

TOWN OF ARLINGTON, TENNESSEE

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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INTRODUCTORY SECTION

TOWN OF ARLINGTON, TENNESSEE

LIST OF PRINCIPAL OFFICIALS

JUNE 30, 2010

Elected Officials

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

Appointed Officials

Recorder	Catherine Durant
Town Superintendent	Ed Haley

FINANCIAL SECTION



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AICPA Employee Benefit Plan Audit Quality Center
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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Arlington, Tennessee (Town), as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Arlington, Tennessee, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund, state street aid fund, and sanitation fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2010 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Dyersburg, TN
Henderson, TN
Jackson, TN
Martin, TN
McKenzie, TN

Milan, TN
Murray, KY
Paris, TN
Trenton, TN
Union City, TN

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

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



Jackson, Tennessee
November 30, 2010

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, 2010. 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 \$47.01 million (net assets). Of this amount, \$13.12 million (unrestricted net assets) may be used to meet the Town of Arlington's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Town of Arlington's general fund reported an ending fund balance of \$7.15 million, a decrease of \$26 thousand in comparison with the prior year. Of the total fund balance, \$6.87 million is available for spending at the Town of Arlington's discretion (unrestricted fund balance).
- The Town of Arlington's total general obligation capital outlay debt decreased by \$37 thousand and bonds payable decreased by \$552 thousand during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town of Arlington's basic financial statements. The Town's basic financial statements are comprised of the following components:

1. Government-wide financial statements.
2. Fund financial statements.
3. Notes to the financial statements.
4. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Arlington's finances, in a manner similar to a private-sector business.

- The Statement of Net Assets presents information on all of the Town of Arlington's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Arlington is improving or deteriorating.
- The Statement of Activities presents information showing how the Town of Arlington's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, compensated absences, etc.).

Both of the government-wide financial statements distinguish functions of the Town of Arlington that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town of Arlington include general government, public safety, public works, welfare, recreation, and debt service. The business-type activities of the Town of Arlington include Public Utilities (sewer). The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Arlington, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Arlington can be divided into two categories: governmental funds and proprietary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the focus is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information may be useful in evaluating the Government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town of Arlington's near-term financing decisions. Both the Balance Sheet — Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances — Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental fund financial statements and reconciliations can be found on pages 12 through 15 of this report.

Information is presented separately in the Balance Sheet — Governmental Funds and in the Statement of Revenues, Expenditures, and Changes in Fund Balances — Governmental Funds for the General Fund and Special Revenue Funds, which are considered to be major funds.

The Town of Arlington adopts an annual appropriated budget for each governmental fund. Budgetary comparisons of the major fund statements have been provided on pages 17 through 22 of this report for the General Fund and Special Revenue Funds to demonstrate compliance with the budget.

Proprietary funds - Enterprise funds are used to report the functions presented as business-type activities in the government-wide financial statements. The Town of Arlington uses an enterprise fund to account for the Sewer Department.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Fund, which is considered a major fund of the Town of Arlington. The basic proprietary fund financial statements can be found on pages 22 through 25 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 through 37 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Arlington, assets exceeded liabilities by \$47.01 million at the close of the most recent fiscal year. Sixty-two percent (62%) of the Town's net assets reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that are still outstanding. The Town of Arlington uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Arlington's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$14,833,917	\$12,731,021	\$ 6,176,499	\$ 5,356,796	\$21,010,416	\$18,087,817
Capital assets	20,139,070	14,415,982	20,140,665	20,467,513	40,279,735	34,883,495
Total assets	34,972,987	27,147,003	26,317,164	25,824,309	61,290,151	52,971,312
Long-term liabilities	695,637	752,587	10,352,000	11,481,000	11,047,637	12,233,587
Other liabilities	2,588,168	2,349,315	644,550	-	3,232,718	2,349,315
Total liabilities	3,283,805	3,101,902	10,996,550	11,481,000	14,280,355	14,582,902
Net assets:						
Invested in capital assets,						
net of related debt	20,139,070	14,378,501	9,149,432	8,986,513	29,288,502	23,365,014
Restricted street aid	4,330,383	2,727,367	-	-	4,330,383	2,727,367
Restricted for development	274,278	274,278	-	-	274,278	274,278
Unrestricted	6,945,451	6,664,955	6,171,182	5,356,796	13,116,633	12,021,751
Total net assets	\$31,689,182	\$24,045,101	\$15,320,614	\$14,343,309	\$47,009,796	\$38,388,410

An additional portion of the Town of Arlington's net assets (9.80%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net assets representing unrestricted net assets (\$13.12 million) may be used to meet the Town of Arlington's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the Town of Arlington is able to report positive balances in all three categories of net assets, both for the Town of Arlington as a whole, as well as for its total governmental and total business-type activities.

Statement of Activities – Revenues in governmental activities exceeded expenses by \$7.64 million.
In the business-type activities, revenues exceeded expenses by \$2.47 million..

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 862,802	\$ 773,602	\$ 1,735,144	\$ 1,590,099	\$ 2,597,946	\$ 2,363,701
Operating grants and contributions	558,243	332,326	-	-	558,243	332,326
Capital grants and contributions	5,704,601	178,529	1,750,064	437,189	7,454,665	615,718
General revenues:						
Property taxes	3,084,805	2,753,674	-	-	3,084,805	2,753,674
Other taxes	2,028,543	2,021,721	-	-	2,028,543	2,021,721
Other sources	3,639,710	4,347,158	148,193	151,561	3,787,903	4,498,719
Total revenues	<u>15,878,704</u>	<u>10,407,010</u>	<u>3,633,401</u>	<u>2,178,849</u>	<u>19,512,105</u>	<u>12,585,859</u>
Expenses:						
General government	1,103,691	978,032	-	-	1,103,691	978,032
Public safety	1,149,107	1,052,136	-	-	1,149,107	1,052,136
Highway and streets	1,604,601	498,763	-	-	1,604,601	498,763
Public works	3,212,802	3,403,787	-	-	3,212,802	3,403,787
Sanitation collection	729,523	738,967	-	-	729,523	738,967
Culture and recreation	434,545	313,165	-	-	434,545	313,165
Debt service	354	2,874	-	-	354	2,874
Sewer	-	-	1,158,626	1,287,460	1,158,626	1,287,460
Total expenses	<u>8,234,623</u>	<u>6,987,724</u>	<u>1,158,626</u>	<u>1,287,460</u>	<u>9,393,249</u>	<u>8,275,184</u>
Increase in net assets	<u>7,644,081</u>	<u>3,419,286</u>	<u>2,474,775</u>	<u>891,389</u>	<u>10,118,856</u>	<u>4,310,675</u>
Net assets - beginning	24,045,101	20,555,616	14,343,309	13,415,920	38,388,410	33,971,536
Prior period adjustment	-	70,199	(1,497,470)	36,000	(1,497,470)	106,199
Net assets - beginning - restated	<u>24,045,101</u>	<u>20,625,815</u>	<u>12,845,839</u>	<u>13,451,920</u>	<u>36,890,940</u>	<u>34,077,735</u>
Net assets - ending	<u>\$31,689,182</u>	<u>\$24,045,101</u>	<u>\$15,320,614</u>	<u>\$14,343,309</u>	<u>\$47,009,796</u>	<u>\$38,388,410</u>

COMMENTS ON FUND FINANCIAL STATEMENTS

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

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

The general fund accounts for more than 69.44% of governmental fund revenues. Accordingly this discussion will focus on the general fund. General fund balance was \$7.15 million at the end of the current fiscal year. Of that balance, \$6.87 million is available to meet the day-to-day needs of the Town.

Revenues in the general fund were up from the previous year by approximately \$734 thousand. The most significant changes in revenues and other financing sources in the general fund were:

- Real Property Taxes increased by \$283 thousand.
- Personal Property Taxes increased by \$17 thousand.
- Local Sales Tax increased by \$13 thousand.
- Wholesale Beer Tax increased by \$21 thousand.
- Federal grants increased by \$44 thousand.
- State-Shared sales taxes decreased by \$14 thousand.

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

Proprietary funds - The Town of Arlington's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the proprietary fund at the end of the year amounted to \$6.17 million. The total growth in net assets for these funds was \$2.47 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

Final Budgeted and Actual Amounts

Actual revenues and other financing sources were under the budgeted amounts by \$930 thousand. Significant variances are as follows:

- Local sales taxes were up \$76 thousand.
- Impact fees were up \$88 thousand.
- Intergovernmental (state shared taxes) were up \$93 thousand.
- Operating transfers in were down \$937 thousand.
- Industrial Development Board was up \$60 thousand.

Actual expenditures were under the final budgeted amount by \$201 thousand. Significant variances are as follows:

- General Government was under by \$39 thousand.
- Public Safety was under by \$64 thousand.
- Public Works was under by \$45 thousand.
- Parks & Library and Senior Center were under by \$55 thousand.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal 2010, the Town had invested \$40.28 million net of accumulated depreciation in a variety of capital assets and infrastructure. Infrastructure was valued at \$32.15 million net of accumulated depreciation. Assets accounted for under this approach include improvements to streets that the Town of Arlington is responsible for maintaining.

Long-term debt - At the end of the current fiscal year, the Town of Arlington had total debt outstanding of \$10.93 million. Of this amount, \$10.93 million comprises debt backed by the full faith and credit of the Town of Arlington.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The economic outlook for the country is being closely monitored; the Town of Arlington will continue to project its revenues conservatively while assuring that services are provided to our citizens as economical as possible.
- Arlington's growth, both commercial and residential, continues to be slow due to the economic conditions, however, Arlington has averaged twenty (10) residential building permits for new construction per month, reducing the inventory of available vacant lots.
- Commercial growth included Kroger expanding to include a fuel center to open in the fall of 2010, which will generate additional revenue.
- The Town of Arlington is awaiting results from the 2010 US Census and expects an increase in population to exceed 10,000 residents. This will lead to an increase in State Shared Taxes.
- The Town of Arlington has completed an ARRA project on Airline Road and is nearing completion of several Locally Managed STP Projects all aimed at improving safe movement of traffic.

All of these factors were considered in preparing the Town of Arlington's budget for the 2010/2011 fiscal year and will aid in the 2011/2012 budget preparation.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Arlington's finances for citizens, taxpayers, customers, investors, creditors and all others with an interest in the Town of Arlington's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Recorder, Town of Arlington, 5854 Airline Road, P.O. Box 507, Arlington, TN 38002.

BASIC FINANCIAL STATEMENTS

TOWN OF ARLINGTON, TENNESSEE
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,210,701	\$ 1,532,508	\$ 5,743,209
Investments	6,785,059	3,871,852	10,656,911
Unamortized bond cost	-	50,556	50,556
Receivables:			
Interest	4,676	6,074	10,750
Taxes (net of allowance for uncollectibles of \$31,736)	2,670,576	-	2,670,576
Accounts	430,383	244,967	675,350
Grants	732,522	-	732,522
Restricted assets:			
Cash and cash equivalents	-	470,542	470,542
Capital assets not being depreciated:			
Land	1,273,397	231,762	1,505,159
Construction in process	3,053,162	242,540	3,295,702
Capital assets net of accumulated depreciation:			
Buildings and improvements	2,885,440	-	2,885,440
Machinery and equipment	128,263	-	128,263
Sewer plant	-	19,666,363	19,666,363
Infrastructure	12,798,808	-	12,798,808
Total assets	34,972,987	26,317,164	61,290,151
Liabilities			
Accounts payable	437,041	67,550	504,591
Accrued annual leave	63,965	-	63,965
Deferred property tax	2,087,162	-	2,087,162
Long-term debt			
Due within one year	-	577,000	577,000
Due in more than one year	-	10,352,000	10,352,000
Accrued landfill closing and postclosing costs	695,637	-	695,637
Total liabilities	3,283,805	10,996,550	14,280,355
Net Assets			
Investment in capital assets, net of related debt	20,139,070	9,211,665	29,350,735
Restricted for state street aid	4,330,383	-	4,330,383
Restricted for development	274,278	-	274,278
Unrestricted	6,945,451	6,108,949	13,054,400
Total net assets	\$ 31,689,182	\$ 15,320,614	\$ 47,009,796

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

TOWN OF ARLINGTON, TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Primary government						Total
Governmental activities						
General government	\$ 1,103,691	\$ 99,122	\$ 60,000	\$ 159,396	\$ (785,173)	\$ -
Public safety	1,149,107	739	2,161	-	(1,146,207)	-
Highways and streets	1,604,601	-	332,797	5,545,205	4,273,401	-
Public works	3,212,802	-	-	-	(3,212,802)	-
Sanitation collection	729,523	737,867	-	-	8,344	-
Parks and recreation	434,545	25,074	163,285	-	(246,186)	-
Interest on long-term debt	354	-	-	-	(354)	-
Total governmental activities	8,234,623	862,802	558,243	5,704,601	(1,108,977)	-
Business-type activities						
Sewer	1,158,626	1,735,144	-	1,750,064	-	2,326,582
Total primary government	\$ 9,393,249	\$ 2,597,946	\$ 558,243	\$ 7,454,665	(1,108,977)	2,326,582
						1,217,605
General revenues						
Property taxes - levied for general government					3,084,805	-
Payments in lieu of taxes - other governments					67,433	-
Sales taxes					1,322,278	-
Alcoholic beverage taxes					267,503	-
Other taxes and licenses					371,329	-
Other sources					3,503,499	-
Unrestricted interest income					136,211	-
Total general revenues					8,753,058	148,193
Changes in net assets					7,644,081	2,474,775
Net assets - beginning					24,045,101	14,343,309
Prior period adjustment					-	(1,497,470)
Net assets - beginning - restated					24,045,101	12,845,839
Net assets - ending					\$ 31,689,182	\$ 15,320,614
						\$ 47,009,796

TOWN OF ARLINGTON, TENNESSEE
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010

	General Fund	State Street Aid	Sanitation	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,611,062	\$ 2,427,624	\$ 172,015	\$ 4,210,701
Investments	5,234,138	1,550,921	-	6,785,059
Receivables:				
Interest	4,412	264	-	4,676
Taxes (net of allowance for uncollectibles of \$31,736)	2,670,576	-	-	2,670,576
Accounts - other	52,408	-	-	52,408
Due from other funds	-	175,983	62,232	238,215
Intergovernmental - nongrant	315,744	-	-	315,744
Grant receivable	133,571	598,951	-	732,522
Total assets	<u>\$ 10,021,911</u>	<u>\$ 4,753,743</u>	<u>\$ 234,247</u>	<u>\$ 15,009,901</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 13,680	\$ 423,360	\$ -	\$ 437,040
Due to other funds	175,983	-	-	175,983
Deferred revenue - property taxes	2,684,123	-	-	2,684,123
Total liabilities	<u>2,873,786</u>	<u>423,360</u>	<u>-</u>	<u>3,297,146</u>
Fund balances				
General fund	6,873,847	-	-	6,873,847
Special revenue funds	-	4,330,383	234,247	4,564,630
Reserved for impact fees	274,278	-	-	274,278
Total fund balances	<u>7,148,125</u>	<u>4,330,383</u>	<u>234,247</u>	<u>11,712,755</u>
Total liabilities and fund balances	<u>\$ 10,021,911</u>	<u>\$ 4,753,743</u>	<u>\$ 234,247</u>	<u>\$ 15,009,901</u>

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

TOWN OF ARLINGTON, TENNESSEE
RECONCILIATION OF STATEMENT OF NET ASSETS, GOVERNMENTAL FUNDS
JUNE 30, 2010

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

Fund balance - total governmental funds (Page 12)	\$ 11,712,755
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds	20,139,069
Receivables not available to pay for current expenditures, therefore, are deferred in the funds (property tax)	596,960
Long-term liabilities, including notes, and leases payable, are not due in the current period and, therefore, are not reported in the funds	<u>(759,602)</u>
Net assets of governmental activities (Page 10)	<u>\$ 31,689,182</u>

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

TOWN OF ARLINGTON, TENNESSEE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Fund	State Street Aid	Sanitation	Total Governmental Funds
Revenues:				
Taxes	\$ 4,066,827	\$ -	\$ -	\$ 4,066,827
Licenses and permits	44,385	-	-	44,385
Intergovernmental	950,511	1,786,362	-	2,736,873
Charges for services	91,144	-	737,867	829,011
Other	713,709	54,132	3,677	771,518
Total revenues	<u>5,866,576</u>	<u>1,840,494</u>	<u>741,544</u>	<u>8,448,614</u>
Expenditures				
Current				
General government	1,009,296	-	-	1,009,296
Public safety	1,043,694	-	-	1,043,694
Highways and streets	673,327	2,747,478	-	3,420,805
Sanitation collection	-	-	700,362	700,362
Parks	570,065	-	-	570,065
Debt service				
Principal	37,418	-	-	37,418
Interest	417	-	-	417
Total expenditures	<u>3,334,217</u>	<u>2,747,478</u>	<u>700,362</u>	<u>6,782,057</u>
Excess (deficiency) of revenues over (under) expenditures	2,532,359	(906,984)	41,182	1,666,557
Other Financing Sources (Uses)				
Operating transfers in	-	2,510,000	48,630	2,558,630
Operating transfers out	(2,558,630)	-	-	(2,558,630)
Total other financing sources (uses)	<u>(2,558,630)</u>	<u>2,510,000</u>	<u>48,630</u>	<u>-</u>
Net changes in fund balances	<u>(26,271)</u>	<u>1,603,016</u>	<u>89,812</u>	<u>1,666,557</u>
Fund balances - beginning	<u>7,174,396</u>	<u>2,727,367</u>	<u>144,435</u>	<u>10,046,198</u>
Fund balances - ending	<u>\$ 7,148,125</u>	<u>\$ 4,330,383</u>	<u>\$ 234,247</u>	<u>\$ 11,712,755</u>

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

TOWN OF ARLINGTON, TENNESSEE
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES-GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2010

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

Excess (deficiency) of revenues over (under) expenditures - total governmental funds (Page 14)	\$ 1,666,557
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.	1,043,637
Contributed fixed assets considered as revenue on the statement of activities but are not considered revenues in the funds. This amount represents infrastructure donated to the town by outside parties.	4,671,667
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (property taxes)	201,411
Reduction in accrual for landfill liability	19,469
Increase in accrual for accrued annual leave	3,922
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. These transactions do not have any effect on net assets.	<u>37,418</u>
Change in net assets of governmental activities (Page 11)	<u>\$ 7,644,081</u>

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

TOWN OF ARLINGTON, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Revenues	Budgeted Amounts Original	Final	Actual	Variance with Final Budget
Taxes:				
Real property taxes	\$ 2,418,000	\$ 2,418,000	\$ 2,401,419	\$ (16,581)
Personal property taxes	266,000	266,000	265,663	(337)
Public utility taxes	140,500	140,500	216,313	75,813
Interest and penalties	17,000	17,000	21,890	4,890
In lieu of tax payments -				
Other governments	58,500	58,500	67,433	8,933
Local sales tax	625,000	625,000	701,263	76,263
Wholesale beer tax	165,000	165,000	200,037	35,037
Wholesale liquor tax	50,000	50,000	58,207	8,207
Business tax	70,000	35,000	61,466	26,466
Franchise taxes	70,000	70,000	73,136	3,136
Total taxes	<u>3,880,000</u>	<u>3,845,000</u>	<u>4,066,827</u>	<u>221,827</u>
Licenses and Permits:				
Licenses and permits	23,800	22,800	25,129	2,329
Planning commission submittals	10,000	10,000	9,476	(524)
Excavating permits	5,000	2,000	9,780	7,780
Total licenses and permits	<u>38,800</u>	<u>34,800</u>	<u>44,385</u>	<u>9,585</u>
Intergovernmental:				
Federal grants	-	159,401	159,396	(5)
TVA in lieu of tax	80,000	80,000	106,782	26,782
State sales tax	528,000	528,000	621,015	93,015
State income tax	20,000	11,779	31,155	19,376
State beer tax	8,200	8,200	9,259	1,059
State gasoline inspection fee	17,800	17,800	20,842	3,042
State excise tax	7,000	2,000	2,062	62
Total intergovernmental	<u>661,000</u>	<u>807,180</u>	<u>950,511</u>	<u>143,331</u>
Charges for Services:				
Community development fees	-	2,800	2,800	-
Street light fees	-	68,831	68,831	-
Inspection fees	-	2,100	2,100	-
Park and recreation fees	6,600	11,600	17,413	5,813
Total charges for services	<u>6,600</u>	<u>85,331</u>	<u>91,144</u>	<u>5,813</u>
Other:				
Other	4,200	696,200	147,905	(548,295)
Rent	17,800	14,600	17,750	3,150
City Court revenue	-	-	739	739
Interest earned	120,000	120,000	132,534	12,534
Insurance recovery	-	10,000	20,993	10,993
Industrial Development Board	-	100,000	160,000	60,000
Impact fees	30,000	123,000	210,820	87,820
Library fines	18,000	18,000	17,522	(478)
Firefighter donations	2,000	2,000	2,161	161

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

TOWN OF ARLINGTON, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Cont.)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues (Cont.)				
Other (Cont.)				
Contributions	\$ -	\$ 3,285	\$ 3,285	\$ -
Total other	192,000	1,087,085	713,709	(373,376)
Total revenues	4,778,400	5,859,396	5,866,576	7,180
Expenditures				
Current Expenditures:				
General Government:				
Salaries	305,000	305,000	292,217	12,783
OASI	27,600	27,600	25,898	1,702
Hospital and health insurance	30,000	30,000	30,315	(315)
Workmen's compensation	2,600	2,600	2,699	(99)
Other employer contributions	19,000	19,000	17,218	1,782
Board and committee members	61,000	61,000	61,000	-
Elections	2,000	14,700	14,647	53
Contractual services	41,500	41,500	39,749	1,751
Postage	4,000	4,000	3,883	117
Messenger and delivery services	4,000	4,000	2,845	1,155
Publication of legal notices	6,000	8,000	6,820	1,180
Memberships and registration fees	6,000	6,000	4,535	1,465
Public relations	14,500	14,500	13,643	857
Utility services	18,500	18,500	15,482	3,018
Telephone	7,000	7,000	5,215	1,785
Legal services	110,000	120,000	116,207	3,793
Accounting and auditing services	10,000	10,000	9,282	718
Architectural and engineering services	120,000	60,000	58,069	1,931
Planning services	10,000	-	-	-
Web site services	4,000	4,000	3,819	181
Data processing services	6,000	6,000	6,143	(143)
Other professional services	14,000	64,000	60,131	3,869
Repair and maintenance services	4,000	4,000	2,876	1,124
Repair and maintenance of buildings	10,000	10,000	8,607	1,393
Travel	3,000	3,000	950	2,050
Collection fees	16,000	16,000	18,575	(2,575)
Sundry	4,000	4,000	3,013	987
Operating supplies	15,500	15,500	13,946	1,554
Off site record storage	2,200	2,200	2,071	129
Insurance on buildings	2,000	2,000	1,666	334
Insurance - liability	12,500	10,500	7,996	2,504
Prizes and awards	500	500	325	175
Capital outlay	-	141,571	147,598	(6,027)
Machinery and equipment rent	7,000	7,000	6,262	738
Other machinery and equipment	5,000	5,000	5,594	(594)
Total General Government	\$ 904,400	\$ 1,048,671	\$ 1,009,296	\$ 39,375

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

TOWN OF ARLINGTON, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Cont.)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Expenditures (Cont.)	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Budget		
Current Expenditures (Cont.):				
Public Safety				
Fire Protection and Control:				
Salaries	\$ 625,000	\$ 635,000	\$ 620,830	\$ 14,170
OASI	47,500	47,500	44,346	3,154
Hospital and health insurance	77,000	77,000	66,574	10,426
Workmens compensation	17,000	17,000	16,518	482
Other employer contributions	36,000	36,000	30,452	5,548
Volunteer firemen	3,000	3,000	1,725	1,275
Membership fees, dues	4,000	4,000	2,949	1,051
Utility services	11,500	11,500	9,483	2,017
Telephone	6,500	6,500	4,427	2,073
Medical and dental	140,000	140,000	138,269	1,731
Repair and maintenance	35,000	40,000	42,605	(2,605)
Travel	3,000	3,000	670	2,330
Operating supplies	12,000	12,000	9,509	2,491
Clothing and uniforms	10,000	10,000	7,098	2,902
Gas, oil and diesel	12,000	12,000	12,256	(256)
Insurance-building and liability	10,300	10,300	9,166	1,134
Insurance-vehicles and equipment	8,500	8,500	9,184	(684)
Capital outlay	20,000	5,000	-	5,000
Machinery and equipment rent	2,200	2,200	2,040	160
Other machinery and equipment	20,000	20,000	8,664	11,336
	<u>1,100,500</u>	<u>1,100,500</u>	<u>1,036,765</u>	<u>63,735</u>
Fire Fighting:				
Supplies	4,000	4,000	6,929	(2,929)
Total Public Safety	<u>1,104,500</u>	<u>1,104,500</u>	<u>1,043,694</u>	<u>60,806</u>
Highway and Streets:				
Salaries	433,000	433,000	398,393	34,607
OASI	33,100	33,100	28,760	4,340
Hospital and health insurance	44,000	44,000	38,028	5,972
Workmens compensation	15,000	15,000	14,982	18
Other employer contributions	23,000	23,000	21,287	1,713
Memberships, registration fees	1,000	1,000	429	571
Utility services	5,000	5,000	4,988	12
Telephone	7,000	7,000	5,602	1,398
Repair and maintenance services	42,000	85,000	91,881	(6,881)

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

TOWN OF ARLINGTON, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Cont.)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Expenditures (Cont.):	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Current Expenditures (Cont.):				
Highway and Streets (Cont):				
Sundry	\$ 1,500	\$ 1,500	\$ 1,500	\$ -
Operating supplies	10,000	10,000	11,439	(1,439)
Clothing and uniforms	5,500	5,500	5,199	301
Gas, oil and diesel	17,000	17,000	13,778	3,222
Fabricated materials	10,000	5,070	5,508	(438)
Insurance	10,600	10,600	9,874	726
Machinery and equipment rental	3,000	3,000	2,234	766
Other machinery and equipment	15,000	20,000	19,445	555
Capital outlay	20,000	-	-	-
Total highway and streets	<u>695,700</u>	<u>718,770</u>	<u>673,327</u>	<u>45,443</u>
Parks and Recreation:				
Salaries	123,500	123,500	115,682	7,818
OASI	9,200	9,200	8,180	1,020
Hospital and health insurance	9,700	14,100	16,215	(2,115)
Workmens compensation	3,600	3,600	3,314	286
Postage	-	-	100	(100)
Other employer contributions	5,000	5,000	4,595	405
Contractual services	134,000	314,000	295,959	18,041
Utility services	27,500	28,500	28,195	305
Telephone	3,600	3,600	4,033	(433)
Repair and maintenance	33,500	33,500	30,255	3,245
Sundry	1,000	1,000	1,274	(274)
Operating supplies	20,700	20,700	16,886	3,814
Gas, oil and diesel fuel	4,000	4,000	3,525	475
Insurance	7,100	7,100	6,136	964
Other machinery and equipment	16,500	21,500	9,886	11,614
Capital outlay	15,000	35,830	25,830	10,000
Total parks and recreation	<u>413,900</u>	<u>625,130</u>	<u>570,065</u>	<u>55,065</u>
Debt Service:				
Principal	37,500	37,500	37,418	82
Interest	500	500	417	83
Total debt service	<u>38,000</u>	<u>38,000</u>	<u>37,835</u>	<u>165</u>
Total expenditures	<u>3,156,500</u>	<u>3,535,071</u>	<u>3,334,217</u>	<u>200,854</u>
Excess (deficiency) of revenues over (under) expenditures	1,621,900	2,324,325	2,532,359	208,034
Other Financing Sources (Uses)				
Operating transfers in	936,730	936,730	-	(936,730)
Operating transfers out	(2,558,630)	(2,558,630)	(2,558,630)	-
Total other financing sources (uses)	<u>(1,621,900)</u>	<u>(1,621,900)</u>	<u>(2,558,630)</u>	<u>(936,730)</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 702,425</u>	<u>(26,271)</u>	<u>\$ (728,696)</u>
Fund balance, July 1			<u>7,174,396</u>	
Fund balance, June 30			<u>\$ 7,148,125</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 FISCAL YEAR ENDED JUNE 30, 2010

Revenues	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Intergovernmental:				
State gasoline and motor fuel tax	\$ 205,000	\$ 205,000	\$ 257,823	\$ 52,823
Development bonds forfeited	-	-	655,000	655,000
Grant revenue	-	261,000	873,539	612,539
Total Intergovernmental	205,000	466,000	1,786,362	1,320,362
Other:				
Interest earned	5,000	35,000	54,132	19,132
Total revenues	210,000	501,000	1,840,494	1,339,494
Expenditures				
Current:				
Public Works:				
Streets and Highways:				
Utilities	280,000	280,000	251,602	28,398
Repair and maintenance services	5,000	-	-	-
Repair and maintenance - streets	500,000	905,000	880,299	24,701
Gas, oil and diesel	10,000	10,000	9,260	740
Capital outlay, including grants	1,925,000	1,381,015	1,606,317	(225,302)
Total expenditures	2,720,000	3,120,000	2,747,478	372,522
Excess (deficiency) of revenues over (under) expenditures	(2,510,000)	(2,619,000)	(906,984)	1,712,016
Other Financing Sources (Uses)				
Operating transfers in	2,510,000	2,510,000	2,510,000	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	\$ -	\$ (109,000)	\$ 1,603,016	\$ 1,712,016
Fund balance, July 1			2,727,367	
Fund balance, June 30			\$ 4,330,383	

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
SANITATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

21

Revenues	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Charges for Services:				
Refuse collection charges	\$ 703,000	\$ 703,000	\$ 737,867	\$ 34,867
Other:				
Interest earned	1,000	1,000	3,677	2,677
Total revenues	<u>704,000</u>	<u>704,000</u>	<u>741,544</u>	<u>37,544</u>
Expenditures				
Current Expenditures:				
Public Works:				
Solid Waste Collection:				
Contracted services	703,000	703,000	693,242	9,758
Landfill Closure:				
Professional services	12,475	12,475	7,120	5,355
Repair and maintenance	34,840	34,840	-	34,840
Total public works	<u>750,315</u>	<u>750,315</u>	<u>700,362</u>	<u>49,953</u>
Total expenditures	<u>750,315</u>	<u>750,315</u>	<u>700,362</u>	<u>49,953</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(46,315)</u>	<u>(46,315)</u>	<u>41,182</u>	<u>87,497</u>
Other financing sources (uses)				
Operating transfers in	<u>46,315</u>	<u>46,315</u>	<u>48,630</u>	<u>(2,315)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,812</u>	<u>\$ 85,182</u>
Fund balance, July 1			<u>144,435</u>	
Fund balance, June 30			<u>\$ 234,247</u>	

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

TOWN OF ARLINGTON, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	<u>Sewer Fund</u>
Assets	
Current Assets	
Cash and cash equivalents	\$ 1,532,508
Investments	3,871,852
Unamortized bond cost	50,556
Receivables:	
Interest	6,074
Accounts	<u>244,967</u>
Total current assets	<u>5,705,957</u>
Noncurrent Assets	
Restricted cash and cash equivalents	470,542
Capital assets	
Land	231,762
Sewer plant	21,715,938
Construction in progress	242,540
Less accumulated depreciation	<u>(2,049,575)</u>
Total capital assets (net of accumulated depreciation)	<u>20,140,665</u>
Total noncurrent assets	<u>20,611,207</u>
Total assets	<u>26,317,164</u>
Liabilities	
Current liabilities	
Accounts payable	5,317
Due to solid waste	62,233
Bonds payable	<u>577,000</u>
Total current liabilities	<u>644,550</u>
Noncurrent liabilities	
Bonds payable	<u>10,352,000</u>
Total liabilities	<u>10,996,550</u>
Net assets	
Invested in capital assets, net of related debt	9,211,665
Unrestricted	<u>6,108,949</u>
Total net assets	<u>\$ 15,320,614</u>

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

TOWN OF ARLINGTON, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Sewer Fund
Operating Revenues	
Sewer service charges	\$ 1,371,754
Surcharges and inspection fees	363,390
Community development grant	190,329
Total operating revenues	<u>1,925,473</u>
Operating Expenses	
Salaries	123,444
OASI	8,716
Hospital and health insurance	16,920
Workmens compensation	4,627
Other employer contributions	7,545
Memberships and dues	1,400
Utility services	149,409
Telephone	4,687
Accounting and auditing	4,998
Contractual services	63,806
Repair and maintenance services	44,228
Lab costs	8,978
Operating supplies	4,217
Gas, oil and diesel	2,032
Insurance	23,374
Amortization	3,611
Depreciation	576,239
Total operating expenses	<u>1,048,231</u>
Operating income (loss)	<u>877,242</u>
Non-operating Income (Expense)	
Interest earned	148,193
Interest expense	(42,255)
Debt fees	(68,140)
Total non-operating revenues (expenses)	<u>37,798</u>
Change in net assets before contributed capital	915,040
Contributed capital	<u>1,559,735</u>
Change in net assets	2,474,775
Total net assets, beginning	<u>14,343,309</u>
Prior period adjustment	<u>(1,497,470)</u>
Fund balance, beginning, restated	<u>12,845,839</u>
Total net assets, ending	<u>\$ 15,320,614</u>

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

TOWN OF ARLINGTON, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Sewer Fund</u>
Cash flows from operating activities:	
Cash received from consumers	\$ 1,854,771
Cash paid to suppliers of goods and services	(239,579)
Cash paid to employees for services	(161,252)
Net cash provided (used) by operating activities	<u>1,453,940</u>
Cash flows from capital and related financing activities:	
Principal paid on debt	(552,000)
Debt fees	(68,140)
Interest paid	(42,255)
Construction and acquisition of plant	(187,126)
Net cash provided (used) by capital and related financing activities	<u>(849,521)</u>
Cash flows from investing activities:	
Purchase of investments	(3,865,778)
Proceeds from sale and maturities of investments	3,760,168
Interest and unrealized change in investments	142,119
Net cash provided (used) by investing activities	<u>36,509</u>
Net increase (decrease) in cash and cash equivalents	640,928
Cash and cash equivalents - beginning of year	<u>1,362,122</u>
Cash and cash equivalents - end of year	<u>\$ 2,003,050</u>
Cash and cash equivalents:	
Cash and cash equivalents	\$ 1,532,508
Restricted cash and cash equivalents	<u>470,542</u>
Cash and cash equivalents	<u>\$ 2,003,050</u>

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

TOWN OF ARLINGTON, TENNESSEE
STATEMENT OF CASH FLOWS (Cont.)
PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Sewer Fund</u>
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income (loss)	\$ 877,242
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	579,850
(Increase) decrease in interest receivable	(6,074)
(Increase) decrease in accounts receivable	(64,628)
Increase (decrease) in payables	<u>67,550</u>
Net cash provided (used) by operating activities	<u>\$ 1,453,940</u>
Noncash investing, capital, and financing activities:	
Contributions of capital assets	<u>\$ 1,559,735</u>

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

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies of the Town conform to generally accepted accounting principles applicable to a government as defined in the *Statements of Governmental Accounting Standards Board (GASB)*. The Town has elected to apply generally accepted accounting principles as defined by *Financial Accounting Standards Board Statements and Interpretation Accounting Principles Board Opinions and Accounting Research Bulletins* issued on or before November 30, 1989. After that date, the Town has elected to apply only GASB pronouncements. The following is a summary of the more significant accounting policies.

A. Reporting Entity:

As required by generally accepted accounting principles, these financial statements present the entire reporting entity of the Town. There are no component units for which the Town of Arlington would be considered financially accountable.

B. Government-wide and Fund Financial Statements

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

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

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

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Cont.)
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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 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 sanitation fund accounts for garbage collection and other related activities.

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.

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Cont.)
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

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

Investments for the Town are reported at fair value. All investments at June 30, 2010 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.

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Cont.)
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. Assets, Liabilities, and Net Assets or Equity, (cont.)

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

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

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

Capital Assets

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

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

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

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

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Cont.)
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

D. Assets, Liabilities, and Net Assets or Equity, (cont.)

Deferred Revenue

Deferred revenue represents amounts that were receivable and measurable at June 30, 2010 but were not available to finance expenditures for the year ended June 30, 2010. Deferred revenues primarily include unearned or unavailable revenues.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

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

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Town elects to use restricted resources before unrestricted when it has the opportunity to do so.

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

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including notes and leases payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$759,602 difference are as follows:

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Cont.)
JUNE 30, 2010

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Cont.)

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets (Cont.)

Compensated absences payable	\$ 63,965
Accrued postclosure care costs	<u>695,637</u>
Net adjustment to reduce fund balance - total government funds to arrive at net assets - governmental activities	<u>\$ 759,602</u>

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

The reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period." The details of this \$1,043,637 difference are as follows:

Capital Outlay	\$ 1,779,742
Depreciation expense	<u>(736,105)</u>
Net adjustment to reduce net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 1,043,637</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. These include the general fund and the special revenue funds. The Board 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.

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Cont.)
JUNE 30, 2010

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Investments were made up entirely of certificates of deposits with a maturity greater than three months for the fiscal years ended June 30, 2010.

Custodial Credit Risk

The Town's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the Town's agent in the Town's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the Town to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2010, all deposits were fully collateralized or insured.

B. Receivables

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

	General	State Street Aid	Sanitation	Sewer	Total
Receivables					
Interest	\$ 4,412	\$ 264	\$ -	\$ 6,074	\$ 10,750
Taxes	2,702,312	-	-	-	2,702,312
Accounts	52,408	-	-	244,967	297,375
Intergovernmental	315,743	-	62,232	-	377,975
Grants	133,571	598,951	-	-	732,522
Gross receivables	3,208,446	599,215	62,232	251,041	4,120,934
Less: allowance for uncollectibles	(31,736)	-	-	-	(31,736)
Net total receivables	<u>\$ 3,176,710</u>	<u>\$ 599,215</u>	<u>\$ 62,232</u>	<u>\$ 251,041</u>	<u>\$ 4,089,198</u>

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Cont.)
JUNE 30, 2010

C. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 1,261,397	\$ 12,000	\$ -	\$ 1,273,397
Construction in progress	1,521,557	1,531,605	-	3,053,162
Total capital assets, not being depreciated, net	2,782,954	1,543,605	-	4,326,559
Capital assets being depreciated:				
Buildings and improvements	3,899,686	105,568	4,000	4,001,254
Machinery and equipment	1,527,805	9,400	18,975	1,518,230
Infrastructure	8,943,702	4,806,238	-	13,749,940
Total capital assets being depreciated	14,371,193	4,921,206	22,975	19,269,424
Less: accumulated depreciation for:				
Buildings and improvements	(989,469)	(126,345)	-	(1,115,814)
Machinery and equipment	(934,872)	(154,666)	(17,358)	(1,072,180)
Infrastructure	(813,823)	(455,094)	2	(1,268,919)
Total accumulated depreciation	(2,738,164)	(736,105)	(17,356)	(3,456,913)
Total capital assets, being depreciated, net	11,633,029	4,185,101	5,619	15,812,511
Governmental activities, capital assets, net	\$ 14,415,983	\$ 5,728,706	\$ 5,619	\$ 20,139,070
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 231,762	\$ -	\$ -	\$ 231,762
Construction in progress	256,480	-	13,940	242,540
Total capital assets, not being depreciated	488,242	-	13,940	474,302
Capital assets being depreciated:				
Machinery and equipment	191,094	-	191,094	-
Infrastructure	22,135,806	1,902,987	2,322,855	21,715,938
Total capital assets being depreciated	22,326,900	1,902,987	2,513,949	21,715,938
Less: accumulated depreciation for:				
Machinery and equipment	(157,804)	-	(157,804)	-
Infrastructure	(2,189,825)	(685,886)	(826,136)	(2,049,575)
Total accumulated depreciation	(2,347,629)	(685,886)	(983,940)	(2,049,575)
Total capital assets being depreciated, net	19,979,271	1,217,101	1,530,009	19,666,363
Business-type activities capital assets, net	\$ 20,467,513	\$ 1,217,101	\$ 1,543,949	\$ 20,140,665

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Cont.)
JUNE 30, 2010

C. Capital Assets (Cont.)

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

Governmental activities:		
General government		\$ 52,812
Public safety		106,478
Public works		38,498
Street department		463,441
Parks department		74,876
Total depreciation expense - governmental activities		<u>\$ 736,105</u>

D. Interfund Transfers

The composition of interfund transfers as of June 30, 2010, is as follows:

Transfer from	Transfer to	Amount
General	State street aid	\$ 2,510,000
General	Sanitation	48,630
Total		<u>\$ 2,558,630</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 general fund to the sanitation fund to cover operation expenses.

E. Long-term Debt

Long-term debt at June 30, 2010 is summarized as follows:

Bonds Payable:

Revenue Bonds:	
Adjustable Rate Pooled Financing Revenue Bonds, Series 2002	
Tennessee County Loan Pool; the total amount of the	
bond issue is for \$13,000,000; due in annual installments of	
\$484,000 to \$1,023,000 through 2024;	
interest at 0.44% at June 30, 2010	
	<u>\$ 10,929,000</u>

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Cont.)
JUNE 30, 2010

E. Long-term Debt (Cont.)

The following is a summary of long-term debt transactions for the year ended June 30, 2010:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Revenue bonds	\$ 11,481,000	\$ -	\$ 552,000	\$ 10,929,000	\$ 577,000
Notes payable	37,418	-	37,418	-	-
Compensated absences	60,043	3,922	-	63,965	-
Landfill closing and post closing monitoring costs	715,106	-	19,469	695,637	-
Total long-term debt	<u>\$ 12,293,567</u>	<u>\$ 3,922</u>	<u>\$ 608,887</u>	<u>\$ 11,688,602</u>	<u>\$ 577,000</u>

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, 2010, including interest payments of \$394,875, are as follows:

Year Ending June 30,	Revenue Bonds	Interest	Total
2011	577,000	48,088	625,088
2012	603,000	45,549	648,549
2013	630,000	42,896	672,896
2014	659,000	40,124	699,124
2015 - 2019	3,766,000	154,444	3,920,444
2020 - 2024	4,694,000	63,774	4,757,774
Total	<u>\$ 10,929,000</u>	<u>\$ 394,875</u>	<u>\$ 11,323,875</u>

The Town is in compliance with all significant debt covenants.

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Cont.)
JUNE 30, 2010

F. Commitments

The Town closed its solid waste landfill facility in August 1991. State and federal laws and regulations require the Town to place a final cover on the landfill and to perform certain maintenance and monitoring functions at the site for 30 years after closure. All closure activities were complete at June 30, 1999. Although the remaining costs of monitoring will be paid as they are incurred, generally accepted accounting principles require these costs to be reflected as a liability of the entity owning the landfill as of the date of closure. Accordingly, the Town has recorded these estimated costs as a long-term liability in the government-wide statements. These amounts are based on what it would cost to perform all postclosure care in 2007. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Expenditures were \$19,469 for the year ended June 30, 2010.

G. 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.

H. Pension Plan

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

For the year ended June 30, 2010, total employer contributions were \$55,598 and employee contributions were \$34,497 based on total covered wages of \$1,390,146.

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Cont.)
JUNE 30, 2010

I. Contributed Capital

During the year, the Town had contributed capital in the amount of \$6,231,412 as of June 30, 2010. This amount contains contributions from subdivision developers for streets and sewer infrastructure given to the Town.

J. Prior Period Adjustment

Sewer Fund – A prior period adjustment was made for \$1,497,470 to remove capital assets considered impaired in fiscal 2005, but not yet removed from accounting records. Consequently, net assets have been restated as of July 1, 2009 to reflect the correction. The adjustment had no affect on current year profit and loss for the sewer fund.

NOTE 5 – CONTINGENT LIABILITY

On May 16, 1997 the Town signed an agreement with Memphis Light Gas and Water Division (MLGW) which included requirement for the Town to reimburse MLGW for certain water system development costs. This reimbursement is made monthly only to the extent that water system development fees are collected by the Town. This continues to accumulate as MLGW incurs development costs plus interest at 6% and is reduced only by the reimbursement from the development fees. The Town has no obligation to pay this liability beyond the amount of development fees collected. The balance of this contingent liability is \$1,445,628 although the city is currently in negotiations with MLGW to clarify the terms of the original agreement which may reduce this balance.

OTHER SUPPLEMENTARY INFORMATION SECTION

The other supplementary information section of this report includes information not required to be included in the Basic Financial Statements and is provided for the purpose of additional analysis.

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF LONG TERM DEBT
JUNE 30, 2010

Year Ended	Revenue Bonds					
	Series 2002					
	June 30,	Principal	Interest	Total		
2011	\$	577,000	\$	48,088	\$	625,088
2012		603,000		45,549		648,549
2013		630,000		42,896		672,896
2014		659,000		40,124		699,124
2015		688,000		37,224		725,224
2016		719,000		34,197		753,197
2017		752,000		31,033		783,033
2018		786,000		27,724		813,724
2019		821,000		24,266		845,266
2020		858,000		20,654		878,654
2021		897,000		16,878		913,878
2022		937,000		12,932		949,932
2023		979,000		8,809		987,809
2024		1,023,000		4,501		1,027,501
	\$	10,929,000	\$	394,875	\$	11,323,875

See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF CHANGES IN TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Tax Levy for Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Beginning Outstanding Taxes</u>	<u>Additions and Adjustments</u>	<u>Collections</u>	<u>Ending Outstanding Taxes</u>	<u>Outstanding Taxes Filed With Trustee</u>
2009	\$ 1.00	\$ 2,757,236	\$ -	\$ 2,717,329	\$ 2,576,551	\$ 140,778	\$ -
2008	1.00	2,336,905	138,650	(1,698)	86,531	50,421	50,421
2007	1.00	2,082,027	73,144	(152)	61,563	11,429	11,429
2006	1.00	1,867,780	8,576	(152)	5,644	2,780	2,780
2005	1.00	1,424,436	4,995	-	145	4,850	4,850
2004	1.00	1,106,070	3,677	-	31	3,646	3,646
2003	1.00	961,344	1,219	-	(900)	2,119	2,119
2002	1.00	884,166	3,004	-	-	3,004	3,004
2001	1.00	840,297	338	-	-	338	338
2000	1.00	576,639	236	-	-	236	236
			<u>\$ 233,839</u>	<u>\$ 2,715,327</u>	<u>\$ 2,729,565</u>	<u>\$ 219,601</u>	<u>\$ 78,823</u>

Above balances represented as follows:

Considered current receivables	\$ 49,926
Allowance for uncollectible accounts	(31,736)
Deferred revenue	<u>201,411</u>
	219,601
Tax levy due October 1, 2010 considered deferred revenue	<u>2,482,712</u>
Total taxes receivable	<u>\$ 2,702,313</u>

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Grantor	CFDA #	State Grant Number	Beginning Balance	Receipts	Expenditures	Ending Balance
Federal Assistance:						
U.S. Department of Housing and Urban Development:						
Passed Through Shelby County, Tennessee:						
Community Development Block Grant	*14.218	N/A	\$ -	\$ 190,329	\$ 190,329	\$ -
Community Development Block Grant - ARRA	*14.253	N/A	-	-	133,571	(133,571)
Community Development Block Grant	*14.218	N/A	-	20,425	20,425	-
Community Development Block Grant	*14.218	N/A	-	5,400	5,400	-
Total U.S. Department of Housing and Urban Development			-	216,154	349,725	(133,571)
U.S. Department of Transportation:						
Passed through Tennessee Department of Transportation:						
Highway Planning and Construction - ARRA	*20.205	090081	-	11,168	329,976	(318,808)
Highway Planning and Construction	*20.205	070121	-	265,351	342,836	(77,485)
Highway Planning and Construction	*20.205	090128	-	6,875	154,747	(147,872)
Highway Planning and Construction	*20.205	090127	-	-	22,351	(22,351)
Highway Planning and Construction	*20.205	090129A1	-	-	23,629	(23,629)
Total U.S. Department of Transportation			-	283,394	873,539	(590,145)
Total federal awards			-	499,548	1,223,264	(723,716)
State Financial Assistance:						
Tennessee Department of Transportation:						
Locally Managed Enhancement Grant	N/A	110480.01	(1,132)	1,132	-	-
Locally Managed Enhancement Grant	N/A	109426.00	(54,139)	45,332	-	(8,807)
Locally Managed Enhancement Grant	N/A	112731.00	(60,000)	60,000	-	-
Total Tennessee Department of Transportation			(115,271)	106,464	-	(8,807)
Total state financial assistance			(115,271)	106,464	-	(8,807)
Total federal awards and state financial assistance			\$ (115,271)	\$ 606,012	\$ 1,223,264	\$ (732,523)

* Denotes a major program.

All expenditures reported are under the modified accrual basis of accounting whereby expenditures are recorded when the related liability is incurred.
See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



Certified Public Accountants

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Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
Government Auditing Standards

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Arlington, Tennessee (Town) as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Dyersburg, TN
Henderson, TN
Jackson, TN
Martin, TN
McKenzie, TN

Milan, TN
Murray, KY
Paris, TN
Trenton, TN
Union City, TN

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

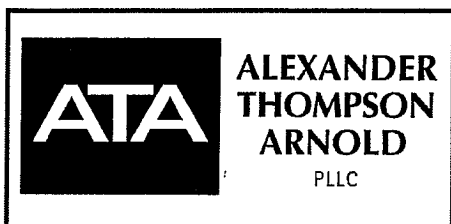
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

A handwritten signature in cursive script, appearing to read "Gerald Thompson Audit PCCC".

Jackson, Tennessee
November 30, 2010



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

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

Compliance

We have audited the Town of Arlington, Tennessee's compliance of the, with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Town's major programs for the year ended June 30, 2010. The Town of Arlington, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Arlington, Tennessee's management. Our responsibility is to express an opinion on the Town of Arlington, Tennessee's compliance based on our audit.

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

As described in item 10-01 in the accompanying schedule of findings and questioned costs, the Town of Arlington, Tennessee did not comply with requirements regarding segregation of grant funds. That are applicable to its Community Development Block Grant. Compliance with such requirements is necessary, in our opinion, for the Town of Arlington, Tennessee to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the previous paragraph, the Town of Arlington, Tennessee, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

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Union City, TN

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

Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 10-01 to be a material weakness.

The Town of Arlington, Tennessee's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Arlington, Tennessee's responses and, accordingly, we express no opinion on the responses.

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

Handwritten signature of Alexander Thompson in cursive script.

Jackson, Tennessee
November 30, 2010

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

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

Federal Awards:

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

Identification of Major Programs:

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

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

\$ 300,000

Auditee qualified as low-risk auditee?

_____ yes _____ X no

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

**SECTION II – FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Prior Year Findings:

None reported.

Current Year Findings:

None reported.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Prior Year Findings:

None reported.

Current Year Findings:

U.S. Department of Housing and Urban Development

10-01 Community Development Block Grant – ARRA (Material Weakness and Material Noncompliance)

Condition: A separate accounting was not effectively kept of all grant proceeds and disbursements.

Criteria: The American Recovery and Investment Act (ARRA) requires that a separate accounting be kept for all proceeds and disbursements related to ARRA grants.

Cause: Procedures in place were not effectively followed to effectively determine nature of grant funding and related compliance issues.

Effect: Noncompliance has resulted from the failure to keep a separate accounting of the grant proceeds and disbursements.

Auditor's Recommendation: All grant proceeds and disbursements related to ARRA grants should be accounted for separately in the Town's accounting records.

Views of Responsible Officials and Planned Corrective Actions: The recommended actions have been implemented.