
Net assets - beginning					<u>31,689,182</u>	<u>15,320,614</u>	<u>47,009,796</u>
Prior period adjustment					<u>(395,549)</u>	<u>-</u>	<u>(395,549)</u>
Net assets - beginning - restated					<u>31,293,633</u>	<u>15,320,614</u>	<u>46,614,247</u>
Net assets - ending					<u>\$ 37,676,323</u>	<u>\$ 16,674,971</u>	<u>\$ 54,351,294</u>

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

TOWN OF ARLINGTON, TENNESSEE
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2011

	<u>General Fund</u>	<u>State Street Aid</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 4,725,391	\$ 1,781,049	\$ 6,506,440
Investments	3,445,909	2,573,841	6,019,750
Receivables:			
Interest	2,169	370	2,539
Taxes (net of allowance for uncollectibles of \$42,643)	2,687,492	-	2,687,492
Accounts - other	54,449	-	54,449
Due from other funds	66,175	55,658	121,833
Intergovernmental - nongrant	375,591	2,880	378,471
Grant receivable	-	364,473	364,473
Total assets	<u>\$ 11,357,176</u>	<u>\$ 4,778,271</u>	<u>\$ 16,135,447</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 12,398	\$ 35,817	\$ 48,215
Due to other funds	55,658	-	55,658
Deferred revenue - property taxes	2,721,423	-	2,721,423
Total liabilities	<u>2,789,479</u>	<u>35,817</u>	<u>2,825,296</u>
Fund balances			
Restricted for state street aid	-	4,742,454	4,742,454
Assigned:			
Impact fees	169,400	-	169,400
Unassigned	8,398,297	-	8,398,297
Total fund balances	<u>8,567,697</u>	<u>4,742,454</u>	<u>13,310,151</u>
Total liabilities and fund balances	<u>\$ 11,357,176</u>	<u>\$ 4,778,271</u>	<u>\$ 16,135,447</u>

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

TOWN OF ARLINGTON, TENNESSEE
RECONCILIATION OF STATEMENT OF NET ASSETS, GOVERNMENTAL FUNDS
June 30, 2011

Amounts reported for the governmental activities in the statement of net assets (Page 11) are different because:

Fund balance - total governmental funds (Page 12)	\$ 13,310,151
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds	24,894,001
Receivables not available to pay for current expenditures, therefore, are deferred in the funds (property tax)	199,877
Long-term liabilities, including notes, and leases payable, are not due in the current period and, therefore, are not reported in the funds	<u>(727,706)</u>
Net assets of governmental activities (Page 10)	<u>\$ 37,676,323</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 Fiscal Year Ended June 30, 2011

	General Fund	State Street Aid	Total Governmental Funds
Revenues:			
Taxes	\$ 4,167,981	\$ -	\$ 4,167,981
Licenses and permits	38,707	-	38,707
Intergovernmental	960,820	4,211,998	5,172,818
Charges for services	887,501	-	887,501
Other	259,132	51,081	310,213
Total revenues	<u>6,314,141</u>	<u>4,263,079</u>	<u>10,577,220</u>
Expenditures			
Current			
General government	1,016,756	-	1,016,756
Public safety	1,155,227	-	1,155,227
Highways and streets	777,373	4,851,007	5,628,380
Sanitation collection	765,006	-	765,006
Parks	414,455	-	414,455
Total expenditures	<u>4,128,817</u>	<u>4,851,007</u>	<u>8,979,824</u>
Excess (deficiency) of revenues over (under) expenditures	2,185,324	(587,928)	1,597,396
Other Financing Sources (Uses)			
Operating transfers in	51,060	1,000,000	1,051,060
Operating transfers out	(1,051,060)	-	(1,051,060)
Total other financing sources (uses)	<u>(1,000,000)</u>	<u>1,000,000</u>	<u>-</u>
Net changes in fund balances	<u>1,185,324</u>	<u>412,072</u>	<u>1,597,396</u>
Fund balances - beginning	<u>7,382,373</u>	<u>4,330,382</u>	<u>11,712,755</u>
Fund balances - ending	<u><u>\$ 8,567,697</u></u>	<u><u>\$ 4,742,454</u></u>	<u><u>\$ 13,310,151</u></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**

June 30, 2011

Amounts reported for the governmental activities in the statement of activities (Page 11) are different because:

Excess (deficiency) of revenues over (under) expenditures - total governmental funds (Page 14)	\$ 1,597,396
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. This is the amount by which capital outlays exceeded depreciation in the current period.	2,730,097
Contributed fixed assets considered as revenue on the statement of activities but are not considered revenues in the funds. This amount represents infrastructure donated to the town by outside parties.	2,024,833
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (property taxes)	(1,534)
Reduction in accrual for landfill liability	21,276
Decrease in accrual for accrued annual leave	<u>10,622</u>
Change in net assets of governmental activities (Page 11)	<u>\$ 6,382,690</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 Fiscal Year Ended June 30, 2011

Revenues	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Taxes:				
Real property taxes	\$ 2,355,000	\$ 2,355,000	\$ 2,400,939	\$ 45,939
Personal property taxes	180,000	180,000	194,417	14,417
Public utility taxes	167,500	167,500	226,237	58,737
Interest and penalties	17,000	17,000	32,583	15,583
In lieu of tax payments -				
Other governments	58,500	58,500	69,350	10,850
Local sales tax	625,000	625,000	798,449	173,449
Wholesale beer tax	165,000	165,000	210,389	45,389
Wholesale liquor tax	50,000	50,000	61,630	11,630
Business tax	45,000	45,000	98,284	53,284
Franchise taxes	68,000	68,000	75,703	7,703
Total taxes	<u>3,731,000</u>	<u>3,731,000</u>	<u>4,167,981</u>	<u>436,981</u>
Licenses and permits:				
Licenses and permits	17,500	17,500	22,123	4,623
Planning commission submittals	5,000	5,000	7,244	2,244
Excavating permits	2,000	2,000	9,340	7,340
Total licenses and permits	<u>24,500</u>	<u>24,500</u>	<u>38,707</u>	<u>14,207</u>
Intergovernmental:				
Federal grants	-	109,683	106,524	(3,159)
TVA in lieu of tax	80,000	80,000	109,241	29,241
State sales tax	500,000	500,000	653,838	153,838
State income tax	10,000	10,000	58,332	48,332
State beer tax	7,400	7,400	10,346	2,946
State gasoline inspection fee	17,800	17,800	21,068	3,268
State excise tax	2,000	2,000	1,471	(529)
Total intergovernmental	<u>617,200</u>	<u>726,883</u>	<u>960,820</u>	<u>233,937</u>
Charges for Services:				
Fire reports	-	-	7	7
Community development fees	-	-	800	800
Street light fees	-	88,263	88,264	1
Inspection fees	-	-	600	600
Park and recreation fees	11,800	12,500	17,444	4,944
Emergency services fire department	-	-	-	-
Total charges for services	<u>11,800</u>	<u>100,763</u>	<u>107,115</u>	<u>6,352</u>
Other:				
Other	5,980	13,480	29,975	16,495
Rent	6,800	11,800	11,951	151
City Court revenue	-	-	163	163
Sale of land and equipment	-	400	1,233	833
Interest earned	80,000	80,000	96,732	16,732
Insurance recovery	-	11,137	11,137	-
Impact fees	25,000	50,000	85,130	35,130
Library fines	16,000	16,000	19,020	3,020

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 (Cont.)
GENERAL FUND

For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Contributions	\$ -	\$ 350	\$ 350	\$ -
Total other	133,780	183,167	255,691	72,524
Total revenues	4,518,280	4,766,313	5,530,314	764,001

Expenditures

Current expenditures:

 General government:

Salaries	380,000	380,000	354,614	25,386
OASI	28,500	28,500	30,565	(2,065)
Hospital and health insurance	41,000	41,000	34,122	6,878
Workmen's compensation	3,500	1,900	1,874	26
Other employer contributions	21,500	21,500	19,868	1,632
Board and committee members	61,000	61,000	61,000	-
Elections	4,000	4,000	267	3,733
Contractual services	43,500	43,500	41,035	2,465
Postage	4,000	4,000	3,697	303
Messenger and delivery services	4,000	4,000	1,839	2,161
Publication of legal notices	6,000	3,500	11,032	(7,532)
Memberships and registration fees	6,000	6,000	5,978	22
Public relations	14,500	14,500	10,973	3,527
Utility services	20,000	20,000	18,015	1,985
Telephone	7,000	7,000	8,493	(1,493)
Legal services	130,000	130,000	105,792	24,208
Accounting and auditing services	15,000	15,000	13,400	1,600
Architectural and engineering services	100,000	100,000	61,047	38,953
Web site services	4,500	4,500	4,097	403
Data processing services	7,000	7,000	4,526	2,474
Other professional services	24,000	24,000	21,022	2,978
Repair and maintenance services	4,000	4,000	218	3,782
Repair and maintenance of buildings	20,000	20,000	14,120	5,880
Travel	3,000	3,000	1,591	1,409
Collection fees	18,000	18,000	21,254	(3,254)
Sundry	4,000	4,000	1,636	2,364
Operating supplies	15,500	15,500	11,768	3,732
Off site record storage	3,000	3,000	2,011	989
Insurance on buildings	2,000	1,500	1,495	5
Insurance - liability	10,000	8,050	8,038	12
Prizes and awards	500	500	440	60
Capital outlay	10,000	30,000	128,377	(98,377)
Machinery and equipment rent	7,000	7,000	8,327	(1,327)
Other machinery and equipment	5,000	5,000	4,225	775
Total general government	\$ 1,037,000	\$ 1,040,450	\$ 1,016,756	\$ 23,694

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 (Cont.)
GENERAL FUND

For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Budget		
Public safety				
Fire protection and control:				
Salaries	\$ 653,100	\$ 653,100	\$ 670,298	\$ (17,198)
OASI	50,000	50,000	47,712	2,288
Hospital and health insurance	80,000	80,000	73,548	6,452
Workmens compensation	18,000	10,450	10,440	10
Employee education and training	5,000	5,000	1,739	3,261
Other employer contributions	40,100	40,100	33,448	6,652
Volunteer firemen	3,000	3,000	2,773	227
Membership fees, dues	4,000	4,000	2,176	1,824
Utility services	11,500	11,500	12,859	(1,359)
Telephone	5,000	5,000	4,827	173
Medical and dental	150,000	150,000	136,354	13,646
Repair and maintenance	45,000	155,000	69,653	85,347
Travel	3,000	3,000	1,577	1,423
Operating supplies	12,000	10,500	7,339	3,161
Clothing and uniforms	10,000	10,000	6,925	3,075
Gas, oil and diesel	15,000	15,000	15,894	(894)
Insurance-building and liability	10,300	10,401	10,323	78
Insurance-vehicles and equipment	9,500	3,850	3,824	26
Capital outlay	20,000	20,000	29,495	(9,495)
Machinery and equipment rent	2,200	2,200	2,028	172
Other machinery and equipment	20,000	20,000	7,660	12,340
	<u>1,166,700</u>	<u>1,262,101</u>	<u>1,150,892</u>	<u>111,209</u>
Fire fighting:				
Supplies	<u>2,320</u>	<u>4,490</u>	<u>4,335</u>	<u>155</u>
Total public safety	<u>1,169,020</u>	<u>1,266,591</u>	<u>1,155,227</u>	<u>111,364</u>
Highway and streets:				
Salaries	451,000	451,000	428,703	22,297
OASI	33,100	33,100	31,575	1,525
Hospital and health insurance	57,000	57,000	39,156	17,844
Workmens compensation	21,000	10,710	10,708	2
Other employer contributions	31,500	31,500	25,005	6,495
Memberships, registration fees	1,000	1,000	530	470
Utility services	5,500	5,500	4,797	703
Telephone	6,000	6,000	5,698	302
Repair and maintenance services	66,000	168,500	149,475	19,025

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 (Cont.)
GENERAL FUND

For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Sundry	\$ 1,500	\$ -	\$ -	\$ -
Operating supplies	12,000	12,000	8,673	3,327
Clothing and uniforms	6,500	6,500	5,154	1,346
Gas, oil and diesel	17,000	17,000	14,785	2,215
Fabricated materials	10,000	5,000	3,633	1,367
Insurance	11,500	10,500	9,480	1,020
Machinery and equipment rental	2,500	2,500	2,225	275
Other machinery and equipment	20,000	20,000	4,678	15,322
Capital outlay	<u>20,000</u>	<u>20,000</u>	<u>33,098</u>	<u>(13,098)</u>
Total highway and streets	<u>773,100</u>	<u>857,810</u>	<u>777,373</u>	<u>80,437</u>
Parks and recreation:				
Salaries	140,000	140,000	117,284	22,716
OASI	10,700	10,700	8,238	2,462
Hospital and health insurance	20,500	20,500	17,424	3,076
Workmens compensation	4,100	1,600	1,606	(6)
Postage	1,000	500	165	335
Other employer contributions	6,000	6,000	5,193	807
Contractual services	134,200	134,200	139,803	(5,603)
Utility services	33,500	33,500	32,039	1,461
Telephone	3,900	3,900	4,096	(196)
Repair and maintenance	41,500	41,500	43,468	(1,968)
Sundry	1,400	600	548	52
Operating supplies	22,700	22,700	14,490	8,210
Gas, oil and diesel fuel	4,000	4,000	3,561	439
Insurance	7,100	6,810	6,601	209
Other machinery and equipment	22,500	22,500	11,739	10,761
Capital outlay	<u>10,000</u>	<u>10,000</u>	<u>8,200</u>	<u>1,800</u>
Total parks and recreation	<u>463,100</u>	<u>459,010</u>	<u>414,455</u>	<u>44,555</u>
Total expenditures	<u>3,442,220</u>	<u>3,623,861</u>	<u>3,363,811</u>	<u>260,050</u>
Excess (deficiency) of revenues over (under) expenditures	1,076,060	1,142,452	2,166,503	1,024,051

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 (Cont.)
GENERAL FUND

For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Other financing sources (uses)				
Operating transfers out	(1,076,060)	(1,051,060)	(1,051,060)	-
Total other financing sources (uses)	(1,076,060)	(1,051,060)	(1,051,060)	-
Excess (deficiency) of revenues over (under) expenditures and other uses	\$ -	\$ 91,392	1,115,443	\$ 1,024,051
Fund balance, July 1			7,148,125	
Fund balance, June 30			\$ 8,263,568	
Reconciliation to fund financial statements:				
Excess (deficiency) of revenues over (under) expenditures - budgetary			\$ 1,115,443	
Revenues and expenditures not included in budgetary statements:				
Sanitation - charges for services and interest			783,827	
Sanitation - expenditures			(765,006)	
Sanitation - operating transfers in			51,060	
Excess (deficiency) of revenues over (under) expenditures - (page 14)			\$ 1,185,324	
Fund balance - budgetary			\$ 8,263,568	
Assets related to sanitation operations			304,129	
Liabilities related to sanitation operations			-	
Fund balance - page 14			\$ 8,567,697	

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

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

For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
Revenues	Original	Final		
Intergovernmental:				
State gasoline and motor fuel tax	\$ 200,000	\$ 200,000	\$ 267,707	\$ 67,707
Development bonds forfeited	-	185,000	915,000	730,000
Grant revenue	784,000	2,835,037	3,029,291	194,254
Total intergovernmental	984,000	3,220,037	4,211,998	991,961
Other:				
Interest earned	6,000	33,000	51,081	18,081
Total revenues	990,000	3,253,037	4,263,079	1,010,042
Expenditures				
Current:				
Public works:				
Streets and highways:				
Utilities	280,000	280,000	278,800	1,200
Repair and maintenance services	100,000	15,000	3,120	11,880
Repair and maintenance - streets	650,000	974,037	1,139,363	(165,326)
Gas, oil and diesel	10,000	10,000	11,733	(1,733)
Grant expenditures	450,000	2,886,000	-	2,886,000
Capital outlay, including grants	525,000	88,000	3,417,991	(3,329,991)
Total expenditures	2,015,000	4,253,037	4,851,007	(597,970)
Excess (deficiency) of revenues over (under) expenditures	(1,025,000)	(1,000,000)	(587,928)	412,072
Other financing sources (uses)				
Operating transfers in	1,025,000	1,000,000	1,000,000	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	\$ -	\$ -	412,072	\$ 412,072
Fund balance, July 1			4,330,382	
Fund balance, June 30			<u>\$ 4,742,454</u>	

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

TOWN OF ARLINGTON, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011

	Sewer Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 2,795,619
Investments	3,808,979
Receivables:	
Interest	1,108
Accounts	260,494
Total current assets	6,866,200
Noncurrent assets	
Restricted cash and cash equivalents	10,088
Unamortized bond cost	46,944
Capital assets	
Land	231,762
Sewer plant	22,266,721
Construction in progress	291,283
Less accumulated depreciation	(2,614,536)
Total capital assets (net of accumulated depreciation)	20,175,230
Total noncurrent assets	20,232,262
Total assets	27,098,462
Liabilities	
Current liabilities	
Accounts payable	5,316
Due to solid waste	66,175
Bonds payable	603,000
Total current liabilities	674,491
Noncurrent liabilities	
Bonds payable	9,749,000
Total liabilities	10,423,491
Net assets	
Invested in capital assets, net of related debt	9,823,230
Unrestricted	6,851,741
Total net assets	\$ 16,674,971

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

TOWN OF ARLINGTON, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2011

	<u>Sewer Fund</u>
Operating revenues	
Sewer service charges	\$ 1,506,919
Surcharges and inspection fees	316,758
Total operating revenues	<u>1,823,677</u>
Operating expenses	
Salaries	86,483
OASI	5,175
Hospital and health insurance	17,424
Workmens compensation	2,142
Other employer contributions	4,950
Memberships and dues	6,250
Utility services	165,314
Telephone	3,419
Accounting and auditing	5,600
Contractual services	63,806
Repair and maintenance services	42,048
Lab costs	6,578
Operating supplies	8,445
Gas, oil and diesel	2,186
Insurance	24,268
Amortization	3,611
Depreciation	<u>599,558</u>
Total operating expenses	<u>1,047,257</u>
Operating income (loss)	<u>776,420</u>
Non-operating Income (Expense)	
Interest earned	97,794
Interest expense	(42,279)
Sale of equipment	1,059
Debt fees	<u>(64,002)</u>
Total non-operating revenues (expenses)	<u>(7,428)</u>
Change in net assets before contributed capital	768,992
Contributed capital	<u>585,365</u>
Change in net assets	1,354,357
Total net assets, beginning	<u>15,320,614</u>
Total net assets, ending	<u>\$ 16,674,971</u>

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

TOWN OF ARLINGTON, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2011

	<u>Sewer Fund</u>
Cash flows from operating activities:	
Cash received from consumers	\$ 1,808,149
Cash received from other funds	3,942
Cash paid to employees for services	(91,658)
Other operating payments	<u>(356,041)</u>
Net cash provided (used) by operating activities	<u>1,364,392</u>
Cash flows from capital and related financing activities:	
Principal paid on debt	(577,000)
Interest paid	(102,669)
Cash received in disposal of capital assets	1,059
Construction and acquisition of plant	<u>(48,758)</u>
Net cash provided (used) by capital and related financing activities	<u>(727,368)</u>
Cash flows from investing activities:	
Purchase of investments	(3,808,979)
Proceeds from sale and maturities of investments	3,871,852
Interest and unrealized change in investments	<u>102,760</u>
Net cash provided (used) by investing activities	<u>165,633</u>
Net increase (decrease) in cash and cash equivalents	802,657
Cash and cash equivalents - beginning of year	<u>2,003,050</u>
Cash and cash equivalents - end of year	<u>\$ 2,805,707</u>
 Cash and cash equivalents:	
Cash and cash equivalents	\$ 2,795,619
Restricted cash and cash equivalents	<u>10,088</u>
Cash and cash equivalents	<u>\$ 2,805,707</u>

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

TOWN OF ARLINGTON, TENNESSEE
STATEMENT OF CASH FLOWS (Cont.)
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2011

	<u>Sewer Fund</u>
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income (loss)	\$ 776,420
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	599,558
(Increase) decrease in accounts receivable	(15,527)
Increase (decrease) in payables	<u>3,941</u>
Net cash provided (used) by operating activities	<u>\$ 1,364,392</u>
Noncash investing, capital, and financing activities:	
Contributions of capital assets	<u>\$ 585,365</u>

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

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 Town has elected to apply generally accepted accounting principles as defined by *Financial Accounting Standards Board Statements* and *Interpretation Accounting Principles Board Opinions and Accounting Research Bulletins* issued on or before November 30, 1989. After that date, the Town has elected to apply only GASB pronouncements. 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. There are no component units for which the Town of Arlington would be considered financially accountable.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statements of net assets and the statement of changes in net assets) 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, 2011

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.

The Town applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1979, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. In addition, the Town applies all applicable FASB Statements and Interpretations issued after November 30, 1979, except those that conflict with or contradict GASB pronouncements to its business-type activities.

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.

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 state street aid fund accounts for street and road repair and maintenance

The Town reports the following major proprietary fund:

- The sewer fund accounts for the activities associated with the sewage treatment plant, sewage pumping stations and collection system.

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 expense 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,

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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, and Net Assets 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 are reported at fair value. All investments at June 30, 2011 consisted of certificates of deposits.

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 annually on January 1. The taxes are due and payable from the following October through February in the year succeeding the tax levy. An unperfected lien attaches by statute to property on March 1 for unpaid taxes from the prior year's levy. Taxes uncollected by April 1, the year after due, are to be submitted to the Chancery Court for collection. Tax liens become perfected at the time the court enters judgment. Shelby County collects all property taxes for the Town and remits them by direct deposit monthly.

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. 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.

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

Deferred Revenue

Deferred revenue represents amounts that were receivable and measurable at June 30, 2011 but were not available to finance expenditures for the year ended June 30, 2011. Deferred revenues primarily include unearned or unavailable revenues.

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 assets.

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.

Fund Equity

The City implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, beginning with the fiscal year ended June 30, 2011. In accordance with GASB No. 54, fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of the City Charter, City Code, state or federal laws or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by formal action by the Board of Alderman ordinance or resolution. To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

Assigned – Amounts the City intends to use for a specific purpose. Intent can be expressed by the Board of Alderman or by an official or body to which the Board of Alderman delegates the authority.

Unassigned – Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the City 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 other wise 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 Assets

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. 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 \$727,705 difference are as follows:

Compensated absences payable	\$ 53,344
Accrued postclosure care costs	<u>674,361</u>
Net adjustment to reduce fund balance - total government funds to arrive at net assets - governmental activities	<u>\$ 727,705</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 assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period." The details of this \$2,730,097 difference are as follows:

Capital Outlay net of contributed capital	\$ 3,617,168
Book value of capital assets disposed of	(3,350)
Depreciation expense	<u>(883,621)</u>
Net adjustment to reduce net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 2,730,197</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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.

Under TCA 68-211-874, the Town is required to account for its solid waste collection activities in a separate fund. The Town accounts for these activities in a separate sanitation fund which does not qualify as a special revenue fund under generally accepted accounting principles. Accordingly, for fund reporting, the sanitation fund is included as a part of the general fund, but for budgetary reporting is not included as a part of the general fund. Page 20 includes a reconciliation of the general fund budgetary reporting to the general fund reporting on page 14 under generally accepted accounting principles.

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Investments were made up entirely of certificates of deposits with original maturities greater than three months for the fiscal year ended June 30, 2011.

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, the state pooled investment fund, and mutual funds. 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, 2011, all deposits were fully collateralized or insured.

B. Receivables

Receivables as of June 30, 2011 for the government's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

	General	State Street Aid	Sanitation	Sewer	Total
Receivables					
Interest	\$ 2,169	\$ 370	\$ -	\$ 1,108	\$ 3,647
Taxes	2,730,135	-	-	-	2,730,135
Accounts	54,449	-	-	260,494	314,943
Intergovernmental	375,591	2,581	66,175	-	444,347
Grants	-	364,772	-	-	364,772
Gross receivables	3,162,344	367,723	66,175	261,602	3,857,844
Less: allowance for uncollectibles	(42,643)	-	-	-	(42,643)
Net total receivables	<u>\$ 3,119,701</u>	<u>\$ 367,723</u>	<u>\$ 66,175</u>	<u>\$ 261,602</u>	<u>\$ 3,815,201</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 1,273,397	\$ 23,365	\$ -	\$ 1,296,762
Construction in progress	3,053,162	2,320,888	483,969	4,890,081
Total capital assets, not being depreciated, net	<u>4,326,559</u>	<u>2,344,253</u>	<u>483,969</u>	<u>6,186,843</u>
Capital assets being depreciated:				
Buildings and improvements	4,001,254	543,171	-	4,544,425
Machinery and equipment	1,518,230	70,792	34,840	1,554,182
Infrastructure	13,749,940	3,167,749	-	16,917,689
Total capital assets being depreciated	<u>19,269,424</u>	<u>3,781,712</u>	<u>34,840</u>	<u>23,016,296</u>
Less: accumulated depreciation for:				
Buildings and improvements	(1,115,814)	(181,768)	-	(1,297,582)
Machinery and equipment	(1,072,180)	(151,736)	(31,396)	(1,192,520)
Infrastructure	(1,268,919)	(550,117)	-	(1,819,036)
Total accumulated depreciation	<u>(3,456,913)</u>	<u>(883,621)</u>	<u>(31,396)</u>	<u>(4,309,138)</u>
Total capital assets, being depreciated, net	<u>15,812,511</u>	<u>2,898,091</u>	<u>3,444</u>	<u>18,707,158</u>
Governmental activities, capital assets, net	<u>\$ 20,139,070</u>	<u>\$ 5,242,344</u>	<u>\$ 487,413</u>	<u>\$ 24,894,001</u>

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Business-type Activities:

Capital assets not being depreciated:

Land	\$ 231,762	\$ -	\$ -	\$ 231,762
Construction in progress	242,540	48,743	-	291,283
Total capital assets, not being depreciated	474,302	48,743	-	523,045

Capital assets being depreciated:

Sewer plant	21,715,953	585,365	34,598	22,266,720
Total capital assets being depreciated	21,715,953	585,365	34,598	22,266,720

Less: accumulated depreciation for:

Infrastructure	(2,049,575)	(599,558)	(34,598)	(2,614,535)
Total accumulated depreciation	(2,049,575)	(599,558)	(34,598)	(2,614,535)

Total capital assets being depreciated, net	19,666,378	(14,193)	-	19,652,185
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Business-type activities capital assets, net	\$ 20,140,680	\$ 34,550	\$ -	\$ 20,175,230
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Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:

General government	\$ 61,474
Public safety	106,301
Public works	36,289
Street department	600,095
Parks department	79,462
Total depreciation expense - governmental activities	\$ 883,621

D. Interfund Transfers and Balances

The composition of interfund transfers as of June 30, 2011, is as follows:

Transfer from	Transfer to	Amount
General	State street aid	\$ 1,000,000
General	Sanitation	51,060
Total		\$ 1,051,060

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 additional capital outlay expenditures. Additionally, funds were transferred from the general fund to the sanitation fund to cover operation expenses.

The composition of due to and due from other funds as of June 30, 2011, is as follows:

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Due from	Due to	Amount
General Fund	State Street Aid	\$ 55,658
Sewer Fund	General Fund	66,175
		\$ 121,833

The balance due from the general fund to the state street aid fund is related to transfers to move revenues from the general fund to the fund in which it relates. The balance due from the sewer fund to the general fund relates to collections for sanitation services by the sewer fund.

E. Long-term Debt

Long-term debt at June 30, 2011 is summarized as follows:

Bonds Payable:

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 0.44% at June 30, 2010

\$ 10,352,000

The following is a summary of long-term debt transactions for the year ended June 30, 2011:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Revenue bonds	\$ 10,929,000	\$ -	\$ 577,000	\$ 10,352,000	\$ 603,000
Notes payable	-	-	-	-	-
Compensated absences	63,965	-	10,621	53,344	-
Landfill closing and post closing monitoring costs	695,637	-	21,276	674,361	-
Total long-term debt	\$ 11,688,602	\$ -	\$ 608,897	\$ 11,079,705	\$ 603,000

The annual requirements by type of issue to amortize all long-term debt and obligations outstanding, except accrued employee vacation and landfill closing and post-closing monitoring costs, at June 30, 2011, including interest payments of \$346,787, are as follows:

	Year Ending June 30,	Revenue Bonds	Interest	Total
	2012	603,000	45,549	648,549
	2013	630,000	42,896	672,896
	2014	659,000	40,124	699,124
	2015	688,000	37,224	725,224
	2016	719,000	34,197	753,197
	2017-2021	4,114,000	120,556	4,234,556
	2022-2024	2,939,000	26,242	2,965,242
Total		\$ 10,352,000	\$ 346,788	\$ 10,698,788

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

The Town is in compliance with all significant debt covenants.

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 at 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 postclosure care in 2007. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Expenditures were \$21,276 for the year ended June 30, 2011.

B. Risk Management

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.

C. Pension Plan

Effective on August 1, 2005 the Town adopted a governmental employer sponsored eligible deferred compensation plan titled Town of Arlington 457 Plan. Participants of the Plan must meet the Plan's eligibility requirements. Once an employee becomes a Participant, the Town will maintain an Individual Account for each employee. Each Plan Year, employee accounts will be adjusted to reflect contributions, gains, losses, etc. All contributions made to the Plan on an employee's behalf will be placed in a trust fund established to hold dollars for the benefit of all Participants. Each Participants Individual Account will be used to track their share in the total trust fund.

For the year ended June 30, 2011, total employer contributions were \$59,902 and employee contributions were \$41,413 based on total covered wages of \$1,497,553.

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

D. Contributed Capital

During the year ended June 30, 2011, the Town received contributed capital totaling \$2,610,198. This amount contains contributions from subdivision developers for streets and sewer infrastructure given to the Town.

E. Prior Period Adjustment

General Fund – A prior period adjustment was made for \$395,549 to correct a prior year error in recording property taxes revenue in the statement of activities. Consequently, net assets have been restated as of July 1, 2010 to reflect the correction. The adjustment had no effect on current year profit and loss for the general fund.

NOTE 6 – CONTINGENT LIABILITY

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 \$1,445,628 although the city is currently in negotiations with MLGW to clarify the terms of the original agreement which may reduce this balance.

OTHER SUPPLEMENTARY INFORMATION SECTION

The other supplementary 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
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SANITATION FUND**

For the Fiscal Year Ended June 30, 2011

Revenues	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Charges for services:				
Refuse collection charges	\$ 703,000	\$ 703,000	\$ 780,386	\$ 77,386
Other:				
Interest earned	<u>2,000</u>	<u>2,000</u>	<u>3,441</u>	<u>1,441</u>
Total revenues	<u>705,000</u>	<u>705,000</u>	<u>783,827</u>	<u>78,827</u>
 Expenditures				
Current expenditures:				
Public works:				
Solid waste collection:				
Contracted services	703,000	703,000	756,886	(53,886)
Landfill closure:				
Professional services	13,475	13,475	8,120	5,355
Repair and maintenance	<u>39,585</u>	<u>39,585</u>	<u>-</u>	<u>39,585</u>
Total public works	<u>756,060</u>	<u>756,060</u>	<u>765,006</u>	<u>(8,946)</u>
Total expenditures	<u>756,060</u>	<u>756,060</u>	<u>765,006</u>	<u>(8,946)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(51,060)</u>	<u>(51,060)</u>	<u>18,821</u>	<u>69,881</u>
Other financing sources (uses)				
Operating transfers in	<u>51,060</u>	<u>51,060</u>	<u>51,060</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,881</u>	<u>\$ 69,881</u>
Fund balance, July 1			<u>234,248</u>	
Fund balance, June 30			<u>\$ 304,129</u>	

See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF LONG TERM DEBT
June 30, 2011

Year Ended June 30,	Revenue Bonds		Total
	Series 2002		
	Principal	Interest	
2012	\$ 603,000	\$ 45,549	\$ 648,549
2013	630,000	42,896	672,896
2014	659,000	40,124	699,124
2015	688,000	37,224	725,224
2016	719,000	34,197	753,197
2017	752,000	31,033	783,033
2018	786,000	27,724	813,724
2019	821,000	24,266	845,266
2020	858,000	20,654	878,654
2021	897,000	16,878	913,878
2022	937,000	12,932	949,932
2023	979,000	8,809	987,809
2024	1,023,000	4,501	1,027,501
	<u>\$ 10,352,000</u>	<u>\$ 346,787</u>	<u>\$ 10,698,787</u>

See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF CHANGES IN TAXES RECEIVABLE
For the Fiscal Year Ended June 30, 2011

Tax Levy for Year	Tax Rate	Tax Levy	Beginning Outstanding Taxes	Additions and Adjustments	Collections	Ending Outstanding Taxes	Outstanding Taxes Filed With Trustee
2010	\$ 1.00	\$ 2,677,703	\$ -	\$ 2,694,777	\$ 2,568,908	\$ 125,869	\$ -
2009	1.00	2,757,236	140,778	(29,279)	62,925	48,574	48,574
2008	1.00	2,336,905	50,421	(12,043)	26,425	11,953	11,953
2007	1.00	2,082,027	11,429	(21)	4,798	6,610	6,610
2006	1.00	1,867,780	2,780	(88)	449	2,243	2,243
2005	1.00	1,424,436	4,850	(88)	296	4,466	4,466
2004	1.00	1,106,070	3,646	(68)	135	3,443	3,443
2003	1.00	961,344	2,119	(68)	(59)	2,110	2,110
2002	1.00	884,166	3,004	-	9	2,995	2,995
2001	1.00	840,297	338	-	11	327	327
			<u>\$ 219,365</u>	<u>\$ 2,653,122</u>	<u>\$ 2,663,897</u>	<u>\$ 208,590</u>	<u>\$ 82,721</u>

Above balances represented as follows:

Considered current receivables	\$ 51,356
Allowance for uncollectible accounts	(42,643)
Deferred revenue	<u>199,877</u>

208,590

Tax levy due October 1, 2011 considered deferred revenue

2,521,546

Total taxes receivable

\$ 2,730,136

See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF UTILITY RATES IN EFFECT
June 30, 2011

Sewer Rates

Residential, Commercial and Industrial:

	\$6.75
Each 100 cubic feet	\$2.55 per 100 cubic feet

Industrial Surcharge:

Biochemical oxygen demand in excess of 250mg/l	\$0.20 per pound of BOD
Suspended solids in excess of 250mg/l	\$0.20 per pound of SS

Number of customers at June 30, 2011:	<u>3,776</u>
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See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended June 30, 2011

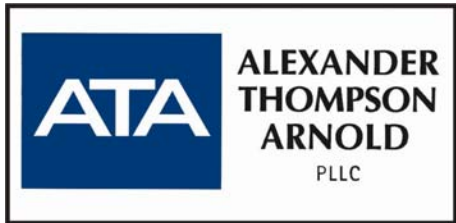
<u>Grantor/Pass Through Entity</u>	<u>CFDA #</u>	<u>State Grant Number</u>	<u>Beginning Balance</u>	<u>Adjustments</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Balance</u>
Federal Assistance:							
United States Department of Housing and Urban Development/Shelby County, Tennessee: Community Development Block Grant - ARRA	14.253	N/A	\$ (133,571)	\$ -	\$ 133,571	\$ -	\$ -
United States Department of Transportation/ Tennessee Department of Transportation:							
Highway Planning and Construction - ARRA	*20.205	090081	(318,808)	-	412,846	(94,038)	-
Highway Planning and Construction	*20.205	070121	(77,485)	-	1,207,051	(1,300,197)	(170,631)
Highway Planning and Construction	*20.205	090128	(147,872)	-	773,600	(648,461)	(22,733)
Highway Planning and Construction	*20.205	090127	(22,351)	-	430,345	(407,994)	-
Highway Planning and Construction	*20.205	090129A1	(23,629)	-	53,335	(200,815)	(171,109)
Highway Planning and Construction	*20.205	090143	-	-	377,786	(377,786)	-
Total United States Department of Transportation			<u>(590,145)</u>	<u>-</u>	<u>3,254,963</u>	<u>(3,029,291)</u>	<u>(364,473)</u>
United States Department of Energy/Tennessee Department of Economic Development Energy Efficiency and Conservation Block Grant - ARRA	81.128	71410	-	-	94,946	(94,946)	-
United States Department of Homeland Security/ Shelby County, Tennessee: Urban Security Initiative	97.008	N/A	-	(1,895)	1,895	-	-
Tennessee Emergency Management Agency Disaster Assistance	97.036	64101-5669	-	-	9,683	(9,683)	-
Total Federal Assistance			<u>(723,716)</u>	<u>(1,895)</u>	<u>3,495,058</u>	<u>(3,133,920)</u>	<u>(364,473)</u>
State Financial Assistance:							
Tennessee Department of Transportation: Locally Managed Enhancement Grant	N/A	109426	(8,807)	8,807	-	-	-
Total state financial assistance			<u>(8,807)</u>	<u>8,807</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total federal awards and state financial assistance			<u>\$ (732,523)</u>	<u>\$ 6,912</u>	<u>\$ 3,495,058</u>	<u>\$ (3,133,920)</u>	<u>\$ (364,473)</u>

* Denotes a major program.

All expenditures reported are under the modified accrual basis of accounting whereby expenditures are recorded when the related liability is incurred.

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



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**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 Russell Wiseman, Mayor
Members of the Board of Aldermen
Town of Arlington, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Arlington, Tennessee (Town) as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 30, 2011. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did

not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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*.

This report is intended solely for the information and use of management, the Board of Mayor and Aldermen, and the Comptroller of the Treasury, State of Tennessee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Jackson, Tennessee
November 30, 2011



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**Independent Auditor's Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program
And on Internal Control Over Compliance in Accordance with OMB Circular A-133**

Honorable Russell Wiseman, Mayor
Members of the Board of Aldermen
Town of Arlington, Tennessee

Compliance

We have audited the Town of Arlington, Tennessee's compliance of the, with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Town's major programs for the year ended June 30, 2011. The Town of Arlington, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Arlington, Tennessee's management. Our responsibility is to express an opinion on the Town of Arlington, Tennessee's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Arlington, Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Arlington, Tennessee's compliance with those requirements.

In our opinion, the Town of Arlington, Tennessee, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Town of Arlington, Tennessee, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Arlington, Tennessee's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion

on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Arlington, Tennessee's internal control over compliance.

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

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

This report is intended solely for the information and use of management, the Board of Mayor and Aldermen, and the Comptroller of the Treasury, State of Tennessee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Jackson, Tennessee
November 30, 2011

**TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2011**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements:

Type of auditor's report issued	Unqualified	
Internal control over financial reporting:		
Material weaknesses identified?	_____ yes	_____ <u>X</u> no
Significant deficiencies identified not considered to be material weaknesses?	_____ yes	_____ <u>X</u> none reported
Noncompliance material to financial statements noted?	_____ yes	_____ <u>X</u> no

Federal Awards:

Internal control over major programs:		
Material weaknesses identified?	_____ yes	_____ <u>X</u> no
Significant deficiencies identified not considered to be material weaknesses?	_____ yes	_____ <u>X</u> none reported
Type of auditor's report issued on compliance for major programs	Qualified	
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	_____ yes	_____ <u>X</u> no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.218 & 14.253	Community Development Block Grant
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between

Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? _____ yes X no

**TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2011**

SECTION II – FINANCIAL STATEMENT FINDINGS

Prior Year Findings:

None reported.

Current Year Findings:

None reported.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Prior Year Findings:

A separate accounting was not effectively kept of all grant proceeds and disbursements with respect to The American Recovery and Investment Act. - Corrected.

Current Year Findings:

None reported.