

**TOWN OF ARLINGTON, TENNESSEE**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

**TOWN OF ARLINGTON, TENNESSEE**  
**LIST OF PRINCIPAL OFFICIALS**  
June 30, 2016

**ELECTED OFFICIALS**

Mayor  
Vice Mayor  
Alderman  
Alderman  
Alderman  
Alderman  
Alderman

Mike Wissman  
Harry McKee  
Larry Harmon  
Oscar Brooks  
Gerald McGee  
Brian Thompson  
Jeff McKee

**APPOINTED OFFICIALS**

Town Superintendent, CMFO  
Town Recorder/Treasurer

Catherine Durant  
Brittney Owens

## **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

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Fax 731.424.5701  
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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arlington, Tennessee (the Town), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Arlington Community School System, which represents 43 percent, 43 percent, and 80 percent, respectively, of the assets, net position, and revenues of the governmental activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Arlington Community School System, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arlington, Tennessee, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the State Street Aid Fund, and the General Purpose School Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matters – Material Prior Period Adjustment***

As discussed in Note 5 to the financial statements, the 2015 financial statements have been restated. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, supplementary and other information section, including the Schedule of Expenditures of Federal Awards, as required by *Title 2, U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary and other information section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.



In our opinion, the supplementary and other information section is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2016 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.

*Alexander Thompson Arnold PLLC*

Jackson, Tennessee  
December 16, 2016

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

As management of the Town of Arlington, we offer readers of the Town of Arlington's financial statements this narrative overview and analysis of the financial activities of the Town of Arlington for the fiscal year ended June 30, 2016. Comparative analysis of key elements of total governmental funds and total enterprise funds has been provided. A prior year comparative analysis of government-wide data has been provided.

### **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the Town of Arlington exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$175.65 million (net position). Of this amount, \$24.02 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 \$13.91 million, an increase of \$1.24 million in comparison with the prior year due primarily to more state shared taxes and impact fees in the current year. Of the total fund balance, \$13.61 million is available for spending at the Town of Arlington's discretion (unassigned fund balance).

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

### **Government-wide Financial Statements**

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

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

Both of the government-wide financial statements distinguish functions of the Town of Arlington that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town of Arlington include general government, public safety, public works, welfare, recreation, education, and debt service. The business-type activities of the Town of Arlington include Public Utilities (sewer). The government-wide financial statements can be found on pages 11 through 13 of this report.

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

### Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town of Arlington's near-term financing decisions. Both the Balance Sheet — Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances — Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental fund financial statements and reconciliations can be found on pages 14 through 17 of this report.

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

The Town of Arlington adopts an annual appropriated budget for each governmental fund. Budgetary comparisons of the major fund statements have been provided on pages 18 through 35 of this report for the General Fund, General Purpose School Fund, and State Street Aid Fund and the nonmajor governmental funds on pages 83 through 89 to demonstrate compliance with the budget.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Fund, which is considered a major fund of the Town of Arlington. The basic proprietary fund financial statements can be found on pages 36 through 39 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 41 through 73 of this report.

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

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary and other information as listed in the table of contents as the introductory section and supplementary and other information which is presented for the purposes of additional analysis.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

*Statement of Net Position* - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Arlington, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$175.65 million at the close of the most recent fiscal year. Seventy-six percent (76%) 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	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 40,057,216	\$ 29,759,813	\$ 10,525,949	\$ 9,954,650	\$ 50,583,165	\$ 39,714,463
Capital assets	122,548,973	84,755,300	23,237,372	24,056,547	145,786,345	108,811,847
Total assets	<u>162,606,189</u>	<u>114,515,113</u>	<u>33,763,321</u>	<u>34,011,197</u>	<u>196,369,510</u>	<u>148,526,310</u>
Deferred outflows of resources	<u>7,028,750</u>	<u>2,121,410</u>	-	-	<u>7,028,750</u>	<u>2,121,410</u>
Long-term liabilities	4,479,221	5,008,993	11,596,191	12,537,320	16,075,412	17,546,313
Other liabilities	3,060,483	2,808,005	972,614	908,775	4,033,097	3,716,780
Total liabilities	<u>7,539,704</u>	<u>7,816,998</u>	<u>12,568,805</u>	<u>13,446,095</u>	<u>20,108,509</u>	<u>21,263,093</u>
Deferred inflows of resources	<u>7,639,555</u>	<u>3,359,874</u>	-	-	<u>7,639,555</u>	<u>3,359,874</u>
<b>Net position:</b>						
Net investment in capital assets	122,231,973	80,696,637	10,699,181	10,615,227	132,931,154	91,311,864
Restricted for:						
Street aid	3,892,222	4,080,510	-	-	3,892,222	4,080,510
Sanitation	1,012,894	678,412	-	-	1,012,894	678,412
Net pension asset	116,270	1,744	-	-	116,270	1,744
Inventory	12,974	12,611	-	-	12,974	12,611
Education	13,661,893	6,383,932	-	-	13,661,893	6,383,932
Unrestricted	<u>13,527,454</u>	<u>13,605,805</u>	<u>10,495,335</u>	<u>9,949,875</u>	<u>24,022,789</u>	<u>23,555,680</u>
<b>Total net position</b>	<b><u>\$ 154,455,680</u></b>	<b><u>\$ 105,459,651</u></b>	<b><u>\$ 21,194,516</u></b>	<b><u>\$ 20,565,102</u></b>	<b><u>\$ 175,650,196</u></b>	<b><u>\$ 126,024,753</u></b>

An additional portion of the Town of Arlington's net position (\$18.70 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 (\$24.02 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.

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

*Statement of Activities* – Revenues in governmental activities exceeded expenses by \$10.19 million. In the business-type activities, revenues exceeded expenses by \$0.63 million.

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 2,929,473	\$ 2,483,911	\$ 2,351,708	\$ 2,126,927	\$ 5,281,181	\$ 4,610,838
Operating grants and contributions	45,403,373	40,515,732	-	-	45,403,373	40,515,732
Capital grants and contributions	1,044,093	2,308,795	-	-	1,044,093	2,308,795
General revenues:						
Property taxes	3,894,592	3,724,401	-	-	3,894,592	3,724,401
Other taxes	3,498,005	3,491,360	-	-	3,498,005	3,491,360
Other sources	56,168	75,429	50,970	52,857	107,138	128,286
<b>Total revenues</b>	<b>56,825,704</b>	<b>52,599,628</b>	<b>2,402,678</b>	<b>2,179,784</b>	<b>59,228,382</b>	<b>54,779,412</b>
Expenses:						
General government	2,995,246	2,684,875	-	-	2,995,246	2,684,875
Public safety	1,675,301	1,395,210	-	-	1,675,301	1,395,210
Highway and streets	1,534,175	831,972	-	-	1,534,175	831,972
Public works	935,076	809,678	-	-	935,076	809,678
Sanitation collection	664,590	861,251	-	-	664,590	861,251
Culture and recreation	853,619	715,358	-	-	853,619	715,358
Education	37,973,030	34,909,238	-	-	37,973,030	34,909,238
Debt service	8,792	10,627	-	-	8,792	10,627
Sewer	-	-	1,773,264	1,617,190	1,773,264	1,617,190
<b>Total expenses</b>	<b>46,639,829</b>	<b>42,218,209</b>	<b>1,773,264</b>	<b>1,617,190</b>	<b>48,413,093</b>	<b>43,835,399</b>
<b>Increase in net position</b>	<b>10,185,875</b>	<b>10,381,419</b>	<b>629,414</b>	<b>562,594</b>	<b>10,815,289</b>	<b>10,944,013</b>
Net position - beginning	105,459,651	128,194,413	20,565,102	20,002,508	126,024,753	148,196,921
Restatement - GASB Statement No. 68 and 71 implementation	-	37,418	-	-	-	37,418
Prior period adjustment	38,810,154	(33,153,599)	-	-	38,810,154	(33,153,599)
Net position - beginning - restated	144,269,805	95,078,232	20,565,102	20,002,508	164,834,907	115,080,740
<b>Net position - ending</b>	<b>\$ 154,455,680</b>	<b>\$ 105,459,651</b>	<b>\$ 21,194,516</b>	<b>\$ 20,565,102</b>	<b>\$ 175,650,196</b>	<b>\$ 126,024,753</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 15.45% of governmental fund revenues. Accordingly this discussion will focus on the General Fund. General Fund balance was \$13.91 million at the end of the

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

current fiscal year. Of that balance, \$13.61 million is available to meet the day-to-day needs of the Town.

Revenues in the General Fund increased from the previous year by approximately \$749 thousand. The most significant changes in revenues in the General Fund were:

- State Grants increased by \$171 thousand.
- Impact fees increased \$243 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 \$10.50 million. The total growth in net position for this fund was \$629 thousand.

### GENERAL FUND BUDGETARY HIGHLIGHTS

#### Final Budgeted and Actual Amounts

Actual revenues were over the budgeted amounts by \$360 thousand. Significant variances are as follows:

- Local sales tax was more than the budgeted amount by \$99 thousand.
- Intergovernmental (state shared taxes) were more than the budgeted amounts by \$177 thousand.

Actual expenditures were under the final budgeted amount by \$700 thousand. Significant variances are as follows:

- General Government was under budget by \$238 thousand.
- Public Safety was under budget by \$122 thousand.
- Public Works was under budget by \$235 thousand.
- Parks & Library and Senior Center were under budget by \$101 thousand.

### CAPITAL ASSET AND DEBT ADMINISTRATION

*Capital Assets* - At the end of fiscal year 2016, the Town had invested \$145.79 million net of accumulated depreciation in a variety of capital assets and infrastructure. Infrastructure was valued at \$27.50 million net of accumulated depreciation. Assets accounted for under this approach include improvements to streets that the Town of Arlington is responsible for maintaining.

*Long-term debt* - At the end of the current fiscal year, the Town of Arlington had total debt outstanding of \$15.82 million. Of this amount, \$12.51 million consists of revenue bonds. An additional \$317 thousand is for capital outlay notes, while another \$2.99 million of the Town's debt represents a note for the benefit of the Arlington Community Schools.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- Arlington's residential and commercial growth has kept a steady pace over the last few years and we are expecting an increase in both for the next fiscal year. The residential increase will result in an increase in permit and development fee collection, taxes and an increase in

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

population. The increased interest in commercial development could result in an increase to real property and personal property taxes, as well as sales tax and business tax.

- Arlington's new home construction increased, with 90 new housing starts for FY 2015-16 compared to 55 new starts last year. In addition, our new 164-unit apartment complex completed construction in early 2016. The rate of residential construction is anticipated to increase in the next fiscal year. There is an inventory of 69 available residential lots, and construction on two new residential subdivisions began this year (Belmont and Hayes Place). Additional inventory of up to 177 single-family residential lots are anticipated to be ready for permitting by the second quarter of 2017.
- Arlington Community Schools opened in August 2015 and in FY 2015-16 included enrollment from Arlington residents for K-12, Lakeland residents for Middle and High School, and open enrollment students where there is capacity. Arlington Community Schools are in the top 10 percent of schools statewide.
- Commercial investment in Arlington during the 2015-16 fiscal year has seen growth well beyond previous years. Commercial investment included the start of construction on the new Kroger Marketplace, the Shops at Arlington Village, the Skin Cancer and Dermatology Clinic, First TN Bank, the Arlington Automotive expansion, and Phase 1 of the Seasons Square project (formerly High Pointe). In addition, Lab Express began construction for their new, much larger location in Eastridge Business Park.
- The Town has continued to expand and improve its infrastructure, including: completion of a bike path along Memphis-Arlington Road to the Sports Complex, intersection improvements at Jetway & Gulfstream, renovation and improvements to a community park (Dr. Logan Park), and completion of Phase 1 of the Town's new Forrest Street Park.

All of these factors were considered in preparing the Town of Arlington's budget for the 2017 fiscal year.

### REQUESTS FOR INFORMATION

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

## **BASIC FINANCIAL STATEMENTS**



**TOWN OF ARLINGTON, TENNESSEE**  
**STATEMENT OF NET POSITION**  
June 30, 2016

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 22,393,413	\$ 3,312,162	\$ 25,705,575
Investments	9,765,946	6,992,577	16,758,523
Receivables:			
Interest	2,302	516	2,818
Taxes (net of allowance for uncollectibles of \$9,315)	3,482,316	-	3,482,316
Accounts	223,259	302,717	525,976
Internal balances	82,023	(82,023)	-
Due from other governments - grants	443,826	-	443,826
Intergovernmental - nongrant	3,359,907	-	3,359,907
Grants	100,935	-	100,935
Inventory	12,974	-	12,974
Prepayments and other current assets	74,045	-	74,045
Net pension asset	116,270	-	116,270
Capital assets not being depreciated:			
Land	4,196,968	231,762	4,428,730
Construction in process	1,189,799	-	1,189,799
Capital assets net of accumulated depreciation:			
Buildings and improvements	87,103,432	-	87,103,432
Machinery and equipment	2,555,747	-	2,555,747
Sewer plant	-	23,005,610	23,005,610
Infrastructure	27,503,027	-	27,503,027
Total assets	<u>162,606,189</u>	<u>33,763,321</u>	<u>196,369,510</u>
<b>Deferred outflows of resources</b>			
Pension - contributions subsequent to the measurement date of June 30, 2016	1,967,509	-	1,967,509
Pension - changes in proportion of net pension asset	4,902,643	-	4,902,643
Pension - net difference between projected and actual earnings on pension plan investments	8,221	-	8,221
Pension - difference between expected and actual experience	150,377	-	150,377
Total deferred outflows of resources	<u>7,028,750</u>	<u>-</u>	<u>7,028,750</u>

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

**TOWN OF ARLINGTON, TENNESSEE**  
**STATEMENT OF NET POSITION**  
June 30, 2016

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Liabilities</b>			
Accounts payable	737,805	18,296	756,101
Other accrued expenses	248,233	-	248,233
Accrued payroll	1,460,486	-	1,460,486
Unearned revenue	19,088	-	19,088
Long-term debt			
Due within one year			
Notes payable	410,333	942,000	1,352,333
Accrued annual leave	184,538	12,318	196,856
Due in more than one year			
Notes payable	2,897,973	11,566,000	14,463,973
Unamortized bond premium	-	28,017	28,017
Other post employment benefits	924,651	-	924,651
Accrued annual leave	75,121	2,174	77,295
Net pension liability	187,377	-	187,377
Accrued landfill closing and postclosing costs	394,099	-	394,099
Total liabilities	<u>7,539,704</u>	<u>12,568,805</u>	<u>20,108,509</u>
<b>Deferred Inflows of Resources</b>			
Pension - net difference between projected and actual earnings of pension plan investments	1,209,765	-	1,209,765
Pension - difference between expected and actual experience	3,038,949	-	3,038,949
Unavailable revenue - property taxes	3,390,841	-	3,390,841
Total deferred inflows of resources	<u>7,639,555</u>	<u>-</u>	<u>7,639,555</u>
<b>Net Position</b>			
Net investment in capital assets	122,231,973	10,699,181	132,931,154
Restricted for:			
State street aid	3,892,222	-	3,892,222
Sanitation	1,012,894	-	1,012,894
Net pension asset	116,270	-	116,270
Inventory	12,974	-	12,974
Education	13,661,893	-	13,661,893
Unrestricted	13,527,454	10,495,335	24,022,789
<b>Total net position</b>	<b><u>\$ 154,455,680</u></b>	<b><u>\$ 21,194,516</u></b>	<b><u>\$ 175,650,196</u></b>

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

**TOWN OF ARLINGTON, TENNESSEE**  
**STATEMENT OF NET POSITION**  
June 30, 2016

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 22,393,413	\$ 3,312,162	\$ 25,705,575
Investments	9,765,946	6,992,577	16,758,523
Receivables:			
Interest	2,302	516	2,818
Taxes (net of allowance for uncollectibles of \$9,315)	3,482,316	-	3,482,316
Accounts	223,259	302,717	525,976
Internal balances	82,023	(82,023)	-
Due from other governments - grants	443,826	-	443,826
Intergovernmental - nongrant	3,359,907	-	3,359,907
Grants	100,935	-	100,935
Inventory	12,974	-	12,974
Prepayments and other current assets	74,045	-	74,045
Net pension asset	116,270	-	116,270
Capital assets not being depreciated:			
Land	4,196,968	231,762	4,428,730
Construction in process	1,189,799	-	1,189,799
Capital assets net of accumulated depreciation:			
Buildings and improvements	87,103,432	-	87,103,432
Machinery and equipment	2,555,747	-	2,555,747
Sewer plant	-	23,005,610	23,005,610
Infrastructure	<u>27,503,027</u>	<u>-</u>	<u>27,503,027</u>
Total assets	<u>162,606,189</u>	<u>33,763,321</u>	<u>196,369,510</u>
<b>Deferred outflows of resources</b>			
Pension - contributions subsequent to the measurement date of June 30, 2016	1,967,509	-	1,967,509
Pension - changes in proportion of net pension asset	4,902,643	-	4,902,643
Pension - net difference between projected and actual earnings on pension plan investments	8,221	-	8,221
Pension - difference between expected and actual experience	<u>150,377</u>	<u>-</u>	<u>150,377</u>
Total deferred outflows of resources	<u>7,028,750</u>	<u>-</u>	<u>7,028,750</u>

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

**TOWN OF ARLINGTON, TENNESSEE**  
**STATEMENT OF NET POSITION**  
June 30, 2016

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Liabilities</b>			
Accounts payable	737,805	18,296	756,101
Other accrued expenses	248,233	-	248,233
Accrued payroll	1,460,486	-	1,460,486
Unearned revenue	19,088	-	19,088
Long-term debt			
Due within one year			
Notes payable	410,333	942,000	1,352,333
Accrued annual leave	184,538	12,318	196,856
Due in more than one year			
Notes payable	2,897,973	11,566,000	14,463,973
Unamortized bond premium	-	28,017	28,017
Other post employment benefits	924,651	-	924,651
Accrued annual leave	75,121	2,174	77,295
Net pension liability	187,377	-	187,377
Accrued landfill closing and postclosing costs	394,099	-	394,099
Total liabilities	<u>7,539,704</u>	<u>12,568,805</u>	<u>20,108,509</u>
<b>Deferred Inflows of Resources</b>			
Pension - net difference between projected and actual earnings of pension plan investments	1,209,765	-	1,209,765
Pension - difference between expected and actual experience	3,038,949	-	3,038,949
Unavailable revenue - property taxes	3,390,841	-	3,390,841
Total deferred inflows of resources	<u>7,639,555</u>	<u>-</u>	<u>7,639,555</u>
<b>Net Position</b>			
Net investment in capital assets	122,231,973	10,699,181	132,931,154
Restricted for:			
State street aid	3,892,222	-	3,892,222
Sanitation	1,012,894	-	1,012,894
Net pension asset	116,270	-	116,270
Inventory	12,974	-	12,974
Education	13,661,893	-	13,661,893
Unrestricted	13,527,454	10,495,335	24,022,789
<b>Total net position</b>	<b><u>\$ 154,455,680</u></b>	<b><u>\$ 21,194,516</u></b>	<b><u>\$ 175,650,196</u></b>

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

**TOWN OF ARLINGTON, TENNESSEE**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government							
Governmental activities							
General government	\$ 2,995,246	\$ 599,867	\$ -	\$ 77,447	\$ (2,317,932)	\$ -	\$ (2,317,932)
Public safety	1,675,301	9,681	-	-	(1,665,620)	-	(1,665,620)
Highways and streets	1,534,175	-	561,202	966,646	(6,327)	-	(6,327)
Public works	935,076	-	-	-	(935,076)	-	(935,076)
Sanitation collection	664,590	973,462	-	-	308,872	-	308,872
Parks and recreation	853,619	89,628	244,616	-	(519,375)	-	(519,375)
Education	37,973,030	1,256,835	44,597,555	-	7,881,360	-	7,881,360
Interest on long-term debt	8,792	-	-	-	(8,792)	-	(8,792)
Total governmental activities	<u>46,639,829</u>	<u>2,929,473</u>	<u>45,403,373</u>	<u>1,044,093</u>	<u>2,737,110</u>	<u>-</u>	<u>2,737,110</u>
Business-type activities							
Sewer	1,773,264	2,351,708	-	-	-	578,444	578,444
Total primary government	<u>\$ 48,413,093</u>	<u>\$ 5,281,181</u>	<u>\$ 45,403,373</u>	<u>\$ 1,044,093</u>	<u>\$ 2,737,110</u>	<u>\$ 578,444</u>	<u>\$ 3,315,554</u>

**General revenues**

Property taxes - levied for general government	3,672,406	-	3,672,406
Payments in lieu of taxes - other governments	222,186	-	222,186
Sales taxes	2,715,834	-	2,715,834
Franchise taxes	117,330	-	117,330
Alcoholic beverage taxes	371,468	-	371,468
Business taxes	142,146	-	142,146
State income and excise taxes	151,227	-	151,227
Interest, penalties and court costs	20,708	-	20,708
Gain (loss) on sale of capital assets	(53,097)	-	(53,097)
Miscellaneous	23,500	-	23,500
Unrestricted interest income	65,057	50,970	116,027
Total general revenues	<u>7,448,765</u>	<u>50,970</u>	<u>7,499,735</u>
<b>Changes in net position</b>	<b>10,185,875</b>	<b>629,414</b>	<b>10,815,289</b>
Net position - beginning	105,459,651	20,565,102	126,024,753
Prior period adjustment	38,810,154	-	38,810,154
Net position - beginning, restated	<u>144,269,805</u>	<u>20,565,102</u>	<u>164,834,907</u>
Net position - ending	<u>\$ 154,455,680</u>	<u>\$ 21,194,516</u>	<u>\$ 175,650,196</u>

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

**TOWN OF ARLINGTON, TENNESSEE**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
June 30, 2016

	<u>General Fund</u>	<u>General Purpose School</u>	<u>State Street Aid Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 5,779,984	\$12,558,450	\$ 1,821,409	\$ 2,233,570	\$ 22,393,413
Investments	7,606,810	-	2,159,136	-	9,765,946
Inventory	-	-	-	12,974	12,974
Prepaid expense	-	74,045	-	-	74,045
Receivables:					
Interest	1,658	-	644	-	2,302
Taxes (net of allowance for uncollectibles of \$9,315)	3,482,316	-	-	-	3,482,316
Accounts - other	136,578	86,681	-	-	223,259
Due from other funds	-	403,206	60,481	82,023	545,710
Due from other governments - grants	-	-	-	443,826	443,826
Intergovernmental - nongrant	681,108	2,678,799	-	-	3,359,907
Grant receivable	-	-	100,935	-	100,935
<b>Total assets</b>	<u>\$17,688,454</u>	<u>\$15,801,181</u>	<u>\$ 4,142,605</u>	<u>\$ 2,772,393</u>	<u>\$ 40,404,633</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 203,643	\$ 235,075	\$ 221,704	\$ 77,383	\$ 737,805
Accrued payroll	-	1,427,854	-	32,632	1,460,486
Other accrued expenses	-	248,233	-	-	248,233
Due to other funds	60,481	-	-	403,206	463,687
Unearned revenue	-	-	-	19,088	19,088
<b>Total liabilities</b>	<u>264,124</u>	<u>1,911,162</u>	<u>221,704</u>	<u>532,309</u>	<u>2,929,299</u>
<b>Deferred inflows of resources</b>					
Unavailable revenue - nongrant	-	1,119,468	-	-	1,119,468
Unavailable revenue - grants	62,483	-	28,679	-	91,162
Unavailable revenue - property taxes	3,451,522	-	-	-	3,451,522
<b>Total deferred inflows of resources</b>	<u>3,514,005</u>	<u>1,119,468</u>	<u>28,679</u>	<u>-</u>	<u>4,662,152</u>
<b>Fund balances</b>					
<b>Nonspendable</b>					
Inventory	-	-	-	12,974	12,974
Prepaid expenses	-	74,045	-	-	74,045
<b>Restricted</b>					
State street aid	-	-	3,892,222	-	3,892,222
Sanitation	-	-	-	1,012,894	1,012,894
Education	-	12,696,506	-	1,214,216	13,910,722
<b>Assigned:</b>					
Impact fees	149,400	-	-	-	149,400
West Tennessee Veterans Home	150,000	-	-	-	150,000
Unassigned	13,610,925	-	-	-	13,610,925
<b>Total fund balances</b>	<u>13,910,325</u>	<u>12,770,551</u>	<u>3,892,222</u>	<u>2,240,084</u>	<u>32,813,182</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$17,688,454</u>	<u>\$15,801,181</u>	<u>\$ 4,142,605</u>	<u>\$ 2,772,393</u>	<u>\$ 40,404,633</u>

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

**TOWN OF ARLINGTON, TENNESSEE**  
**RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL**  
**FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
June 30, 2016

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

Fund balances - total governmental funds (Page 14)	\$	32,813,182
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds		122,548,973
Net pension asset is not a financial resource in the current period and, therefore, are not reported an asset in governmental funds.		116,270
Receivables not available to pay for current expenditures and, therefore, are deferred in the funds. Unavailable revenue		1,271,311
Deferred outflows of resources related to pensions in which the consumption of net position will occur in future periods, therefore, it is not reported in the funds		7,028,750
Deferred inflows of resources related to pensions in which the acquisition of net position will occur in future periods, therefore, it is not reported in the funds		(4,248,714)
Long-term liabilities, including notes, leases payable, compensated absences, other post employment benefits, and landfill postclosing costs, are not due in the current period and, therefore, are not reported in the funds		<u>(5,074,092)</u>
Net position of governmental activities (Page 12)	\$	<u>154,455,680</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, 2016

	General Fund	General Purpose School	State Street Aid Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 5,430,781	\$ 18,831,539	\$ -	\$ -	\$ 24,262,320
Licenses and permits	72,413	-	-	-	72,413
Intergovernmental	2,214,516	20,754,426	1,573,697	2,096,039	26,638,678
Charges for services	302,697	500,557	-	1,729,741	2,532,995
Other	707,964	489,274	18,947	1,774,723	2,990,908
<b>Total revenues</b>	<u>8,728,371</u>	<u>40,575,796</u>	<u>1,592,644</u>	<u>5,600,503</u>	<u>56,497,314</u>
<b>Expenditures</b>					
Current					
General government	1,331,727	-	-	-	1,331,727
Public safety	1,708,242	-	-	-	1,708,242
Highways and streets	981,214	-	2,433,105	-	3,414,319
Sanitation collection	-	-	-	698,859	698,859
Parks and recreation	860,782	-	-	-	860,782
Education	-	34,878,821	-	3,329,495	38,208,316
Capital outlay	1,233,747	-	16,827	-	1,250,574
Debt service:					
Principal	75,000	-	-	-	75,000
Interest	8,792	-	-	-	8,792
<b>Total expenditures</b>	<u>6,199,504</u>	<u>34,878,821</u>	<u>2,449,932</u>	<u>4,028,354</u>	<u>47,556,611</u>
Revenues over (under) expenditures	2,528,867	5,696,975	(857,288)	1,572,149	8,940,703
Other Financing Sources (Uses)					
Transfers in	-	562,554	669,000	56,000	1,287,554
Transfers out	(1,287,554)	-	-	-	(1,287,554)
Total other financing sources (uses)	<u>(1,287,554)</u>	<u>562,554</u>	<u>669,000</u>	<u>56,000</u>	<u>-</u>
<b>Net changes in fund balances</b>	<b>1,241,313</b>	<b>6,259,529</b>	<b>(188,288)</b>	<b>1,628,149</b>	<b>8,940,703</b>
Fund balances - beginning	12,669,012	6,457,977	4,080,510	473,760	23,681,259
Prior period adjustment	-	53,045	-	138,175	191,220
Fund balances - beginning (restated)	12,669,012	6,511,022	4,080,510	611,935	23,872,479
Fund balances - ending	<u>\$ 13,910,325</u>	<u>\$ 12,770,551</u>	<u>\$ 3,892,222</u>	<u>\$ 2,240,084</u>	<u>\$ 32,813,182</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, 2016

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

Net change in fund balances - total governmental funds (Page 16)	\$ 8,940,703
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	146,474
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds (property taxes, grants and nongrant).	(73,848)
Some expenses reported in the statement of activities, such as accrued leave other post employment benefits, and landfill liability, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(282,441)
The payment of pension contributions consumes current financial resources in the governmental funds. These transactions do not have any effect on the net position, but are considered deferred outflows of resources.	1,967,509
The actuarially determined pension (income) expense does not (provide) consume current financial resources and, therefore, is not reported in the governmental funds. It is reported as revenue in the statement of activities.	(855,077)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources of governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Capital outlay note	75,000
Board of Education note payment	<u>267,555</u>
Change in net position of governmental activities (Page 13)	<u>\$ 10,185,875</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Over</u> <u>(Under)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Under)</u>
<b>Revenues</b>				
Taxes:				
Real property taxes	\$ 2,834,780	\$ 2,951,669	\$ 2,960,978	\$ 9,309
Personal property taxes	277,260	303,649	302,859	(790)
Public utility taxes	330,050	397,457	397,170	(287)
Interest and penalties	15,000	18,262	20,708	2,446
In lieu of tax payments -				
Other governments	75,000	80,356	80,310	(46)
Local sales tax	1,100,000	1,100,000	1,199,468	99,468
Wholesale beer tax	210,000	260,000	273,612	13,612
Wholesale liquor tax	65,000	65,000	78,346	13,346
Franchise taxes	90,000	90,000	117,330	27,330
Total taxes	<u>4,997,090</u>	<u>5,266,393</u>	<u>5,430,781</u>	<u>164,388</u>
Licenses and permits:				
Licenses and permits	14,050	22,414	26,032	3,618
Planning commission submittals	16,000	33,057	33,816	759
Excavating permits	2,000	9,780	12,565	2,785
Total licenses and permits	<u>32,050</u>	<u>65,251</u>	<u>72,413</u>	<u>7,162</u>
Intergovernmental:				
State grant	-	218,830	218,794	(36)
TVA in lieu of tax	135,000	135,000	141,876	6,876
Business tax	70,000	170,000	142,146	(27,854)
State sales tax	820,000	930,000	977,884	47,884
State local sales tax	500,000	500,000	538,482	38,482
State income tax	25,000	25,000	131,025	106,025
State beer tax	5,750	5,750	5,903	153
State alcoholic beverage tax	11,000	11,967	13,607	1,640
State petroleum special fee	20,000	20,000	24,597	4,597
State telecommunications sales tax	1,200	1,200	1,027	(173)
State excise tax	7,500	19,138	19,175	37
Total intergovernmental	<u>1,595,450</u>	<u>2,036,885</u>	<u>2,214,516</u>	<u>177,631</u>
Charges for services:				
Fire reports	5	5	-	(5)
Community development fees	-	46,800	46,800	-
Street light fees	-	133,914	134,001	87
Inspection fees	-	35,100	35,100	-
Meeting room fees	1,000	6,650	6,850	200
Community garden	-	1,000	820	(180)

*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, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Over (Under)
Park and recreation fees	58,500	79,540	79,126	(414)
Total charges for services	59,505	303,009	302,697	(312)
Other:				
Other	13,200	42,343	42,494	151
Rent	6,701	6,701	3,801	(2,900)
City Court revenue	-	45	81	36
Interest earned	55,000	55,000	61,178	6,178
Insurance recovery	-	105,421	105,474	53
Industrial Development Board	-	37,500	37,500	-
Impact fees	47,750	427,250	433,934	6,684
Library fines	18,000	18,000	18,616	616
Contributions	-	4,571	4,886	315
Total other	140,651	696,831	707,964	11,133
<b>Total revenues</b>	<b>6,824,746</b>	<b>8,368,369</b>	<b>8,728,371</b>	<b>360,002</b>

**Expenditures**

Current expenditures:

  General government:

Salaries	455,000	455,000	353,494	(101,506)
OASI	38,000	38,000	30,430	(7,570)
Hospital and health insurance	61,000	61,000	34,724	(26,276)
Workmen's compensation	5,000	5,000	4,301	(699)
Employee education and training	5,000	5,000	2,404	(2,596)
Other employer contributions	35,000	35,000	24,120	(10,880)
Board and committee members	61,000	61,000	61,000	-
Elections	30,000	30,000	22,401	(7,599)
Contractual services	45,000	45,000	43,725	(1,275)
Postage	5,000	5,000	4,691	(309)
Messenger and delivery services	2,500	2,500	625	(1,875)
Publication of legal notices	20,000	20,000	19,215	(785)
Memberships and registration fees	11,000	11,000	1,274	(9,726)
Public relations	16,000	16,000	11,041	(4,959)
Utility services	25,000	190,000	196,224	6,224
Telephone	20,000	20,000	17,797	(2,203)
Legal services	110,000	145,000	153,108	8,108
Accounting and auditing services	20,000	20,000	15,987	(4,013)
Architectural and engineering services	75,000	125,000	126,401	1,401
Downtown grant expenses	-	15,000	14,964	(36)
Planning services	5,000	5,000	5,000	-
Web site services	16,000	16,000	15,544	(456)

*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, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Over (Under)
Data processing services	18,000	18,000	14,328	(3,672)
Other professional services	64,000	44,000	11,913	(32,087)
Repair and maintenance services	3,000	3,000	2,186	(814)
Repair and maintenance of buildings	50,000	50,000	22,080	(27,920)
Travel	5,000	5,000	1,311	(3,689)
Collection fees	25,000	25,000	21,549	(3,451)
Sundry	3,000	3,000	3,614	614
Operating supplies	15,073	15,073	14,104	(969)
Off site record storage	4,000	4,000	4,051	51
Insurance on buildings	9,500	10,000	9,993	(7)
Insurance - liability	9,500	11,990	14,369	2,379
Prizes and awards	700	700	-	(700)
Capital outlay	150,000	130,985	130,147	(838)
Machinery and equipment rent	10,000	10,000	9,873	(127)
Other machinery and equipment	20,000	20,000	19,886	(114)
Donations to the Chamber of Commerce	24,000	24,000	24,000	-
Total general government	<u>1,471,273</u>	<u>1,700,248</u>	<u>1,461,874</u>	<u>(238,374)</u>
Fire protection and control:				
Salaries	924,000	932,000	943,028	11,028
OASI	67,000	67,000	66,866	(134)
Hospital and health insurance	130,000	130,000	121,227	(8,773)
Workmen's compensation	25,000	25,000	24,575	(425)
Employee education and training	5,000	5,000	3,608	(1,392)
Other employer contributions	58,000	58,000	57,089	(911)
Volunteer firemen	10,000	2,000	1,845	(155)
Contractual services	75,000	75,000	72,497	(2,503)
Membership fees, dues	8,000	8,000	2,130	(5,870)
Utility services	25,000	25,000	15,125	(9,875)
Telephone	11,000	11,000	10,114	(886)
Medical and dental	155,000	155,000	150,001	(4,999)
Repair and maintenance	45,000	164,144	145,440	(18,704)
Data processing	5,000	5,000	3,242	(1,758)
Travel	5,000	5,000	2,259	(2,741)
Operating supplies	10,500	10,500	9,080	(1,420)
Clothing and uniforms	10,000	10,000	7,647	(2,353)
Gas, oil and diesel	16,000	16,000	8,286	(7,714)
Insurance-building and liability	14,000	15,100	14,292	(808)
Insurance-vehicles and equipment	7,000	7,000	7,002	2
Capital outlay	50,000	377,382	365,248	(12,134)
Machinery and equipment rent	5,000	5,000	3,847	(1,153)

*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, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Over (Under)
Other machinery and equipment	100,000	85,000	37,120	(47,880)
	<u>1,760,500</u>	<u>2,193,126</u>	<u>2,071,568</u>	<u>(121,558)</u>
Fire fighting:				
Supplies	2,000	2,000	1,922	(78)
	<u>1,762,500</u>	<u>2,195,126</u>	<u>2,073,490</u>	<u>(121,636)</u>
Total public safety				
Highway and streets:				
Salaries	593,250	593,250	508,217	(85,033)
OASI	43,500	43,500	36,186	(7,314)
Hospital and health insurance	75,069	75,069	70,147	(4,922)
Workmen's compensation	20,000	20,000	18,431	(1,569)
Other employer contributions	40,000	40,000	35,527	(4,473)
Memberships, registration fees	7,000	3,980	2,364	(1,616)
Employee education and training	2,500	2,050	2,050	-
Utility services	25,000	25,000	15,999	(9,001)
Ambulance services	1,700	1,700	1,647	(53)
Other professional services	13,000	18,745	14,706	(4,039)
Telephone	18,000	18,000	12,182	(5,818)
Data processing	12,600	12,600	8,134	(4,466)
Repair and maintenance services	125,000	209,117	156,116	(53,001)
Travel	200	500	240	(260)
Operating supplies	16,000	16,000	8,866	(7,134)
Clothing and uniforms	6,000	6,942	8,222	1,280
Gas, oil and diesel	20,000	20,000	9,272	(10,728)
Donations to the Chamber of Commerce	1,000	-	-	-
Insurance	19,000	17,394	14,406	(2,988)
Machinery and equipment rental	4,000	4,000	3,779	(221)
Other machinery and equipment	80,000	80,000	54,723	(25,277)
Capital outlay	100,000	100,000	91,938	(8,062)
Total highway and streets	<u>1,222,819</u>	<u>1,307,847</u>	<u>1,073,152</u>	<u>(234,695)</u>
Parks and recreation:				
Salaries	321,500	321,500	287,469	(34,031)
OASI	23,000	23,000	20,361	(2,639)
Hospital and health insurance	51,000	41,000	35,478	(5,522)
Workmen's compensation	8,300	7,000	6,758	(242)
Employee education and training	2,000	1,500	1,460	(40)
Basketball fees	30,000	30,000	27,081	(2,919)
Postage	1,000	1,000	310	(690)

*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, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Over (Under)
Memberships and registration fees	5,000	825	825	-
Other employer contributions	15,500	16,889	17,076	187
Contractual services	210,000	200,288	198,737	(1,551)
Data processing services	11,800	12,592	9,183	(3,409)
Other professional services	1,000	1,000	903	(97)
Public relations	15,000	16,150	16,159	9
Utility services	76,200	76,200	65,951	(10,249)
Telephone	10,800	10,800	9,299	(1,501)
Repair and maintenance	59,500	70,500	65,002	(5,498)
Travel	1,500	1,557	1,556	(1)
Sundry	1,500	1,500	1,405	(95)
Operating supplies	44,300	44,300	33,375	(10,925)
Clothing and uniforms	3,000	3,000	2,433	(567)
Gas, oil and diesel fuel	10,000	10,000	5,957	(4,043)
Fabricated materials	5,000	2,862	2,862	-
Insurance	10,000	13,700	13,038	(662)
Other machinery and equipment	50,000	43,000	35,781	(7,219)
Machinery and equipment rent	1,200	1,200	2,323	1,123
Capital outlay	75,000	657,298	646,414	(10,884)
Total parks and recreation	<u>1,043,100</u>	<u>1,608,661</u>	<u>1,507,196</u>	<u>(101,465)</u>
Debt Service:				
Principal	75,000	75,000	75,000	-
Interest	12,500	12,500	8,792	(3,708)
Total debt service	<u>87,500</u>	<u>87,500</u>	<u>83,792</u>	<u>(3,708)</u>
Total expenditures	<u>5,587,192</u>	<u>6,899,382</u>	<u>6,199,504</u>	<u>(699,878)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	1,237,554	1,468,987	2,528,867	1,059,880
Other financing sources (uses)				
Transfers out	<u>(1,237,554)</u>	<u>(1,287,554)</u>	<u>(1,287,554)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,237,554)</u>	<u>(1,287,554)</u>	<u>(1,287,554)</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ 181,433</u>	<u>1,241,313</u>	<u>\$ 1,059,880</u>
Fund balance, July 1			<u>12,669,012</u>	
Fund balance, June 30			<u>\$ 13,910,325</u>	

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

**TOWN OF ARLINGTON, TENNESSEE  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
For the Year Then Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over <u>(Under)</u>
<b>Revenues:</b>				
Taxes:				
Current property tax	\$ 11,951,844	\$ 11,951,844	\$ 12,696,956	\$ 745,112
Prior years property tax	375,000	375,000	380,777	5,777
Payments in lieu of taxes	100,000	100,000	254,856	154,856
Local option sales tax	4,200,000	4,200,000	4,969,214	769,214
Business tax	1,000	1,000	1,882	882
Mixed drink tax	10,000	10,000	5,984	(4,016)
Wheel tax	-	-	521,870	521,870
<b>Total taxes</b>	<u>16,637,844</u>	<u>16,637,844</u>	<u>18,831,539</u>	<u>2,193,695</u>
Intergovernmental:				
State revenues:				
State education funds:				
Basic Education Program	20,326,000	20,326,000	20,620,560	294,560
Other state education funds	35,665	35,665	41,028	5,363
Career ladder program	93,352	93,352	92,838	(514)
<b>Total state revenues</b>	<u>20,455,017</u>	<u>20,455,017</u>	<u>20,754,426</u>	<u>299,409</u>
Other local revenues:				
Charges for services	428,373	428,373	500,557	72,184
Insurance recovery	9,000	109,000	9,463	(99,537)
Other local revenues	7,500	7,500	479,811	472,311
	<u>444,873</u>	<u>544,873</u>	<u>989,831</u>	<u>444,958</u>
<b>Total revenues</b>	<u>37,537,734</u>	<u>37,637,734</u>	<u>40,575,796</u>	<u>2,938,062</u>
<b>Expenditures:</b>				
Instruction:				
Regular education:				
Teachers	14,396,993	14,197,227	13,677,766	(519,461)
Career ladder program	48,000	49,965	49,965	-
Educational assistants	162,261	162,261	155,648	(6,613)
Other salaries and wages	90,500	165,266	89,682	(75,584)
Social security	911,260	911,260	816,205	(95,055)
State retirement	1,320,869	1,320,869	1,237,629	(83,240)
Life insurance	98,365	98,365	55,702	(42,663)

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

**TOWN OF ARLINGTON, TENNESSEE  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
For the Year Then Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over <u>(Under)</u>
Medical insurance	1,829,888	1,701,159	1,181,486	(519,673)
Medicare	213,117	213,117	190,888	(22,229)
Maintenance and repair	3,000	3,000	2,956	(44)
Contracted services - substitutes	268,000	394,764	391,000	(3,764)
Other contracted services	22,044	22,044	21,562	(482)
Instructional supplies and materials	322,210	292,094	194,533	(97,561)
Textbooks	350,000	252,000	170,085	(81,915)
Other supplies and materials	20,000	19,500	13,737	(5,763)
Other charges	6,000	11,930	11,872	(58)
Equipment	535,000	840,117	839,867	(250)
Fee waivers	5,000	5,000	1,414	(3,586)
Total regular education	<u>20,602,507</u>	<u>20,659,938</u>	<u>19,101,997</u>	<u>(1,557,941)</u>
Alternative instruction:				
Teachers	82,082	82,082	47,401	(34,681)
Educational assistants	22,736	22,736	17,574	(5,162)
Homebound teachers	33,888	33,888	11,969	(21,919)
Social security	8,601	8,601	4,489	(4,112)
State retirement	12,591	12,591	5,867	(6,724)
Life insurance	953	953	260	(693)
Medical insurance	21,444	21,444	8,553	(12,891)
Medicare	2,011	2,011	1,050	(961)
Other charges	500	500	-	(500)
Other supplies and materials	1,000	1,000	1,000	-
Other equipment	300	300	188	(112)
Total alternative instruction	<u>186,106</u>	<u>186,106</u>	<u>98,351</u>	<u>(87,755)</u>
Special education:				
Teachers	1,304,663	1,304,663	1,200,683	(103,980)
Career ladder program	3,000	3,000	1,000	(2,000)
Homebound teachers	57,985	57,985	29,207	(28,778)
Educational assistants	233,201	233,201	197,240	(35,961)
Speech pathologist	63,200	66,964	66,962	(2)
Social Security	103,046	103,046	87,977	(15,069)
State retirement	150,931	150,931	132,798	(18,133)
Life insurance	11,404	11,404	5,878	(5,526)

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



**TOWN OF ARLINGTON, TENNESSEE  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
For the Year Then Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
Medical insurance	235,884	232,120	102,756	(129,364)
Medicare	24,100	24,100	20,576	(3,524)
Maintenance and repair - equipment	3,000	3,000	275	(2,725)
Contracts substitute teachers	33,300	33,300	33,191	(109)
Other contracted services	81,000	54,000	3,633	(50,367)
Instructional supplies and materials	42,600	42,600	26,877	(15,723)
Special education equipment	6,000	6,000	3,336	(2,664)
Total special education	2,353,314	2,326,314	1,912,389	(413,925)
Vocational education:				
Teachers	637,835	637,835	599,393	(38,442)
Career ladder program	4,000	4,000	4,000	-
Social Security	39,794	39,794	35,685	(4,109)
State retirement	57,660	57,660	54,318	(3,342)
Life insurance	4,384	4,384	2,438	(1,946)
Medical insurance	78,628	78,628	46,320	(32,308)
Medicare	9,307	9,307	8,346	(961)
Contracts substitute teachers	11,250	11,250	11,250	-
Instructional supplies and materials	8,550	8,550	7,546	(1,004)
Textbooks	2,000	2,000	1,980	(20)
Other supplies and materials	1,000	1,000	1,000	-
Special education equipment	53,000	53,000	53,000	-
STEM	-	-	1,000	1,000
Total vocational education	907,408	907,408	826,276	(81,132)
<b>Total instruction</b>	<b>24,049,335</b>	<b>24,079,766</b>	<b>21,939,013</b>	<b>(2,140,753)</b>
Support services:				
Attendance:				
Supervisor/director	177,792	185,252	185,252	-
Career ladder program	1,000	1,000	1,000	-
Clerical personnel	20,488	20,489	20,488	(1)
Other salaries and wages	65,847	67,297	67,297	-
Social Security	20,033	20,033	16,447	(3,586)
State retirement	24,076	24,672	24,178	(494)
Life insurance	2,214	2,214	1,063	(1,151)

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

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

For the Year Then Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
Medical insurance	46,462	9,955	4,461	(5,494)
Medicare	4,685	4,685	3,847	(838)
Travel	600	600	442	(158)
Other contracted services	39,858	39,858	39,526	(332)
Other supplies and materials	4,000	7,385	5,404	(1,981)
In-services/staff development	2,000	12,500	8,379	(4,121)
Other charges	600	1,715	1,561	(154)
Attendance equipment	350	2,350	-	(2,350)
Total attendance	<u>410,005</u>	<u>400,005</u>	<u>379,345</u>	<u>(20,660)</u>
Health services:				
Medical personnel	117,907	117,907	114,951	(2,956)
Social Security	7,310	7,310	6,674	(636)
State retirement	10,930	10,930	10,455	(475)
Life insurance	810	810	440	(370)
Medical insurance	21,444	21,210	11,679	(9,531)
Medicare	1,710	1,710	1,560	(150)
Travel	250	250	38	(212)
Other contracted services	4,000	14,234	14,233	(1)
Other supplies and materials	2,000	2,000	793	(1,207)
In-service/staff development	500	500	-	(500)
Other charges	2,500	2,500	-	(2,500)
Health equipment	500	500	-	(500)
Total health services	<u>169,861</u>	<u>179,861</u>	<u>160,823</u>	<u>(19,038)</u>
Other student support:				
Career ladder program	4,000	4,000	4,000	-
Guidance personnel	681,000	681,530	681,530	-
Clerical personnel	13,522	13,522	13,506	(16)
Other salaries and wages	66,250	66,250	65,362	(888)
Social workers	57,985	52,566	52,566	-
Social Security	47,416	50,642	49,054	(1,588)
State retirement	68,804	73,948	73,864	(84)
Life insurance	5,229	5,444	3,220	(2,224)
Medical insurance	77,413	72,962	39,269	(33,693)
Medicare	11,090	11,845	11,472	(373)

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

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

For the Year Then Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
Evaluation and testing	64,100	64,100	51,144	(12,956)
Travel	200	200	42	(158)
Other supplies and materials	5,000	5,000	3,577	(1,423)
In-service/staff development	2,500	2,500	2,061	(439)
Other equipment	5,000	5,000	789	(4,211)
Total other student support	<u>1,109,509</u>	<u>1,109,509</u>	<u>1,051,456</u>	<u>(58,053)</u>
Instructional staff:				
Regular education:				
Supervisor/director	257,112	257,112	257,112	-
Career ladder program	5,000	5,000	4,000	(1,000)
Librarians	296,000	296,000	288,996	(7,004)
Instructional computer personnel	133,413	133,413	127,993	(5,420)
Clerical personnel	20,488	20,488	20,488	-
In-service training	25,000	25,000	21,455	(3,545)
Social Security	45,669	45,669	41,798	(3,871)
State retirement	57,934	65,061	65,013	(48)
Life insurance	4,857	4,857	2,806	(2,051)
Medical insurance	75,054	69,942	61,689	(8,253)
Medicare	10,681	10,681	9,775	(906)
Travel	3,250	1,750	266	(1,484)
Other contracted services	7,000	6,783	6,494	(289)
Library books	26,730	26,947	26,935	(12)
Other supplies and materials	6,000	6,000	5,179	(821)
In-service/staff development	20,500	20,500	19,872	(628)
Other charges	4,500	4,500	2,835	(1,665)
Other equipment	8,000	8,000	1,665	(6,335)
Consultants	1,000	835	960	125
Total regular education	<u>1,008,188</u>	<u>1,008,538</u>	<u>965,331</u>	<u>(43,207)</u>
Special education:				
Supervisor/director	93,425	93,425	93,425	-
Career ladder program	1,000	1,000	1,000	-
Psychological personnel	150,360	152,629	152,628	(1)
Secretary	13,932	13,932	13,915	(17)
Other salaries and wages	94,134	94,134	83,828	(10,306)

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

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

For the Year Then Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
Social Security	21,983	21,983	20,197	(1,786)
State retirement	32,492	32,492	31,281	(1,211)
Life insurance	2,418	2,418	1,401	(1,017)
Medical insurance	38,170	25,901	19,472	(6,429)
Medicare	5,141	5,141	4,724	(417)
Travel	3,000	3,000	955	(2,045)
Other contracted services	164,680	174,680	160,908	(13,772)
Other supplies and materials	21,890	9,347	6,441	(2,906)
In-service/staff development	8,000	8,000	4,457	(3,543)
Other charges	200	518	518	-
Other equipment	-	1,500	880	(620)
Total special education	650,825	640,100	596,030	(44,070)
Vocational education:				
Supervisor/director	93,425	93,425	93,425	-
Career ladder program	1,000	1,000	1,000	-
Social Security	6,693	6,192	6,191	(1)
State retirement	9,758	9,789	9,788	(1)
Life insurance	735	430	430	-
Medical insurance	13,559	14,378	14,378	-
Medicare	1,565	1,521	1,448	(73)
Travel	2,000	2,000	441	(1,559)
Other supplies and materials	1,000	1,000	1,000	-
Secretary	13,522	13,522	13,506	(16)
In-service/staff development	2,000	2,000	129	(1,871)
Other charges	500	500	42	(458)
Total vocational education	145,757	145,757	141,778	(3,979)
Total instructional staff	1,804,770	1,794,395	1,703,139	(91,256)
General administration:				
Board of education services:				
Board and committee member fees	18,600	18,600	18,600	-
Social Security	2,171	2,170	2,121	(49)
Life insurance	2,094	2,370	2,336	(34)
Medical insurance	502,145	501,869	495,633	(6,236)
Medicare	508	508	496	(12)

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

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

For the Year Then Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
Audit services	30,000	50,000	33,500	(16,500)
Dues and memberships	9,600	9,600	8,856	(744)
Legal services	20,000	20,000	20,000	-
Travel	250	250	210	(40)
Other supplies and materials	4,100	4,100	2,910	(1,190)
Liability insurance	30,000	37,961	37,938	(23)
Premium on corporate surety bonds	3,000	3,000	-	(3,000)
Workmen's compensation insurance	170,000	162,039	96,476	(65,563)
In-service/staff development	8,000	8,000	6,719	(1,281)
Other charges	207,077	207,077	39,093	(167,984)
Secretary	16,424	16,424	16,424	-
State retirement	1,522	1,523	1,523	-
Total board of education services	<u>1,025,491</u>	<u>1,045,491</u>	<u>782,835</u>	<u>(262,656)</u>
Director of schools:				
City official/administrative officer	153,500	154,500	154,500	-
Career ladder program	2,000	2,000	2,000	-
Secretary	38,322	38,323	38,322	(1)
Social Security	11,955	18,467	16,348	(2,119)
State retirement	17,429	27,278	27,287	9
Life insurance	1,319	2,041	1,584	(457)
Medical insurance	15,803	21,659	15,273	(6,386)
Dental insurance	320	435	434	(1)
Medicare	2,796	4,319	4,298	(21)
Other fringe benefits	320	383	382	(1)
Communication	206,080	349,367	320,574	(28,793)
Dues and memberships	5,800	8,182	6,582	(1,600)
Postal charges	500	500	-	(500)
Travel	250	250	213	(37)
Other contracted services	250,000	101,311	13,923	(87,388)
Office supplies	1,800	3,785	3,759	(26)
In-service/staff development	5,000	5,715	2,264	(3,451)
Other charges	3,000	9,540	9,377	(163)
Administration equipment	1,000	7,400	6,848	(552)
Other salaries and wages	-	105,026	103,423	(1,603)
Total director of schools	<u>717,194</u>	<u>860,481</u>	<u>727,391</u>	<u>(133,090)</u>

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

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

For the Year Then Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over <u>(Under)</u>
School administration:				
Office of the principal:				
Principals	510,687	525,495	525,494	(1)
Career ladder program	11,000	11,000	7,000	(4,000)
Assistant principals	908,159	912,119	912,119	-
Secretaries	165,694	165,694	159,491	(6,203)
Clerical personnel	458,252	458,252	457,383	(869)
Social Security	127,335	127,902	121,241	(6,661)
State retirement	187,098	187,948	187,333	(615)
Life insurance	14,041	14,041	8,231	(5,810)
Medical insurance	264,476	244,158	143,579	(100,579)
Medicare	29,780	29,913	28,355	(1,558)
Dues and memberships	3,000	3,000	164	(2,836)
Travel	600	600	84	(516)
In-service/staff development	3,000	3,000	600	(2,400)
Total office of the principal	<u>2,683,122</u>	<u>2,683,122</u>	<u>2,551,074</u>	<u>(132,048)</u>
Business administration:				
Fiscal services:				
Supervisor/director	100,000	100,000	100,000	-
Accountants/bookkeepers	94,893	94,893	93,753	(1,140)
Social Security	12,083	12,083	11,263	(820)
State retirement	18,067	18,067	17,728	(339)
Life insurance	1,340	1,340	771	(569)
Medical insurance	21,443	16,743	16,486	(257)
Medicare	2,826	2,826	2,634	(192)
Dues and memberships	1,325	1,325	1,255	(70)
Travel	400	800	693	(107)
Other contracted services	63,536	63,536	62,688	(848)
Other supplies	1,000	1,500	1,444	(56)
Other supplies and materials	2,500	780	731	(49)
In-service/staff development	4,500	8,270	8,269	(1)
Other charges	8,000	7,750	7,749	(1)
Equipment	4,000	6,000	5,849	(151)
Total fiscal services	<u>335,913</u>	<u>335,913</u>	<u>331,313</u>	<u>(4,600)</u>

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

**TOWN OF ARLINGTON, TENNESSEE  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
For the Year Then Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over <u>(Under)</u>
Human services/personnel:				
Secretary(s)	54,333	54,333	54,333	-
Social Security	3,369	3,369	3,108	(261)
State retirement	5,037	5,037	5,037	-
Life insurance	373	373	221	(152)
Medical insurance	7,148	7,148	4,461	(2,687)
Unemployment Compensation	31,279	31,279	2,604	(28,675)
Medicare	788	788	727	(61)
Other fringe benefits	5,000	1,000	383	(617)
Dues and memberships	500	500	20	(480)
Travel	300	300	100	(200)
Other contracted services	43,000	47,000	42,818	(4,182)
Office supplies	1,000	1,000	994	(6)
In-service/staff development	10,000	13,000	11,703	(1,297)
Equipment	4,000	1,000	304	(696)
Total human services/personnel	<u>166,127</u>	<u>166,127</u>	<u>126,813</u>	<u>(39,314)</u>
 Total business administration	 <u>502,040</u>	 <u>502,040</u>	 <u>458,126</u>	 <u>(43,914)</u>
 Operation and maintenance of plant:				
Operation of plant:				
Supervisor/director	227,760	227,760	227,760	-
Other salaries and wages	15,000	12,095	12,094	(1)
Social Security	15,051	13,387	12,908	(479)
State retirement	22,504	22,504	22,234	(270)
Life insurance	1,669	1,669	928	(741)
Medical insurance	35,740	40,309	40,308	(1)
Medicare	3,520	3,520	3,018	(502)
Janitorial services	557,043	557,043	546,393	(10,650)
Travel	200	320	160	(160)
Other contracted services	79,483	79,483	49,423	(30,060)
Custodial supplies	11,000	10,941	10,765	(176)
Electricity	750,000	745,935	677,326	(68,609)
Other supplies and materials	8,500	8,500	7,442	(1,058)
Building and content insurance	114,000	118,065	118,064	(1)

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

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

For the Year Then Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
Other charges	4,100	4,039	3,308	(731)
Total operation of plant	1,845,570	1,845,570	1,732,131	(113,439)
Maintenance of plant:				
Supervisor/director	146,450	154,751	154,751	-
Secretary(s)	40,976	40,976	40,976	-
Maintenance personnel	121,200	123,798	123,798	-
Social Security	19,135	19,135	18,599	(536)
State retirement	28,610	28,989	28,989	-
Life insurance	2,121	1,567	1,192	(375)
Medical insurance	35,740	25,016	25,016	-
Medicare	4,475	4,475	4,350	(125)
Maintenance and repair - buildings	140,000	140,000	136,972	(3,028)
Maintenance and repair - equipment	4,000	5,250	5,007	(243)
Travel	3,000	3,000	590	(2,410)
Other contracted services	22,200	22,200	18,926	(3,274)
Gasoline	7,800	7,800	5,028	(2,772)
Other supplies and materials	1,000	2,076	2,058	(18)
In-service/staff development	1,700	1,700	-	(1,700)
Other charges	1,620	2,220	558	(1,662)
Administration equipment	2,000	1,424	1,128	(296)
Maintenance equipment	47,250	44,900	43,818	(1,082)
Total maintenance of plant	629,277	629,277	611,756	(17,521)
Total operation and maintenance of plant	2,474,847	2,474,847	2,343,887	(130,960)
Transportation:				
Student transportation:				
Contracts with other school systems	46,907	46,907	45,187	(1,720)
Contracts with other private agencies	990,000	990,000	854,193	(135,807)
Other contracted services	-	125,000	125,000	-
Diesel fuel	150,000	160,890	95,479	(65,411)
Total student transportation	1,186,907	1,322,797	1,119,859	(202,938)

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



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

For the Year Then Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
Central and other transportation:				
Supervisor/director	125,000	125,000	125,000	-
Other salaries and wages	60,600	60,600	60,600	-
Social Security	11,593	11,593	11,150	(443)
State retirement	17,047	17,047	16,918	(129)
Life insurance	1,278	1,278	750	(528)
Medical insurance	18,348	11,763	10,644	(1,119)
Medicare	2,712	2,712	2,608	(104)
Consultants	2,500	2,500	2,400	(100)
Maintenance and repair - equipment	38,000	8,015	7,747	(268)
Travel	600	433	33	(400)
Other contracted services	262,252	267,272	207,895	(59,377)
Data processing supplies	1,000	483	483	-
Office supplies	12,300	4,195	1,924	(2,271)
Other supplies and materials	500	-	-	-
In-service/staff development	6,000	12,058	9,528	(2,530)
Other charges	61,765	69,532	67,203	(2,329)
Administrative equipment	41,000	17,281	17,230	(51)
Total central and other transportation	<u>662,495</u>	<u>611,762</u>	<u>542,113</u>	<u>(69,649)</u>
Total transportation	<u>1,849,402</u>	<u>1,934,559</u>	<u>1,661,972</u>	<u>(272,587)</u>
<b>Total support services</b>	<b><u>12,746,241</u></b>	<b><u>12,984,310</u></b>	<b><u>11,820,048</u></b>	<b><u>(1,164,262)</u></b>
Non-instructional services:				
Regular capital outlay:				
Engineering services	4,000	22,670	18,670	(4,000)
Building improvements	165,000	150,500	135,944	(14,556)
Site development	30,000	736,330	534,155	(202,175)
Other capital outlay	40,000	104,500	97,658	(6,842)
Total regular capital outlay	<u>239,000</u>	<u>1,014,000</u>	<u>786,427</u>	<u>(227,573)</u>

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

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

For the Year Then Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
Debt service:				
Principal payment to Shelby Co. Schools	333,333	333,333	333,333	-
<b>Total non-instructional services</b>	<b>572,333</b>	<b>1,347,333</b>	<b>1,119,760</b>	<b>(227,573)</b>
<b>Total expenditures</b>	<b>\$ 37,367,909</b>	<b>\$ 38,411,409</b>	<b>\$ 34,878,821</b>	<b>\$ (3,532,588)</b>
Excess (deficiency) of revenues over (under) expenditures	169,825	(773,675)	5,696,975	6,470,650
<b>Other financing sources (uses):</b>				
Town appropriations - transfer in	29,575	954,575	562,554	(392,021)
Net changes in fund balance	<b>\$ 199,400</b>	<b>\$ 180,900</b>	6,259,529	<b>\$ 6,078,629</b>
Fund balance - beginning			6,457,977	
<b>Prior period adjustment</b>			53,045	
<b>Fund balance, beginning - restated</b>			<b>6,511,022</b>	
Fund balance - ending			<b>\$ 12,770,551</b>	

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

**TOWN OF ARLINGTON, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**STATE STREET AID FUND**  
For the Year Ended June 30, 2016

<b>Revenues</b>	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
Intergovernmental:				
Gas 1989	\$ 30,000	\$ 30,000	\$ 36,614	\$ 6,614
Gas 3 cent	60,000	60,000	67,956	7,956
Gasoline and motor fuel tax	160,000	170,000	227,830	57,830
Special assessments	-	-	35,258	35,258
Developer fees	-	150,000	150,000	-
Grant revenue	820,000	971,836	1,056,039	84,203
Total intergovernmental	<u>1,070,000</u>	<u>1,381,836</u>	<u>1,573,697</u>	<u>191,861</u>
Other:				
Interest earned	<u>24,000</u>	<u>24,000</u>	<u>18,947</u>	<u>(5,053)</u>
Total revenues	<u>1,094,000</u>	<u>1,405,836</u>	<u>1,592,644</u>	<u>186,808</u>
<b>Expenditures</b>				
Current:				
Public works:				
Highways and streets:				
Utilities	320,000	320,000	323,075	3,075
Repair and maintenance services	70,000	70,000	57,185	(12,815)
Repair and maintenance - streets	500,000	1,292,870	1,127,148	(165,722)
Operating supplies	-	-	29	29
Gas, oil and diesel	10,000	10,000	8,468	(1,532)
Capital outlay, including grants	1,612,000	1,001,225	934,027	(67,198)
Total expenditures	<u>2,512,000</u>	<u>2,694,095</u>	<u>2,449,932</u>	<u>(244,163)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(1,418,000)</u>	<u>(1,288,259)</u>	<u>(857,288)</u>	<u>430,971</u>
Other financing sources (uses)				
Other	749,000	-	-	-
Transfers in	<u>669,000</u>	<u>669,000</u>	<u>669,000</u>	<u>-</u>
<b>Net changes in fund balance</b>	<u>\$ -</u>	<u>\$ (619,259)</u>	<u>(188,288)</u>	<u>\$ 430,971</u>
Fund balance, July 1			<u>4,080,510</u>	
Fund balance, June 30			<u>\$ 3,892,222</u>	

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

**TOWN OF ARLINGTON, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
June 30, 2016

	<b>Sewer Fund</b>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 3,312,162
Investments	6,992,577
Receivables	
Interest	516
Accounts	302,717
Total current assets	10,607,972
Noncurrent assets	
Capital assets	
Land	231,762
Sewer plant	29,127,505
Less accumulated depreciation	(6,121,895)
Total capital assets (net of accumulated depreciation)	23,237,372
Total noncurrent assets	23,237,372
Total assets	33,845,344
<b>Liabilities</b>	
Current liabilities	
Accounts payable	18,296
Accrued annual leave	12,318
Due to other funds	82,023
Bonds payable	942,000
Total current liabilities	1,054,637
Noncurrent liabilities	
Accrued annual leave	2,174
Unamortized bond premium	28,017
Bonds payable	11,566,000
Total noncurrent liabilities	11,596,191
Total liabilities	12,650,828
<b>Net position</b>	
Net investment in capital assets	10,699,181
Unrestricted	10,495,335
<b>Total net position</b>	<b>\$ 21,194,516</b>

*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, 2016

	<u>Sewer Fund</u>
<b>Operating revenues</b>	
Sewer service charges	\$ 1,627,793
Surcharges and inspection fees	<u>723,915</u>
Total operating revenues	<u>2,351,708</u>
<b>Operating expenses</b>	
Salaries	182,617
OASI	11,688
Hospital and health insurance	31,689
Workmen's compensation	7,373
Other employer contributions	8,314
Employee education and materials	1,162
Memberships and dues	6,240
Utility services	157,645
Telephone	6,140
Accounting and auditing	7,523
Other professional services	10,900
Contractual services	88,113
Data processing services	1,783
Repair and maintenance	109,776
Lab costs	6,146
Operating supplies	29,672
Gas, oil and diesel	3,847
Insurance	30,082
Depreciation	<u>852,733</u>
Total operating expenses	<u>1,553,443</u>
<b>Operating income (loss)</b>	<u>798,265</u>
Non-operating income (expense)	
Interest earned	50,970
Interest expense	(172,923)
Debt fees	<u>(46,898)</u>
Total non-operating revenues (expenses)	<u>(168,851)</u>
<b>Change in net position</b>	<b>629,414</b>
Total net position, beginning	<u>20,565,102</u>
Total net position, ending	<u>\$ 21,194,516</u>

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

**TOWN OF ARLINGTON, TENNESSEE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
For the Year Ended June 30, 2016

	<b>Sewer Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from consumers	\$ 2,314,623
Cash received from other funds	942
Cash paid to employees for services	(194,305)
Other operating payments	(478,392)
Net cash provided (used) by operating activities	1,642,868
<b>Cash flows from capital and related financing activities:</b>	
Principal paid on debt	(904,000)
Interest and debt fees paid	(221,124)
Construction and acquisition of plant	(33,558)
Net cash provided (used) by capital and related financing activities	(1,158,682)
<b>Cash flows from investing activities:</b>	
Purchase of investments	(6,992,577)
Proceeds from sale and maturities of investments	5,955,238
Interest and unrealized change in investments	51,016
Net cash provided (used) by investing activities	(986,323)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(502,137)</b>
Cash and cash equivalents - beginning of year	3,814,299
Cash and cash equivalents - end of year	3,312,162

*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, 2016

	<u>Sewer Fund</u>
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income (loss)	\$ 798,265
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	852,733
(Increase) decrease in accounts receivable	(37,085)
Increase (decrease) in payables	13,521
Increase (decrease) in accrued annual leave	14,492
Increase (decrease) in due to other funds	<u>942</u>
Net cash provided (used) by operating activities	<u>\$ 1,642,868</u>

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

**TOWN OF ARLINGTON, TENNESSEE**  
**ARLINGTON COMMUNITY SCHOOLS**  
**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**INTERNAL SCHOOL FUNDS**  
 June 30, 2016

	<b>Agency Fund</b>
<b>Assets</b>	
Cash	\$ 957,939
Inventory	18,639
Total assets	\$ 976,578
 <b>Liabilities</b>	
Due to student general fund	\$ 539,375
Due to student groups	437,203
Total liabilities	\$ 976,578

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



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

June 30, 2016

**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, education, and general administrative services.

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

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

**A. Reporting Entity**

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

**B. Government-wide and Fund Financial Statements**

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

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

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

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

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

**TOWN OF ARLINGTON, TENNESSEE**  
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June 30, 2016

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

The Town reports the following major proprietary fund:

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

The Town reports the following agency fund:

Internal School Funds consist of transactions related to resources held in a fiduciary capacity as agent for the general school populations, or in some cases, for a specific segment of the school population, are recorded in the Internal School Fund. Agency funds are purely custodial and thus do not involve measurement of results of operations.

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.

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

June 30, 2016

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

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

***Deposits and Investments***

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

Investments for the Town are reported at fair value. All investments at June 30, 2016 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 and the tax bills are mailed annually on October 1. The taxes are due and payable from the following October through February in the year succeeding the tax levy. A lien attaches by statute to property on January 1. Taxes uncollected by March 1, the year after due, are considered delinquent and are to be submitted to the Chancery Court for collection. Shelby County collects all property taxes for the Town and remits them by direct deposit monthly.

***Inventories and Prepaid Items***

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

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

**TOWN OF ARLINGTON, TENNESSEE**  
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June 30, 2016

**Capital Assets**

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

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

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

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

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

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

**Compensated Absences**

Town of Arlington

The Town has established vacation and sick leave policies. According to the vacation policy, employees other than Senior Citizen Center Department employees can accrue vacation and sick time based on longevity of service. The Fire Department employees can accrue up to 10 days of vacation time and 45 days of sick time based on 24 hour shifts. Other Town employees can accrue up to 20 days of vacation time and 90 days of sick time based on 8 hour shifts. Upon separation, employees are entitled to be reimbursed for any unused vacation and sick time up to 20 days maximum. The current portion of the accrued vacation at June 30, 2016 recorded in the governmental funds is the amount that would normally be liquidated with expendable available financial resources.

Arlington Community Schools

All full-time twelve month employees will be granted vacation based on the following: six months to one year of employment, ten days of vacation per year; one to five years of employment, ten days of vacation per year; five to ten years of employment, twelve days of vacation per year; ten to fifteen years of employment, fifteen days of vacation per year; fifteen years or more of employment, twenty days of vacation per year. Vacation is accrued on a semi-monthly basis. Unused sick, personal and

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

June 30, 2016

annual days are not vested by the System. Vacation can be accumulated up to a maximum of twenty-five days.

***Long-term Obligations***

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

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

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The items that qualify for reporting as deferred outflows of resources are disclosed on page 11.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The items that qualify for reporting as a deferred inflow of resources are unavailable revenue and are disclosed on pages 12, 14, and 49.

***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Legacy Pension Plan and Teacher Retirement Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Legacy Pension Plan and Teacher Retirement Plan, respectively. Investments are reported at fair value.

***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.

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June 30, 2016

***Fund Equity***

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

**Nonspendable fund balance**

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

**Restricted fund balance**

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

**Committed fund balance**

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

**Assigned fund balance**

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

**Unassigned fund balance**

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the Board of Alderman or the finance committee has provided otherwise in its commitment or assignment actions.

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

**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 \$5,074,092 difference are as follows:

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

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Long-term debt due within a year	\$ 410,333
Long-term debt due in more than a year	2,897,973
Compensated absences payable	259,659
OPEB	924,651
Net pension liability	187,377
Accrued postclosure care costs	394,099
Net adjustment to reduce fund balance - total government funds to arrive at net position - governmental activities	\$ 5,074,092

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

The reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period." The details of this \$146,474 difference are as follows:

Capital outlay net of contributed capital	\$ 3,815,064
Amount costs of disposed assets exceeded accumulated depreciation	(58,206)
Depreciation expense	(3,610,384)
Net adjustment to reduce net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	\$ 146,474

Another element of that reconciliation states that "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds." The details of this \$(73,848) difference are as follows:

Change in unavailable property taxes	\$ 11,399
Change in unavailable grant revenue	(285,344)
Change in unavailable revenue	200,097
Net adjustment to reduce net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	\$ (73,848)

**NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Town of Arlington

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

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

Arlington Community Schools

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

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

**NOTE 4 - DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

Investments were made up entirely of certificates of deposits with original maturities greater than three months for the fiscal year ended June 30, 2016.

***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, 2016, all deposits were fully collateralized or insured.



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

June 30, 2016

**B. Receivables**

Receivables as of June 30, 2016 for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	General Purpose School	State Street Aid	Sewer	Other Governmental Funds	Total
Receivables						
Interest	\$ 1,658	\$ -	\$ 644	\$ 516	\$ -	\$ 2,818
Taxes	3,491,631	-	-	-	-	3,491,631
Accounts	136,578	86,681	-	302,717	-	525,976
Due from other						
governments - grants	-	-	-	-	443,826	443,826
Intergovernmental	681,108	2,678,799	-	-	-	3,359,907
Grants	-	-	100,935	-	-	100,935
Gross receivables	4,310,975	2,765,480	101,579	303,233	443,826	7,925,093
Less: allowance for uncollectibles	(9,315)	-	-	-	-	(9,315)
Net total receivables	<u>\$ 4,301,660</u>	<u>\$ 2,765,480</u>	<u>\$ 101,579</u>	<u>\$ 303,233</u>	<u>\$ 443,826</u>	<u>\$ 7,915,778</u>

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

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

	Unavailable	Unearned/Unavailable	Total
Grant revenue	\$ 91,162	\$ -	\$ 91,162
Delinquent property taxes receivable	60,681	-	60,681
2016 property tax assessment	-	3,390,841	3,390,841
Delinquent property taxes receivable - Schools	642,496	-	642,496
Sales taxes receivable - Schools	476,972	-	476,972
Prepaid lunch balances	-	19,088	19,088
Total deferred revenue for governmental funds	<u>\$ 1,271,311</u>	<u>\$ 3,409,929</u>	<u>\$ 4,681,240</u>

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

June 30, 2016

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2016 was as follows:

<b>Governmental Activities:</b>	Beginning Balance	Adjustment	Beginning Balance Restated	Increases	Decreases	Ending Balance
Capital assets not being depreciated:						
Land	\$ 5,666,856	\$ (1,738,988)	\$ 3,927,868	\$ 269,100	\$ -	\$ 4,196,968
Construction in progress	1,193,113	(47,623)	1,145,490	3,086,166	3,041,857	1,189,799
Total capital assets, not being depreciated, net	<u>6,859,969</u>	<u>(1,786,611)</u>	<u>5,073,358</u>	<u>3,355,266</u>	<u>3,041,857</u>	<u>5,386,767</u>
Capital assets being depreciated:						
Buildings and improvements	64,882,626	26,455,200	91,337,826	1,631,402	89,453	92,879,775
Machinery and equipment	3,960,474	1,081,896	5,042,370	272,569	250,971	5,063,968
Infrastructure	32,690,397	-	32,690,397	1,597,684	-	34,288,081
Total capital assets being depreciated	<u>101,533,497</u>	<u>27,537,096</u>	<u>129,070,593</u>	<u>3,501,655</u>	<u>340,424</u>	<u>132,231,824</u>
Less: accumulated depreciation for:						
Buildings and improvements	(15,529,472)	11,718,636	(3,810,836)	(2,051,810)	(86,303)	(5,776,343)
Machinery and equipment	(2,501,133)	178,078	(2,323,055)	(381,081)	(195,915)	(2,508,221)
Infrastructure	(5,607,561)	-	(5,607,561)	(1,177,493)	-	(6,785,054)
Total accumulated depreciation	<u>(23,638,166)</u>	<u>11,896,714</u>	<u>(11,741,452)</u>	<u>(3,610,384)</u>	<u>(282,218)</u>	<u>(15,069,618)</u>
Total capital assets, being depreciated, net	<u>77,895,331</u>	<u>39,433,810</u>	<u>117,329,141</u>	<u>(108,729)</u>	<u>58,206</u>	<u>117,162,206</u>
Governmental activities, capital assets, net	<u>\$ 84,755,300</u>	<u>\$ 37,647,199</u>	<u>\$ 122,402,499</u>	<u>\$ 3,246,537</u>	<u>\$ 3,100,063</u>	<u>\$ 122,548,973</u>

<b>Business-type Activities:</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 231,762	\$ -	\$ -	\$ 231,762
Total capital assets, not being depreciated	<u>231,762</u>	<u>-</u>	<u>-</u>	<u>231,762</u>
Capital assets being depreciated:				
Sewer plant	29,093,948	33,558	-	29,127,506
Total capital assets being depreciated	<u>29,093,948</u>	<u>33,558</u>	<u>-</u>	<u>29,127,506</u>
Less: accumulated depreciation for:				
Infrastructure	(5,269,163)	(852,733)	-	(6,121,896)
Total accumulated depreciation	<u>(5,269,163)</u>	<u>(852,733)</u>	<u>-</u>	<u>(6,121,896)</u>
Total capital assets being depreciated, net	<u>23,824,785</u>	<u>(819,175)</u>	<u>-</u>	<u>23,005,610</u>
Business-type activities capital assets, net	<u>\$ 24,056,547</u>	<u>\$ (819,175)</u>	<u>\$ -</u>	<u>\$ 23,237,372</u>

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

Governmental activities:	
General government	\$ 109,587
Public safety	88,204
Public works	74,447
Street department	1,206,624
Parks department	195,197
Education	1,936,325
Total depreciation expense - governmental activities	<u>\$ 3,610,384</u>
Business-type activities:	
Sewer	<u>\$ 852,733</u>

**D. Interfund Transfers and Balances**

The composition of interfund transfers as of June 30, 2016, is as follows:

Transfer from	Transfer to	Amount
General	General Purpose School	\$ 562,554
General	State Street Aid	669,000
General	Sanitation	56,000
Total		<u>\$ 1,287,554</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. Funds were transferred from the General Fund to the Sanitation Fund to cover operational expenses. The transfer from the Town to the School System includes \$462,554 for the School's portion of local tax revenue per State Statute. The Town also paid \$100,000 to the Schools to assist with other costs.

The composition of due to and due from other funds as of June 30, 2016, is as follows:

Due from	Due to	Amount
General Fund	State Street Aid	\$ 60,481
Federal Projects	General Purpose School	388,065
Discretionary Grants	General Purpose School	15,141
Sewer Fund	Sanitation	82,023
Total		545,710
Governmental fund activities eliminated		(463,687)
Internal balances		<u>\$ 82,023</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 Sanitation Fund relates to collections for sanitation services by the Sewer Fund. The balances due from the Federal Projects Fund and the Education Capital Projects Fund to the

**TOWN OF ARLINGTON, TENNESSEE**  
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General Purpose School Fund are for the negative cash balance in the pooled bank account at the end of the year.

**E. Long-term Debt**

Long-term debt at June 30, 2016 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 0.26% at June 30, 2016	\$ 7,053,000
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Adjustable Rate Pooled Financing Revenue Bonds, Series 2012 Tennessee County Loan Pool; the total amount of the bond issue is for \$6,000,000; due in annual installments of \$180,000 to \$335,000 through 2038; interest at 2.00% at June 30, 2016	5,455,000
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Notes Payable:

Fire Equipment Acquisition Capital Outlay Note, Series 2012 Tennessee Municipal Bond Fund; the total amount of the bond issue is for \$535,628; due in annual installments of \$70,628 to \$82,000 through 2020; interest at 2.48% at June 30, 2016	317,000
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Arlington Community School System Note payable to the Shelby County Board of Education; the total amount of the note is \$3,999,996; due in annual payments of \$333,333 through 2026.	3,333,330
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The Schools elected to establish the liability incurred through the settlement agreement at its present value with a discount rate of 2.0%.	(342,024)
Schools liability to Shelby County Board of Education, net of discount	<u>2,991,306</u>

Total	<u>\$ 15,816,306</u>
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**TOWN OF ARLINGTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2016

The following is a summary of long-term debt transactions for the year ended June 30, 2016:

	Beginning Balance	Adjustment	Additions	Deletions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>						
Notes payable						
Note payable-capital outlay	\$ 392,000	\$ -	\$ -	\$ 75,000	\$ 317,000	\$ 77,000
Note payable-Board of Education	3,666,663	-	-	333,333	3,333,330	333,333
Less deferred amount for issuance discount	-	(407,802)	-	65,778	(342,024)	-
Total notes payable	4,058,663	(407,802)	-	474,111	3,308,306	410,333
Compensated absences	187,697	-	370,558	298,596	259,659	184,538
Landfill closing and post closing monitoring costs	428,368	-	-	34,269	394,099	-
	<u>\$ 4,674,728</u>	<u>\$ (407,802)</u>	<u>\$ 370,558</u>	<u>\$ 806,976</u>	<u>\$ 3,962,064</u>	<u>\$ 594,871</u>
<b>Business-type activities:</b>						
Bonds payable						
Revenue bonds 2002	\$ 7,772,000	\$ -	\$ -	\$ 719,000	\$ 7,053,000	\$ 752,000
Revenue bonds 2012	5,640,000	-	-	185,000	5,455,000	190,000
Premium	29,320	-	-	1,303	28,017	1,303
Total bonds payable	13,441,320	-	-	905,303	12,536,017	943,303
Compensated absences	-	-	27,439	12,947	14,492	12,318
	<u>\$ 13,441,320</u>	<u>\$ -</u>	<u>\$ 27,439</u>	<u>\$ 918,250</u>	<u>\$ 12,550,509</u>	<u>\$ 955,621</u>

The annual requirements to amortize all long-term debt and obligations outstanding, except accrued employee vacation, OPEB, and landfill closing and post-closing monitoring costs, at June 30, 2016, including interest payments of \$2,140,908, are as follows:

Year Ending June 30,	Total Principal	Total Interest	Total
2017	1,352,333	176,073	1,528,406
2018	1,397,333	168,296	1,565,629
2019	1,434,333	160,293	1,594,626
2020	1,473,333	152,149	1,625,482
2021	1,435,333	144,852	1,580,185
2022-2026	5,705,665	619,062	6,324,727
2027-2031	1,245,000	458,174	1,703,174
2032-2036	1,455,000	240,063	1,695,063
2037-2038	660,000	21,946	681,946
Total	<u>\$ 16,158,330</u>	<u>\$ 2,140,908</u>	<u>\$ 18,299,238</u>

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

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

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**NOTE 5 – OTHER INFORMATION**

**A. Commitments**

The Town closed its solid waste landfill facility in August 1991. State and federal laws and regulations require the Town to place a final cover on the landfill and to perform certain maintenance and monitoring functions at the site for 30 years after closure. All closure activities were complete as of June 30, 1999. Although the remaining costs of monitoring will be paid as they are incurred, generally accepted accounting principles require these costs to be reflected as a liability of the entity owning the landfill as of the date of closure. Accordingly, the Town has recorded these estimated costs as a long-term liability in the government-wide statements. These amounts are based on what it would cost to perform all post-closure care in 2007. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Expenditures were \$34,269 for the year ended June 30, 2016.

**B. Risk Management**

Town of Arlington

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

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

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

Arlington Community School System

The System is exposed to various risks related to workers' compensation, general liability, automobile liability, and property. The System felt it was more economically feasible to join public entity risk pools as opposed to purchasing commercial insurance for these areas. The System is a member of the Tennessee Municipal League Risk Management Pool (TML), which is a public entity risk pool. The System pays an annual premium to this pool for coverage under the above areas. The Pool provides the specified coverage and pays all claims from its member premiums charged or through its reinsurance policies. The System's premiums are calculated based on its claims history. The System continues to carry commercial insurance for all other risks of loss, including public officials' bond. Settled claims from these losses have not exceeded commercial insurance coverage in this fiscal year.

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

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**C. Pensions**

Town of Arlington

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, 2016, total employer contributions were \$98,727 and employee contributions were \$123,931 based on total covered wages of \$1,520,203.

Arlington Community School System

***Public Employee Retirement Plan of Tennessee Consolidated Retirement System***

**Plan description**

Employees of Arlington Community Schools are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multi-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Government, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

**Benefits provided**

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

**Employees covered by benefit terms**

At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>90</u>
	<u>95</u>

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**Contributions**

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary (alternatively-Employees are non-contributory). Arlington Community Schools makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, the Actuarially Determined Contribution (ADC) for Arlington Community School System was \$262,260 based on a rate of 9.27 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Arlington Community Schools' state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Liability (Asset)**

Arlington Community School Systems' net pension liability (asset) was measured as of June 30, 2015, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

**Actuarial assumptions**

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation

Mortality rates were based on the actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actual assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:



**TOWN OF ARLINGTON, TENNESSEE  
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<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

**Discount rate**

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Arlington Community School System will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in the Net Pension Liability (Asset)**

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (Asset) (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (Asset) (a) - (b)</u>
<b>Balance at 6/30/14</b>	\$ -	\$ -	\$ -
<b>Changes for the year:</b>			
Service cost	403,716	-	403,716
Interest	30,274	-	30,274
Differences between expected and actual experience	(130,756)	-	(130,756)
Contributions-employer	-	262,260	(262,260)
Contributions-employees	-	141,457	(141,457)
Net investment income	-	6,140	(6,140)
Benefit payments, including refunds of employee contributions	(127)	(127)	-
Administrative expense	-	(4,842)	4,842
<b>Net changes</b>	<u>303,107</u>	<u>404,888</u>	<u>(101,781)</u>
<b>Balance at 6/30/15</b>	<u>\$ 303,107</u>	<u>\$ 404,888</u>	<u>\$ (101,781)</u>

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

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**Sensitivity of the net pension liability (asset) to changes in the discount rate**

The following presents the net pension liability (asset) of Arlington Community School System calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentagepoint higher (8.5 percent) than the current rate:

	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
Arlington Community Schools' proportionate share of the net pension liability (asset)	\$ (48,365)	\$ (101,781)	\$ (145,393)

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

**Pension expense**

For the year ended June 30, 2016, Arlington Community Schools recognized pension expense of \$271,109.

**Deferred outflows of resources and deferred inflows of resources**

For the year ended June 30, 2016, Arlington Community Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 117,680
Net difference between projected and actual earnings on pension plan investments	7,050	-
Contributions subsequent to the measurement date of June 30, 2015	247,505	-
Total	\$ 254,555	\$ 117,680

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2015," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

June 30, 2016

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	
2017	\$(11,313)
2018	(11,313)
2019	(11,313)
2020	(11,313)
2021	(13,076)
Thereafter	(52,304)

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

**Payable to the Pension Plan**

At June 30, 2016, Arlington Community School System reported a payable of \$17,046 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2016.

***Teacher Legacy Pension Plan of Tennessee Consolidated Retirement System***

**Plan description**

Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Arlington Community Schools are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Government, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

**Benefits provided**

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half

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percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

**Contributions**

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Arlington Community Schools for the year ended June 30, 2016 to the Teacher Legacy Pension Plan were \$1,654,879 which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**Pension liability (asset)**

At June 30, 2016, the Arlington Community Schools reported a liability of \$187,377 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Arlington Community Schools' proportion of the net pension liability was based on Arlington Community Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2015, Arlington Community Schools' proportion was 0.457425 percent. The proportion measured as of June 30, 2014 was 0.010736 percent.

**Pension expense**

For the year ended June 30, 2016, Arlington Community Schools recognized pension expense of \$822,335.

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**Deferred outflows of resources and deferred inflows of resources**

For the year ended June 30, 2016, Arlington Community Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 150,378	\$ 2,916,552
Net difference between projected and actual earnings on pension plan investments	3,383,443	4,593,209
Changes in proportion of Net Pension Liability (Asset)	4,902,642	-
Contributions subsequent to the measurement date of June 30, 2015	<u>1,654,879</u>	<u>-</u>
Total	<u>\$ 10,091,342</u>	<u>\$ 7,509,761</u>

Arlington Community Schools' employer contributions of \$1,654,879, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension liability (asset) in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	
2017	\$(257,915)
2018	(257,915)
2019	(257,915)
2020	1,273,155
2021	427,294
Thereafter	-

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

***Actuarial assumptions***

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

**TOWN OF ARLINGTON, TENNESSEE**  
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Mortality rates are customized based on the June 30, 2012 actuarial experience study and included some adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

**Discount rate**

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate**

The following presents Arlington Community Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Arlington Community

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Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
Arlington Community Schools' proportionate share of the net pension liability (asset)	\$ 12,774,739	\$ 187,377	\$(10,233,474)

**Pension plan fiduciary net position**

Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

**Payable to the Pension Plan**

At June 30, 2016, Arlington Community Schools reported a payable of \$137,250 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2016.

***Teacher Legacy Hybrid Pension Plan of Tennessee Consolidated Retirement System***

**Plan description**

Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Arlington Community Schools are provided with pensions through the Teacher Retirement Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multi-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Government, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

**Benefits Provided**

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index

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(CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

**Contributions**

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Arlington Community Schools for the year ended June 30, 2016 to the Teacher Retirement Plan were \$65,125, which is 4 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**Pension liabilities (assets)**

At June 30, 2016, Arlington Municipal Schools reported an asset of \$14,489 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension asset used to calculate the net pension asset was determined by an actuarial value as of that date. Arlington Community School System's proportion of the net pension asset was based on Arlington Community School System's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2015 Arlington Community Schools' proportion was 0.360154 percent.

**Pension expense**

For the year ended June 30, 2016, Arlington Community Schools recognized pension expense of \$18,988.



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June 30, 2016

**Deferred outflows of resources and deferred inflows of resources**

For the year ended June 30, 2016, Arlington Community Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 4,716
Net difference between projected and actual earnings on pension plan investments	1,171	-
Contributions subsequent to the measurement date of June 30, 2015	65,125	-
Total	\$ 66,296	\$ 4,716

Arlington Community Schools' employer contributions of \$65,125 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ended June 30:**

2017	\$ (100)
2018	(100)
2019	(100)
2020	(100)
2021	(393)
Thereafter	(2,751)

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

***Actuarial assumptions***

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates are customized based on the June 30, 2012 actuarial experience study and included some adjustment for expected future improvement in life expectancy.

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

June 30, 2016

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

**Discount rate**

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate**

The following presents Arlington Community Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Arlington Community Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

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

June 30, 2016

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Arlington Community Schools' proportionate share of the net pension liability (asset)	\$ 2,569	\$ (14,489)	\$ (26,999)

**Pension plan fiduciary net position**

Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

**Payable to the Pension Plan**

At June 30, 2016, Arlington Community Schools reported a payable of \$5,740 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2016.

**401(k) Plan**

The Teacher Retirement Plan provides a combination of a defined benefit plan and a defined contribution plan. The defined benefit portion of the Teacher Retirement Plan is managed by TCRS. The defined contribution assets are deposited into the State's 401(k) plan where the employee manages the investments within the 401(k) plan. Public school teachers are required to contribute 2% of their salaries to the defined contribution (401(k)) portion of the Teacher Retirement Plan. Contributions are made on a tax-deferred basis. During 2016, the System's Employer Contribution to the defined contribution plan was \$98,233.

**D. Postemployment Healthcare Plan**

***Plan Description***

The Arlington Community Schools participates in the System-administered Employee Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Tennessee Code Annotated (TCA) 8-27-302.

***Eligibility***

Employees who retire from the System and qualify for full retirement benefits under the Tennessee Consolidated Retirement System (TCRS) may be eligible for post-retirement health benefits. Eligible employees must complete 15 years of service with the System. Those who are former employees of Shelby County School District or Memphis City Schools must have 15 years of continuous service with Arlington, Shelby County, and/or Memphis City Schools prior to retirement. Employees must be enrolled in the System's health plan immediately preceding retirement to qualify for retirement benefits. Tier 1 employees are those hired directly from Shelby County Schools prior to August 4, 2014 and employees are hired by Arlington Community Schools between January 1, 2014 and June 30, 2014. Tier 2 employees are those whose effective hire date is July 1, 2014.

***Spouse Benefit***

Tier 1 surviving spouses of retirees that were allowed to stay on the System's plan in retirement are able to stay on the plan at their own expense until eligible for Medicare. They are required to pay 100% of the premium.

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

June 30, 2016

***Explicit Subsidy***

Tier 1 retirees and their dependents may continue to participate in the System's plan options that are available to its active employees for life. The System and retiree shall share the cost of the premium at the same rate as active employees. Tier 2 retirees and their dependents are no longer able to continue participation in the System's plan options that are available to its active employees. The System shall provide retirees with a post-employment stipend. The stipend will not exceed the amount of \$300/month for single coverage and \$600/month for retiree and dependent coverage. The System will provide this subsidy for five years or upon reaching Medicare eligibility, whichever comes earlier.

***Retiree Cost Sharing***

Retirees are required to contribute the portion of premiums not covered by the System's explicit subsidy.

***Medical Benefit***

Same benefit options are offered to retirees as active employees (tier 1 employees only). The System participates in the Interlocal Health Benefit Trust. Premium rates are developed on the experience of several School Districts, the Town of Collierville, and the City of Bartlett. See Note 5E for Interlocal Health Benefits Plan Asset Trust disclosure.

***Life Insurance***

Tier 1 employees shall be provided with life insurance at one time's annual earnings up to a cap of \$50,000. Tier 2 employees shall be provided with life insurance at one time's annual earnings up to a cap of \$10,000. The life insurance benefit is paid 100% by the System.

***Funding Policy***

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The System develops their own contribution policy in terms of subsidizing active employees' or retired employees' premiums since the committee is not prescriptive on that issue. The System pays all of its retiree's premiums.

Annual OPEB Cost and Net OPEB Obligation

ARC	\$ 1,157,845
Interest on the NPO	-
Adjustment to the ARC	-
Annual OPEB cost	1,157,845
Amount of contribution	(233,194)
Increase/Decrease in NOP	924,651
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	\$ 924,651

Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
June 30, 2015	\$ 1,157,845	20.14%	\$ 924,651

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

June 30, 2016

***Funded Status and Funding Progress***

The funded status of the plan as of June 30, 2016, was as follows:

Actuarial valuation date		June 30, 2015
Actuarial accrued liability (AAL)	\$	6,962,519
Actuarial value of plan assets		-
Unfunded actuarial accrued liability (UAAL)	\$	<u>6,962,519</u>
Actuarial value of assets as a % of the AAL		0%
Covered payroll (active plan members)		N/A
UAAL as a % of covered payroll		N/A
Net OPEB Obligation - end of year	\$	<u>924,651</u>

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

***Actuarial Methods and Assumptions***

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the June 30, 2016, actuarial valuation for the Local Education plan, the Projected Unit Credit actuarial cost method was used and the actuarial assumptions included an 8 percent investment rate of return (net of expenses) and an annual healthcare cost trend rate of 3.0 percent per year. The cost method used was Projected Unit Credit with linear proration to decrement. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with July 1, 2016.

**E. Interlocal Health Benefits Plan Asset Trust**

The Arlington Community School System participates in the Interlocal Health Benefits Plan Asset Trust for healthcare benefits. Benefits are established and amended by an insurance committee created by Section 8-27-601, *Tennessee Code Annotated* (TCA) for local education employees. Arlington Community School System members have the option of choosing between a Health Reimbursement Account (HRA) option, an Exclusive Provider Organization (EPO) option, or a basic option for healthcare benefits. The plan has a separately issued Comprehensive Annual Report (CAFR) and can be found on the state's website at [http://www.comptroller.tn.gov/RA\\_MA\\_Financial/](http://www.comptroller.tn.gov/RA_MA_Financial/).

**TOWN OF ARLINGTON, TENNESSEE  
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June 30, 2016

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop a contribution policy in term of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. During the year ended June 30, 2016, the Arlington Community School System contributed premiums of \$2,962,477 to the Interlocal Health Benefits Plan Asset Trust.

**F. Operating Lease Commitments**

Town of Arlington

The Town has entered into operating leases which contain non-cancellation provisions. The annual requirements under these operating leases as of June 30, 2016, are as follows:

Years Ended June 30		
2017	\$	15,024
2018		15,024
2019		15,024
2020		12,662
2021		5,688
Total	\$	<u>63,422</u>

Lease expense for the Town for the year ended June 30, 2016 was \$9,336.

Arlington Community School System

The System leases computer equipment from Apple under an operating lease, which began on January 1, 2015 and expires December 31, 2017. The System pays \$148,091 annually and is billed in advance. A prepaid expense in the General Purpose Fund in the amount of \$74,045 reflects the prepaid portion for this fiscal year.

The System also leases a postage machine under an operating lease, which began in August 2014 and expires July 2018. The System pays \$131 monthly.

For financial reporting purposes, these leases have been determined to be operating leases. Future minimum lease payments for the computer equipment and postage machine are as follows:

Years Ended June 30		
2017	\$	149,663
2018		75,617
2019		131
Total	\$	<u>225,411</u>

During the fiscal year, the System entered into a lease agreement with the Town of Arlington to lease a parcel of land for \$1 per year for 30 years to construct a bus lot. The lease commenced on June 1, 2016 and expires on June 30, 2046. Per the terms of the lease agreement, the System

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

June 30, 2016

does not have an option to purchase the land at the end of the lease, and as such the lease is determined to be an operating lease.

**G. Restatement of beginning net position**

The following table summarizes the effects of prior period adjustments related to a change in accounting principle and corrections of errors related to the fiscal 2015 financial statements:

	<u>Total Assets</u>	<u>Deferred Outflows of Resources</u>	<u>Total Liabilities</u>	<u>Deferred Inflows of Resources</u>	<u>Net Position</u>
<b>General Purpose Fund</b>					
As previously reported June 30, 2015	\$ 8,340,678	\$ -	\$ -	\$ -	\$ 6,457,977
Correction of sales taxes	-	-	-	-	53,045
As restated June 30, 2015	<u>\$ 8,340,678</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,511,022</u>
<b>Education Capital Fund</b>					
As previously reported June 30, 2015	\$ 217,263	\$ -	\$ 217,263	\$ 217,263	\$ (217,263)
Correction of unavailable revenue	-	-	-	(138,175)	138,175
As restated June 30, 2015	<u>\$ 217,263</u>	<u>\$ -</u>	<u>\$ 217,263</u>	<u>\$ 79,088</u>	<u>\$ (79,088)</u>
<b>Governmental Activities</b>					
As previously reported June 30, 2015	\$ 56,965,281	\$ 2,121,410	\$ 6,709,055	\$ 143,734	\$ 52,233,902
Restatement of capital asset values - change in accounting principle	37,647,199	-	-	-	37,647,199
Record discount on settlement liability	-	-	(407,802)	-	407,802
Record delinquent property taxes	702,108	-	-	-	702,108
Correction of unavailable revenue	-	-	-	-	(138,175)
Restatement of net change in fund balance - governmental funds	-	-	-	-	191,220
	<u>38,349,307</u>	<u>-</u>	<u>(407,802)</u>	<u>-</u>	<u>38,810,154</u>
As restated June 30, 2015	<u>\$ 95,314,588</u>	<u>\$ 2,121,410</u>	<u>\$ 6,301,253</u>	<u>\$ 143,734</u>	<u>\$ 91,044,056</u>

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

June 30, 2016

The following prior period adjustment was made to net position to reflect a change in accounting principle:

**Governmental Activities**

During fiscal year 2015, the System adopted Governmental Accounting Standards Board Statement No. 69 – *Government Combinations and Disposals of Government Operations* to record the assets previously transferred from Shelby County Board of Education to the Town of Arlington and subsequently to the Arlington Community School System. Those assets were recorded at the carrying value of the Shelby County Board of Education at the time of transfer. In the current fiscal year, the System adopted the provisions of Governmental Accounting Standards Board Statement No. 34 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Under Statement No. 34, the assets transferred from Shelby County Board of Education would be considered donated assets and recorded at fair market value. This treatment is consistent with the majority of neighboring school districts that received assets from the Shelby County Board of Education. As a result, an adjustment was made in the amount of \$37,647,199 to increase beginning net position for this change in accounting principle.

The following prior period adjustments were made to the fund balance and/or net position for the correction of errors related to the fiscal 2015 financial statements:

**Governmental Activities**

It was noted the liability to Shelby County Board of Education is not reflecting a discount on the settlement liability. Per GASB 10 paragraph 59, “claim liabilities associated with structured settlements should be discounted if they represent contractual obligations to pay money on fixed or determinable dates.” A discount rate of 2% was used, which is the rate being used by Shelby County Board of Education. An adjustment was made to record a discount in the amount of \$407,802 to increase beginning net position.

Shelby County Government appropriates a portion of delinquent property tax revenue to the school districts. It was noted that the prior amount of delinquent taxes appropriated for Arlington Community Schools totaled \$702,108 and was not recorded in the previous fiscal year. An entry was made to increase beginning net position by \$702,108.

An entry was made in the prior fiscal year to reverse unavailable revenue in the funds for \$217,263, and recognize revenue for the system-wide statements. It was determined that the amount recorded at the fund level was incorrect, and the unavailable revenue should have been \$79,088. An entry was made to reduce beginning net position in the amount of (\$138,175).

**General Purpose Fund**

In the general purpose fund, an entry was made in the prior year to adjust sales tax revenue from the state. However, as it was noted that the prior year entry to record sales tax revenue was incorrect. The effect of this entry is an increase of \$53,045 to the beginning fund balance in the statement of revenues, expenditures, and changes in fund balances – governmental funds.

**Education Capital Fund**

In the education capital projects fund in the prior period, \$217,263 was recorded as unavailable revenue in the education capital fund. It was determined that \$138,175 was received within the 60 day availability period, and should have been recorded as revenue.



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

June 30, 2016

**NOTE 6 – CONTINGENT LIABILITIES**

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

On May 16, 1997 the Town signed an agreement with Memphis Light Gas and Water Division (MLGW) which included requirement for the Town to reimburse MLGW for certain water system development costs. This reimbursement is made monthly only to the extent that water system development fees are collected by the Town. This continues to accumulate as MLGW incurs development costs plus interest at 6% and is reduced only by the reimbursement from the development fees. The Town has no obligation to pay this liability beyond the amount of development fees collected. The balance of this contingent liability is \$1,930,795.

## **REQUIRED SUPPLEMENTARY INFORMATION SECTION**

**TOWN OF ARLINGTON, TENNESSEE**  
**ARLINGTON COMMUNITY SCHOOLS**  
**SCHEDULE OF CHANGES IN THE SYSTEM'S NET PENSION LIABILITY**  
**(ASSET) AND RELATED RATIOS BASED ON PARTICIPATION IN**  
**THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS**  
Fiscal Year Ended June 30

	<b>2015</b>
<b>Total pension liability (asset)</b>	
Service cost	\$ 403,716
Interest	30,274
Changes in benefit terms	-
Differences between actual and expected experience	(130,756)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(127)
<b>Net change in total pension liability (asset)</b>	303,107
<b>Total pension liability (asset) - beginning</b>	-
<b>Total pension liability (asset) - ending (a)</b>	\$ 303,107
 <b>Plan fiduciary net position</b>	
Contributions - employer	\$ 262,260
Contributions - employee	141,457
Net investment income	6,140
Benefit payments, including refunds of employee contributions	(127)
Administrative expense	(4,842)
<b>Net change in plan fiduciary net position</b>	404,888
<b>Plan fiduciary net position - beginning</b>	-
<b>Plan fiduciary net position - ending (b)</b>	\$ 404,888
 <b>Net pension liability (asset) - ending (a) - (b)</b>	\$ (101,781)
 <b>Plan fiduciary net position as a percentage of total pension liability</b>	133.58%
 <b>Covered payroll</b>	\$ 2,829,235
 <b>Net pension liability (asset) as a percentage of covered payroll</b>	-3.60%

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

*See independent auditor's report.*

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

	2015	2016
Actuarially determined contribution (ADC)	\$ 262,260	\$ 247,505
Contributions in relation to the actuarially determined contribution	262,260	247,505
Contribution deficiency (excess)	\$ -	\$ -
Covered payroll	\$2,829,235	\$ 2,669,956
Contributions as a percentage of covered payroll	9.27%	9.27%

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

**Notes to schedule:**

Valuation date: Actuarially determined contribution rates for 2016 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	0 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment rate of return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.5 percent

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE**  
**ARLINGTON COMMUNITY SCHOOLS**  
**SCHEDULE OF THE SYSTEM'S PROPORTIONATE SHARE OF THE NET PENSION**  
**LIABILITY (ASSET) TEACHER LEGACY PENSION PLAN OF TCRS**  
Fiscal Year Ended June 30

	<u>2015</u>	<u>2016</u>
Arlington Community Schools' proportion of the net pension liability (asset)	0.010736%	0.45743%
Arlington Community Schools' proportionate share of the net pension liability (asset)	\$ (1,744)	\$ 187,377
Arlington Community Schools' covered payroll	\$ 421,371	\$ 17,123,741
Arlington Community Schools' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(0.414002)%	1.094253%
Plan fiduciary net position as a percentage of the total pension asset	100.08%	99.81%

The amounts presented were determined as of June 30 of the prior fiscal year.

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

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE**  
**ARLINGTON COMMUNITY SCHOOLS**  
**SCHEDULE OF THE SYSTEM'S CONTRIBUTIONS**  
**TEACHER LEGACY PENSION PLAN OF TCRS**  
Fiscal Year Ending June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required	\$ 37,418	\$ 1,547,985	\$ 1,654,879
Contribution in relation to the contractually required contribution	<u>37,418</u>	<u>1,547,985</u>	<u>1,654,879</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 421,371	\$17,123,741	\$18,306,197
Contributions as a percentage of covered payroll	8.88%	9.04%	9.04%

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

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE**  
**ARLINGTON COMMUNITY SCHOOLS**  
**SCHEDULE OF THE SYSTEM'S PROPORTIONATE SHARE OF THE**  
**NET PENSION LIABILITY (ASSET) TEACHER RETIREMENT PLAN OF TCRS**  
Fiscal Year Ending June 30

	<b>2016</b>
Arlington Community Schools' proportion of the net pension liability (asset)	0.360154%
Arlington Community Schools' proportionate share of the net pension liability (asset)	\$ (14,489)
Arlington Community Schools' covered payroll	\$ 748,310
Arlington Community Schools' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-1.94%
Plan fiduciary net position as a percentage of the total pension liability	127.46%

The amounts presented were determined as of June 30 of the prior fiscal year.

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

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE**  
**ARLINGTON COMMUNITY SCHOOLS**  
**SCHEDULE OF THE SYSTEM'S CONTRIBUTIONS**  
**TEACHER RETIREMENT PLAN OF TCRS**  
Fiscal Year Ending June 30

	<u>2015</u>	<u>2016</u>
Contractually required	\$ 18,708	\$ 65,125
Contributions in relation to the contractually required contributions	<u>29,932</u>	<u>65,125</u>
Contribution deficiency (excess)	<u>\$ (11,224)</u>	<u>\$ -</u>
Covered payroll	\$ 748,310	\$ 1,628,121
Contributions as a percentage covered payroll	4.00%	4.00%

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

*See independent auditor's report.*



**TOWN OF ARLINGTON, TENNESSEE**  
**ARLINGTON COMMUNITY SCHOOLS**  
**SCHEDULE OF FUNDING PROGRESS - POST EMPLOYMENT HEALTHCARE PLAN**  
June 30, 2016

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) ( b ) - ( a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2015	\$ -	\$ 6,962,519	\$ 6,962,519	0%	N/A	N/A

The above schedule is designed to show the extent to which a post employment healthcare plan has been successful over time in setting aside assets sufficient to cover its actuarial accrued liability.

*See independent auditor's report.*

## **SUPPLEMENTARY AND OTHER 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  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS**

June 30, 2016

	<u>Sanitation</u>	<u>Education Capital Projects</u>	<u>Federal Projects</u>	<u>School Nutrition</u>	<u>Discretionary Grants</u>	<u>Total</u>
<b>Assets</b>						
Cash and cash equivalents	\$ 1,000,254	\$ 1,112,559	\$ -	\$ 120,757	\$ -	\$ 2,233,570
Due from other governments - grants	-	-	425,529	-	18,297	443,826
Due from other funds	82,023	-	-	-	-	82,023
Inventory	-	-	-	12,974	-	12,974
<b>Total assets</b>	<b><u>\$ 1,082,277</u></b>	<b><u>\$ 1,112,559</u></b>	<b><u>\$ 425,529</u></b>	<b><u>\$ 133,731</u></b>	<b><u>\$ 18,297</u></b>	<b><u>\$ 2,772,393</u></b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>						
<b>Liabilities</b>						
Accounts payable	\$ 69,383	\$ -	\$ 7,988	\$ 12	\$ -	\$ 77,383
Due to other funds	-	-	388,065	-	15,141	403,206
Unearned revenue	-	-	-	19,088	-	19,088
Accrued payroll and expenses	-	-	29,476	-	3,156	32,632
<b>Total liabilities</b>	<b><u>69,383</u></b>	<b><u>-</u></b>	<b><u>425,529</u></b>	<b><u>19,100</u></b>	<b><u>18,297</u></b>	<b><u>532,309</u></b>
<b>Fund Balances</b>						
Nonspendable						
Inventory	-	-	-	12,974	-	12,974
Restricted	1,012,894	1,112,559	-	101,657	-	2,227,110
<b>Total fund balance</b>	<b><u>1,012,894</u></b>	<b><u>1,112,559</u></b>	<b><u>-</u></b>	<b><u>114,631</u></b>	<b><u>-</u></b>	<b><u>2,240,084</u></b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b><u>\$ 1,082,277</u></b>	<b><u>\$ 1,112,559</u></b>	<b><u>\$ 425,529</u></b>	<b><u>\$ 133,731</u></b>	<b><u>\$ 18,297</u></b>	<b><u>\$ 2,772,393</u></b>

See independent auditor's report.

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

For the Year Ended June 30, 2016

	<u>Sanitation</u>	<u>Education Capital Projects</u>	<u>Federal Projects</u>	<u>School Nutrition</u>	<u>Discretionary Grants</u>	<u>Total</u>
<b>Revenues:</b>						
Charges for services	\$ 973,463	\$ -	\$ -	\$ 756,278	\$ -	\$ 1,729,741
Other local revenues	-	1,730,795	-	-	40,050	1,770,845
State revenue	-	-	-	23,378	106,749	130,127
Federal revenue	-	-	1,658,650	307,262	-	1,965,912
Interest	3,878	-	-	-	-	3,878
Total revenues	<u>977,341</u>	<u>1,730,795</u>	<u>1,658,650</u>	<u>1,086,918</u>	<u>146,799</u>	<u>5,600,503</u>
<b>Expenditures:</b>						
Current:						
Public works	698,859	-	-	-	-	698,859
Instruction	-	-	1,370,785	-	-	1,370,785
Support services	-	-	287,865	-	106,751	394,616
Non-instructional services	-	539,148	-	-	40,048	579,196
Food service	-	-	-	984,898	-	984,898
Total expenditures	<u>698,859</u>	<u>539,148</u>	<u>1,658,650</u>	<u>984,898</u>	<u>146,799</u>	<u>4,028,354</u>
Excess (deficiency) of revenues over (under) expenditures	<u>278,482</u>	<u>1,191,647</u>	<u>-</u>	<u>102,020</u>	<u>-</u>	<u>1,572,149</u>
Other financing sources (uses):						
Operating transfers in	<u>56,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,000</u>
<b>Net changes in fund balance</b>	<b>334,482</b>	<b>1,191,647</b>	<b>-</b>	<b>102,020</b>	<b>-</b>	<b>1,628,149</b>
Fund balance - beginning	678,412	(217,263)	-	12,611	-	473,760
Prior period adjustment	-	138,175	-	-	-	138,175
Fund balance - beginning (restated)	<u>678,412</u>	<u>(79,088)</u>	<u>-</u>	<u>12,611</u>	<u>-</u>	<u>611,935</u>
Fund balance - ending	<u>\$ 1,012,894</u>	<u>\$ 1,112,559</u>	<u>\$ -</u>	<u>\$ 114,631</u>	<u>\$ -</u>	<u>\$ 2,240,084</u>

See independent auditor's report.

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

For the Year Ended June 30, 2016

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance Over (Under)</b>
<b>Revenues</b>	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>(Under)</b>
Charges for services:				
Refuse collection charges	\$ 925,000	\$ 925,000	\$ 973,463	\$ 48,463
Other:				
Interest earned	<u>2,000</u>	<u>2,809</u>	<u>3,878</u>	<u>1,069</u>
 Total revenues	 <u>927,000</u>	 <u>927,809</u>	 <u>977,341</u>	 <u>49,532</u>
 <b>Expenditures</b>				
Current expenditures:				
Public works:				
Solid waste collection:				
Contracted services	925,000	925,000	687,939	(237,061)
Landfill closure:				
Professional services	12,000	12,000	1,100	(10,900)
Repair and maintenance	<u>46,000</u>	<u>46,000</u>	<u>9,820</u>	<u>(36,180)</u>
Total expenditures	<u>983,000</u>	<u>983,000</u>	<u>698,859</u>	<u>(284,141)</u>
 <b>Excess (deficiency) of revenues over (under) expenditures</b>	 <u>(56,000)</u>	 <u>(55,191)</u>	 <u>278,482</u>	 <u>333,673</u>
 Other financing sources (uses)				
Operating transfers in	<u>56,000</u>	<u>56,000</u>	<u>56,000</u>	<u>-</u>
 <b>Net changes in fund balance</b>	 <u>\$ -</u>	 <u>\$ 809</u>	 <u>\$ 334,482</u>	 <u>\$ 333,673</u>
 Fund balance - beginning			<u>678,412</u>	
 Fund balance - ending			<u>\$ 1,012,894</u>	

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE  
EDUCATION CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Year Then Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Other local revenues	\$ -	\$ 644,522	\$ 1,730,795	\$ 1,086,273
<b>Expenditures</b>				
Non-instructional services:				
Other contracted services	-	644,522	539,148	(105,374)
<b>Net changes in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<b>1,191,647</b>	<b><u>\$ 1,191,647</u></b>
Fund balance - beginning			(217,263)	
Prior period adjustment			<u>138,175</u>	
<b>Fund balance - beginning (restated)</b>			<b><u>(79,088)</u></b>	
<b>Fund balance - ending</b>			<b><u>\$ 1,112,559</u></b>	

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE**  
**FEDERAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Year Then Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
<b>Revenues</b>				
Federal through State:				
Vocational education - basic				
grants to State	\$ 287,329	\$ 297,329	\$ 290,144	\$ (7,185)
Other vocational	-	5,000	5,000	-
Title I	426,035	471,356	365,548	(105,808)
Special education - grants to State	872,426	954,195	804,987	(149,208)
Special education preschool grant	6,038	10,526	7,867	(2,659)
English language acquisition grant	10,759	12,155	11,384	(771)
Title II	<u>191,434</u>	<u>251,330</u>	<u>173,720</u>	<u>(77,610)</u>
<b>Total revenues</b>	<b><u>1,794,021</u></b>	<b><u>2,001,891</u></b>	<b><u>1,658,650</u></b>	<b><u>(343,241)</u></b>
<b>Expenditures</b>				
Instruction:				
Regular instruction:				
Teachers	208,948	208,948	199,212	(9,736)
Social Security	12,955	12,955	11,640	(1,315)
State retirement	18,889	18,889	17,980	(909)
Life insurance	1,436	1,436	805	(631)
Medical insurance	25,018	25,018	8,882	(16,136)
Medicare	3,030	3,030	2,722	(308)
Contracts substitute teachers - certified	13,200	18,200	17,690	(510)
Instructional supplies and materials	100,109	151,055	85,011	(66,044)
Other charges	12,800	12,800	5,700	(7,100)
Equipment	<u>32,000</u>	<u>41,454</u>	<u>27,899</u>	<u>(13,555)</u>
Total regular instruction	<u>428,385</u>	<u>493,785</u>	<u>377,541</u>	<u>(116,244)</u>
Special education program:				
Educational assistants	454,720	454,720	429,015	(25,705)
Speech pathologist	174,765	124,765	104,722	(20,043)
Social Security	39,028	39,028	29,839	(9,189)
State retirement	57,951	57,951	49,200	(8,751)
Life insurance	4,327	4,327	2,169	(2,158)
Medical insurance	110,000	93,000	75,104	(17,896)
Medicare	9,128	9,128	6,978	(2,150)
Instructional supplies	7,701	19,526	8,457	(11,069)

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE  
FEDERAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Year Then Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Over
	Original	Final		(Under)
Special education equipment	2,538	37,000	17,296	(19,704)
Contracts with private agencies	-	67,000	50,310	(16,690)
Total special education	<u>860,158</u>	<u>906,445</u>	<u>773,090</u>	<u>(133,355)</u>
Vocational education:				
Maintenance and repair services	14,366	2,140	2,140	-
Other supplies and materials	75,561	99,572	92,147	(7,425)
Equipment	<u>112,400</u>	<u>125,867</u>	<u>125,867</u>	<u>-</u>
Total vocational education	<u>202,327</u>	<u>227,579</u>	<u>220,154</u>	<u>(7,425)</u>
<b>    Total instruction</b>	<b><u>1,490,870</u></b>	<b><u>1,627,809</u></b>	<b><u>1,370,785</u></b>	<b><u>(257,024)</u></b>
Support Services:				
Other student support:				
Travel	71,832	46,668	44,668	(2,000)
Other contracted services	-	2,000	2,000	-
In-service training	<u>-</u>	<u>14,408</u>	<u>14,408</u>	<u>-</u>
Total other student support	<u>71,832</u>	<u>63,076</u>	<u>61,076</u>	<u>(2,000)</u>
Regular instruction:				
Supervisor/director	46,450	46,450	46,712	262
In-service training	60,905	72,880	58,000	(14,880)
Social security	6,657	7,399	6,328	(1,071)
State retirement	9,707	10,789	9,463	(1,326)
Life insurance	319	319	188	(131)
Medical insurance	3,574	3,574	2,175	(1,399)
Medicare	1,565	1,739	1,480	(259)
In-service-staff development	80,458	107,030	62,877	(44,153)
Other charges	9,994	9,994	3,725	(6,269)
Contracts with private agencies	<u>-</u>	<u>5,000</u>	<u>3,918</u>	<u>(1,082)</u>
Total regular instruction	<u>219,629</u>	<u>265,174</u>	<u>194,866</u>	<u>(70,308)</u>
Special education program:				
In-service training	-	5,000	1,500	(3,500)
Social security	-	310	93	(217)
Medicare	-	73	22	(51)

*See independent auditor's report.*



**TOWN OF ARLINGTON, TENNESSEE  
FEDERAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Then Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
Other supplies and materials	-	4,642	2,612	(2,030)
In-service-staff development	-	16,000	10,478	(5,522)
Other equipment	-	5,666	4,639	(1,027)
Other charges	-	2,000	748	(1,252)
Pension	-	452	135	(317)
Total special education	-	34,143	20,227	(13,916)
Vocational education:				
Travel	6,691	5,958	5,958	-
Other charges	3,000	2,251	2,250	(1)
Equipment	999	880	888	8
In-service-staff development	1,000	2,600	2,600	-
Total vocational education	11,690	11,689	11,696	7
<b>Total support services</b>	<b>303,151</b>	<b>374,082</b>	<b>287,865</b>	<b>(86,217)</b>
<b>Total expenditures</b>	<b>1,794,021</b>	<b>2,001,891</b>	<b>1,658,650</b>	<b>(343,241)</b>
Net changes in fund balances	\$ -	\$ -	-	\$ -
<b>Fund balance - beginning</b>			-	
<b>Fund balance - ending</b>			\$ -	

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE**  
**SCHOOL NUTRITION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Year Then Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
<b>Revenues</b>				
Charges for current services:				
Lunch payments - children	\$ 334,000	\$ 334,000	\$ 402,381	\$ 68,381
Lunch payments - adults	20,900	20,900	26,737	5,837
Income from breakfast	20,900	20,900	29,692	8,792
A La Carte sales	255,000	255,000	297,468	42,468
Total charges for current services	<u>630,800</u>	<u>630,800</u>	<u>756,278</u>	<u>125,478</u>
State education funds:				
School food services	<u>134,352</u>	<u>134,352</u>	<u>23,378</u>	<u>(110,974)</u>
Federal through State:				
USDA - lunch	225,000	225,000	255,668	30,668
USDA - breakfast	35,000	35,000	51,594	16,594
Total Federal through State	<u>260,000</u>	<u>260,000</u>	<u>307,262</u>	<u>47,262</u>
<b>Total revenues</b>	<b><u>1,025,152</u></b>	<b><u>1,025,152</u></b>	<b><u>1,086,918</u></b>	<b><u>61,766</u></b>
<b>Expenditures</b>				
Noninstructional Services:				
Food services:				
Supervisor/Director	136,054	136,054	134,669	(1,385)
Cafeteria personnel	250,199	241,529	235,333	(6,196)
Social Security	23,948	23,948	20,911	(3,037)
State retirement	18,914	18,914	18,691	(223)
Life insurance	1,403	1,403	824	(579)
Medical insurance	41,000	42,920	42,917	(3)
Medicare	5,601	5,601	4,890	(711)
Maintenance & repair - equipment	2,000	2,881	2,848	(33)
Other contracted services	62,013	62,013	56,582	(5,431)
Cafeteria substitutes	-	-	5,126	5,126
Food supplies	430,000	436,750	416,645	(20,105)
Other supplies & materials	40,000	40,000	34,281	(5,719)
Other charges	7,520	7,520	6,523	(997)
Equipment	6,000	5,119	4,658	(461)
<b>Total expenditures</b>	<b><u>1,024,652</u></b>	<b><u>1,024,652</u></b>	<b><u>984,898</u></b>	<b><u>(39,754)</u></b>
<b>Net changes in fund balance</b>	<b><u>\$ 500</u></b>	<b><u>\$ 500</u></b>	<b><u>102,020</u></b>	<b><u>\$ 101,520</u></b>
Fund balance - beginning			<u>12,611</u>	
Fund balance - ending			<u>\$ 114,631</u>	

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE  
DISCRETIONARY GRANTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Year Then Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
<b>Revenues</b>				
State revenue	-	107,800	106,749	(1,051)
Other local revenues	-	40,050	40,050	-
<b>Total revenues</b>	-	<b>147,850</b>	<b>146,799</b>	<b>(1,051)</b>
<b>Expenditures</b>				
Support Services:				
Health Services:				
Other salaries and wages	-	65,096	65,095	(1)
Social security	-	3,841	3,858	17
State retirement	-	6,033	6,033	-
Life insurance	-	264	264	-
Employer medicare	-	951	902	(49)
Travel	-	300	276	(24)
Other supplies and materials	-	5,465	4,636	(829)
In-service/staff development	-	2,550	2,404	(146)
Health equipment	-	500	483	(17)
<b>Total health services</b>	-	<b>85,000</b>	<b>83,951</b>	<b>(1,049)</b>
Other Student Support:				
Contracts with Government agencies	-	22,800	22,800	-
<b>Total support services</b>	-	<b>107,800</b>	<b>106,751</b>	<b>(1,049)</b>
Noninstructional Services:				
Regular Capital Outlay:				
Other contracted services	-	37,877	37,875	(2)
Building improvements	-	2,173	2,173	-
<b>Total noninstructional services</b>	-	<b>40,050</b>	<b>40,048</b>	<b>(2)</b>
<b>Total expenditures</b>	-	<b>147,850</b>	<b>146,799</b>	<b>(1,051)</b>
Net changes in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance - beginning			-	
Fund balance - ending			\$ -	

See independent auditor's report.

**TOWN OF ARLINGTON, TENNESSEE**  
**ARLINGTON COMMUNITY SCHOOLS**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND**  
**INTERNAL SCHOOL FUNDS**  
For the Year Ended June 30, 2016

	Balance			Balance
	<u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2016</u>
<b>Assets</b>				
Cash	\$ 831,639	\$ 2,189,873	\$ (2,063,573)	\$ 957,939
Inventories	<u>18,322</u>	<u>115,217</u>	<u>(114,900)</u>	<u>18,639</u>
<b>Total assets</b>	<b><u>\$ 849,961</u></b>	<b><u>\$ 2,305,090</u></b>	<b><u>\$ (2,178,473)</u></b>	<b><u>\$ 976,578</u></b>
<b>Liabilities</b>				
Due to student general fund	\$ 443,682	\$ 658,252	\$ (562,559)	\$ 539,375
Due to student groups	<u>406,279</u>	<u>1,541,170</u>	<u>(1,510,246)</u>	<u>437,203</u>
<b>Total liabilities</b>	<b><u>\$ 849,961</u></b>	<b><u>\$ 2,199,422</u></b>	<b><u>\$ (2,072,805)</u></b>	<b><u>\$ 976,578</u></b>

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE**  
**SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS**  
**GENERAL OBLIGATION DEBT**  
June 30, 2016

Year Ended June 30,	Capital Outlay Note		Board of Education Note		Total Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2017	\$ 77,000	\$ 6,907	\$ 333,333	\$ -	\$ 410,333	\$ 6,907	\$ 417,240
2018	78,000	4,985	333,333	-	411,333	4,985	416,318
2019	80,000	3,026	333,333	-	413,333	3,026	416,359
2020	82,000	1,017	333,333	-	415,333	1,017	416,350
2021	-	-	333,333	-	333,333	-	333,333
2022	-	-	333,333	-	333,333	-	333,333
2023	-	-	333,333	-	333,333	-	333,333
2024	-	-	333,333	-	333,333	-	333,333
2025	-	-	333,333	-	333,333	-	333,333
2026	-	-	333,333	-	333,333	-	333,333
	<u>\$ 317,000</u>	<u>\$ 15,935</u>	<u>\$3,333,330</u>	<u>\$ -</u>	<u>\$ 3,650,330</u>	<u>\$ 15,935</u>	<u>\$ 3,666,265</u>

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE**  
**SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS**  
**PROPRIETARY FUNDS DEBT**  
June 30, 2016

Year Ended June 30,	Series 2002		Revenue Bonds Series 2012		Total Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2017	\$ 752,000	\$ 18,338	\$ 190,000	\$ 150,828	\$ 942,000	\$ 169,166	\$ 1,111,166
2018	786,000	16,383	200,000	146,928	986,000	163,311	1,149,311
2019	821,000	14,339	200,000	142,928	1,021,000	157,267	1,178,267
2020	858,000	12,204	200,000	138,928	1,058,000	151,132	1,209,132
2021	897,000	9,974	205,000	134,878	1,102,000	144,852	1,246,852
2022	937,000	7,641	210,000	130,728	1,147,000	138,369	1,285,369
2023	979,000	5,205	215,000	126,074	1,194,000	131,279	1,325,279
2024	1,023,000	2,660	220,000	120,909	1,243,000	123,569	1,366,569
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>\$ 7,053,000</u>	<u>\$ 86,744</u>	<u>\$ 5,455,000</u>	<u>\$ 2,038,229</u>	<u>\$ 12,508,000</u>	<u>\$ 2,124,973</u>	<u>\$ 14,632,973</u>

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE**  
**SCHEDULE OF CHANGES IN TAXES RECEIVABLE**  
For the Year Ended June 30, 2016

Tax Levy for Year	Tax Rate	Tax Levy	Beginning Outstanding Taxes	Additions and Adjustments	Collections	Ending Outstanding Taxes	Outstanding Taxes Filed With Trustee
2015	\$1.15	\$ 3,216,147	\$ -	\$ 3,278,323	\$ 3,220,651	\$ 57,672	\$ 57,672
2014	1.15	3,147,413	78,073	(1,037)	60,014	17,022	17,022
2013	1.15	3,086,420	27,453	(3,430)	13,928	10,095	10,095
2012	1.15	3,191,116	14,282	(153)	6,422	7,707	7,707
2011	1.00	2,707,557	3,055	-	33	3,022	3,022
2010	1.00	2,677,703	2,687	-	189	2,498	2,498
2009	1.00	2,757,236	2,267	165	329	2,103	2,103
2008	1.00	2,336,905	678	-	171	507	507
2007	1.00	2,082,027	97	-	1	96	96
2006	1.00	1,867,780	69	-	-	69	69
			<u>\$ 128,661</u>	<u>\$ 3,273,868</u>	<u>\$ 3,301,738</u>	<u>\$ 100,791</u>	<u>\$ 100,791</u>

Above balances represented as follows:

Considered current receivables	\$ 30,795
Allowance for uncollectible accounts	9,315
Unavailable revenue	<u>60,681</u>

100,791

Tax levy due October 1, 2016 considered unavailable revenue

3,390,841

Total taxes receivable

\$ 3,491,632

*See independent auditor's report.*

**TOWN OF ARLINGTON, TENNESSEE**  
**SCHEDULE OF UTILITY RATES IN EFFECT**  
June 30, 2016

Sewer Rates

Residential, Commercial and Industrial:

	\$7.52
Each 100 cubic feet	\$2.84 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, 2016:	<u>4,209</u>
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*See independent auditor's report.*



**TOWN OF ARLINGTON, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2016

<u>Grantor/Pass Through Entity</u>		<u>Grant Number</u>	<u>Expenditures</u>
<b>Federal Financial Assistance:</b>			
United States Department of Housing and Urban Development/Shelby County, Tennessee:			
CDBG - Dr. Logan Subdivision Drainage	14.218	CA-1519396	\$ 52,483
CDBG - Dr. Logan Subdivision Basketball Court	14.218	CA-1519396	<u>10,000</u>
Total United States Department of Housing and Urban Development			<u>62,483</u>
United States Department of Transportation/ Tennessee Department of Transportation:			
Highway Planning and Construction	20.205*	130203	600,236
Highway Planning and Construction	20.205*	140074	34,787
Highway Planning and Construction	20.205*	140035	<u>73,189</u>
Total United States Department of Transportation			<u>708,212</u>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 770,695</u></b>

\*Major federal financial assistance 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.*

**TOWN OF ARLINGTON, TENNESSEE**  
**SCHEDULE OF STATE FINANCIAL ASSISTANCE**  
For the Year Ended June 30, 2016

<b>Grantor/Pass Through Entity</b>	<b>Expenditures</b>
<b>State Financial Assistance:</b>	
Tennessee Department of Economic and Community Development Tennessee Downtowns Program	14,964
Tennessee Department of Environment and Conservation Local Park and Recreation Fund Grant	203,830
Tennessee Department of Education:	
Coordinated School Health	83,949
Safe Schools	22,800
Total Tennessee Department of Education	106,749
<b>Total state financial assistance</b>	<b>\$ 325,543</b>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arlington, Tennessee (Town), as of and for the year ended June 30, 2016, 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, 2016.

Our report includes a reference to other auditors who audited the financial statements of the Arlington Community School System, as described in our report on the Town's financial statements. This report includes our consideration of the results of the other auditors testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We and the other auditors did identify certain deficiencies in internal control that we consider to be material weaknesses. We consider findings 2016-001 through 2016-005, described in the accompanying schedule of findings and questioned costs to be material weaknesses.

### **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 and those of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

In addition, we noted another matter involving the internal control and its operation that we reported to management of the Town in a separate letter dated December 16, 2016.

### **Town's Responses to Findings**

The Town's response to the findings 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.

*Alexander Thompson Arnold PLLC*

Jackson, Tennessee  
December 16, 2016

**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  
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## **Independent Auditor's Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance**

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

### **Report on Compliance for Each Major Federal Program**

We have audited the Town of Arlington, Tennessee's (Town) compliance with the types of compliance requirements described in the *OMB 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for 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, 2016.

## 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

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

*Alexander Thompson Arnold PLLC*

Jackson, Tennessee  
December 16, 2016

**TOWN OF ARLINGTON, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2016**

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

Financial Statements:

	Unmodified	
Internal control over financial reporting:		
Material weaknesses identified?	<u>  X  </u> yes	<u>      </u> no
Significant deficiencies identified?	<u>      </u> yes	<u>  X  </u> none reported
Noncompliance material to financial statements noted?	<u>      </u> yes	<u>  X  </u> no

Federal Awards:

Internal control over major federal 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 federal programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)

<u>      </u> yes	<u>  X  </u> no
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Identification of Major Federal Programs:

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

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

    \$    750,000    

Auditee qualified as low-risk auditee?

<u>  X  </u> yes	<u>      </u> no
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**TOWN OF ARLINGTON, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2016**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**The Arlington Community Schools have the following reported findings:**

**2016-001      Discount on Settlement Liability (Material Weakness)**

Condition: The settlement liability with Shelby County Board of Education was not recorded at net present value.

Criteria: Per GASB 10 paragraph 59, “claim liabilities associated with structured settlements should be discounted if they represent contractual obligations to pay money on fixed or determinable dates.”

Effect: An entry was made to record a 2% discount on the beginning balance of the settlement liability, which amounted to \$407,802.

Recommendation: We recommend recording structured settlements at net present value.

Response: Per GASB 10 paragraph 59, the practice of presenting claims liabilities at the discounted present value is neither mandated nor prohibited, however claims associated with structured settlements should be discounted. The System will record its structured settlements at net present value per the requirements of GASB 10 paragraph 59.

**2016-002      Recording Delinquent Property Taxes (Material Weakness)**

Condition: In fiscal year 2015, delinquent property taxes appropriated by Shelby County Trustee were not recorded.

Criteria: Uncollected taxes relating to prior years and appropriated to the System should be recorded as a receivable and revenue in the system-wide statements.

Effect: An entry was made to increase beginning net position by \$702,108.

Recommendation: Revenue appropriated by other governments to the System should be recorded in the financial statements accordingly.

Response: Delinquent property taxes appropriated by Shelby County Trustee were not communicated to the System or the System’s auditor of record during the fiscal year 2015. The System was omitted in the county’s communication to school districts of property taxes appropriated during the 2015 fiscal year. The System will directly communicate with the Shelby County Trustee in order to obtain information relevant to tax appropriations.

**2016-003      Recording Unavailable Revenue (Material Weakness)**

Condition: Revenue was incorrectly recorded as unavailable revenue in the prior fiscal year.

Criteria: Revenue that is available and measurable within the 60 day period should be recognized as revenue.

Effect: An adjustment was made to increase beginning fund balance by \$138,175.

**TOWN OF ARLINGTON, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2016**

Recommendation: We recommend recognizing revenue received within the availability period.

Response: Revenue received within the 60 day period was classified as recognizable by the System, however it was incorrectly recorded as unavailable revenue on the System's 2015 audit report. The System will ensure that all revenue that is available and measurable within the 60 day period is recognized as revenue.

**2016-004 Recognizing Revenue (Material Weakness)**

Condition: Amount received on June 30 from Shelby County Commissioners for capital projects was recorded as unavailable revenue when it should have been recorded as revenue. The System also received the fiscal year 2016 wheel tax appropriation in August 2016, which was recorded in fiscal year 2017.

Criteria: Revenue that is available and measurable within the 60 day period should be recognized as revenue.

Effect: An adjustment was made to recognize \$1,112,559 of revenue in the education capital projects fund. An adjustment was made to recognize \$497,955 of revenue in the general purpose fund.

Recommendation: We recommend recognizing revenue received within the availability period.

Response: The revenue received for capital projects was allocated to projects in the upcoming fiscal year due to the funds being received on June 30, 2016. The wheel tax revenue received by the county commission was misclassified as current year revenue. The System will ensure that all revenue that is available and measurable within the 60 day period is recognized as revenue.

**2016-005 Recording Audit Adjustments (Material Weakness)**

Condition: Proposed audit adjustments for the prior fiscal year were not recorded by the client.

Criteria: Proposed audit adjustments should be reviewed and recorded prior to closing the books for the fiscal year.

Effect: The beginning fund balance of the general purpose fund did not agree to the prior year audited balance by \$141,235.

Recommendation: We recommend recording audit adjustments prior to closing the books for the fiscal year so beginning fund balances will agree to the prior year audited amounts.

Response: The System did not record an audit adjustment as it related to the revenue recognition that was available and measurable within the 60 day period. The System will ensure that all audit adjustments are recorded prior to closing the books for the fiscal year.

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

None reported.

**TOWN OF ARLINGTON, TENNESSEE**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**June 30, 2016**

**FINANCIAL STATEMENT FINDINGS**

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2015-001	Expenditures in Excess of Budget (original finding # 2015-001)	Corrected
2015-002	Cash Thefts due to a Refund Function that was Improperly Implemented by the Software Company (original finding # 2015-002)	Corrected

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no prior findings reported.