

**TOWN OF ARLINGTON, TENNESSEE**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**TOWN OF ARLINGTON, TENNESSEE  
TABLE OF CONTENTS**

**INTRODUCTORY SECTION**

List of Principal Officials..... 1

**FINANCIAL SECTION**

Independent Auditor’s Report ..... 2  
 Management’s Discussion and Analysis..... 5  
 Basic Financial Statements:  
 Government-wide Financial Statements:  
     Statement of Net Position ..... 11  
     Statement of Activities ..... 12  
 Fund Financial Statements:  
     Balance Sheet-Governmental Funds..... 13  
     Reconciliation of Statement of Net Position-Governmental Funds ..... 14  
     Statement of Revenues, Expenditures and Changes in Fund Balances-  
     Governmental Funds..... 15  
     Reconciliation of Statement of Revenues, Expenditures and Changes  
     in Fund Balances-Governmental Funds to the Statement of Activities ..... 16  
     Statement of Revenues, Expenditures and Changes in Fund Balances-  
     Budget and Actual-General Fund..... 17  
     Statement of Revenues, Expenditures and Changes in Fund Balances-  
     Budget and Actual-State Street Aid Fund ..... 22  
     Statement of Net Position-Proprietary Fund ..... 23  
     Statement of Revenues, Expenses and Changes in  
     Net Position-Proprietary Fund ..... 24  
     Statement of Cash Flows-Proprietary Fund ..... 25  
 Notes to the Financial Statements ..... 27

**OTHER SUPPLEMENTARY INFORMATION SECTION**

Schedule of Revenues, Expenditures and Changes in Fund Balances-  
 Budget and Actual-Sanitation Fund ..... 40  
 Schedule of Principal and Interest Requirement – General Obligation Debt ..... 41  
 Schedule of Principal and Interest Requirement – Proprietary Funds Debt ..... 42  
 Schedule of Changes in Taxes Receivable ..... 43  
 Schedule of Utility Rates in Effect ..... 44  
 Schedule of Expenditures of Federal Awards ..... 45

**INTERNAL CONTROL OVER COMPLIANCE SECTION**

Independent Auditor’s Report on Internal Control Over Financial Reporting and on  
 Compliance and Other Matters Based on an Audit of Financial Statements  
 Performed in Accordance With *Government Auditing Standards* ..... 46  
 Independent Auditor’s Report on Compliance For Each Major Federal Program and on  
 Internal Control over Compliance Required by OMB Circular A-133 ..... 48  
 Schedule of Findings and Questioned Costs ..... 50

## **INTRODUCTORY SECTION**

**TOWN OF ARLINGTON, TENNESSEE**  
**LIST OF PRINCIPAL OFFICIALS**  
June 30, 2013

**ELECTED OFFICIALS**

Mayor	Mike Wissman
Vice Mayor	Harry McKee
Alderman	Glenn Bascom, II
Alderman	Oscar Brooks
Alderman	Gerald McGee
Alderman	Brian Thompson
Alderman	Jeff McKee

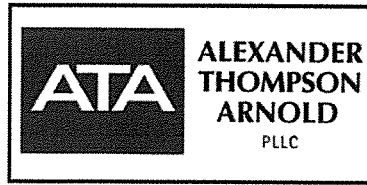
**APPOINTED OFFICIALS**

Recorder, CMFO	Catherine Durant
Town Superintendent	Ed Haley

## **FINANCIAL SECTION**

**Members of:**

American Institute of Certified Public Accountants  
AICPA Center for Public Company Audit Firms  
AICPA Governmental Audit Quality Center  
AICPA Employee Benefit Plan Audit Quality Center  
Tennessee Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants



Certified Public Accountants  
Offices in Tennessee & Kentucky

227 Oil Well Rd.  
Jackson, TN 38305

Phone 731.427.8571  
Fax 731.424.5701  
[www.atacpa.net](http://www.atacpa.net)

---

## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Arlington, Tennessee (Town), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the State Street Aid Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, other supplementary information section, and schedule of expenditures of federal awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of revenues, expenditures and changes in fund balances – budget and actual – sanitation fund, schedule of principal and interest requirement – general obligation debt, schedule of principal and interest requirement – proprietary fund debt, schedule of changes in taxes receivable, schedule of utility rates in effect, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues, expenditures and changes in fund balances – budget and actual – sanitation fund, schedule of principal and interest requirement – general obligation debt, schedule of principal and interest requirement – proprietary fund debt, schedule of changes in taxes receivable, schedule of utility rates in effect, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Alexander Hayslip" followed by some less legible characters.

Jackson, Tennessee  
December 16, 2013



## 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, 2013. 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 \$64.58 million (net position). Of this amount, \$22.20 million (unrestricted net position) may be used to meet the Town of Arlington's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Town of Arlington's general fund reported an ending fund balance of \$11.78 million, an increase of \$1.80 million in comparison with the prior year. Of the total fund balance, \$11.20 million is available for spending at the Town of Arlington's discretion (unassigned fund balance).
- The Town of Arlington's total bonds and notes payable increased by \$5.91 million 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 required and other 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 Position presents information on all of the Town of Arlington's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Arlington is improving or deteriorating.
- The Statement of Activities presents information showing how the Town of Arlington's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and compensated absences).

Both of the government-wide financial statements distinguish functions of the Town of Arlington that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town of Arlington include general government, public safety, public works, welfare, recreation, and debt service. The business-type activities of the Town of Arlington include Public Utilities (sewer). The government-wide financial statements can be found on pages 11 and 12 of this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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 13 through 16 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 State Street Aid Fund, which are considered to be major funds.

The Town of Arlington adopts an annual appropriated budget for each governmental fund. Budgetary comparisons of the major fund statements have been provided on pages 17 through 22 of this report for the General Fund and State Street Aid Fund 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 23 through 26 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 27 through 39 of this report.

### 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

*Statement of Net Position* - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Arlington, assets exceeded liabilities by \$64.58 million at the close of the most recent fiscal year. Fifty-six percent (56%) of the Town's net position reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that are still outstanding. The Town of Arlington uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Arlington's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 21,033,942	\$ 18,385,489	\$ 11,338,353	\$ 7,665,320	\$ 32,372,295	\$ 26,050,809
Capital assets	28,942,913	28,456,443	22,597,748	20,174,770	51,540,661	48,631,213
<b>Total assets</b>	<b>49,976,855</b>	<b>46,841,932</b>	<b>33,936,101</b>	<b>27,840,090</b>	<b>83,912,956</b>	<b>74,682,022</b>
Long-term liabilities	1,027,205	705,916	14,311,926	9,119,000	15,339,131	9,824,916
Other liabilities	3,159,024	2,778,986	839,000	636,647	3,998,024	3,415,633
<b>Total liabilities</b>	<b>4,186,229</b>	<b>3,484,902</b>	<b>15,150,926</b>	<b>9,755,647</b>	<b>19,337,155</b>	<b>13,240,549</b>
<b>Net position:</b>						
Net investment in						
capital assets	28,407,285	28,456,443	7,446,822	10,425,770	35,854,107	38,882,213
Restricted street aid	6,085,675	5,565,762	-	-	6,085,675	5,565,762
Restricted sanitation	437,159	-	-	-	437,159	-
Unrestricted	10,860,507	9,334,825	11,338,353	7,658,673	22,198,860	16,993,498
<b>Total net position</b>	<b>\$ 45,790,626</b>	<b>\$ 43,357,030</b>	<b>\$ 18,785,175</b>	<b>\$ 18,084,443</b>	<b>\$ 64,575,801</b>	<b>\$ 61,441,473</b>

An additional portion of the Town of Arlington's net position (\$6.52 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position representing unrestricted net position (\$22.20 million) may be used to meet the Town of Arlington's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the Town of Arlington is able to report positive balances in all three categories of net position, both for the Town of Arlington as a whole, as well as for its total governmental and total business-type activities.

*Statement of Activities* – Revenues in governmental activities exceeded expenses by \$2.43 million. In the business-type activities, revenues exceeded expenses by \$701 thousand.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 963,859	\$ 953,991	\$ 1,880,183	\$ 1,916,586	\$ 2,844,042	\$ 2,870,577
Operating grants and contributions	368,235	367,504	-	-	368,235	367,504
Capital grants and contributions	667,126	5,076,247	-	615,795	667,126	5,692,042
General revenues:						
Property taxes	3,514,807	2,984,532	-	-	3,514,807	2,984,532
Other taxes	2,982,763	2,605,259	-	-	2,982,763	2,605,259
Other sources	207,193	151,518	81,279	72,966	288,472	224,484
<b>Total revenues</b>	<b><u>8,703,983</u></b>	<b><u>12,139,051</u></b>	<b><u>1,961,462</u></b>	<b><u>2,605,347</u></b>	<b><u>10,665,445</u></b>	<b><u>14,744,398</u></b>
Expenses:						
General government	2,233,908	2,125,528	-	-	2,233,908	2,125,528
Public safety	1,252,382	1,149,389	-	-	1,252,382	1,149,389
Highway and streets	799,994	1,245,700	-	-	799,994	1,245,700
Public works	644,240	755,313	-	-	644,240	755,313
Sanitation collection	670,496	785,456	-	-	670,496	785,456
Culture and recreation	454,050	396,958	-	-	454,050	396,958
Debt service	6,789	-	-	-	6,789	-
Sewer	208,528	-	1,260,730	1,195,875	1,469,258	1,195,875
<b>Total expenses</b>	<b><u>6,270,387</u></b>	<b><u>6,458,344</u></b>	<b><u>1,260,730</u></b>	<b><u>1,195,875</u></b>	<b><u>7,531,117</u></b>	<b><u>7,654,219</u></b>
<b>Increase in net position</b>	<b><u>2,433,596</u></b>	<b><u>5,680,707</u></b>	<b><u>700,732</u></b>	<b><u>1,409,472</u></b>	<b><u>3,134,328</u></b>	<b><u>7,090,179</u></b>
Net position - beginning	43,357,030	37,676,323	18,084,443	16,674,971	61,441,473	54,351,294
Net position - ending	<b><u>\$ 45,790,626</u></b>	<b><u>\$ 43,357,030</u></b>	<b><u>\$ 18,785,175</u></b>	<b><u>\$ 18,084,443</u></b>	<b><u>\$ 64,575,801</u></b>	<b><u>\$ 61,441,473</u></b>

### COMMENTS ON FUND FINANCIAL STATEMENTS

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

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

The general fund accounts for approximately 91.47% of governmental fund revenues. Accordingly this discussion will focus on the general fund. General fund balance was \$11.78 million at the end of the current fiscal year. Of that balance, \$11.20 million is available to meet the day-to-day needs of the Town.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenues in the general fund were up from the previous year by approximately \$961 thousand. The most significant changes in revenues and other financing sources in the general fund were:

- Real Property Taxes increased by \$232 thousand.
- Personal Property Taxes increased by \$101 thousand.
- Public Utility Taxes increased by \$45 thousand.
- In Lieu of tax payments – other governments increased by \$137 thousand.
- Local Sales Taxes decreased by \$125 thousand.
- Federal Grants increased by \$182 thousand.
- State-Shared sales taxes increased by \$18 thousand.
- State-Shared Local Sales Tax increased by \$336 thousand.
- State Income Tax increased by \$47 thousand.

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

*Proprietary funds* - The Town of Arlington's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the proprietary fund at the end of the year amounted to \$11.34 million. The total growth in net position for this fund was \$701 thousand.

### GENERAL FUND BUDGETARY HIGHLIGHTS

#### Final Budgeted and Actual Amounts

Actual revenues and other financing sources were over the budgeted amounts by \$809 thousand. Significant variances are as follows:

- In lieu of tax payments – other governments were up \$132 thousand.
- Federal grants were up \$188 thousand.
- Intergovernmental (state shared taxes) were up \$225 thousand.
- Refuse collection charges were up \$80 thousand.

Actual expenditures were under the final budgeted amount by \$667 thousand. Significant variances are as follows:

- General Government was under by \$47 thousand.
- Public Safety was under by \$95 thousand.
- Public Works was under by \$157 thousand.
- Education was under by \$299 thousand.
- Parks & Library and Senior Center were under by \$38 thousand

### CAPITAL ASSET AND DEBT ADMINISTRATION

*Capital Assets* - At the end of fiscal year 2013, the Town had invested \$51.54 million net of accumulated depreciation in a variety of capital assets and infrastructure. Infrastructure was valued at \$22.30 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 \$15.65 million. Of this amount, \$15.65 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**

- Arlington's residential and commercial growth have kept at a steady rate over the last few years, but we are expecting an increase in home and multi-family construction in the next fiscal year, which will result in an increase in permit and development fee collection, as well as an increase in population.
- Arlington's new home construction continued at a constant rate, with 86 new housing starts for FY2012-13. The rate of construction is anticipated to increase in the next fiscal year. There is an inventory of 80 available residential lots, an 11-month inventory. A 47-lot single-family residential subdivision is anticipated to be complete in the first quarter 2014, which will provide additional inventory. Construction on three other residential subdivisions should begin in the second quarter 2014, resulting in 100 additional lots, plus construction of a 164-unit multi-family development is scheduled to begin construction in the second quarter 2014.
- Arlington has seen an increase in population. A special census was conducted for the Town of Arlington in early 2013. The State of Tennessee certified the population of 12,090 residents. This was an increase of 573 residents over the 2010 US Census population of 11,517. This population increase leads to increased share of State Shared tax dollars for the Town.
- Commercial developments in Arlington during the 2012-13 fiscal year included the opening of Arlington Pet Hospital and Raleigh Tire Center. New industrial development for FY 2013-14 include a 50,000 square foot expansion of Wright Medical Technology and a 32,000 square foot expansion of Maines paper and Food. Wright Medical recently sold a portion of its medical device company to Microport, who will maintain the corporate offices previously owned by Wright, as well as maintain two additional facilities in Arlington previously owned by Wright.
- The Town has continued to expand and improve its infrastructure. Completion of Milton Wilson Boulevard, improvements of Airline Road, and a sewer improvement project all provide access to lands for future residential and non-residential development.
- The Town of Arlington is moving forward towards the creation of a Municipal School District and is planning to operate four (4) schools within its boundaries by August 2014.

All of these factors were considered in preparing the Town of Arlington's budget for the 2013/2014 fiscal year and will aid in the 2014/2015 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 POSITION**  
June 30, 2013

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 10,685,043	\$ 7,161,003	\$ 17,846,046
Investments	6,129,713	3,884,214	10,013,927
Receivables:			
Interest	2,857	1,197	4,054
Taxes (net of allowance for uncollectibles of \$5,167)	3,220,554	-	3,220,554
Accounts	66,876	242,913	309,789
Due (to) from other funds	74,559	(74,559)	-
Intergovernmental - nongrant	643,306	-	643,306
Grants	211,034	-	211,034
Unamortized bond cost	-	123,585	123,585
Capital assets not being depreciated:			
Land	1,372,303	231,762	1,604,065
Construction in process	1,130,977	3,358,063	4,489,040
Capital assets net of accumulated depreciation:			
Buildings and improvements	3,110,146	-	3,110,146
Machinery and equipment	1,033,408	-	1,033,408
Sewer plant	-	19,007,923	19,007,923
Infrastructure	22,296,079	-	22,296,079
Total assets	<u>49,976,855</u>	<u>33,936,101</u>	<u>83,912,956</u>
<b>Liabilities</b>			
Accounts payable	1,983	-	1,983
Deferred property taxes	3,086,413	-	3,086,413
Long-term debt			
Due within one year	70,628	839,000	909,628
Due in more than one year	465,000	14,280,000	14,745,000
Unamortized bond premium	-	31,926	31,926
Accrued annual leave - long-term	71,046	-	71,046
Accrued landfill closing and postclosing costs	491,159	-	491,159
Total liabilities	<u>4,186,229</u>	<u>15,150,926</u>	<u>19,337,155</u>
<b>Net Position</b>			
Net investment in capital assets	28,407,285	7,446,822	35,854,107
Restricted for state street aid	6,085,675	-	6,085,675
Restricted for sanitation	437,159	-	437,159
Unrestricted	10,860,507	11,338,353	22,198,860
Total net position	<u>\$ 45,790,626</u>	<u>\$ 18,785,175</u>	<u>\$ 64,575,801</u>

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



**TOWN OF ARLINGTON, TENNESSEE**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2013

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 2,233,908	\$ 92,524	\$ -	\$ 240,940	\$ (1,900,444)	\$ -	\$ (1,900,444)
Public safety	1,252,382	8,010	-	-	(1,244,372)	-	(1,244,372)
Highways and streets	799,994	-	362,095	426,186	(11,713)	-	(11,713)
Public works	644,240	-	-	-	(644,240)	-	(644,240)
Sanitation collection	670,496	880,183	-	-	209,687	-	209,687
Parks and recreation	454,050	27,712	6,140	-	(420,198)	-	(420,198)
Education	208,528	-	-	-	(208,528)	-	(208,528)
Interest on long-term debt	6,789	-	-	-	(6,789)	-	(6,789)
Total governmental activities	6,270,387	1,008,429	368,235	667,126	(4,226,597)	-	(4,226,597)
Business-type activities							
Sewer	1,260,730	1,880,183	-	-	-	619,453	619,453
Total primary government	\$ 7,531,117	\$ 2,888,612	\$ 368,235	\$ 667,126	\$ (4,226,597)	\$ 619,453	\$ (3,607,144)
General revenues							
Property taxes - levied for general government					3,514,807	-	3,514,807
Payments in lieu of taxes - other governments					336,179	-	336,179
Sales taxes					2,169,424	-	2,169,424
Franchise taxes					85,789	-	85,789
Alcoholic beverage taxes					295,108	-	295,108
Business taxes					96,263	-	96,263
State income and excise taxes					52,175	-	52,175
Interest, penalties and court costs					35,388	-	35,388
Miscellaneous					-	3,762	3,762
Unrestricted interest income					75,060	77,517	152,577
Total general revenues					6,660,193	81,279	6,741,472
Changes in net position					2,433,596	700,732	3,134,328
Net position - beginning					43,357,030	18,084,443	61,441,473
Net position - ending					\$ 45,790,626	\$ 18,785,175	\$ 64,575,801

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

**TOWN OF ARLINGTON, TENNESSEE**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
June 30, 2013

	<b>General Fund</b>	<b>State Street Aid Fund</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 7,482,252	\$ 3,202,788	\$ 10,685,040
Investments	3,514,272	2,615,441	6,129,713
Receivables:			
Interest	1,604	1,256	2,860
Taxes (net of allowance for uncollectibles of \$5,167)	3,220,554	-	3,220,554
Accounts - other	66,876	-	66,876
Due from other funds	74,559	55,279	129,838
Intergovernmental - nongrant	643,306	-	643,306
Grant receivable	-	211,034	211,034
<b>Total assets</b>	<b>\$ 15,003,423</b>	<b>\$ 6,085,798</b>	<b>\$ 21,089,221</b>
<b>Liabilities and Fund Balances</b>			
Liabilities			
Accounts payable	\$ 1,860	\$ 123	\$ 1,983
Due to other funds	55,279	-	55,279
Deferred revenue - property taxes	3,162,996	-	3,162,996
Total liabilities	3,220,135	123	3,220,258
Fund balances			
Restricted for state street aid	-	6,085,675	6,085,675
Restricted for sanitation	437,159	-	437,159
Assigned:			
Impact fees	149,400	-	149,400
Unassigned	11,196,729	-	11,196,729
Total fund balances	11,783,288	6,085,675	17,868,963
<b>Total liabilities and fund balances</b>	<b>\$ 15,003,423</b>	<b>\$ 6,085,798</b>	<b>\$ 21,089,221</b>

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

**TOWN OF ARLINGTON, TENNESSEE**  
**RECONCILIATION OF STATEMENT OF NET POSITION-GOVERNMENTAL FUNDS**  
June 30, 2013

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

Fund balances - total governmental funds (Page 13)	\$ 17,868,963
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds	28,942,913
Receivables not available to pay for current expenditures, therefore, are deferred in the funds (property taxes)	76,583
Long-term liabilities, including notes, and leases payable, are not due in the current period and, therefore, are not reported in the funds	<u>(1,097,833)</u>
Net position of governmental activities (Page 11)	<u>\$ 45,790,626</u>

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

**TOWN OF ARLINGTON, TENNESSEE**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
For the Year Ended June 30, 2013

	General Fund	State Street Aid Fund	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 5,138,109	\$ -	\$ 5,138,109
Licenses and permits	44,570	-	44,570
Intergovernmental	1,643,870	700,306	2,344,176
Charges for services	900,193	-	900,193
Other	221,267	40,590	261,857
<b>Total revenues</b>	<u>7,948,009</u>	<u>740,896</u>	<u>8,688,905</u>
<b>Expenditures</b>			
Current			
General government	973,603	-	973,603
Public safety	1,249,711	-	1,249,711
Highways and streets	632,275	799,994	1,432,269
Education	208,528	-	208,528
Sanitation collection	822,289	-	822,289
Parks and recreation	460,360	-	460,360
Capital outlay	1,157,179	589,841	1,747,020
Debt service:			
Interest	6,789	-	6,789
<b>Total expenditures</b>	<u>5,510,734</u>	<u>1,389,835</u>	<u>6,900,569</u>
Revenues over (under) expenditures	2,437,275	(648,939)	1,788,336
Other Financing Sources (Uses)			
Note proceeds	535,628	-	535,628
Operating transfers in	-	1,168,852	1,168,852
Operating transfers out	(1,168,852)	-	(1,168,852)
Total other financing sources (uses)	<u>(633,224)</u>	<u>1,168,852</u>	<u>535,628</u>
<b>Net changes in fund balances</b>	<u><b>1,804,051</b></u>	<u><b>519,913</b></u>	<u><b>2,323,964</b></u>
Fund balances - beginning	<u>9,979,237</u>	<u>5,565,762</u>	<u>15,544,999</u>
Fund balances - ending	<u>\$ 11,783,288</u>	<u>\$ 6,085,675</u>	<u>\$ 17,868,963</u>

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

**TOWN OF ARLINGTON, TENNESSEE**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2013

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

Net change in fund balances - total governmental funds (Page 15)	\$ 2,323,964
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.	486,470
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds (property taxes).	15,079
Some expenses reported in the statement of activities, such as accrued leave and landfill liability, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	143,711
The issuance of the principal of long-term debt increases the current financial resources of governmental funds. These transactions do not have any effect on net assets.	<u>(535,628)</u>
Change in net position of governmental activities (Page 12)	<u><u>\$ 2,433,596</u></u>

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

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

For the Year Ended June 30, 2013

Revenues	Budgeted Amounts		Actual	Variance
	Original	Final		Over (Under)
Taxes:				
Real property taxes	\$ 2,888,011	\$ 2,888,011	\$ 2,923,277	\$ 35,266
Personal property taxes	260,841	275,841	290,737	14,896
Public utility taxes	241,050	297,050	285,714	(11,336)
Interest and penalties	20,000	20,000	35,388	15,388
In lieu of tax payments -				
Other governments	60,950	73,000	204,841	131,841
Local sales tax	1,000,000	1,000,000	1,033,416	33,416
Wholesale beer tax	210,000	200,000	208,862	8,862
Wholesale liquor tax	60,000	60,000	70,085	10,085
Franchise taxes	75,000	75,000	85,789	10,789
Total taxes	<u>4,815,852</u>	<u>4,888,902</u>	<u>5,138,109</u>	<u>249,207</u>
Licenses and permits:				
Licenses and permits	17,000	17,000	21,856	4,856
Planning commission submittals	5,000	14,500	20,224	5,724
Excavating permits	2,000	2,000	2,490	490
Total licenses and permits	<u>24,000</u>	<u>33,500</u>	<u>44,570</u>	<u>11,070</u>
Intergovernmental:				
Federal grants	-	-	188,229	188,229
TVA in lieu of tax	125,000	125,000	131,338	6,338
Business tax	70,000	80,000	96,263	16,263
State sales tax	700,000	700,000	799,692	99,692
State local sales tax	-	280,000	336,316	56,316
State income tax	30,000	-	46,753	46,753
State beer tax	5,500	5,500	5,694	194
State alcoholic beverage tax	6,000	6,000	10,467	4,467
State petroleum special fee	23,000	23,000	23,696	696
State telecommunications sales tax	600	600	1,034	434
State excise tax	1,500	4,388	4,388	-
Total intergovernmental	<u>961,600</u>	<u>1,224,488</u>	<u>1,643,870</u>	<u>419,382</u>
Charges for services:				
Refuse collection	800,000	800,000	880,183	80,183
Fire reports	-	-	5	5
Park and recreation fees	12,500	12,500	20,005	7,505
Total charges for services	<u>812,500</u>	<u>812,500</u>	<u>900,193</u>	<u>87,693</u>
Other:				
Other	20,100	14,250	13,937	(313)
Rent	5,251	8,051	8,051	-
City Court revenue	-	-	205	205
Interest earned	60,000	60,000	75,061	15,061
Insurance recovery	-	22,620	22,622	2
Impact fees	50,000	58,000	76,400	18,400
Library fines	16,000	16,000	18,851	2,851

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

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

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final		Over (Under)
Contributions	-	540	6,140	5,600
Total other	151,351	179,461	221,267	41,806
<b>Total revenues</b>	<b>6,765,303</b>	<b>7,138,851</b>	<b>7,948,009</b>	<b>809,158</b>
<b>Expenditures</b>				
Current expenditures:				
General government:				
Salaries	400,000	400,000	370,728	(29,272)
OASI	30,000	30,000	32,094	2,094
Hospital and health insurance	32,000	32,000	27,936	(4,064)
Workmen's compensation	3,000	3,871	3,870	(1)
Other employer contributions	24,000	24,000	24,000	-
Board and committee members	61,000	61,000	61,000	-
Elections	21,000	10,000	223	(9,777)
Contractual services	45,000	45,000	41,217	(3,783)
Postage	4,500	8,000	7,879	(121)
Messenger and delivery services	2,000	2,000	2,446	446
Publication of legal notices	7,000	14,500	19,156	4,656
Memberships and registration fees	6,000	6,000	6,036	36
Public relations	17,000	17,000	14,638	(2,362)
Utility services	20,000	15,000	9,756	(5,244)
Telephone	7,500	11,200	10,206	(994)
Legal services	130,000	75,000	64,214	(10,786)
Accounting and auditing services	15,000	15,000	14,510	(490)
Architectural and engineering services	60,000	60,000	67,411	7,411
Planning services	60,000	40,000	40,000	-
Web site services	5,200	7,200	7,133	(67)
Data processing services	12,000	12,000	6,805	(5,195)
Other professional services	64,000	64,000	62,477	(1,523)
Repair and maintenance services	4,000	4,000	1,105	(2,895)
Repair and maintenance of buildings	30,000	30,000	11,665	(18,335)
Travel	5,000	5,000	3,077	(1,923)
Collection fees	25,000	25,000	23,543	(1,457)
Sundry	2,000	2,000	1,706	(294)
Operating supplies	16,000	16,000	14,559	(1,441)
Off site record storage	3,000	3,000	2,317	(683)
Insurance on buildings	2,600	4,300	4,289	(11)
Insurance - liability	9,500	8,200	8,149	(51)
Prizes and awards	500	500	330	(170)
Capital outlay	150,000	250,000	329,121	79,121
Machinery and equipment rent	8,500	8,500	9,128	628

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

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

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance Over (Under)
	Original	Budget		
Other machinery and equipment	40,000	40,000	-	(40,000)
Total general government	<u>1,322,300</u>	<u>1,349,271</u>	<u>1,302,724</u>	<u>(46,547)</u>
Public safety				
Fire protection and control:				
Salaries	790,000	790,000	778,324	(11,676)
OASI	59,700	59,700	54,348	(5,352)
Hospital and health insurance	114,500	114,500	91,529	(22,971)
Workmens compensation	18,000	18,356	18,355	(1)
Employee education and training	6,000	6,000	1,453	(4,547)
Other employer contributions	46,000	46,000	35,875	(10,125)
Volunteer firemen	3,000	3,000	2,988	(12)
Membership fees, dues	4,000	5,000	4,628	(372)
Utility services	20,000	15,000	14,515	(485)
Telephone	7,000	7,000	7,335	335
Medical and dental	150,000	150,000	138,471	(11,529)
Repair and maintenance	55,000	60,000	40,727	(19,273)
Data processing	3,300	4,000	3,344	(656)
Travel	5,000	5,000	4,101	(899)
Operating supplies	8,500	8,500	7,823	(677)
Clothing and uniforms	11,500	11,500	11,728	228
Gas, oil and diesel	20,500	20,500	15,922	(4,578)
Insurance-building and liability	10,500	9,442	9,441	(1)
Insurance-vehicles and equipment	4,000	4,050	4,049	(1)
Capital outlay	-	535,628	653,402	117,774
Machinery and equipment rent	3,300	3,300	2,741	(559)
Other machinery and equipment	95,000	120,000	-	(120,000)
	<u>1,434,800</u>	<u>1,996,476</u>	<u>1,901,099</u>	<u>(95,377)</u>
Fire fighting:				
Supplies	2,100	2,100	2,014	(86)
Total public safety	<u>1,436,900</u>	<u>1,998,576</u>	<u>1,903,113</u>	<u>(95,463)</u>
Highway and streets:				
Salaries	490,000	490,000	405,000	(85,000)
OASI	35,000	35,000	29,933	(5,067)
Hospital and health insurance	62,500	62,500	39,371	(23,129)
Workmens compensation	15,000	15,000	14,631	(369)
Other employer contributions	28,000	28,000	25,665	(2,335)
Memberships, registration fees	5,000	5,000	1,715	(3,285)
Utility services	6,000	6,000	4,711	(1,289)

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



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

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance Over (Under)
	Original	Final		
Telephone	8,000	8,000	8,052	52
Data processing	3,300	4,500	3,344	(1,156)
Repair and maintenance services	106,000	66,000	49,590	(16,410)
Operating supplies	13,000	12,662	9,776	(2,886)
Clothing and uniforms	6,500	6,500	6,251	(249)
Gas, oil and diesel	19,000	19,000	14,817	(4,183)
Fabricated materials	5,000	-	6,974	6,974
Insurance	10,700	9,830	9,421	(409)
Machinery and equipment rental	3,300	3,300	3,025	(275)
Other machinery and equipment	20,000	20,000	25,629	5,629
Capital outlay	75,000	75,000	51,484	(23,516)
<b>Total highway and streets</b>	<b>911,300</b>	<b>866,292</b>	<b>709,389</b>	<b>(156,903)</b>
<b>Education:</b>				
Legal Services	-	200,000	168,056	(31,944)
Other professional services	507,080	302,080	38,586	(263,494)
Travel	-	5,000	1,886	(3,114)
<b>Total education</b>	<b>507,080</b>	<b>507,080</b>	<b>208,528</b>	<b>(298,552)</b>
<b>Sanitation:</b>				
Collection fees	800,000	800,000	814,169	14,169
Other professional services	14,271	14,271	1,000	(13,271)
Repair and maintenance	40,000	40,000	7,120	(32,880)
<b>Total sanitation</b>	<b>854,271</b>	<b>854,271</b>	<b>822,289</b>	<b>(31,982)</b>
<b>Parks and recreation:</b>				
Salaries	130,000	140,000	135,915	(4,085)
OASI	10,100	10,500	9,917	(583)
Hospital and health insurance	21,000	24,000	26,702	2,702
Workmens compensation	2,400	2,470	2,483	13
Postage	200	350	346	(4)
Other employer contributions	6,000	6,000	4,576	(1,424)
Contractual services	161,200	161,200	152,573	(8,627)
Public relations	-	15,000	15,771	771
Utility services	41,000	41,000	34,526	(6,474)
Telephone	4,400	4,400	5,289	889
Repair and maintenance	40,000	37,000	37,788	788
Sundry	1,200	1,200	918	(282)
Operating supplies	26,800	26,800	17,698	(9,102)
Gas, oil and diesel fuel	5,000	5,000	5,531	531
Insurance	7,800	7,800	7,476	(324)
Other machinery and equipment	26,500	28,000	13,335	(14,665)

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

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

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance Over (Under)
	Original	Final		
Capital outlay	5,000	85,000	87,058	2,058
Total parks and recreation	<u>488,600</u>	<u>595,720</u>	<u>557,902</u>	<u>(37,818)</u>
Debt Service:				
Principal	64,000	-	-	-
Interest	12,000	7,000	6,789	(211)
Total debt service	<u>76,000</u>	<u>7,000</u>	<u>6,789</u>	<u>(211)</u>
Total expenditures	<u>5,596,451</u>	<u>6,178,210</u>	<u>5,510,734</u>	<u>(667,476)</u>
<b>Revenues over (under) expenditures</b>	1,168,852	960,641	2,437,275	1,476,634
Other financing sources (uses)				
Note proceeds	-	535,628	535,628	-
Operating transfers in	-	-	379,265	379,265
Operating transfers out	<u>(1,168,852)</u>	<u>(1,168,852)</u>	<u>(1,168,852)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,168,852)</u>	<u>(1,168,852)</u>	<u>(253,959)</u>	<u>379,265</u>
<b>Net changes in fund balances</b>	<u>\$ -</u>	<u>\$ (208,211)</u>	<u>2,183,316</u>	<u>\$ 1,855,899</u>
Fund balance, July 1			<u>9,599,972</u>	
Fund balance, June 30			<u>\$ 11,783,288</u>	
Reconciliation to fund financial statements:				
Excess (deficiency) of revenues over (under) expenditures - budgetary			\$ 2,183,316	
Revenues and expenditures not included in budgetary statements:				
Sanitation - operating transfers in			<u>(379,265)</u>	
Excess (deficiency) of revenues over (under) expenditures - (page 15)			<u>1,804,051</u>	
Fund balance - budgetary			<u>11,783,288</u>	
Fund balance - page 15			<u>\$ 11,783,288</u>	

*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 Year Ended June 30, 2013

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		<b>Over (Under)</b>
<b>Revenues</b>				
Intergovernmental:				
Gas 1989	\$ -	\$ 35,000	\$ 32,942	\$ (2,058)
Gas 3 cent	-	60,000	61,142	1,142
Gasoline and motor fuel tax	300,000	205,000	203,725	(1,275)
Grant revenue	100,000	152,711	402,497	249,786
Total intergovernmental	<u>400,000</u>	<u>452,711</u>	<u>700,306</u>	<u>247,595</u>
Other:				
Interest earned	<u>20,000</u>	<u>20,000</u>	<u>40,590</u>	<u>20,590</u>
Total revenues	<u>420,000</u>	<u>472,711</u>	<u>740,896</u>	<u>268,185</u>
<b>Expenditures</b>				
Current:				
Public works:				
Highways and streets:				
Utilities	320,000	320,000	289,163	(30,837)
Repair and maintenance services	50,000	-	-	-
Repair and maintenance - streets	575,000	500,000	498,114	(1,886)
Gas, oil and diesel	15,000	15,000	12,717	(2,283)
Grant expenditures	984,320	996,320	-	(96,320)
Capital outlay, including grants	<u>250,000</u>	<u>250,000</u>	<u>589,841</u>	<u>339,841</u>
Total expenditures	<u>2,194,320</u>	<u>2,081,320</u>	<u>1,389,835</u>	<u>(691,485)</u>
<b>Revenues over (under) expenditures</b>	<u>(1,774,320)</u>	<u>(1,608,609)</u>	<u>(648,939)</u>	<u>959,670</u>
Other financing sources (uses)				
Other	605,468	439,757	-	(439,757)
Operating transfers in	<u>1,168,852</u>	<u>1,168,852</u>	<u>1,168,852</u>	<u>-</u>
<b>Net changes in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>519,913</u>	<u>\$ 519,913</u>
Fund balance, July 1			<u>5,565,762</u>	
Fund balance, June 30			<u>\$6,085,675</u>	

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

**TOWN OF ARLINGTON, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
June 30, 2013

	<b>Sewer Fund</b>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 7,161,003
Investments	3,884,214
Receivables	
Interest	1,197
Accounts	242,913
Total current assets	11,289,327
Noncurrent assets	
Unamortized bond cost	123,585
Capital assets	
Land	231,762
Sewer plant	22,839,649
Construction in progress	3,358,063
Less accumulated depreciation	(3,831,726)
Total capital assets (net of accumulated depreciation)	22,597,748
Total noncurrent assets	22,721,333
Total assets	34,010,660
<b>Liabilities</b>	
Current liabilities	
Due to general fund	74,559
Bonds payable	839,000
Total current liabilities	913,559
Noncurrent liabilities	
Unamortized bond premium	31,926
Bonds payable	14,280,000
Total noncurrent liabilities	14,311,926
Total liabilities	15,225,485
<b>Net position</b>	
Net investment in capital assets	7,446,822
Unrestricted	11,338,353
Total net position	\$ 18,785,175

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

**TOWN OF ARLINGTON, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
For the Year Ended June 30, 2013

	<b>Sewer Fund</b>
<b>Operating revenues</b>	
Sewer service charges	\$ 1,550,443
Surcharges and inspection fees	329,740
Total operating revenues	1,880,183
<b>Operating expenses</b>	
Salaries	87,832
OASI	5,230
Hospital and health insurance	18,624
Workmen's compensation	4,966
Other employer contributions	4,669
Employee education and materials	269
Memberships and dues	220
Utility services	154,499
Telephone	3,203
Accounting and auditing	6,090
Contractual services	63,806
Repair and maintenance	76,781
Lab costs	9,484
Operating supplies	5,619
Gas, oil and diesel	3,291
Insurance	27,603
Amortization	5,323
Depreciation	633,021
Total operating expenses	1,110,530
<b>Operating income (loss)</b>	<b>769,653</b>
<b>Non-operating income (expense)</b>	
Interest earned	77,517
Interest expense	(106,628)
Sale of equipment	3,762
Debt fees	(43,572)
Total non-operating revenues (expenses)	(68,921)
<b>Change in net position</b>	<b>700,732</b>
Total net position, beginning	18,084,443
Total net position, ending	<b>\$ 18,785,175</b>

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

**TOWN OF ARLINGTON, TENNESSEE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
For the Year Ended June 30, 2013

	<b>Sewer Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from consumers	\$ 1,920,581
Cash received from other funds	3,146
Cash paid to employees for services	(93,062)
Other operating payments	(385,771)
Net cash provided (used) by operating activities	1,444,894
<b>Cash flows from capital and related financing activities:</b>	
Proceeds from long-term debt	6,000,000
Principal paid on debt	(630,000)
Interest and debt fees paid	(203,849)
Cash received in disposal of capital assets	3,762
Construction and acquisition of plant	(3,055,999)
Net cash provided (used) by capital and related financing activities	2,113,914
<b>Cash flows from investing activities:</b>	
Purchase of investments	(3,884,214)
Proceeds from sale and maturities of investments	3,850,009
Interest and unrealized change in investments	77,428
Net cash provided (used) by investing activities	43,223
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>3,602,031</b>
Cash and cash equivalents - beginning of year	3,558,972
Cash and cash equivalents - end of year	7,161,003

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

**TOWN OF ARLINGTON, TENNESSEE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
For the Year Ended June 30, 2013

	<b>Sewer Fund</b>
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income (loss)	\$ 769,653
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	638,344
(Increase) decrease in accounts receivable	40,398
Increase (decrease) in payables	(3,501)
Net cash provided (used) by operating activities	\$ 1,444,894

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

**TOWN OF ARLINGTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**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 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 position and the statement of changes in net position) 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.

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



**TOWN OF ARLINGTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Impact of Recently Issued Accounting Pronouncements**

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in non-governmental pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB 62 had no impact on the Town's financial statements.

**TOWN OF ARLINGTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows and inflows of resources, which are distinct from assets and liabilities, and also renames as net position, rather than net assets, the residual of all the other elements presented in the statement of net position. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011. As of June 30, 2013, the Town had no deferred outflows or deferred inflows of resources.

**E. Net Position Flow Assumption**

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

**F. Assets, Liabilities, and Net Position or Equity**

***Deposits and Investments***

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

Investments for the Town are reported at fair value. All investments at June 30, 2013 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.

**TOWN OF ARLINGTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**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.

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, 2013 but were not available to finance expenditures for the year ended June 30, 2013. 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 position.

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**

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

Nonspendable – 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.

**TOWN OF ARLINGTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

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 that are neither restricted or committed. Intent can be expressed by the Board of Alderman or by an official or body to which the Board of Alderman delegates the authority. No designations have been made at this time.

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

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 otherwise in its commitment or assignment actions.

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

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including notes and leases payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$1,097,833 difference are as follows:

Long-term debt due within a year	\$ 70,628
Long-term debt due in more than a year	465,000
Compensated absences payable	71,046
Accrued postclosure care costs	491,159
Net adjustment to reduce fund balance - total government funds to arrive at net position - governmental activities	\$ 1,097,833

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

The reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of

**TOWN OF ARLINGTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

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 \$486,470 difference are as follows:

Capital Outlay net of contributed capital	\$ 1,747,020
Depreciation expense	(1,260,550)
	_____
Net adjustment to reduce net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	\$ 486,470
	_____

**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 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. However, during the year, the solid waste fund was closed and combined with the general fund. For fund reporting and budgetary reporting, the sanitation fund is included as a part of the general fund. Page 21 includes a reconciliation of the general fund budgetary reporting to the general fund reporting on page 15 under generally accepted accounting principles. We have noted the non-compliance on page 50.

**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, 2013.

***Custodial Credit Risk***

The Town’s policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the Town’s agent in the Town’s name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the Town to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2013, all deposits were fully collateralized or insured.

**TOWN OF ARLINGTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**B. Receivables**

Receivables as of June 30, 2013 for the government's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	State Street Aid	Sewer	Total
Receivables				
Interest	\$ 1,604	\$ 1,256	\$ 1,197	\$ 4,057
Taxes	3,225,721	-	-	3,225,721
Accounts	66,876	-	242,913	309,789
Intergovernmental	643,306	-	-	643,306
Grants	-	211,034	-	211,034
Gross receivables	<u>3,937,507</u>	<u>212,290</u>	<u>244,110</u>	<u>4,393,907</u>
Less: allowance for uncollectibles	<u>(5,167)</u>	<u>-</u>	<u>-</u>	<u>(5,167)</u>
Net total receivables	<u>\$ 3,932,340</u>	<u>\$ 212,290</u>	<u>\$ 244,110</u>	<u>\$ 4,388,740</u>

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

	Unavailable	Uneamed	Total
Delinquent property taxes receivable	\$ 76,583	\$ -	\$ 76,583
2013 property tax assessment	-	3,086,413	3,086,413
Total deferred revenue for governmental funds	<u>\$ 76,583</u>	<u>\$ 3,086,413</u>	<u>\$ 3,162,996</u>

**TOWN OF ARLINGTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2013 was as follows:

<b>Governmental Activities:</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,372,303	\$ -	\$ -	\$ 1,372,303
Construction in progress	3,974,247	866,517	3,709,787	1,130,977
Total capital assets, not being depreciated, net	<u>5,346,550</u>	<u>866,517</u>	<u>3,709,787</u>	<u>2,503,280</u>
Capital assets being depreciated:				
Buildings and improvements	4,663,855	82,956	-	4,746,811
Machinery and equipment	1,651,574	783,003	41,550	2,393,027
Infrastructure	22,163,253	3,724,331	-	25,887,584
Total capital assets being depreciated	<u>28,478,682</u>	<u>4,590,290</u>	<u>41,550</u>	<u>33,027,422</u>
Less: accumulated depreciation for:				
Buildings and improvements	(1,462,821)	(173,844)	-	(1,636,665)
Machinery and equipment	(1,265,281)	(135,888)	(41,550)	(1,359,619)
Infrastructure	(2,640,687)	(950,818)	-	(3,591,505)
Total accumulated depreciation	<u>(5,368,789)</u>	<u>(1,260,550)</u>	<u>(41,550)</u>	<u>(6,587,789)</u>
Total capital assets, being depreciated, net	<u>23,109,893</u>	<u>3,329,740</u>	<u>-</u>	<u>26,439,633</u>
Governmental activities, capital assets, net	<u>\$ 28,456,443</u>	<u>\$ 4,196,257</u>	<u>\$ 3,709,787</u>	<u>\$ 28,942,913</u>
<b>Business-type Activities:</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 231,762	\$ -	\$ -	\$ 231,762
Construction in progress	303,483	3,054,580	-	3,358,063
Total capital assets, not being depreciated	<u>535,245</u>	<u>3,054,580</u>	<u>-</u>	<u>3,589,825</u>
Capital assets being depreciated:				
Sewer plant	22,838,230	1,419	-	22,839,649
Total capital assets being depreciated	<u>22,838,230</u>	<u>1,419</u>	<u>-</u>	<u>22,839,649</u>
Less: accumulated depreciation for:				
Infrastructure	(3,198,705)	(633,021)	-	(3,831,726)
Total accumulated depreciation	<u>(3,198,705)</u>	<u>(633,021)</u>	<u>-</u>	<u>(3,831,726)</u>
Total capital assets being depreciated, net	<u>19,639,525</u>	<u>(631,602)</u>	<u>-</u>	<u>19,007,923</u>
Business-type activities capital assets, net	<u>\$ 20,174,770</u>	<u>\$ 2,422,978</u>	<u>\$ -</u>	<u>\$ 22,597,748</u>

**TOWN OF ARLINGTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

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

Governmental activities:		
General government		\$ 75,378
Public safety		77,446
Public works		42,709
Street department		981,369
Parks department		<u>83,648</u>
Total depreciation expense - governmental activities		<u>\$ 1,260,550</u>
Business-type activities:		
Sewer		<u>\$ 633,021</u>

**D. Interfund Transfers and Balances**

The composition of interfund transfers as of June 30, 2013, is as follows:

Transfer from	Transfer to	Amount
General	State street aid	\$ 1,168,852
Sanitation	General	<u>379,265</u>
Total		<u>\$ 1,548,117</u>

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 sanitation fund to the general fund to close the sanitation fund as discussed in Note 3A.

The composition of due to and due from other funds as of June 30, 2013, is as follows:

Due from	Due to	Amount
General Fund	State Street Aid	\$ 55,279
Sewer Fund	General Fund	<u>74,559</u>
		<u>\$ 129,838</u>

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.



**TOWN OF ARLINGTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**E. Long-term Debt**

Long-term debt at June 30, 2013 is summarized as follows:

Revenue Bonds:

Adjustable Rate Pooled Financing Revenue Bonds, Series 2002  
Tennessee County Loan Pool; the total amount of the  
bond issue is for \$13,000,000; due in annual installments of  
\$484,000 to \$1,023,000 through 2024;  
interest at 4.5% at June 30, 2013 \$ 9,119,000

Adjustable Rate Pooled Financing Revenue Bonds, Series 2012  
Tennessee County Loan Pool; the total amount of the  
bond issue is for \$6,000,000; due in annual installments of  
\$180,000 to \$335,000 through 2038;  
interest at 2.00% at June 30, 2013 6,000,000

Note Payable:

Fire Equipment Acquisition Capital Outlay Note, Series 2012  
Tennessee Municipal Bond Fund; the total amount of the  
bond issue is for \$535,628; due in annual installments of  
\$70,628 to \$82,000 through 2020;  
interest at 2.48% at June 30, 2013 535,628

Total \$ 15,654,628

The following is a summary of long-term debt transactions for the year ended June 30, 2013:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Revenue bonds 2002	\$ 9,749,000	\$ -	\$ 630,000	\$ 9,119,000	\$ 659,000
Revenue bonds 2012	-	6,000,000	-	6,000,000	180,000
Notes payable	-	535,628	-	535,628	70,628
Compensated absences	62,964	8,082	-	71,046	-
Landfill closing and post closing monitoring costs	<u>642,952</u>	-	<u>151,793</u>	<u>491,159</u>	-
Total long-term debt	<u>\$ 10,454,916</u>	<u>\$ 6,543,710</u>	<u>\$ 781,793</u>	<u>\$ 16,216,833</u>	<u>\$ 909,628</u>

**TOWN OF ARLINGTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

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, 2013, including interest payments of \$2,754,383, are as follows:

Year Ending June 30,	Total Principal	Total Interest	Total
2014	\$ 909,628	\$ 204,329	\$ 1,113,957
2015	941,000	196,773	1,137,773
2016	979,000	189,018	1,168,018
2017	1,019,000	181,010	1,200,010
2018	1,064,000	172,706	1,236,706
2019	1,101,000	164,154	1,265,154
2020	1,140,000	155,435	1,295,435
2021	1,102,000	147,537	1,249,537
2022	1,147,000	140,427	1,287,427
2023	1,194,000	132,681	1,326,681
2024	1,243,000	124,285	1,367,285
2025	225,000	115,624	340,624
2026	230,000	110,221	340,221
2027	235,000	104,553	339,553
2028	240,000	98,615	338,615
2029	250,000	92,240	342,240
2030	255,000	85,423	340,423
2031	265,000	77,343	342,343
2032	270,000	67,980	337,980
2033	280,000	58,355	338,355
2034	290,000	48,380	338,380
2035	300,000	38,055	338,055
2036	315,000	27,293	342,293
2037	325,000	16,418	341,418
2038	335,000	5,528	340,528
Total	<u>\$ 15,654,628</u>	<u>\$ 2,754,383</u>	<u>\$ 18,409,011</u>

**NOTE 5 – OTHER INFORMATION**

**A. Commitments**

The Town closed its solid waste landfill facility in August 1991. State and federal laws and regulations require the Town to place a final cover on the landfill and to perform certain maintenance and monitoring functions at the site for 30 years after closure. All closure activities were complete as of June 30, 1999. Although the remaining costs of monitoring will be paid as they are incurred, generally accepted accounting principles require these costs to be reflected as a liability of the entity owning the landfill as of the date of closure. Accordingly, the Town has recorded these estimated costs as a long-term liability in the government-wide statements. These amounts are based on what it would cost to perform all postclosure care in 2007. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Expenditures were \$151,793 for the year ended June 30, 2013.

**TOWN OF ARLINGTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**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 Participant's Individual Account will be used to track their share in the total trust fund.

For the year ended June 30, 2013, total employer contributions were \$64,301 and employee contributions were \$87,373 based on total covered wages of \$1,838,853.

**D. Operating Lease Commitments**

The Town has entered into operating leases which contain non-cancellation provisions. The annual requirements under these operating leases as of June 30, 2013, are as follows:

Years Ended June 30	Amount
2014	\$ 11,542
2015	7,921
2016	3,211
Total	<u>\$ 22,674</u>

**TOWN OF ARLINGTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

**E. Creation of Municipal School System**

On July 16, 2013, a referendum was approved by the electorate of the Town to create a municipal school system to begin operation during the 2014-15 fiscal year. Financing for the school system was also approved by way of a half-cent increase in the local option sales tax in Arlington in 2012. On November 7, 2013 a school board for the municipal school system was elected. The Town currently has \$605,000 included in the 2013-14 budget to cover expenditures to get the system started. Additionally, per an agreement with Shelby County, Tennessee, the Board of Commissioners of Shelby County, and the Shelby County Board of Education, in return for the deeding of the property of the four schools no sooner than May 31, 2014, the Town of Arlington will pay the Shelby County Board of Education \$333,333 per calendar year for twelve years with the first payment paid by November 1, 2014 and the remaining payments by November 1 of each year following. These funds will be used by the Shelby County Board of Education to reduce its retiree health and life insurance liabilities incurred as of May 31, 2014.

**NOTE 6 – CONTINGENT LIABILITIES**

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 \$2,277,377.

## **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, 2013

Other financing sources (uses)				
Transfer out	_____ -	_____ -	_____ (379,265)	_____ 379,265
 Fund balance, July 1			 _____ 379,265	
 Fund balance, June 30			 \$ _____ -	

See independent auditor's report.

**TOWN OF ARLINGTON, TENNESSEE**  
**SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS**  
**GENERAL OBLIGATION DEBT**  
June 30, 2013

Year Ended June 30,	Fire Truck		Total
	Principal	Interest	
2014	\$ 70,628	\$ 12,408	\$ 83,036
2015	73,000	10,627	83,627
2016	75,000	8,792	83,792
2017	77,000	6,907	83,907
2018	78,000	4,985	82,985
2019	80,000	3,026	83,026
2020	82,000	1,017	83,017
	<u>\$ 535,628</u>	<u>\$ 47,762</u>	<u>\$ 583,390</u>

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE**  
**SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS**  
**PROPRIETARY FUNDS DEBT**  
June 30, 2013

Year Ended June 30,	Revenue Bonds		Revenue Bonds		Total Requirements		
	Series 2002		Series 2012		Principal	Interest	Total
	Principal	Interest	Principal	Interest			
2014	\$ 659,000	\$ 30,093	\$ 180,000	\$ 161,828	\$ 839,000	\$ 191,921	\$ 1,030,921
2015	688,000	27,918	180,000	158,228	868,000	186,146	1,054,146
2016	719,000	25,648	185,000	154,578	904,000	180,226	1,084,226
2017	752,000	23,275	190,000	150,828	942,000	174,103	1,116,103
2018	786,000	20,793	200,000	146,928	986,000	167,721	1,153,721
2019	821,000	18,200	200,000	142,928	1,021,000	161,128	1,182,128
2020	858,000	15,490	200,000	138,928	1,058,000	154,418	1,212,418
2021	897,000	12,659	205,000	134,878	1,102,000	147,537	1,249,537
2022	937,000	9,699	210,000	130,728	1,147,000	140,427	1,287,427
2023	979,000	6,607	215,000	126,074	1,194,000	132,681	1,326,681
2024	1,023,000	3,376	220,000	120,909	1,243,000	124,285	1,367,285
2025	-	-	225,000	115,624	225,000	115,624	340,624
2026	-	-	230,000	110,221	230,000	110,221	340,221
2027	-	-	235,000	104,553	235,000	104,553	339,553
2028	-	-	240,000	98,615	240,000	98,615	338,615
2029	-	-	250,000	92,240	250,000	92,240	342,240
2030	-	-	255,000	85,423	255,000	85,423	340,423
2031	-	-	265,000	77,343	265,000	77,343	342,343
2032	-	-	270,000	67,980	270,000	67,980	337,980
2033	-	-	280,000	58,355	280,000	58,355	338,355
2034	-	-	290,000	48,380	290,000	48,380	338,380
2035	-	-	300,000	38,055	300,000	38,055	338,055
2036	-	-	315,000	27,293	315,000	27,293	342,293
2037	-	-	325,000	16,418	325,000	16,418	341,418
2038	-	-	335,000	5,528	335,000	5,528	340,528
	<u>\$ 9,119,000</u>	<u>\$ 193,758</u>	<u>\$ 6,000,000</u>	<u>\$ 2,512,863</u>	<u>\$ 15,119,000</u>	<u>\$ 2,706,621</u>	<u>\$ 17,825,621</u>

*See independent auditor's report.*



**TOWN OF ARLINGTON, TENNESSEE**  
**SCHEDULE OF CHANGES IN TAXES RECEIVABLE**  
For the Year Ended June 30, 2013

Tax Levy for Year	Tax Rate	Tax Levy	Beginning Outstanding Taxes	Additions and Adjustments	Collections	Ending Outstanding Taxes	Outstanding Taxes Filed With Trustee
2012	\$ 1.15	\$ 3,191,116	\$ -	\$ 3,226,189	\$ 3,134,494	\$ 91,695	\$ 108,112
2011	1.00	2,707,557	106,586	6,072	87,839	24,819	41,236
2010	1.00	2,677,703	42,415	968	33,481	9,902	26,319
2009	1.00	2,757,236	15,557	180	6,897	8,840	25,257
2008	1.00	2,336,905	2,755	(29)	495	2,231	18,648
2007	1.00	2,082,027	1,110	(20)	571	519	16,936
2006	1.00	1,867,780	920	(91)	153	676	17,092
2005	1.00	1,424,436	4,465	-	3,934	531	16,946
2004	1.00	1,106,070	3,443	8,935	12,323	55	55
2003	1.00	961,344	2,110	(2,070)	-	40	40
			<u>\$ 179,361</u>	<u>\$ 3,240,134</u>	<u>\$ 3,280,187</u>	<u>\$ 139,308</u>	<u>\$ 270,641</u>

Above balances represented as follows:

Considered current receivables	\$ 57,558
Allowance for uncollectible accounts	5,167
Deferred revenue	<u>76,583</u>
	139,308

Tax levy due October 1, 2013 considered deferred revenue

	<u>3,086,413</u>
Total taxes receivable	<u>\$ 3,225,721</u>

See independent auditor's report.

**TOWN OF ARLINGTON, TENNESSEE**  
**SCHEDULE OF UTILITY RATES IN EFFECT**  
June 30, 2013

Sewer Rates

Residential, Commercial and Industrial:

	\$6.99
Each 100 cubic feet	\$2.64 per 100 cubic feet

Industrial Surcharge:

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

Number of customers at June 30, 2013:	<u>4,144</u>
---------------------------------------	--------------

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Fiscal Year Ended June 30, 2013

<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>
<b>Federal Assistance:</b>							
United States Department of Housing and Urban Development/Shelby County, Tennessee: Community Development Block Grant	14.218	CA-122161	\$ -	-	\$ 52,711	\$ (52,711)	\$ -
United States Department of Transportation/ Tennessee Department of Transportation: Highway Planning and Construction	*20.205	110103	(10,166)	-	16,558	(85,762)	(79,370)
Highway Planning and Construction	*20.205	110104	(7,200)	-	50,113	(47,560)	(4,647)
Highway Planning and Construction	*20.205	90129	-	-	89,448	(216,464)	(127,016)
Highway Planning and Construction	*20.205	090129A1	(122,962)	-	122,962	-	-
Total United States Department of Transportation			<u>(140,328)</u>	<u>-</u>	<u>279,081</u>	<u>(349,786)</u>	<u>(211,033)</u>
United States Department of Homeland Security/ Tennessee Emergency Management Agency: Hazard Mitigation	97.036	34101-51812	-	-	173,140	(188,229)	(15,089)
<b>Total federal awards</b>			<b>\$ (140,328)</b>	<b>\$ -</b>	<b>\$ 504,932</b>	<b>\$ (590,726)</b>	<b>\$ (226,122)</b>

\* Denotes a major program.

Note 1:

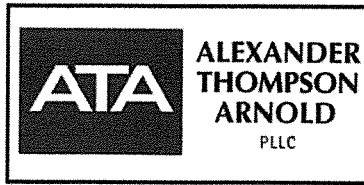
All expenditures reported are under the modified accrual basis of accounting whereby expenditures are recorded when the related liability is incurred.

See independent auditor's report.

## **INTERNAL CONTROL AND COMPLIANCE SECTION**

**Members of:**

American Institute of Certified Public Accountants  
AICPA Center for Public Company Audit Firms  
AICPA Governmental Audit Quality Center  
AICPA Employee Benefit Plan Audit Quality Center  
Tennessee Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants



Certified Public Accountants  
Offices in Tennessee & Kentucky

227 Oil Well Rd.  
Jackson, TN 38305

Phone 731.427.8571  
Fax 731.424.5701  
[www.atacpa.net](http://www.atacpa.net)

---

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Arlington, Tennessee (Town), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 16, 2013.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2013-01 that we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2013-01.

### **Town of Arlington's Response to Finding**

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

### **Purpose of this Report**

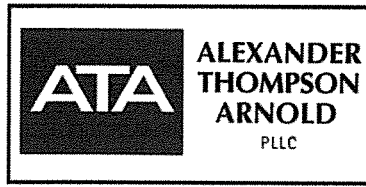
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in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



Jackson, Tennessee  
December 16, 2013

**Members of:**

American Institute of Certified Public Accountants  
AICPA Center for Public Company Audit Firms  
AICPA Governmental Audit Quality Center  
AICPA Employee Benefit Plan Audit Quality Center  
Tennessee Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants



Certified Public Accountants  
Offices in Tennessee & Kentucky

227 Oil Well Rd.  
Jackson, TN 38305

Phone 731.427.8571  
Fax 731.424.5701  
[www.atacpa.net](http://www.atacpa.net)

---

## Independent Auditor's Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

### Report on Compliance for Each Major Federal Program

We have audited the Town of Arlington, Tennessee's (Town) compliance 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 federal programs for the year ended June 30, 2013. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.


## Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Alexander Thompson" followed by a stylized flourish.

Jackson, Tennessee  
December 16, 2013



**TOWN OF ARLINGTON, TENNESSEE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2013**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

Financial Statements:

Type of auditor's report issued	Unqualified	
Internal control over financial reporting:		
Material weaknesses identified?	<u>      </u> yes	<u>  X  </u> no
Significant deficiencies identified?	<u>  X  </u> yes	<u>      </u> none reported
Noncompliance material to financial statements noted?	<u>      </u> yes	<u>  X  </u> no

Federal Awards:

Internal control over major programs:		
Material weaknesses identified?	<u>      </u> yes	<u>  X  </u> no
Significant deficiencies identified?	<u>      </u> yes	<u>  X  </u> none reported
Type of auditor's report issued on compliance for major programs	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>      </u> yes	<u>  X  </u> no

Identification of Major Programs:

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

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

\$ 300,000

Auditee qualified as low-risk auditee?

  X   yes                             no

**TOWN OF ARLINGTON, TENNESSEE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2013**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Prior Year Findings**

None reported.

**Current Year Findings**

**2013-01 – Special Revenue Fund Reporting (Significant Deficiency and Non-compliance)**

Condition: During the year, the sanitation fund was combined with the general fund.

Criteria: TCA 68-211-874 requires the accounting for solid waste collection activities in a separate fund.

Effect: We noted that the combination of the sanitation fund into the general fund is not in compliance with the State of Tennessee Code.

Recommendation: We recommend that the sanitation fund be separated from the general fund to comply with state requirements.

Response: The Town has separated the funds as of July 1, 2013 for compliance.

**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

**Prior Year Findings**

None reported.

**Current Year Findings**

None reported.