

TOWN OF ARLINGTON, TENNESSEE

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**TOWN OF ARLINGTON, TENNESSEE
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INTRODUCTORY SECTION

TOWN OF ARLINGTON, TENNESSEE
LIST OF PRINCIPAL OFFICIALS
June 30, 2017

ELECTED OFFICIALS

Mayor
Vice Mayor
Alderman
Alderman
Alderman
Alderman
Alderman

Mike Wissman
Harry McKee
Larry Harmon
Hugh Lamar
Oscar Brooks
Brian Thompson
Jeff McKee

APPOINTED OFFICIALS

Town Superintendent, CMFO
Town Recorder/Treasurer

Catherine Durant
Brittney Owens

FINANCIAL SECTION



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arlington, Tennessee (the Town), as of and for the year ended June 30, 2017, 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 65 percent, 66 percent, and 83 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the General Purpose School Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

The Arlington Community School System has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. Our opinion is not modified with respect to this matter.

Emphasis of a Matter

We draw attention to Note 7 to the financial statements, which describes a restatement increasing the beginning net position for Fiduciary funds by \$703,081. This restatement was necessary because of the transitional requirements of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. 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 and the information listed as supplementary and other information in the Table of Contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

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

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 29, 2017 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Jackson, Tennessee
December 29, 2017

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, 2017. 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 \$184.84 million (net position). Of this amount, \$25.56 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 \$15.03 million, an increase of \$1.12 million in comparison with the prior year due primarily to more state shared taxes and property taxes in the current year. Of the total fund balance, \$14.36 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 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 and General Purpose School Fund and the nonmajor governmental funds on pages 93 through 100 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.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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 42 through 79 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 \$184.84 million at the close of the most recent fiscal year. Seventy-four percent (74%) 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 46,025,475	\$ 40,057,216	\$ 10,842,221	\$ 10,525,949	\$ 56,867,696	\$ 50,583,165
Capital assets	125,733,892	122,548,973	22,503,861	23,237,372	148,237,753	145,786,345
Total assets	<u>171,759,367</u>	<u>162,606,189</u>	<u>33,346,082</u>	<u>33,763,321</u>	<u>205,105,449</u>	<u>196,369,510</u>
Deferred outflows of resources	9,963,490	7,028,750	-	-	9,963,490	7,028,750
Long-term liabilities	7,703,599	4,479,221	10,608,622	11,596,191	18,312,221	16,075,412
Other liabilities	3,051,757	3,060,483	1,006,447	972,614	4,058,204	4,033,097
Total liabilities	<u>10,755,356</u>	<u>7,539,704</u>	<u>11,615,069</u>	<u>12,568,805</u>	<u>22,370,425</u>	<u>20,108,509</u>
Deferred inflows of resources	7,855,834	7,639,555	-	-	7,855,834	7,639,555
Net position:						
Net investment in capital assets	125,493,892	122,231,973	10,911,147	10,699,181	136,405,039	132,931,154
Restricted for:						
Street aid	4,279,102	3,892,222	-	-	4,279,102	3,892,222
Sanitation	950,094	1,012,894	-	-	950,094	1,012,894
Net pension asset	233,662	116,270	-	-	233,662	116,270
Inventory	17,865	12,974	-	-	17,865	12,974
Education	17,398,372	13,661,893	-	-	17,398,372	13,661,893
Unrestricted	14,738,680	13,527,454	10,819,866	10,495,335	25,558,546	24,022,789
Total net position	<u>\$ 163,111,667</u>	<u>\$ 154,455,680</u>	<u>\$ 21,731,013</u>	<u>\$ 21,194,516</u>	<u>\$ 184,842,680</u>	<u>\$ 175,650,196</u>

An additional portion of the Town of Arlington's net position (\$22.88 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 (\$25.56 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 \$8.66 million. In the business-type activities, revenues exceeded expenses by \$0.54 million.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 3,097,969	\$ 2,929,473	\$ 2,392,745	\$ 2,351,708	\$ 5,490,714	\$ 5,281,181
Operating grants and contributions	46,892,483	45,403,373	-	-	46,892,483	45,403,373
Capital grants and contributions	285,981	1,044,093	-	-	285,981	1,044,093
General revenues:						
Property taxes	3,979,984	3,894,592	-	-	3,979,984	3,894,592
Other taxes	3,384,987	3,498,005	-	-	3,384,987	3,498,005
Other sources	179,316	56,168	49,382	50,970	228,698	107,138
Total revenues	<u>57,820,720</u>	<u>56,825,704</u>	<u>2,442,127</u>	<u>2,402,678</u>	<u>60,262,847</u>	<u>59,228,382</u>
Expenses:						
General government	3,183,454	2,995,246	-	-	3,183,454	2,995,246
Public safety	1,659,819	1,675,301	-	-	1,659,819	1,675,301
Highway and streets	940,791	1,534,175	-	-	940,791	1,534,175
Storm drainage	81,787	-	-	-	81,787	-
Public works	814,692	935,076	-	-	814,692	935,076
Sanitation collection	910,439	664,590	-	-	910,439	664,590
Culture and recreation	884,352	853,619	-	-	884,352	853,619
Education	40,682,174	37,973,030	-	-	40,682,174	37,973,030
Debt service	7,225	8,792	-	-	7,225	8,792
Sewer	-	-	1,905,630	1,773,264	1,905,630	1,773,264
Total expenses	<u>49,164,733</u>	<u>46,639,829</u>	<u>1,905,630</u>	<u>1,773,264</u>	<u>51,070,363</u>	<u>48,413,093</u>
Increase in net position	<u>8,655,987</u>	<u>10,185,875</u>	<u>536,497</u>	<u>629,414</u>	<u>9,192,484</u>	<u>10,815,289</u>
Net position - beginning	154,455,680	105,459,651	21,194,516	20,565,102	175,650,196	126,024,753
Prior period adjustment	-	38,810,154	-	-	-	38,810,154
Net position - beginning - restated	<u>154,455,680</u>	<u>144,269,805</u>	<u>21,194,516</u>	<u>20,565,102</u>	<u>175,650,196</u>	<u>164,834,907</u>
Net position - ending	<u>\$ 163,111,667</u>	<u>\$ 154,455,680</u>	<u>\$ 21,731,013</u>	<u>\$ 21,194,516</u>	<u>\$ 184,842,680</u>	<u>\$ 175,650,196</u>

COMMENTS ON FUND FINANCIAL STATEMENTS

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

Governmental funds - The focus of the Town of Arlington's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Government's financing requirements. In particular, 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 15.07% of governmental fund revenues. Accordingly this discussion will focus on the General Fund. General Fund balance was \$15.03 million at the end of the current fiscal year. Of that balance, \$14.36 million is available to meet the day-to-day needs of the Town.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Revenues in the General Fund decreased from the previous year by approximately \$135 thousand. The most significant changes in revenues in the General Fund were:

- State and federal grants decreased by \$146 thousand.
- State shared revenues decreased by approximately \$66 thousand.
- Storm water fees were implemented for \$102 thousand.
- Sale of land and equipment increased by \$100 thousand.
- Insurance recoveries decreased by \$83 thousand.
- Impact fees decreased by \$87 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 \$10.82 million. The total growth in net position for this fund was \$536 thousand.

GENERAL FUND BUDGETARY HIGHLIGHTS

Final Budgeted and Actual Amounts

Actual revenues were over the budgeted amounts by \$267 thousand. Significant variances are as follows:

- Intergovernmental (state shared taxes) were more than the budgeted amounts by \$139 thousand.
- Street light fees were more than the budgeted amounts by \$82 thousand.

Actual expenditures were under the final budgeted amount by \$854 thousand. Significant variances are as follows:

- General Government was under budget by \$84 thousand.
- Public Safety was under budget by \$310 thousand.
- Public Works was under budget by \$315 thousand.
- Parks & Library and Senior Center were under budget by \$139 thousand.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - At the end of fiscal year 2017, the Town had invested \$148.24 million net of accumulated depreciation in a variety of capital assets and infrastructure. Infrastructure was valued at \$26.39 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 \$14.52 million. Of this amount, \$11.57 million consists of revenue bonds. An additional \$240 thousand is for capital outlay notes, while another \$2.72 million of the Town's debt represents a note less discount for the benefit of the Arlington Community Schools.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- Arlington's recent residential and commercial growth over the last few years has continued. We are expecting this to continue and an increase in both for the next fiscal year. The residential increase will result in an increase in permit and development fees collected, taxes and an increase in population. The increased commercial development should result in an increase to real property and personal property taxes, as well as sales and business taxes.
- Arlington's new home construction continues to increase. The Town processed 110 new single-family home permits in 2017; 41 more homes than last year. The last time the Town saw construction at this rate was in 2010. The rate of residential construction is anticipated to increase in the next fiscal year. There is an existing inventory of 142 available residential lots, and additional inventory of up to 133 single-family residential lots are anticipated to be ready for permitting by the second quarter of 2018.
- Arlington Community Schools opened in August 2015 and includes enrollment from Arlington residents, Lakeland residents for High School, and open enrollment students where there is capacity. Arlington Community Schools were named an Exemplary School District by the TN Department of Education again this year, as well as being named a TN Reward School for both performance and progress. Arlington Community Schools also completed construction on their new administration and maintenance buildings this year.
- Commercial investment in Arlington during the 2016-17 fiscal year has continued the trend of last year's growth. The Town has opened over 71,000 square feet of new commercial and office space this fiscal year, including the Shops at Arlington Village center, Shops at Airline 3-bay retail project, Advanced Dermatology Clinic, First TN Bank, the Seasons Square C-store and retail building, and Laboratory Express. Another over 100,000 square feet of new restaurant, office and retail space is currently under construction around Town.

All of these factors were considered in preparing the Town of Arlington's budget for the 2018 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, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 20,828,900	\$ 3,533,758	\$ 24,362,658
Investments	12,323,307	7,026,760	19,350,067
Receivables:			
Interest	2,904	524	3,428
Taxes (net of allowance for uncollectibles of \$17,042)	3,966,465	-	3,966,465
Accounts	74,968	474,570	549,538
Internal balances	193,391	(193,391)	-
Due from other governments - grants	136,796	-	136,796
Intergovernmental - nongrant	8,173,172	-	8,173,172
Inventory	17,865	-	17,865
Prepayments and other current assets	74,045	-	74,045
Net pension asset	233,662	-	233,662
Capital assets not being depreciated:			
Land	4,867,437	231,762	5,099,199
Construction in process	2,122,210	-	2,122,210
Capital assets net of accumulated depreciation:			
Buildings and improvements	86,762,697	-	86,762,697
Machinery and equipment	5,587,179	-	5,587,179
Sewer plant	-	22,272,099	22,272,099
Infrastructure	26,394,369	-	26,394,369
Total assets	<u>171,759,367</u>	<u>33,346,082</u>	<u>205,105,449</u>
Deferred outflows of resources			
Deferred outflows related to pension	<u>9,963,490</u>	<u>-</u>	<u>9,963,490</u>
Total deferred outflows of resources	<u>9,963,490</u>	<u>-</u>	<u>9,963,490</u>

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

TOWN OF ARLINGTON, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Accounts payable	607,563	7,979	615,542
Other accrued expenses	254,910	-	254,910
Accrued payroll	1,542,691	-	1,542,691
Unearned revenue	23,684	-	23,684
Long-term debt			
Due within one year			
Notes and bonds payable	411,333	988,606	1,399,939
Accrued annual leave	211,576	9,862	221,438
Due in more than one year			
Notes and bonds payable	2,547,018	10,604,108	13,151,126
Other post employment benefits	1,521,724	-	1,521,724
Accrued annual leave	106,308	4,514	110,822
Net pension liability	3,169,249	-	3,169,249
Accrued landfill closing and postclosing costs	359,300	-	359,300
Total liabilities	<u>10,755,356</u>	<u>11,615,069</u>	<u>22,370,425</u>
Deferred Inflows of Resources			
Deferred inflows related to pension	3,958,828	-	3,958,828
Unavailable revenue - property taxes	3,897,006	-	3,897,006
Total deferred inflows of resources	<u>7,855,834</u>	<u>-</u>	<u>7,855,834</u>
Net Position			
Net investment in capital assets	125,493,892	10,911,147	136,405,039
Restricted for:			
State street aid	4,279,102	-	4,279,102
Sanitation	950,094	-	950,094
Net pension asset	233,662	-	233,662
Inventory	17,865	-	17,865
Education	17,398,372	-	17,398,372
Unrestricted	14,738,680	10,819,866	25,558,546
Total net position	<u>\$ 163,111,667</u>	<u>\$ 21,731,013</u>	<u>\$ 184,842,680</u>

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

TOWN OF ARLINGTON, TENNESSEE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government							
Governmental activities							
General government	\$ 3,183,454	\$ 585,484	\$ -	\$ 20,337	\$ (2,577,633)	\$ -	\$ (2,577,633)
Public safety	1,659,819	9,677	-	-	(1,650,142)	-	(1,650,142)
Highways and streets	940,791	-	378,531	265,644	(296,616)	-	(296,616)
Storm drainage	81,787	101,611	-	-	19,824	-	19,824
Public works	814,692	-	-	-	(814,692)	-	(814,692)
Sanitation collection	910,439	977,377	-	-	66,938	-	66,938
Parks and recreation	884,352	98,032	7,750	-	(778,570)	-	(778,570)
Education	40,682,174	1,325,788	46,506,202	-	7,149,816	-	7,149,816
Interest on long-term debt	7,225	-	-	-	(7,225)	-	(7,225)
Total governmental activities	<u>49,164,733</u>	<u>3,097,969</u>	<u>46,892,483</u>	<u>285,981</u>	<u>1,111,700</u>	<u>-</u>	<u>1,111,700</u>
Business-type activities							
Sewer	1,905,630	2,392,745	-	-	-	487,115	487,115
Total primary government	<u>\$ 51,070,363</u>	<u>\$ 5,490,714</u>	<u>\$ 46,892,483</u>	<u>\$ 285,981</u>	<u>\$ 1,111,700</u>	<u>\$ 487,115</u>	<u>\$ 1,598,815</u>
General revenues							
					3,756,086	-	3,756,086
					223,898	-	223,898
					2,734,383	-	2,734,383
					125,130	-	125,130
					324,507	-	324,507
					153,587	-	153,587
					47,380	-	47,380
					14,506	-	14,506
					95,424	-	95,424
					69,386	49,382	118,768
					<u>7,544,287</u>	<u>49,382</u>	<u>7,593,669</u>
					8,655,987	536,497	9,192,484
					<u>154,455,680</u>	<u>21,194,516</u>	<u>175,650,196</u>
					<u>\$ 163,111,667</u>	<u>\$ 21,731,013</u>	<u>\$ 184,842,680</u>

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

TOWN OF ARLINGTON, TENNESSEE
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2017

	<u>General Fund</u>	<u>General Purpose School</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 4,485,502	\$ 11,686,233	\$ 4,657,165	\$ 20,828,900
Investments	10,152,944	-	2,170,363	12,323,307
Inventory	-	-	17,865	17,865
Prepaid expense	-	74,045	-	74,045
Receivables:				
Interest	2,255	-	649	2,904
Taxes (net of allowance for uncollectibles of \$17,042)	3,966,465	-	-	3,966,465
Accounts - other	69,820	5,148	-	74,968
Due from other funds	28,707	47,690	224,674	301,071
Due from other governments - grants	10,000	-	126,796	136,796
Intergovernmental - nongrant	538,264	7,576,737	58,171	8,173,172
Total assets	<u>\$ 19,253,957</u>	<u>\$ 19,389,853</u>	<u>\$ 7,255,683</u>	<u>\$ 45,899,493</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 190,776	\$ 330,861	\$ 85,926	\$ 607,563
Accrued payroll	-	1,502,635	40,056	1,542,691
Other accrued expenses	-	254,910	-	254,910
Due to other funds	58,000	-	49,680	107,680
Unearned revenue	-	-	23,684	23,684
Total liabilities	<u>248,776</u>	<u>2,088,406</u>	<u>199,346</u>	<u>2,536,528</u>
Deferred inflows of resources				
Unavailable revenue - nongrant	-	508,355	-	508,355
Unavailable revenue - grants	10,000	-	33,655	43,655
Unavailable revenue - property taxes	3,964,183	661,988	-	4,626,171
Total deferred inflows of resources	<u>3,974,183</u>	<u>1,170,343</u>	<u>33,655</u>	<u>5,178,181</u>
Fund balances				
Nonspendable				
Inventory	-	-	17,865	17,865
Prepaid expenses	-	74,045	-	74,045
Restricted				
State street aid	-	-	4,279,102	4,279,102
Sanitation	-	-	950,094	950,094
Education	-	16,057,059	1,775,621	17,832,680
Assigned:				
Impact fees	149,400	-	-	149,400
Depot Square	70,000	-	-	70,000
West Tennessee Veterans Home	200,000	-	-	200,000
Hwy 70/Airline Rd	252,000	-	-	252,000
Unassigned	<u>14,359,598</u>	<u>-</u>	<u>-</u>	<u>14,359,598</u>
Total fund balances	<u>15,030,998</u>	<u>16,131,104</u>	<u>7,022,682</u>	<u>38,184,784</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 19,253,957</u>	<u>\$ 19,389,853</u>	<u>\$ 7,255,683</u>	<u>\$ 45,899,493</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, 2017

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

Fund balances - total governmental funds (Page 14)	\$	38,184,784
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds		125,733,892
Net pension asset is not a financial resource in the current period and, therefore, are not reported an asset in governmental funds.		233,662
Receivables not available to pay for current expenditures and, therefore, are deferred in the funds.		
Unavailable revenue		1,281,175
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		9,963,490
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		(3,958,828)
Long-term liabilities, including notes, leases payable, compensated absences, other post employment benefits, and landfill postclosing costs, are not due in the current period and, therefore, are not reported in the funds		<u>(8,326,508)</u>
Net position of governmental activities (Page 12)	\$	<u>163,111,667</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, 2017

	General Fund	General Purpose School	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 5,467,174	\$ 20,958,615	\$ -	\$ 26,425,789
Licenses and permits	109,217	-	-	109,217
Intergovernmental	2,003,046	21,665,181	2,604,866	26,273,093
Charges for services	424,676	532,716	1,770,449	2,727,841
Other	588,770	50,320	849,104	1,488,194
Total revenues	<u>8,592,883</u>	<u>43,206,832</u>	<u>5,224,419</u>	<u>57,024,134</u>
Expenditures				
Current				
General government	1,351,094	-	-	1,351,094
Public safety	1,717,316	-	-	1,717,316
Highways and streets	850,116	-	940,791	1,790,907
Storm drainage	86,773	-	-	86,773
Sanitation collection	-	-	1,101,782	1,101,782
Parks and recreation	919,995	-	-	919,995
Education	-	40,078,386	3,145,747	43,224,133
Capital outlay	910,541	-	132,433	1,042,974
Debt service:				
Principal	77,000	333,333	-	410,333
Interest	7,225	-	-	7,225
Total expenditures	<u>5,920,060</u>	<u>40,411,719</u>	<u>5,320,753</u>	<u>51,652,532</u>
Revenues over (under) expenditures	2,672,823	2,795,113	(96,334)	5,371,602
Other Financing Sources (Uses)				
Transfers in	-	565,440	1,058,000	1,623,440
Transfers out	(1,552,150)	-	(71,290)	(1,623,440)
Total other financing sources (uses)	<u>(1,552,150)</u>	<u>565,440</u>	<u>986,710</u>	<u>-</u>
Net changes in fund balances	1,120,673	3,360,553	890,376	5,371,602
Fund balances - beginning	<u>13,910,325</u>	<u>12,770,551</u>	<u>6,132,306</u>	<u>32,813,182</u>
Fund balances - ending	<u>\$ 15,030,998</u>	<u>\$ 16,131,104</u>	<u>\$ 7,022,682</u>	<u>\$ 38,184,784</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, 2017

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)	\$ 5,371,602
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.	3,184,919
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).	9,864
Some expenses reported in the statement of activities, such as accrued leave, pension, other post employment benefits, and landfill liability, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(260,353)
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	77,000
Board of Education note payment and amortization of discount	<u>272,955</u>
Change in net position of governmental activities (Page 13)	<u>\$ 8,655,987</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, 2017

	Budgeted Amounts			Variance
	Original	Final	Actual	Over
				(Under)
Revenues				
Taxes:				
Real property taxes	\$ 3,004,000	\$ 3,004,000	\$ 3,071,674	\$ 67,674
Personal property taxes	287,000	289,600	276,010	(13,590)
Public utility taxes	397,050	397,875	401,906	4,031
Interest and penalties	15,000	15,000	14,506	(494)
In lieu of tax payments -				
Other governments	75,000	81,150	81,534	384
Local sales tax	1,200,000	1,200,000	1,195,635	(4,365)
Wholesale beer tax	280,000	280,000	219,831	(60,169)
Wholesale liquor tax	70,000	76,000	80,948	4,948
Franchise taxes	105,000	105,000	125,130	20,130
Total taxes	<u>5,433,050</u>	<u>5,448,625</u>	<u>5,467,174</u>	<u>18,549</u>
Licenses and permits:				
Licenses and permits	22,400	30,150	35,259	5,109
Planning commission submittals	16,000	63,377	63,828	451
Excavating permits	5,000	9,700	10,130	430
Total licenses and permits	<u>43,400</u>	<u>103,227</u>	<u>109,217</u>	<u>5,990</u>
Intergovernmental:				
Federal grants	-	72,820	72,820	-
TVA in lieu of tax	141,000	141,000	142,364	1,364
Business tax	70,000	146,000	153,587	7,587
State sales tax	875,000	875,000	1,001,998	126,998
State local sales tax	540,000	540,000	536,750	(3,250)
State income tax	25,000	25,000	23,910	(1,090)
State beer tax	5,750	5,750	5,838	88
State alcoholic beverage tax	11,000	11,000	17,890	6,890
State petroleum special fee	24,000	24,000	24,420	420
State telecommunications sales tax	1,000	1,000	1,222	222
State excise tax	10,000	22,000	22,247	247
Total intergovernmental	<u>1,702,750</u>	<u>1,863,570</u>	<u>2,003,046</u>	<u>139,476</u>
Charges for services:				
Fire reports	-	5	5	-
Community development fees	-	53,200	53,200	-
Street light fees	-	58,000	140,245	82,245
Storm water fees	120,800	100,000	101,611	1,611
Inspection fees	-	39,900	39,900	-
Meeting room fees	1,000	2,350	2,350	-

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, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		Over (Under)
Community garden	1,000	1,000	500	(500)
Park and recreation fees	71,000	85,000	86,865	1,865
Total charges for services	<u>193,800</u>	<u>339,455</u>	<u>424,676</u>	<u>85,221</u>
Other:				
Other	12,000	16,500	16,510	10
Rent	6,700	6,701	6,801	100
City Court revenue	-	72	72	-
Sale of land and equipment	-	99,650	99,650	-
Interest earned	55,000	57,000	65,782	8,782
Insurance recovery	-	22,188	22,189	1
Impact fees	47,750	345,000	346,674	1,674
Library fines	18,000	18,000	20,842	2,842
Contributions	1,000	6,000	10,250	4,250
Total other	<u>140,450</u>	<u>571,111</u>	<u>588,770</u>	<u>17,659</u>
Total revenues	<u>7,513,450</u>	<u>8,325,988</u>	<u>8,592,883</u>	<u>266,895</u>
Expenditures				
Current expenditures:				
General government:				
Salaries	390,000	390,000	355,119	(34,881)
OASI	35,000	35,000	30,780	(4,220)
Hospital and health insurance	50,000	50,000	30,947	(19,053)
Workmen's compensation	5,500	5,500	4,992	(508)
Employee education and training	6,000	6,000	1,305	(4,695)
Other employer contributions	30,100	30,100	25,126	(4,974)
Board and committee members	61,000	61,000	61,000	-
Elections	5,000	5,000	380	(4,620)
Contractual services	45,000	45,000	44,635	(365)
Postage	5,000	5,000	5,840	840
Messenger and delivery services	2,500	2,500	605	(1,895)
Publication of legal notices	25,000	25,000	21,647	(3,353)
Memberships and registration fees	11,000	11,000	2,618	(8,382)
Public relations	8,000	8,000	6,683	(1,317)
Utility services	25,000	217,000	209,653	(7,347)
Telephone	20,000	20,000	16,853	(3,147)
Legal services	120,000	140,000	135,895	(4,105)
Accounting and auditing services	20,000	20,000	16,660	(3,340)
Architectural and engineering services	125,000	135,000	143,342	8,342
Web site services	10,000	5,500	5,200	(300)

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

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

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		Over (Under)
Data processing services	20,000	20,000	15,892	(4,108)
Other professional services	44,000	29,000	56,123	27,123
Repair and maintenance services	3,000	10,000	9,457	(543)
Repair and maintenance of buildings	25,000	26,000	23,906	(2,094)
Travel	5,000	2,500	1,747	(753)
Collection fees	22,000	22,000	20,558	(1,442)
Sundry	3,000	5,000	4,698	(302)
Operating supplies	16,000	21,000	19,258	(1,742)
Off site record storage	4,500	4,500	4,631	131
Insurance on buildings	10,500	10,500	9,634	(866)
Insurance - liability	11,000	11,000	11,917	917
Capital outlay	25,000	611,000	604,769	(6,231)
Machinery and equipment rent	11,000	11,000	9,936	(1,064)
Other machinery and equipment	10,000	15,000	19,057	4,057
Donations to the Chamber of Commerce	25,000	25,000	25,000	-
Total general government	<u>1,234,100</u>	<u>2,040,100</u>	<u>1,955,863</u>	<u>(84,237)</u>
Fire protection and control:				
Salaries	1,008,000	1,008,000	950,491	(57,509)
OASI	75,000	75,000	68,009	(6,991)
Hospital and health insurance	140,000	140,000	116,527	(23,473)
Workmen's compensation	25,000	25,000	28,524	3,524
Employee education and training	10,000	10,000	7,292	(2,708)
Other employer contributions	65,000	65,000	61,285	(3,715)
Volunteer firemen	15,000	15,000	6,251	(8,749)
Contractual services	90,000	90,000	85,036	(4,964)
Membership fees, dues	8,000	8,000	2,251	(5,749)
Utility services	25,000	25,000	19,022	(5,978)
Telephone	11,000	11,000	9,355	(1,645)
Medical and dental	275,000	275,000	211,102	(63,898)
Repair and maintenance	70,000	70,000	37,151	(32,849)
Data processing	7,000	7,000	4,469	(2,531)
Travel	6,000	6,000	3,186	(2,814)
Operating supplies	12,500	12,500	6,073	(6,427)
Clothing and uniforms	10,000	10,000	8,231	(1,769)
Gas, oil and diesel	16,000	16,000	8,175	(7,825)
Insurance-building and liability	16,500	16,500	14,842	(1,658)
Insurance-vehicles and equipment	7,500	7,500	6,922	(578)
Capital outlay	50,000	50,000	-	(50,000)
Machinery and equipment rent	5,000	5,000	4,544	(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, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		Over (Under)
Other machinery and equipment	75,000	75,000	53,613	(21,387)
	<u>2,022,500</u>	<u>2,022,500</u>	<u>1,712,351</u>	<u>(310,149)</u>
Fire fighting:				
Supplies	5,000	5,000	4,965	(35)
Total public safety	<u>2,027,500</u>	<u>2,027,500</u>	<u>1,717,316</u>	<u>(310,184)</u>
Public Works:				
Highway and streets:				
Salaries	615,200	615,200	512,560	(102,640)
OASI	45,000	45,000	37,043	(7,957)
Hospital and health insurance	70,000	70,000	53,694	(16,306)
Workmen's compensation	21,000	21,000	21,393	393
Other employer contributions	46,000	46,000	33,815	(12,185)
Memberships, registration fees	3,000	1,500	2,765	1,265
Employee education and training	5,000	5,000	2,710	(2,290)
Utility services	25,000	25,000	14,199	(10,801)
Ambulance services	2,000	2,000	1,316	(684)
Other professional services	8,000	8,000	7,265	(735)
Telephone	18,000	18,000	12,697	(5,303)
Data processing	11,000	11,000	8,083	(2,917)
Repair and maintenance services	160,000	160,000	44,898	(115,102)
Travel	1,000	1,000	733	(267)
Operating supplies	15,000	19,450	16,678	(2,772)
Clothing and uniforms	8,000	8,000	7,441	(559)
Gas, oil and diesel	20,000	20,000	11,320	(8,680)
Insurance	18,000	15,050	14,154	(896)
Machinery and equipment rental	4,000	4,000	4,775	775
Other machinery and equipment	50,000	50,000	42,577	(7,423)
Capital outlay	<u>175,000</u>	<u>175,000</u>	<u>188,791</u>	<u>13,791</u>
Total highway and streets	<u>1,320,200</u>	<u>1,320,200</u>	<u>1,038,907</u>	<u>(281,293)</u>
Storm drainage:				
Salaries	42,800	42,800	41,372	(1,428)
OASI	3,300	3,300	2,978	(322)
Hospital and health insurance	5,800	5,800	5,799	(1)
Workmen's compensation	1,700	1,700	-	(1,700)
Other employer contributions	3,200	3,200	2,596	(604)
Contractual services	40,000	40,000	24,490	(15,510)
Employee education and training	2,000	2,000	-	(2,000)

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, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		Over (Under)
Memberships, registration fees	4,000	4,000	1,050	(2,950)
Donations to the Chamber of Commerce	2,000	2,000	-	(2,000)
Data processing	2,000	2,000	113	(1,887)
Other professional service	10,000	10,000	5,391	(4,609)
Operating supplies	1,000	1,000	194	(806)
Gas, oil and diesel	1,000	1,000	966	(34)
Other machinery and equipment	2,000	2,000	1,824	(176)
Total storm drainage	<u>120,800</u>	<u>120,800</u>	<u>86,773</u>	<u>(34,027)</u>
 Total public works	 <u>1,441,000</u>	 <u>1,441,000</u>	 <u>1,125,680</u>	 <u>(315,320)</u>
 Parks and recreation:				
Salaries	337,200	337,200	278,445	(58,755)
OASI	25,300	25,300	19,944	(5,356)
Hospital and health insurance	42,000	42,000	30,492	(11,508)
Workmen's compensation	8,500	8,500	7,844	(656)
Employee education and training	4,000	4,000	1,339	(2,661)
Basketball fees	32,500	32,500	28,188	(4,312)
Postage	1,200	500	437	(63)
Memberships and registration fees	5,000	4,600	1,540	(3,060)
Other employer contributions	18,000	18,000	14,971	(3,029)
Contractual services	220,000	220,000	218,310	(1,690)
Data processing services	13,800	13,800	11,520	(2,280)
Other professional services	2,300	1,600	918	(682)
Public relations	25,000	25,000	24,859	(141)
Utility services	76,000	76,000	60,543	(15,457)
Telephone	10,300	10,900	9,257	(1,643)
Repair and maintenance	58,000	68,138	62,841	(5,297)
Travel	2,000	2,000	1,457	(543)
Sundry	2,000	2,000	1,529	(471)
Operating supplies	50,100	49,500	73,239	23,739
Clothing and uniforms	3,000	3,000	3,259	259
Gas, oil and diesel fuel	10,000	10,000	6,620	(3,380)
Fabricated materials	10,000	10,000	10,000	-
Insurance	14,500	13,800	11,810	(1,990)
Other machinery and equipment	42,500	38,900	37,974	(926)
Machinery and equipment rent	1,000	3,500	2,659	(841)
Capital outlay	155,000	155,000	116,981	(38,019)
Total parks and recreation	<u>1,169,200</u>	<u>1,175,738</u>	<u>1,036,976</u>	<u>(138,762)</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, 2017

	Budgeted Amounts			Variance Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Under)</u>
Debt Service:				
Principal	77,000	77,000	77,000	-
Interest	<u>12,500</u>	<u>12,500</u>	<u>7,225</u>	<u>(5,275)</u>
Total debt service	<u>89,500</u>	<u>89,500</u>	<u>84,225</u>	<u>(5,275)</u>
Total expenditures	<u>5,961,300</u>	<u>6,773,838</u>	<u>5,920,060</u>	<u>(853,778)</u>
Excess (deficiency) of revenues over (under) expenditures	1,552,150	1,552,150	2,672,823	1,120,673
Other financing sources (uses)				
Transfers out	<u>(1,552,150)</u>	<u>(1,552,150)</u>	<u>(1,552,150)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,552,150)</u>	<u>(1,552,150)</u>	<u>(1,552,150)</u>	<u>-</u>
Net change in fund balances	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>1,120,673</u></u>	<u><u>\$ 1,120,673</u></u>
Fund balance, July 1			<u>13,910,325</u>	
Fund balance, June 30			<u><u>\$ 15,030,998</u></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, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Over (Under)
Revenues:				
Taxes:				
Current property tax	\$ 12,460,591	\$ 14,901,916	\$ 13,588,093	\$ (1,313,823)
Prior years property tax	365,000	365,000	380,266	15,266
Payments in lieu of taxes	220,000	220,000	226,221	6,221
Local option sales tax	4,353,000	4,353,000	5,528,615	1,175,615
Business tax	1,000	1,000	1,923	923
Mixed drink tax	10,000	10,000	10,666	666
Wheel tax	20,000	20,000	1,222,831	1,202,831
Total taxes	17,429,591	19,870,916	20,958,615	1,087,699
Intergovernmental:				
State revenues:				
State education funds:				
Basic Education Program	21,240,000	21,334,000	21,547,082	213,082
Other state education funds	24,000	24,000	29,601	5,601
Career ladder program	81,683	81,683	88,498	6,815
Total state revenues	21,345,683	21,439,683	21,665,181	225,498
Other local revenues:				
Charges for services	588,290	588,290	532,716	(55,574)
Insurance recovery	37,730	37,730	40,637	2,907
Other local revenues	8,000	8,000	9,683	1,683
	634,020	634,020	583,036	(50,984)
Total revenues	39,409,294	41,944,619	43,206,832	1,262,213
Expenditures:				
Instruction:				
Regular education:				
Teachers	14,570,437	14,570,437	14,258,222	(312,215)
Career ladder program	50,000	50,000	50,000	-
Educational assistants	164,745	164,745	156,721	(8,024)
Other salaries and wages	112,500	112,500	112,427	(73)
Social security	923,656	923,656	845,099	(78,557)
State retirement	1,336,959	1,336,959	1,322,469	(14,490)
Life insurance	100,970	100,970	42,805	(58,165)

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
Medical insurance	1,979,839	1,938,015	1,307,117	(630,898)
Medicare	216,015	216,015	197,644	(18,371)
Maintenance and repair	23,000	20,929	9,896	(11,033)
Contracted services - substitutes	299,999	413,008	413,008	-
Other contracted services	20,000	20,000	15,572	(4,428)
Instructional supplies and materials	407,790	426,306	312,309	(113,997)
Textbooks	350,001	175,001	60,288	(114,713)
Other supplies and materials	20,000	20,000	967	(19,033)
Other charges	17,850	17,850	15,367	(2,483)
Equipment	462,058	3,154,002	3,125,449	(28,553)
Fee waivers	10,000	10,000	10,000	-
Band music	-	1,500	1,500	-
Total regular education	<u>21,065,819</u>	<u>23,671,893</u>	<u>22,256,860</u>	<u>(1,415,033)</u>
Alternative instruction:				
Teachers	96,353	86,353	46,160	(40,193)
Educational assistants	11,493	11,493	10,295	(1,198)
Social security	6,687	6,687	3,257	(3,430)
State retirement	9,776	9,776	7,248	(2,528)
Life insurance	673	673	173	(500)
Medical insurance	15,154	15,154	7,424	(7,730)
Medicare	1,564	1,564	762	(802)
Other charges	1,500	1,500	365	(1,135)
Other supplies and materials	2,600	2,000	517	(1,483)
Other equipment	300	300	-	(300)
Teacher discretionary	-	600	200	(400)
Contracts substitute teachers	<u>2,500</u>	<u>2,500</u>	<u>2,468</u>	<u>(32)</u>
Total alternative instruction	<u>148,600</u>	<u>138,600</u>	<u>78,869</u>	<u>(59,731)</u>
Special education:				
Teachers	1,237,961	1,237,961	1,084,838	(153,123)
Career ladder program	1,000	1,000	1,000	-
Homebound teachers	46,056	46,056	20,284	(25,772)
Educational assistants	240,898	240,898	230,584	(10,314)
Speech pathologist	133,762	133,761	123,447	(10,314)
Social security	102,901	102,901	85,402	(17,499)

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
State retirement	150,897	150,897	137,848	(13,049)
Life insurance	11,086	11,086	4,325	(6,761)
Medical insurance	246,248	246,248	113,434	(132,814)
Medicare	24,065	24,065	19,973	(4,092)
Maintenance and repair - equipment	3,000	3,000	268	(2,732)
Contracts with other schools	10,000	10,000	1,667	(8,333)
Contracts substitute teachers	50,001	56,280	56,045	(235)
Other contracted services	106,000	106,000	45,818	(60,182)
Instructional supplies and materials	44,500	44,500	18,269	(26,231)
Special education equipment	10,000	10,000	7,230	(2,770)
Total special education	<u>2,418,375</u>	<u>2,424,653</u>	<u>1,950,432</u>	<u>(474,221)</u>
Vocational education:				
Teachers	633,270	628,270	594,777	(33,493)
Career ladder program	4,000	4,000	4,000	-
Social security	39,511	39,511	35,113	(4,398)
State retirement	57,609	57,609	56,008	(1,601)
Life insurance	4,353	4,353	1,791	(2,562)
Medical insurance	83,346	76,346	57,306	(19,040)
Medicare	9,240	9,240	8,212	(1,028)
Contracts substitute teachers	11,250	23,250	20,439	(2,811)
Instructional supplies and materials	7,550	7,550	7,530	(20)
Textbooks	10,000	10,000	778	(9,222)
Other supplies and materials	1,000	1,000	219	(781)
Special education equipment	40,000	40,000	40,000	-
STEM	2,500	2,500	2,124	(376)
Total vocational education	<u>903,629</u>	<u>903,629</u>	<u>828,297</u>	<u>(75,332)</u>
Total instruction	<u>24,536,423</u>	<u>27,138,775</u>	<u>25,114,458</u>	<u>(2,024,317)</u>
Support services:				
Attendance:				
Supervisor/director	176,310	176,310	174,773	(1,537)
Career ladder program	1,000	1,000	-	(1,000)
Clerical personnel	20,696	20,696	20,696	-
Other salaries and wages	66,129	66,129	64,969	(1,160)

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
Social security	19,946	19,946	15,230	(4,716)
State retirement	29,414	29,414	21,935	(7,479)
Life insurance	2,204	2,204	755	(1,449)
Medical insurance	49,250	49,250	21,067	(28,183)
Medicare	4,665	4,665	3,562	(1,103)
Travel	600	1,100	834	(266)
Other contracted services	43,962	43,962	24,052	(19,910)
Other supplies and materials	4,000	5,500	5,449	(51)
In-services/staff development	15,000	14,500	9,407	(5,093)
Other charges	600	600	432	(168)
Attendance equipment	350	1,500	-	(1,500)
Total attendance	<u>434,126</u>	<u>436,776</u>	<u>363,161</u>	<u>(73,615)</u>
Education Technology:				
Personnel wages	102,169	102,169	100,648	(1,521)
Social security	6,334	6,334	6,010	(324)
Pensions	9,471	9,471	8,047	(1,424)
Life insurance	702	702	300	(402)
Medical insurance	11,365	11,365	5,870	(5,495)
Medicare	1,481	1,481	1,406	(75)
Capital outlay	394,500	433,300	369,957	(63,343)
Other charges	762,261	956,461	535,890	(420,571)
Total education technology	<u>1,288,283</u>	<u>1,521,283</u>	<u>1,028,128</u>	<u>(493,155)</u>
Health services:				
Medical personnel	105,699	116,357	115,760	(597)
Social Security	6,552	6,670	6,629	(41)
State retirement	9,798	10,476	10,418	(58)
Life insurance	724	349	351	2
Medical insurance	22,731	13,447	13,443	(4)
Medicare	1,533	1,567	1,550	(17)
Travel	250	250	-	(250)
Other contracted services	10,000	12,171	10,331	(1,840)
Other supplies and materials	2,000	2,000	1,822	(178)
In-service/staff development	500	500	392	(108)
Other charges	1,000	1,000	-	(1,000)

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
Health equipment	500	2,500	471	(2,029)
Drugs and medical supplies	1,000	1,000	1,000	-
Total health services	<u>162,287</u>	<u>168,287</u>	<u>162,167</u>	<u>(6,120)</u>
Other student support:				
Career ladder program	4,000	4,000	4,000	-
Guidance personnel	683,650	683,650	680,428	(3,222)
Clerical personnel	13,933	13,933	12,357	(1,576)
Other salaries and wages	69,236	69,236	58,736	(10,500)
Social workers	57,570	57,570	44,856	(12,714)
Social Security	47,790	47,790	47,790	-
State retirement	69,714	69,714	69,714	-
Life insurance	5,271	5,271	2,393	(2,878)
Medical insurance	82,058	82,058	37,607	(44,451)
Medicare	11,177	11,177	11,178	1
Evaluation and testing	75,200	75,125	71,962	(3,163)
Travel	200	275	273	(2)
Other supplies and materials	5,000	5,000	4,865	(135)
In-service/staff development	2,500	2,500	125	(2,375)
Other equipment	5,000	5,000	5,000	-
Total other student support	<u>1,132,299</u>	<u>1,132,299</u>	<u>1,051,284</u>	<u>(81,015)</u>
Instructional staff:				
Regular education:				
Supervisor/director	262,272	308,459	275,452	(33,007)
Career ladder program	4,000	5,000	4,500	(500)
Librarians	325,839	316,507	310,523	(5,984)
Instructional computer personnel	98,571	98,571	98,116	(455)
Clerical personnel	20,696	20,696	20,696	-
In-service training	26,000	26,000	23,500	(2,500)
Social Security	50,634	48,577	47,159	(1,418)
State retirement	64,966	69,992	69,991	(1)
Life insurance	5,408	5,408	2,305	(3,103)
Medical insurance	83,346	75,522	75,508	(14)
Medicare	11,843	11,843	11,029	(814)
Travel	2,950	3,090	423	(2,667)

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
Other contracted services	7,001	7,001	2,713	(4,288)
Library books	27,513	28,514	27,377	(1,137)
Other supplies and materials	9,000	6,387	6,376	(11)
In-service/staff development	60,500	77,121	62,228	(14,893)
Other charges	5,000	1,851	1,851	-
Other equipment	8,000	8,000	7,672	(328)
Consultants	10,000	33,000	32,965	(35)
Other salaries and wages	79,320	79,320	79,320	-
Total regular education	<u>1,162,859</u>	<u>1,230,859</u>	<u>1,159,704</u>	<u>(71,155)</u>
Special education:				
Supervisor/director	94,350	94,350	94,350	-
Career ladder program	1,000	1,000	1,000	-
Psychological personnel	156,437	146,437	145,311	(1,126)
Secretary	14,355	14,355	12,732	(1,623)
Other salaries and wages	81,925	91,925	91,229	(696)
Social Security	21,686	21,686	19,698	(1,988)
State retirement	31,923	31,923	30,440	(1,483)
Life insurance	2,386	2,386	1,033	(1,353)
Medical insurance	40,461	38,461	29,419	(9,042)
Medicare	5,072	5,072	4,607	(465)
Travel	3,000	2,900	62	(2,838)
Other contracted services	243,680	243,680	179,111	(64,569)
Other supplies and materials	11,000	11,000	8,529	(2,471)
In-service/staff development	9,700	11,700	7,900	(3,800)
Other charges	200	300	207	(93)
Other equipment	2,000	2,000	1,766	(234)
Total special education	<u>719,175</u>	<u>719,175</u>	<u>627,394</u>	<u>(91,781)</u>
Vocational education:				
Supervisor/director	94,350	94,350	94,350	-
Career ladder program	1,000	1,000	1,000	-
Social Security	6,810	6,810	6,298	(512)
State retirement	9,963	9,963	9,680	(283)
Life insurance	748	748	310	(438)
Medical insurance	13,700	13,700	11,188	(2,512)
Medicare	1,593	1,593	1,473	(120)

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
Travel	2,000	2,000	604	(1,396)
Other supplies and materials	1,000	1,000	892	(108)
Secretary	14,487	14,487	12,357	(2,130)
In-service/staff development	2,100	2,100	110	(1,990)
Other charges	500	500	-	(500)
Total vocational education	<u>148,251</u>	<u>148,251</u>	<u>138,262</u>	<u>(9,989)</u>
 Total instructional staff	 <u>2,030,285</u>	 <u>2,098,285</u>	 <u>1,925,360</u>	 <u>(172,925)</u>
 General administration:				
Board of education services:				
Board and committee member fees	18,600	18,600	18,450	(150)
Social Security	2,179	2,179	2,117	(62)
Life insurance	12,587	12,587	894	(11,693)
Medical insurance	568,723	568,723	558,670	(10,053)
Medicare	510	510	496	(14)
Audit services	26,000	26,000	26,000	-
Dues and memberships	9,600	9,600	2,718	(6,882)
Legal services	30,000	30,000	2,552	(27,448)
Travel	250	250	-	(250)
Other supplies and materials	4,000	4,000	378	(3,622)
Liability insurance	35,000	35,000	33,386	(1,614)
Premium on corporate surety bonds	3,000	3,000	-	(3,000)
Workmen's compensation insurance	95,500	95,500	78,655	(16,845)
In-service/staff development	8,000	8,000	5,816	(2,184)
Other charges	1,767	1,767	1,663	(104)
Secretary	16,549	16,549	16,549	-
State retirement	1,534	1,534	1,224	(310)
Other contracted services	10,000	10,000	5,000	(5,000)
Total board of education services	<u>843,799</u>	<u>843,799</u>	<u>754,568</u>	<u>(89,231)</u>
 Director of schools:				
City official/administrative officer	153,500	156,570	156,570	-
Career ladder program	2,000	2,000	2,000	-
Secretary	94,513	95,631	95,631	-
Social Security	24,996	25,256	20,744	(4,512)

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
State retirement	37,018	37,399	32,915	(4,484)
Life insurance	2,764	2,764	1,428	(1,336)
Medical insurance	27,481	27,481	26,830	(651)
Dental insurance	500	800	746	(54)
Medicare	5,846	5,907	5,906	(1)
Other fringe benefits	400	400	388	(12)
Dues and memberships	4,750	5,750	5,545	(205)
Postal charges	500	500	-	(500)
Travel	500	500	-	(500)
Office supplies	4,000	12,516	8,701	(3,815)
In-service/staff development	10,000	10,000	4,750	(5,250)
Other charges	11,540	19,840	17,370	(2,470)
Administration equipment	1,000	3,984	3,315	(669)
Other salaries and wages	154,152	154,152	154,152	-
Total director of schools	<u>535,460</u>	<u>561,450</u>	<u>536,991</u>	<u>(24,459)</u>
School administration:				
Office of the principal:				
Principals	519,282	519,282	514,241	(5,041)
Career ladder program	7,000	8,000	8,000	-
Assistant principals	918,740	928,740	928,740	-
Secretaries	161,690	161,690	160,065	(1,625)
Clerical personnel	463,715	463,715	457,179	(6,536)
Social Security	128,366	128,366	122,073	(6,293)
State retirement	188,605	188,605	180,781	(7,824)
Life insurance	14,184	14,184	6,090	(8,094)
Medical insurance	280,345	279,345	163,918	(115,427)
Medicare	30,022	30,022	28,549	(1,473)
Travel	600	600	-	(600)
In-service/staff development	3,000	3,000	1,680	(1,320)
Other charges	15,000	15,000	15,000	-
Total office of the principal	<u>2,730,549</u>	<u>2,740,549</u>	<u>2,586,316</u>	<u>(154,233)</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
Business administration:				
Fiscal services:				
Supervisor/director	106,044	114,084	114,084	-
Accountants/bookkeepers	95,722	95,722	92,790	(2,932)
Social Security	12,509	12,309	12,151	(158)
State retirement	18,704	16,604	15,986	(618)
Life insurance	1,387	687	599	(88)
Medical insurance	22,731	12,801	12,557	(244)
Medicare	2,926	2,886	2,842	(44)
Dues and memberships	2,050	2,050	1,961	(89)
Travel	600	600	393	(207)
Other contracted services	66,263	61,393	60,339	(1,054)
Other supplies	1,500	1,500	981	(519)
Other supplies and materials	1,550	1,550	959	(591)
In-service/staff development	7,500	19,300	13,827	(5,473)
Other charges	8,500	6,500	4,013	(2,487)
Equipment	1,000	1,000	158	(842)
Total fiscal services	<u>348,986</u>	<u>348,986</u>	<u>333,640</u>	<u>(15,346)</u>
Human services/personnel:				
Secretary(s)	54,746	54,746	54,746	-
Social Security	3,394	3,394	3,147	(247)
State retirement	5,075	5,075	4,051	(1,024)
Life insurance	376	376	165	(211)
Medical insurance	7,577	7,577	4,756	(2,821)
Unemployment Compensation	10,000	10,000	2,044	(7,956)
Medicare	794	794	736	(58)
Dues and memberships	800	800	770	(30)
Travel	300	300	-	(300)
Other contracted services	49,200	49,200	46,683	(2,517)
Office supplies	1,000	1,000	998	(2)
In-service/staff development	15,000	15,000	10,334	(4,666)
Equipment	2,000	2,000	1,281	(719)
Total human services/personnel	<u>150,262</u>	<u>150,262</u>	<u>129,711</u>	<u>(20,551)</u>
Total business administration	<u>499,248</u>	<u>499,248</u>	<u>463,351</u>	<u>(35,897)</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, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Operation and maintenance of plant:				
Operation of plant:				
Supervisor/director	238,991	238,991	238,992	1
Other salaries and wages	15,000	15,000	12,774	(2,226)
Social Security	15,749	15,749	13,590	(2,159)
State retirement	23,545	23,545	18,517	(5,028)
Life insurance	1,644	1,644	645	(999)
Medical insurance	37,885	44,518	44,513	(5)
Medicare	3,684	3,684	3,179	(505)
Janitorial services	578,941	572,308	556,317	(15,991)
Travel	700	841	183	(658)
Other contracted services	87,800	92,800	52,411	(40,389)
Custodial supplies	11,296	11,595	11,131	(464)
Electricity	760,000	760,000	706,684	(53,316)
Other supplies and materials	8,500	8,061	1,134	(6,927)
Building and content insurance	119,000	119,000	79,493	(39,507)
Other charges	4,100	4,100	200	(3,900)
Plant operation equipment	15,000	15,000	11,522	(3,478)
Total operation of plant	<u>1,921,835</u>	<u>1,926,836</u>	<u>1,751,285</u>	<u>(175,551)</u>
Maintenance of plant:				
Supervisor/director	77,360	81,199	81,194	(5)
Secretary(s)	42,220	42,220	41,665	(555)
Maintenance personnel	237,328	237,328	237,328	-
Social Security	22,128	22,128	21,645	(483)
State retirement	33,085	33,085	28,721	(4,364)
Life insurance	2,453	2,453	1,054	(1,399)
Medical insurance	45,461	41,622	22,488	(19,134)
Medicare	5,175	5,175	5,062	(113)
Maintenance and repair - buildings	200,000	200,000	167,297	(32,703)
Maintenance and repair - equipment	4,000	4,000	1,228	(2,772)
Travel	3,000	3,000	358	(2,642)
Other contracted services	33,500	33,500	10,268	(23,232)
Gasoline	14,000	14,000	7,917	(6,083)
Other supplies and materials	2,000	2,000	1,577	(423)

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
In-service/staff development	2,500	2,500	514	(1,986)
Other charges	2,200	2,200	621	(1,579)
Administration equipment	5,000	5,000	1,785	(3,215)
Maintenance equipment	20,000	50,000	42,985	(7,015)
Maintenance and repair - vehicle	6,000	6,000	994	(5,006)
Total maintenance of plant	<u>757,410</u>	<u>787,410</u>	<u>674,701</u>	<u>(112,709)</u>
Total operation and maintenance of plant	<u>2,679,245</u>	<u>2,714,246</u>	<u>2,425,986</u>	<u>(288,260)</u>
Transportation:				
Student transportation:				
Contracts with other school systems	47,587	47,587	46,069	(1,518)
Contracts with other private agencies	1,040,000	1,040,000	862,275	(177,725)
Other contracted services	190,000	190,000	190,000	-
Diesel fuel	125,000	125,000	123,504	(1,496)
Total student transportation	<u>1,402,587</u>	<u>1,402,587</u>	<u>1,221,848</u>	<u>(180,739)</u>
Central and other transportation:				
Supervisor/director	127,500	127,500	127,500	-
Social Security	7,967	7,967	7,436	(531)
State retirement	11,619	11,619	11,526	(93)
Life insurance	876	876	375	(501)
Medical insurance	11,200	11,200	11,188	(12)
Medicare	1,863	1,863	1,762	(101)
Other contracted services	85,000	85,000	42,636	(42,364)
Office supplies	4,000	4,000	2,255	(1,745)
In-service/staff development	10,000	10,000	8,535	(1,465)
Other charges	3,000	3,000	1,359	(1,641)
Administrative equipment	1,000	1,000	1,000	-
Other equipment	70,000	140,000	137,860	(2,140)
Total central and other transportation	<u>334,025</u>	<u>404,025</u>	<u>353,432</u>	<u>(50,593)</u>
Total transportation	<u>1,736,612</u>	<u>1,806,612</u>	<u>1,575,280</u>	<u>(231,332)</u>
Total support services	<u>14,072,193</u>	<u>14,522,834</u>	<u>12,872,592</u>	<u>(1,650,242)</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
Non-instructional services:				
Regular capital outlay:				
Engineering services	5,000	-	-	-
Building improvements	580,000	1,649,455	1,540,976	(108,479)
Site development	30,000	11,700	7,566	(4,134)
Consultants	1,000	44,400	36,045	(8,355)
Other capital outlay	30,000	793,717	452,122	(341,595)
Other contracted services	-	55,000	54,627	(373)
Total regular capital outlay	<u>646,000</u>	<u>2,554,272</u>	<u>2,091,336</u>	<u>(462,936)</u>
Debt service:				
Principal payment to Shelby Co. Schools	<u>333,333</u>	<u>333,333</u>	<u>333,333</u>	<u>-</u>
Total non-instructional services	<u>979,333</u>	<u>2,887,605</u>	<u>2,424,669</u>	<u>(462,936)</u>
Total expenditures	<u>\$ 39,587,949</u>	<u>\$ 44,549,214</u>	<u>\$ 40,411,719</u>	<u>\$ (4,137,495)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(178,655)</u>	<u>(2,604,595)</u>	<u>2,795,113</u>	<u>5,399,708</u>
Other financing sources (uses):				
Town appropriations - transfer in	74,855	74,855	494,150	419,295
Transfers from other funds	-	-	71,290	71,290
Total other financing sources (uses)	<u>74,855</u>	<u>74,855</u>	<u>565,440</u>	<u>490,585</u>
Net changes in fund balance	<u>\$ (103,800)</u>	<u>\$ (2,529,740)</u>	3,360,553	<u>\$ 5,890,293</u>
Fund balance - beginning			<u>12,770,551</u>	
Fund balance - ending			<u>\$ 16,131,104</u>	

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

TOWN OF ARLINGTON, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2017

	<u>Sewer Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 3,533,758
Investments	7,026,760
Receivables	
Interest	524
Accounts	<u>474,570</u>
Total current assets	<u>11,035,612</u>
Noncurrent assets	
Capital assets	
Land	231,762
Sewer plant	29,235,217
Less accumulated depreciation	<u>(6,963,118)</u>
Total capital assets (net of accumulated depreciation)	<u>22,503,861</u>
Total noncurrent assets	<u>22,503,861</u>
Total assets	<u>33,539,473</u>
Liabilities	
Current liabilities	
Accounts payable	7,979
Accrued annual leave	9,862
Due to other funds	193,391
Bonds payable	<u>987,303</u>
Total current liabilities	<u>1,198,535</u>
Noncurrent liabilities	
Accrued annual leave	4,514
Bonds payable	<u>10,605,411</u>
Total noncurrent liabilities	<u>10,609,925</u>
Total liabilities	<u>11,808,460</u>
Net position	
Net investment in capital assets	10,911,147
Unrestricted	<u>10,819,866</u>
Total net position	<u>\$ 21,731,013</u>

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

TOWN OF ARLINGTON, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2017

	Sewer Fund
Operating revenues	
Sewer service charges	\$ 1,669,370
Surcharges and inspection fees	<u>723,375</u>
Total operating revenues	<u>2,392,745</u>
Operating expenses	
Salaries	214,663
OASI	14,844
Hospital and health insurance	41,662
Workmen's compensation	8,557
Other employer contributions	13,689
Employee education and materials	1,277
Memberships and dues	6,460
Utility services	145,176
Telephone	6,816
Accounting and auditing	7,840
Other professional services	10,995
Contractual services	21,120
Data processing services	2,669
Repair and maintenance	183,248
Lab costs	58,511
Operating supplies	17,308
Clothing and uniforms	3,228
Gas, oil and diesel	3,828
Insurance	28,734
Travel	1,248
Depreciation	<u>863,557</u>
Total operating expenses	<u>1,655,430</u>
Operating income (loss)	<u>737,315</u>
Non-operating income (expense)	
Interest earned	49,382
Interest expense	(206,719)
Debt fees	<u>(43,481)</u>
Total non-operating revenues (expenses)	<u>(200,818)</u>
Change in net position	536,497
Total net position, beginning	<u>21,194,516</u>
Total net position, ending	<u><u>\$ 21,731,013</u></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, 2017

	<u>Sewer Fund</u>
Cash flows from operating activities:	
Cash received from consumers	\$ 2,220,892
Cash received from other funds	111,368
Cash paid to employees for services	(229,507)
Other operating payments	<u>(572,799)</u>
Net cash provided (used) by operating activities	<u>1,529,954</u>
Cash flows from capital and related financing activities:	
Principal paid on debt	(942,000)
Interest and debt fees paid	(251,503)
Construction and acquisition of plant	<u>(130,046)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,323,549)</u>
Cash flows from investing activities:	
Purchase of investments	(7,026,760)
Proceeds from sale and maturities of investments	6,992,577
Interest and unrealized change in investments	<u>49,374</u>
Net cash provided (used) by investing activities	<u>15,191</u>
Net increase (decrease) in cash and cash equivalents	221,596
Cash and cash equivalents - beginning of year	<u>3,312,162</u>
Cash and cash equivalents - end of year	<u><u>3,533,758</u></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, 2017

	<u>Sewer Fund</u>
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income (loss)	\$ 737,315
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	863,557
(Increase) decrease in accounts receivable	(171,853)
Increase (decrease) in payables	(10,317)
Increase (decrease) in accrued annual leave	(116)
Increase (decrease) in due to other funds	111,368
Net cash provided (used) by operating activities	\$ 1,529,954

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, 2017

	Other Postemployment Benefits	Agency Fund
Assets		
Cash	\$ -	\$ 1,019,811
Inventory	-	11,056
Investments at fair value	1,312,631	-
Total assets	\$ 1,312,631	\$ 1,030,867
Liabilities		
Due to student general fund	\$ -	\$ 624,840
Due to student groups	-	406,027
Total liabilities	-	\$ 1,030,867
Net Position		
Restricted for OPEB benefits	\$ 1,312,631	

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

TOWN OF ARLINGTON, TENNESSEE
ARLINGTON COMMUNITY SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
INTERNAL SCHOOL FUNDS
June 30, 2017

	<u>Other Postemployment Benefits</u>
ADDITIONS	
Contributions	\$ 517,861
Investment earnings (losses):	
Interest and dividends	16,336
Net appreciation in fair value of investments	<u>78,541</u>
Total investment earnings	<u>94,877</u>
Total additions	612,738
DEDUCTIONS	
Administrative expenses	<u>3,188</u>
Change in net position	609,550
Net position - beginning of the year	-
Prior period adjustment	<u>703,081</u>
Net position - beginning of the year, as restated	<u>703,081</u>
Net position - end of the year	<u>\$ 1,312,631</u>

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

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Fiduciary funds are accounted for using the “economic resources” measurement focus. Accordingly all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) are included in the statement of net position. The statement of changes in net position presents revenues (additions) and expenses (deductions) in total net position. Agency funds do not use the economic resources measurement focus.

The Town reports the following major governmental funds:

The General Fund is the government’s primary operating fund. It accounts for all financial activities of the general government that are not required to be reported in another fund.

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

The Town reports the following major proprietary fund:

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

The Town reports the following fiduciary funds:

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

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

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

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

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

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

Deposits and Investments

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

Investments for the Town, including other postemployment benefit investments held in fiduciary funds, are reported at fair value.

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.

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Inventories and Prepaid Items

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

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

Realty and Personal Property Taxes

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

Capital Assets

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

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

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

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

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

TOWN OF ARLINGTON, TENNESSEE
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June 30, 2017

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, 2017 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 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 52.

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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.

Fair Value Measurement

GASB Statement 72, Fair Value Measurement and Application, categorizes the inputs into valuation techniques used to measure the fair value into three levels. Level 1 inputs include unadjusted quoted prices in active markets for identical assets or liabilities accessible at the measurement date. Level 2 inputs include quoted prices for similar assets or liabilities; quoted prices in active markets; or other inputs that can be corroborated by observable market data. Such inputs include market interest rates and volatilities, spreads and yield curves. Level 3 inputs are inputs which are unobservable for the asset or liability and rely on management's own assumptions that market participants would use in pricing the asset or liability.

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

Estimates

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

Change in Accounting Principles

The System implemented Governmental Accounting Standards Board ("GASB") Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, in the fiscal year ending June 30, 2017. The implementation of the Statement modified the note disclosures related to the System's OPEB plan and added additional required supplementary information schedules. In implementing this standard, the System determined that the fiduciary net position related to the OPEB should be included in the financial statements. See Note 7 for prior period adjustment relating to implementing GASB Statement No. 74.

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

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Equity

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

Nonspendable fund balance

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

Restricted fund balance

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

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.

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including notes and leases payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$8,326,508 difference are as follows:

Long-term debt due within a year	\$ 411,333
Long-term debt due in more than a year	2,547,018
Compensated absences payable	317,884
OPEB	1,521,724
Net pension liability	3,169,249
Accrued postclosure care costs	<u>359,300</u>
Net adjustment to reduce fund balance - total government funds to arrive at net position - governmental activities	<u>\$ 8,326,508</u>

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

The reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as 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 \$3,184,919 difference are as follows:

Capital outlay net of contributed capital	\$ 7,381,953
Amount costs of disposed assets exceeded accumulated depreciation	(255,277)
Depreciation expense	<u>(3,941,757)</u>
Net adjustment to reduce net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 3,184,919</u>

Another element of that reconciliation states that “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$9,864 difference are as follows:

Change in unavailable property taxes	\$ 6,496
Change in unavailable grant revenue	(47,507)
Change in unavailable revenue	<u>50,875</u>
Net adjustment to reduce net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 9,864</u>

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Town of Arlington

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

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

Arlington Community Schools

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

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

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Town of Arlington

Investments were made up entirely of certificates of deposits with original maturities greater than three months for the fiscal year ended June 30, 2017.

Arlington Community Schools

The System administers an other postemployment benefits fund whose investments are held by a third party.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017.

Mutual Funds: Valued at the net asset value of shares held.

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

June 30, 2017

Disclosures concerning the investments held by a trust that are reported at fair value are presented below. Fair value has been determined based on the System's assessment of available market information and appropriate valuation methodologies. The following table summarized fair value disclosures and measurements at June 30, 2017:

	<u>Level 1</u>
Investments at Fair Value	
Mutual Funds	<u>\$1,312,631</u>

The OPEB plan held investments (other than those issued or explicitly guaranteed by the U.S. government) in any one organization that represent five percent or more of the OPEB plan's fiduciary net position (FNP) in the following:

<u>Investment</u>	<u>Concentration</u>
American Europacific Grw F2	5.01%
Ishares MSCI EAFE ETF	6.08%
Ishares S&P 500 Growth	5.93%
Oakmark	8.05%
Pioneer Bond Y	9.98%
Prudential Jennison Growth Z	7.90%
Prudential short term corp bd Z	16.99%

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, 2017, all deposits were fully collateralized or insured.

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

B. Receivables

Receivables as of June 30, 2017 for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	General Purpose School	Sewer	Other Governmental Funds	Total
Receivables					
Interest	\$ 2,255	\$ -	\$ 524	\$ 649	\$ 3,428
Taxes	3,983,507	-	-	-	3,983,507
Accounts	69,820	5,148	474,570	-	549,538
Due from other					
governments - grants	10,000	-	-	126,796	136,796
Intergovernmental	538,264	7,576,737	-	58,171	8,173,172
Gross receivables	4,603,846	7,581,885	475,094	185,616	12,846,441
Less: allowance for uncollectibles	(17,042)	-	-	-	(17,042)
Net total receivables	<u>\$ 4,586,804</u>	<u>\$ 7,581,885</u>	<u>\$ 475,094</u>	<u>\$ 185,616</u>	<u>\$ 12,829,399</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	\$ 43,655	\$ -	\$ 43,655
Delinquent property taxes receivable	67,177	-	67,177
2017 property tax assessment	-	3,897,006	3,897,006
Delinquent property taxes receivable - Schools	661,988	-	661,988
Sales taxes receivable - Schools	508,355	-	508,355
Prepaid lunch balances	-	23,684	23,684
Total deferred revenue for governmental funds	<u>\$ 1,281,175</u>	<u>\$ 3,920,690</u>	<u>\$ 5,201,865</u>

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

C. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 4,196,968	\$ 674,469	\$ 4,000	\$ 4,867,437
Construction in progress	1,189,799	3,392,563	2,460,152	2,122,210
Total capital assets, not being depreciated	<u>5,386,767</u>	<u>4,067,032</u>	<u>2,464,152</u>	<u>6,989,647</u>
Capital assets being depreciated:				
Buildings and improvements	92,879,775	1,804,440	5,658	94,678,557
Machinery and equipment	5,063,968	3,848,413	359,371	8,553,010
Infrastructure	34,288,081	126,220	-	34,414,301
Total capital assets being depreciated	<u>132,231,824</u>	<u>5,779,073</u>	<u>365,029</u>	<u>137,645,868</u>
Less: accumulated depreciation for:				
Buildings and improvements	(5,776,343)	(2,139,871)	(354)	(7,915,860)
Machinery and equipment	(2,508,221)	(567,008)	(109,398)	(2,965,831)
Infrastructure	(6,785,054)	(1,234,878)	-	(8,019,932)
Total accumulated depreciation	<u>(15,069,618)</u>	<u>(3,941,757)</u>	<u>(109,752)</u>	<u>(18,901,623)</u>
Total capital assets, being depreciated, net	<u>117,162,206</u>	<u>1,837,316</u>	<u>255,277</u>	<u>118,744,245</u>
Governmental activities, capital assets, net	<u>\$ 122,548,973</u>	<u>\$ 5,904,348</u>	<u>\$ 2,719,429</u>	<u>\$ 125,733,892</u>
 Business-type Activities:				
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	29,127,506	130,046	22,335	29,235,217
Total capital assets being depreciated	<u>29,127,506</u>	<u>130,046</u>	<u>22,335</u>	<u>29,235,217</u>
Less: accumulated depreciation for:				
Infrastructure	(6,121,896)	(863,557)	(22,335)	(6,963,118)
Total accumulated depreciation	<u>(6,121,896)</u>	<u>(863,557)</u>	<u>(22,335)</u>	<u>(6,963,118)</u>
Total capital assets being depreciated, net	<u>23,005,610</u>	<u>(733,511)</u>	<u>-</u>	<u>22,272,099</u>
Business-type activities capital assets, net	<u>\$ 23,237,372</u>	<u>\$ (733,511)</u>	<u>\$ -</u>	<u>\$ 22,503,861</u>

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

Governmental activities:	
General government	\$ 113,548
Public safety	154,814
Public works	112,947
Street department	1,179,158
Parks department	293,328
Education	<u>2,087,962</u>
Total depreciation expense - governmental activities	<u><u>\$ 3,941,757</u></u>
Business-type activities:	
Sewer	<u><u>\$ 863,557</u></u>

D. Interfund Transfers and Balances

The composition of interfund transfers as of June 30, 2017, is as follows:

Transfer from	Transfer to	Amount
General	General Purpose School	\$ 494,150
General	State Street Aid	1,000,000
General	Sanitation	58,000
Federal Projects	General Purpose School	<u>71,290</u>
Total		<u><u>\$ 1,623,440</u></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 the School's portion of local tax revenue per State Statute.

The composition of due to and due from other funds as of June 30, 2017, is as follows:

Due from	Due to	Amount
State Street Aid	General Fund	\$ 1,990
Federal Projects	General Purpose School	47,690
General Fund	Sanitation	58,000
Sewer Fund	General Fund	26,717
Sewer Fund	Sanitation	<u>166,674</u>
Total		301,071
Governmental fund activities eliminated		<u>(107,680)</u>
Internal balances		<u><u>\$ 193,391</u></u>

The balance due from the State Street Aid Fund to the General Fund is related to legal expenditures that were paid by the General Fund and are grant related and due to be reimbursed by the State Street Aid Fund. The balance due from the Sewer Fund to the Sanitation Fund relates

TOWN OF ARLINGTON, TENNESSEE
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to collections for sanitation services by the Sewer Fund. The balance due from the Sewer Fund to the General Fund relates to collections for storm drainage services by the Sewer Fund. The balance due from the Federal Projects Fund to the General Purpose School Fund is for the negative cash balance in the pooled bank account at the end of the year. The balance due from the General Fund to the Sanitation Fund is for the operating transfer that was scheduled but not paid as of June 30, 2017.

E. Long-term Debt

Long-term debt at June 30, 2017 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 0.94% at June 30, 2017	\$ 6,301,000
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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, 2017	5,265,000
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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, 2017	240,000
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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.	2,999,997
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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%.	(281,646)
Schools liability to Shelby County Board of Education, net of discount	<u>2,718,351</u>

Total	<u>\$ 14,524,351</u>
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TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

The following is a summary of long-term debt transactions for the year ended June 30, 2017:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
Notes payable					
Note payable-capital outlay	\$ 317,000	\$ -	\$ 77,000	\$ 240,000	\$ 78,000
Note payable-Board of Education	3,333,330	-	333,333	2,999,997	333,333
Less deferred amount for issuance discount	(342,024)	-	60,378	(281,646)	-
Total notes payable	3,308,306	-	470,711	2,958,351	411,333
Compensated absences	259,659	321,529	263,304	317,884	211,576
Landfill closing and post closing monitoring costs	394,099	-	34,799	359,300	-
	<u>\$ 3,962,064</u>	<u>\$ 321,529</u>	<u>\$ 768,814</u>	<u>\$ 3,635,535</u>	<u>\$ 622,909</u>
Business-type activities:					
Bonds payable					
Revenue bonds 2002	\$ 7,053,000	\$ -	\$ 752,000	\$ 6,301,000	\$ 786,000
Revenue bonds 2012	5,455,000	-	190,000	5,265,000	200,000
Premium	28,017	-	1,303	26,714	1,303
Total bonds payable	12,536,017	-	943,303	11,592,714	987,303
Compensated absences	14,492	14,727	14,843	14,376	9,862
	<u>\$ 12,550,509</u>	<u>\$ 14,727</u>	<u>\$ 958,146</u>	<u>\$ 11,607,090</u>	<u>\$ 997,165</u>

The governmental funds used to liquidate compensated absences are the general fund, the general purpose fund, and the sanitation fund. The ending compensated balances in the governmental funds were \$112,226 in the general fund, 202,744 in the general purpose fund, and \$2,914 in the sanitation fund.

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, 2017, including interest payments of \$2,143,743, are as follows:

Year Ending June 30,	Total Principal	Total Interest	Total
2018	1,397,333	211,142	1,608,475
2019	1,434,333	197,795	1,632,128
2020	1,473,333	184,069	1,657,402
2021	1,435,333	170,936	1,606,269
2022	1,480,333	158,355	1,638,688
2023-2027	4,460,332	605,816	5,066,148
2028-2032	1,280,000	421,601	1,701,601
2033-2037	1,510,000	188,501	1,698,501
2038	335,000	5,528	340,528
Total	<u>\$ 14,805,997</u>	<u>\$ 2,143,743</u>	<u>\$ 16,949,740</u>

TOWN OF ARLINGTON, TENNESSEE
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June 30, 2017

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

NOTE 5 – OTHER INFORMATION

A. Commitments

The Town closed its solid waste landfill facility in August 1991. State and federal laws and regulations require the Town to place a final cover on the landfill and to perform certain maintenance and monitoring functions at the site for 30 years after closure. All closure activities were complete as of June 30, 1999. Although the remaining costs of monitoring will be paid as they are incurred, generally accepted accounting principles require these costs to be reflected as a liability of the entity owning the landfill as of the date of closure. Accordingly, the Town has recorded these estimated costs as a long-term liability in the government-wide statements. These amounts are based on what it would cost to perform all post-closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Expenditures were \$34,799 for the year ended June 30, 2017.

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
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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, 2017, total employer contributions were \$106,618 and employee contributions were \$138,118 based on total covered wages of \$2,289,187.

Arlington Community School System

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

Legacy Public Employee Retirement Plan ("BOE Legacy") – Certain administrative employees of the Arlington Community School System with membership in TCRS prior to July 1, 2014 are included in this plan. This plan was closed to new membership on June 30, 2014, but continues to provide benefits to existing members. This is an agent multiple-employer pension plan.

Hybrid Public Employee Retirement Plan ("BOE Hybrid") – Certain administrative employees of the Arlington Community School System with membership in TCRS beginning on or after July 1, 2014 are included in this plan. This plan is a hybrid plan which features both a defined contribution element and a pension plan element. This is an agent multiple-employer pension plan.

Teacher Legacy Pension Plan ("Teacher Legacy") – Teachers with membership in TCRS prior to July 1, 2014 are included in this plan. The plan was closed to new membership on June 30, 2014, but continues to provide benefits to existing members. The plan is a cost sharing multiple-employer pension plan.

Teacher Retirement Plan ("Teacher Hybrid") – Teachers with membership in TCRS beginning July 1, 2014 are included in this plan. The plan is a hybrid plan which features both a defined contribution element and a pension plan element. The plan is a cost sharing multiple-employer pension plan.

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

	Net Pension Asset	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources
Legacy Public Employee Retirement Plan	\$ 195,141	\$ 211,446	\$ -	\$ 116,992
Hybrid Public Employee Retirement Plan	-	25,349	-	-
Teacher Legacy Pension Plan	-	9,634,037	3,169,249	3,836,910
Teacher Retirement Plan	38,521	92,658	-	4,926
	<u>\$ 233,662</u>	<u>\$ 9,963,490</u>	<u>\$ 3,169,249</u>	<u>\$ 3,958,828</u>

Legacy Public Employee Retirement Plan of TCRS (Plan 80333)

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.

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, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	15
Active employees	<u>77</u>
	<u>97</u>

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

TOWN OF ARLINGTON, TENNESSEE
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(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, 2017, the employer contributions for Arlington Community School System was \$183,342 based on a rate of 7.40 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, 2016, 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, 2016 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, 2016 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:

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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 (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (Asset) (a) - (b)</u>
Balance at 6/30/15	\$ 303,107	\$ 404,888	\$ (101,781)
Changes for the year:			
Service cost	268,523	-	268,523
Interest	42,617	-	42,617
Differences between expected and actual experience	(13,936)	-	(13,936)
Contributions-employer	-	247,505	(247,505)
Contributions-employees	-	133,498	(133,498)
Net investment income	-	15,649	(15,649)
Benefit payments, including refunds of employee contributions	(6,812)	(6,812)	-
Administrative expense	-	(6,088)	6,088
Net changes	<u>290,392</u>	<u>383,752</u>	<u>(93,360)</u>
Balance at 6/30/16	<u>\$ 593,499</u>	<u>\$ 788,640</u>	<u>\$ (195,141)</u>

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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:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Arlington Community Schools' proportionate share of the net pension liability (asset)	\$ (94,891)	\$ (195,141)	\$ (277,220)

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

Pension expense

For the year ended June 30, 2017, Arlington Community Schools recognized pension expense of \$132,403.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2017, Arlington Community Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 116,992
Net difference between projected and actual earnings on pension plan investments	28,104	-
Changes in proportion of Net Pension Liability (Asset)	-	-
Contributions subsequent to the measurement date of June 30, 2016	183,342	-
Total	\$ 211,446	\$ 116,992

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2016," 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**

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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>	
2018	\$ (7,157)
2019	(7,157)
2020	(7,157)
2021	(8,920)
2022	(14,624)
Thereafter	(43,872)

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, 2017, Arlington Community School System reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2017.

Hybrid Public Employee Retirement Plan (Plan 81333)

Plan description

Employees of Arlington Community School System 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.

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 65 with 5 years of service 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. Reduced benefits for early retirement are permitted at age 60 and vested or pursuant to the rule of 80 in which the member's age and service credit total 80. 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.

**TOWN OF ARLINGTON, TENNESSEE
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Employees covered by benefit terms. At the measurement date of June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	-
Active employees	-
	-
	-

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. 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, 2017, employer contributions for Arlington Community Schools were \$25,349 based on a rate of 4 percent of 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.

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

Pension liabilities

Since the measurement date is June 30, 2016, which is prior to Arlington Community Schools' October 1, 2016 participation in the Public Employee Retirement Plan, there is not a net pension liability to report at June 30, 2017.

Pension Expense

Since the measurement date is June 30, 2016, Arlington Community Schools did not recognize a pension expense at June 30, 2017.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2017, Arlington Community Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Contributions subsequent to the measurement date of June 30, 2016	\$ <u>25,349</u>

Arlington Community School System's employer contributions of \$25,349 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction in net pension liability in the year ended June 30, 2018.

Payable to the Pension Plan

At June 30, 2017, Arlington Community School System reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2017.

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Teacher Legacy Pension Plan of TCRS (Plan 97901)

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.

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 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, 2017 to the Teacher Legacy Pension Plan were \$1,663,087 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.

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

Pension liability (asset)

At June 30, 2017, the Arlington Community Schools reported a liability of \$3,169,249 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, Arlington Community Schools' proportion was 0.507125 percent. The proportion measured as of June 30, 2015 was 0.457425 percent.

Pension expense

For the year ended June 30, 2017, Arlington Community Schools recognized pension expense of \$1,429,413.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2017, Arlington Community Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 133,373	\$ 3,836,910
Net difference between projected and actual earnings on pension plan investments	3,538,509	-
Changes in proportion of Net Pension Liability (Asset)	4,299,068	
Contributions subsequent to the measurement date of June 30, 2016	1,663,087	-
Total	\$ 9,634,037	\$ 3,836,910

Arlington Community Schools' employer contributions of \$1,663,087, 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, 2018. 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>	
2018	\$ 462,901
2019	462,901
2020	2,160,322
2021	1,222,558
2022	(174,641)
Thereafter	-

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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, 2016 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.

The actuarial assumptions used in the June 30, 2016 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%
		<hr/> 100%

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.

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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:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Arlington Community Schools' proportionate share of the net pension liability (asset)	\$ 17,402,889	\$ 3,169,249	\$ (8,621,257)

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, 2017, Arlington Community Schools reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2017.

Teacher Retirement Plan of TCRS (Plan 97901)

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.

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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 (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, 2017 to the Teacher Retirement Plan were \$82,619, 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, 2017, Arlington Community Schools reported an asset of \$38,521 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016, 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, 2016 Arlington Community Schools' proportion was 0.370023 percent. The proportion measured as of June 30, 2015 was 0.352720 percent.

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

June 30, 2017

Pension expense

For the year ended June 30, 2017, Arlington Community Schools recognized pension expense of \$32,210.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2017, Arlington Community Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,732	\$ 4,441
Net difference between projected and actual earnings on pension plan investments	6,307	-
Changes in proportion of Net Pension Liability (Asset)	-	485
Contributions subsequent to the measurement date of June 30, 2016	82,619	-
Total	\$ 92,658	\$ 4,926

Arlington Community Schools' employer contributions of \$82,619 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, 2018. 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>	
2018	\$ 1,519
2019	1,519
2020	1,519
2021	1,218
2022	(133)
Thereafter	(528)

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

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

June 30, 2017

Actuarial assumptions

The total pension liability in the June 30, 2016 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.

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%
		<hr/> 100%

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

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

June 30, 2017

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:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Arlington Community Schools' proportionate share of the net pension liability (asset)	\$ 18,190	\$ (38,521)	\$ (80,305)

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, 2017, Arlington Community Schools reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2017.

Defined Contribution Employee Benefit Plan

401(k) Plan

The Teacher Retirement Plan and the Hybrid Public Employee Retirement Plan (the Hybrid Plans) provide a combination of a defined benefit plan and a defined contribution plan. The defined benefit portion of the Hybrid Plans are managed by TCRS. The defined contribution assets are deposited into the State's 401(k) plan where the employee manages the investments within the 401(k) plan. Public school teachers are required to contribute 2% of their salaries and employers are required to contribute 5% of those salaries to the defined contribution (401(k)) portion of the Hybrid Plans. Contributions are made on a tax-deferred basis. During 2017, the System's Employer Contribution to the defined contribution plan was \$141,373.

D. Postemployment Benefits Other than Pension (OPEB)

In addition to the pension benefits described above, the Arlington Community Schools administer a single-employer defined benefit other postemployment benefit plan to provide health care benefits to certain employees under the provisions of the Schools' Other Postemployment Benefit Plan.

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

June 30, 2017

Basis of Accounting

The OPEB plan's financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Plan member contributions are recognized in the period that the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment in accordance with the terms of the OPEB plan. The OPEB plan does not issue a separate audited financial statement.

Method Used to Value Investments

OPEB plan investments are reported at fair market value.

Plan Description

The Arlington Community Schools participate 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 at the same cost as current employees until age 65. Eligible employees must have been enrolled in the Arlington Community Schools sponsored insurance plan for twelve consecutive months immediately prior to retirement and have completed 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 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. Employees hired on or after July 1, 2017 will not be eligible for retiree health benefits.

At June 30, 2017 membership in the plan consisted of:

Inactive employees or beneficiaries currently receiving benefits	9
Active employees	<u>382</u>
	<u><u>391</u></u>

Contributions

The System's intent is to partially fund the annual required contribution and pay for the pay-go costs from the general purpose school fund until the Trust balance is sufficient to meet future benefit payments. Employer contributions are based on an actuarially determined rate. For the year ended June 30, 2017, the actuarially determined contribution for the plan was \$1,442,649, which exceeded the employer contributions to the plan of \$629,512 by \$813,137.

Spouse Benefit

Surviving spouses of retirees that were eligible 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, 2017

Explicit Subsidy

Eligible retirees and their dependents hired prior to July 1, 2017 may continue to participate in the System's plan options that are available to its active employees until age 65. The System and retiree shall share the cost of the premium at the same rate as active employees for pre-65 coverage. Employees that retired prior to July 1, 2017 are eligible to remain on the System's post-65 Aetna plan by paying the full cost of coverage. Employees retiring after July 1, 2017 will not be eligible for post-65 coverage.

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 for those hired prior to July 1, 2017. The System participates in the self-funded Interlocal Health Benefit Trust. Pre-65 premium rates are developed on the experience of several School Districts, the Town of Collierville, and the City of Bartlett. The Aetna post-65 plan is fully-insured. See Note 5E for Interlocal Health Benefits Plan Asset Trust disclosure.

Life Insurance

Current grandfathered retirees have life insurance subsidized by the System at varying amounts. Future retirees are not eligible for life insurance 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.

Allocation of actuarial present value of future benefits for services prior and after the measurement date was determined using the entry age normal level percent of salary method where service cost for each individual participant, payable from date of employment to date of retirement, is sufficient to pay for the participant's benefit at retirement, and annual service cost is a constant percentage of the participant's salary that is assumed to increase according to the payroll growth.

Measurement date	For the fiscal year ending June 30, 2017, a June 30, 2017 measurement date was used.
Actuarial valuation date	June 30, 2017 with no adjustments to get to the June 30, 2017 measurement date. Liabilities as of July 1, 2016 are based on an actuarial valuation date of July 1, 2015 rolled forward to July 1, 2016 on a "no gain/no loss" basis.
Inflation	3%
Salary increases	Payroll growth including general wage inflation plus merit/productivity increases are based on the TCRS valuation as of June 30, 2016
Mortality table	RPH-2016 Total Dataset Mortality Table generational using Scale MP-2016
Health care cost trend rate	9.0% initial rate, 5.0% ultimate rate

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

June 30, 2017

Investment Policy

The System has placed funds with the Tennessee School Board Association OPEB Trust (“TSBA OPEB Trust”) to be used to pre-fund a portion of the OPEB liability. The assets of the TSBA OPEB Trust are commingled with other participant’s funds for investment purposes, but are held in an irrevocable trust for each plan participant and may be used only for the payment of benefits to the members of the plan in accordance with the terms of their plan. The TSBA OPEB Trust’s policy in regard to allocation of invested assets is established and may be amended by the TSBA OPEB Trust Board of Trustees by a majority vote of its members. The TSBA OPEB Trust obtains an annual audit, which may be obtained from the TSBA at 525 Brick Church Park Drive, Nashville, TN 37207; however, the audit for the year ended June 30, 2017, was not available from other auditors as of the date of this report.

It is the policy of the TSBA OPEB Trust Board to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a board selection of distinct asset classes. The investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board’s adopted asset allocation policy as of June 30, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>
U.S. equities	30%
International equities	30%
Fixed income	40%
Cash and cash equivalents	0%
	<u>100%</u>

Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on investment was 13.13 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The long-term expected rate of return on OPEB investments was established by weighted the 10 year expected rate of return by the target asset allocation and by adding inflation of 3 percent.

Discount Rate Information

The discount rate using in valuating OPEB liabilities in funded plans as of the measurement date must be based on the long-term expected rate of return on OPEB plan investments that are expected to be used to finance future benefit payments to the extent that they are sufficient to pay for the projected benefit payments and the OPEB plan assets are invested using a strategy that will achieve that return. When the OPEB plan investments are insufficient to cover future benefit payments, a yield of 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale) must be used. The final equivalent single discount rate used for this year’s valuation is 8.0% as of June 30, 2017 with the assumption that the System will eventually pay the pay-go costs out of the OPEB Trust at the time the Trust is expected to be sufficient to finance all future benefit payments.

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

June 30, 2017

Net OPEB Liability

The components of the System's net OPEB liability at June 30, 2017, were as follows:

Total OPEB liability	\$ 5,619,988
Plan fiduciary net position	<u>1,312,631</u>
School's net OPEB liability	<u><u>\$ 4,307,357</u></u>
Plan fiduciary net position as a percentage of total OPEB liability	<u><u>23.4%</u></u>

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following represents the net OPEB liability as of June 30, 2017, calculated using the discount rate of 8.0 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% lower (7.0%) or 1% higher (9.0%) than the current rate:

	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)
Net OPEB liability (asset)	\$ 4,791,776	\$ 4,307,357	\$ 3,859,680

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

The following represents the net OPEB liability calculated using the healthcare cost trend rate of 9.0 percent decreasing to 5.0 percent as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% lower (8.0 percent decreasing to 4.0 percent) or 1% higher (10.0 percent decreasing to 6.0 percent) than the current rate:

	1% Decrease (8% to 4%)	Current Rate (9% to 5%)	1% Increase (10% to 6%)
Net OPEB liability (asset)	\$ 3,713,072	\$ 4,307,357	\$ 4,993,607

Annual OPEB Cost and Net OPEB Obligation

The System's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a funding level that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The annual required contribution for the current year was determined as part of the July 1, 2015 actuarial valuation using the level dollar over 30 years based on a closed group. Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts about the probability of the occurrence of events far into the future.

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

The System's annual OPEB cost and net OPEB obligation for the current year were as follows:

Annual required contribution (ARC)	\$	691,006
Interest on net OPEB obligation		119,925
Adjustment to annual required contribution		438,761
Annual OPEB cost		1,249,692
Contributions or payments made		(652,619)
Increase in net OPEB obligation		597,073
Net OPEB obligation, beginning of year		924,651
Net OPEB obligation, end of year	\$	1,521,724

Trend information gives an indication of the progress made in accounting sufficient assets to pay benefits when due. Following is a summary of the three-year trend for the years ended June 30:

Fiscal Year Ending	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 1,157,845	20.1%	\$ 924,651
6/30/2016	1,149,683	-30.4%	1,499,060
6/30/2017	1,249,692	-21.8%	1,521,724

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2017, was as follows:

Actuarial accrued liability (AAL)	\$	5,058,464
Actuarial value of assets		703,081
Unfunded actuarial accrued liability (UAAL)	\$	4,355,383
 Funded ratio		 13.9%
 Covered payroll	 \$	 21,802,679
 UAAL as a % of covered payroll		 20.0%

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 the plan assets is increasing or decreasing over time relative to the actuarially accrued liability for benefits.

Amortization of Net OPEB Obligation

The unfunded actuarially accrued liability is being amortized as a level percent of pay over 30 years on a closed basis.

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

June 30, 2017

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/.

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 \$3,267,533 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, 2017, are as follows:

Years Ended June 30		
2018	\$	15,024
2019		15,024
2020		12,662
2021		5,688
Total	\$	48,398

Lease expense for the Town for the year ended June 30, 2017 was \$15,024.

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:

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Years Ended June 30		
2018	\$	75,617
2019		131
Total	\$	<u>75,748</u>

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

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 \$1,840,610.

NOTE 7 – PRIOR PERIOD ADJUSTMENT

During the 2016-2017 fiscal year, the System implemented GASB Statement No. 74. As a result, it was determined that the System has fiduciary responsibilities with respect to its assets deposited with the TSBA Trust. Therefore, the System has recorded a prior period adjustment of \$703,081 for the value of the OPEB assets held in the TSBA Trust as of June 30, 2016.

NOTE 8 – SUBSEQUENT EVENTS

In December 2017, the Board adopted a resolution to approve a new bond for \$6,000,000 for the purpose of financing certain public works projects, including a walking trail, a maintenance/storage building, a farmers market, a library, an amphitheater, a splash pad/fountain, a new town hall, and a new facility known as Forrest Street Campus.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

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

	<u>2016</u>	<u>2015</u>
Total pension liability (asset)		
Service cost	\$ 268,523	\$ 403,716
Interest	42,617	30,274
Changes in benefit terms	-	-
Differences between actual and expected experience	(13,936)	(130,756)
Change of assumptions	-	-
Benefit payments, including refunds of employee contributions	<u>(6,812)</u>	<u>(127)</u>
Net change in total pension liability (asset)	290,392	303,107
Total pension liability (asset) - beginning	<u>303,107</u>	<u>-</u>
Total pension liability (asset) - ending (a)	<u>\$ 593,499</u>	<u>\$ 303,107</u>
 Plan fiduciary net position		
Contributions - employer	\$ 247,505	\$ 262,260
Contributions - employee	133,498	141,457
Net investment income	15,649	6,140
Benefit payments, including refunds of employee contributions	(6,812)	(127)
Administrative expense	<u>(6,088)</u>	<u>(4,842)</u>
Net change in plan fiduciary net position	383,752	404,888
Plan fiduciary net position - beginning	<u>404,888</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>\$ 788,640</u>	<u>\$ 404,888</u>
 Net pension liability (asset) - ending (a) - (b)	<u>\$ (195,141)</u>	<u>\$ (101,781)</u>
 Plan fiduciary net position as a percentage of total pension liability	132.88%	133.58%
 Covered payroll	\$ 2,669,956	\$ 2,829,235
 Net pension liability (asset) as a percentage of covered payroll	-7.31%	-3.60%

GASB 68 requires a 10-year schedule for this data to be presented stating with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

See independent auditor's report.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution (ADC)	\$ 183,342	\$ 247,505	\$ 262,260
Contributions in relation to the actuarially determined contribution	<u>183,342</u>	<u>247,505</u>	<u>262,260</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$2,477,596	\$2,669,956	\$2,829,235
Contributions as a percentage of covered payroll	7.40%	9.27%	9.27%

GASB 68 requires a 10-year schedule for this data to be presented stating with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

Notes to schedule:

Valuation date: Actuarially determined contribution rates for 2017 were calculated based on the July 1, 2015 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	Varies by year
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
Last Ten Fiscal Years Ended June 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Arlington Community Schools' proportion of the net pension liability (asset)	0.010736%	0.45743%	0.50713%
Arlington Community Schools' proportionate share of the net pension liability (asset)	\$ (1,744)	\$ 187,377	\$ 3,169,249
Arlington Community Schools' covered payroll	\$ 421,371	\$ 17,123,741	\$ 18,306,197
Arlington Community Schools' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(0.414002)%	1.094253%	17.312438%
Plan fiduciary net position as a percentage of the total pension asset	100.08%	99.81%	97.14%

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

GASB 68 requires a 10-year schedule for this data to be presented stating with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

See independent auditor's report.

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required	\$ 37,418	\$ 1,547,985	\$ 1,654,879	\$ 1,663,087
Contribution in relation to the contractually required contribution	<u>37,418</u>	<u>1,547,985</u>	<u>1,654,879</u>	<u>1,663,087</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 421,371	\$17,123,741	\$18,306,197	\$18,396,999
Contributions as a percentage of covered payroll	8.88%	9.04%	9.04%	9.04%

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

See independent auditor's report.

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

	<u>2016</u>	<u>2017</u>
Arlington Community Schools' proportion of the net pension liability (asset)	0.360154%	0.370023%
Arlington Community Schools' proportionate share of the net pension liability (asset)	\$ (14,489)	\$ (38,521)
Arlington Community Schools' covered payroll	\$ 748,310	\$ 1,628,121
Arlington Community Schools' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-1.94%	-2.37%
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%

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

GASB 68 requires a 10-year schedule for this data to be presented stating with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

See independent auditor's report.

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required	\$ 18,708	\$ 40,755	\$ 82,619
Contributions in relation to the contractually required contributions	<u>29,932</u>	<u>65,125</u>	<u>82,619</u>
Contribution deficiency (excess)	<u>\$ (11,224)</u>	<u>\$ (24,370)</u>	<u>\$ -</u>
Covered payroll	\$ 748,310	\$ 1,628,121	\$ 2,065,462
Contributions as a percentage covered payroll	4.00%	4.00%	4.00%

GASB 68 requires a 10-year schedule for this data to be presented stating with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

See independent auditor's report.

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

	2017
Actuarially determined contribution (ADC)	\$ 25,349
Contributions in relation to the actuarially determined contribution	25,349
Contribution deficiency (excess)	\$ -
Covered payroll	\$ 633,729
Contributions as a percentage of covered payroll	4.00%

GASB 68 requires a 10-year schedule for this data to be presented stating with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

See independent auditor's report.

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

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
June 30, 2016	703,081	5,058,464	4,355,383	13.9%	21,802,679	20.0%

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 CHANGES IN NET OTHER POSTEMPLOYMENT BENEFITS
LIABILITY AND RELATED RATIOS
Last Ten Fiscal Years Ending June 30**

Total OPEB Liability	<u>2017</u>
Service cost	\$ 574,975
Interest	833,313
Changes of benefit terms	(5,817,754)
Differences between expected and actual experience	(402,643)
Changes in assumptions	72,575
Benefit payments	<u>(111,651)</u>
Net change in total OPEB liability	(4,851,185)
Total OPEB liability - beginning	<u>10,471,173</u>
Total OPEB liability - ending	\$ 5,619,988
Plan Fiduciary Net Position	
Contributions - employer	\$ 629,512
Contributions - employee	-
Net investment income	94,877
Benefit payments	(111,651)
Administrative expense	<u>(3,188)</u>
Net change in plan fiduciary net position	609,550
Plan fiduciary net position - beginning	<u>703,081</u>
Plan fiduciary net position - ending	<u>\$ 1,312,631</u>
Net OPEB liability (asset)	<u>\$ 4,307,357</u>
Plan fiduciary net position as a percentage of the total OPEB liability	23.36%
Covered payroll	\$ 21,802,679
Net OPEB liability as a percentage of covered payroll	19.76%

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 OTHER POSTEMPLOYMENT BENEFITS CONTRIBUTIONS
Last Ten Fiscal Years Ending June 30

	2017
Actuarially determined contribution	\$ 1,442,649
Contributions	629,512
Contribution deficiency (excess)	813,137
Covered payroll	21,802,679
Contributions as a percentage of covered payroll	2.89%

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

NOTE 1 - VALUATION DATE

Actuarially determined contributions were based on a measurement date of June 30, 2017. Liabilities as of July 1, 2016 are based on an actuarial valuation date of July 1, 2015 rolled forward to July 1, 2016 on a "no gain/no loss" basis.

NOTE 2 - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial cost method	Entry age normal - level percent of pay
Amortization method	Level dollar
Remaining amortization period	28 years
Asset valuation method	Market value
Inflation	3.0%
Healthcare cost trend rates	9% initial, decreasing to an ultimate rate of 5%,
Salary increases	3.0%
Investment rate of return	8.0%, net of investment expenses, including inflation
Mortality	RPH-2016 Total Dataset Mortality Table fully generational using Scale MP-2016

See independent auditor's report.

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

	Annual Money-Weighted Rate of Return Net of Investment Expenses
2017	<u>13.13%</u>

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

See independent auditor's report.

SUPPLEMENTARY AND OTHER INFORMATION SECTION

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

**TOWN OF ARLINGTON, TENNESSEE
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS**

June 30, 2017

	<u>Sanitation</u>	<u>State Street Aid Fund</u>	<u>Education Capital Projects</u>	<u>Federal Projects</u>	<u>School Nutrition</u>	<u>Discretionary Grants</u>	<u>Total</u>
Assets							
Cash and cash equivalents	\$ 801,172	\$ 2,050,690	\$ 1,561,593	\$ 3,875	\$ 236,866	\$ 2,969	\$ 4,657,165
Investments	-	2,170,363	-	-	-	-	2,170,363
Interest receivable	-	649	-	-	-	-	649
Intergovernmental - nongrant	-	58,171	-	-	-	-	58,171
Due from other governments - grants	-	36,721	-	85,713	846	3,516	126,796
Due from other funds	224,674	-	-	-	-	-	224,674
Inventory	-	-	-	-	17,865	-	17,865
Total assets	<u>\$ 1,025,846</u>	<u>\$ 4,316,594</u>	<u>\$ 1,561,593</u>	<u>\$ 89,588</u>	<u>\$ 255,577</u>	<u>\$ 6,485</u>	<u>\$ 7,255,683</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:							
Liabilities							
Accounts payable	\$ 75,752	\$ 1,847	\$ -	\$ 8,327	\$ -	\$ -	\$ 85,926
Due to other funds	-	1,990	-	47,690	-	-	49,680
Unearned revenue	-	-	-	-	23,684	-	23,684
Accrued payroll and expenses	-	-	-	33,571	-	6,485	40,056
Total liabilities	<u>75,752</u>	<u>3,837</u>	<u>-</u>	<u>89,588</u>	<u>23,684</u>	<u>6,485</u>	<u>199,346</u>
Deferred Inflows of Resources							
Unavailable revenue - grants	-	33,655	-	-	-	-	33,655
Total deferred inflows of resources	<u>-</u>	<u>33,655</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,655</u>
Fund Balances							
Nonspendable							
Inventory	-	-	-	-	17,865	-	17,865
Restricted	950,094	4,279,102	1,561,593	-	214,028	-	7,004,817
Total fund balance	<u>950,094</u>	<u>4,279,102</u>	<u>1,561,593</u>	<u>-</u>	<u>231,893</u>	<u>-</u>	<u>7,022,682</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,025,846</u>	<u>\$ 4,316,594</u>	<u>\$ 1,561,593</u>	<u>\$ 89,588</u>	<u>\$ 255,577</u>	<u>\$ 6,485</u>	<u>\$ 7,255,683</u>

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, 2017

	<u>Sanitation</u>	<u>State Street Aid Fund</u>	<u>Education Capital Projects</u>	<u>Federal Projects</u>	<u>School Nutrition</u>	<u>Discretionary Grants</u>	<u>Total</u>
Revenues:							
Charges for services	\$ 977,377	\$ -	\$ -	\$ -	\$ 793,072	\$ -	\$ 1,770,449
Other local revenues	-	-	826,020	-	-	-	826,020
State revenue	-	334,631	-	-	12,631	107,403	454,665
Federal revenue	-	105,994	-	1,738,540	305,667	-	2,150,201
Interest	<u>3,605</u>	<u>19,479</u>	-	-	-	-	<u>23,084</u>
Total revenues	<u>980,982</u>	<u>460,104</u>	<u>826,020</u>	<u>1,738,540</u>	<u>1,111,370</u>	<u>107,403</u>	<u>5,224,419</u>
Expenditures:							
Current:							
Public works	1,101,782	1,073,224	-	-	-	-	2,175,006
Instruction	-	-	-	1,338,303	-	-	1,338,303
Support services	-	-	-	328,947	-	107,403	436,350
Non-instructional services	-	-	376,986	-	-	-	376,986
Food service	-	-	-	-	<u>994,108</u>	-	<u>994,108</u>
Total expenditures	<u>1,101,782</u>	<u>1,073,224</u>	<u>376,986</u>	<u>1,667,250</u>	<u>994,108</u>	<u>107,403</u>	<u>5,320,753</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(120,800)</u>	<u>(613,120)</u>	<u>449,034</u>	<u>71,290</u>	<u>117,262</u>	<u>-</u>	<u>(96,334)</u>
Other financing sources (uses):							
Operating transfers in	58,000	1,000,000	-	-	-	-	1,058,000
Operating transfers out	-	-	-	<u>(71,290)</u>	-	-	<u>(71,290)</u>
Total other financing sources (uses)	<u>58,000</u>	<u>1,000,000</u>	<u>-</u>	<u>(71,290)</u>	<u>-</u>	<u>-</u>	<u>986,710</u>
Net changes in fund balance	(62,800)	386,880	449,034	-	117,262	-	890,376
Fund balance - beginning	<u>1,012,894</u>	<u>3,892,222</u>	<u>1,112,559</u>	<u>-</u>	<u>114,631</u>	<u>-</u>	<u>6,132,306</u>
Fund balance - ending	<u>\$ 950,094</u>	<u>\$ 4,279,102</u>	<u>\$ 1,561,593</u>	<u>\$ -</u>	<u>\$ 231,893</u>	<u>\$ -</u>	<u>\$ 7,022,682</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, 2017

Revenues	Budgeted Amounts		Actual	Variance Over (Under)
	Original	Final		
Charges for services:				
Refuse collection charges	\$ 925,000	\$ 925,000	\$ 977,377	\$ 52,377
Other:				
Interest earned	<u>2,000</u>	<u>3,300</u>	<u>3,605</u>	<u>305</u>
Total revenues	<u>927,000</u>	<u>928,300</u>	<u>980,982</u>	<u>52,682</u>
 Expenditures				
Current expenditures:				
Public works:				
Solid waste collection:				
Salaries	42,000	42,000	40,895	(1,105)
OASI	3,100	3,100	2,881	(219)
Hospital and health insurance	5,800	5,800	6,408	608
Workmen's compensation	1,700	1,700	-	(1,700)
Other employer contributions	3,000	3,000	3,484	484
Contracted services	873,400	873,400	880,046	6,646
Capital outlay	160,000	160,000	159,457	(543)
Landfill closure:				
Professional services	14,800	14,800	1,110	(13,690)
Repair and maintenance	<u>41,200</u>	<u>41,200</u>	<u>7,501</u>	<u>(33,699)</u>
Total expenditures	<u>1,145,000</u>	<u>1,145,000</u>	<u>1,101,782</u>	<u>(43,218)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(218,000)</u>	<u>(216,700)</u>	<u>(120,800)</u>	<u>95,900</u>
 Other financing sources (uses)				
Operating transfers in	<u>58,000</u>	<u>-</u>	<u>58,000</u>	<u>58,000</u>
Net changes in fund balance	<u>\$ (160,000)</u>	<u>\$ (216,700)</u>	<u>\$ (62,800)</u>	<u>\$ 153,900</u>
 Fund balance - beginning			<u>1,012,894</u>	
 Fund balance - ending			<u><u>\$ 950,094</u></u>	

See independent auditor's report.

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

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance Over (Under)
Revenues	Original	Final	Actual	(Under)
Intergovernmental:				
Gas 1989	\$ 35,000	\$ 35,000	\$ 36,788	\$ 1,788
Gas 3 cent	65,000	65,000	68,279	3,279
Gasoline and motor fuel tax	220,000	220,000	229,564	9,564
Grant revenue	<u>262,200</u>	<u>262,200</u>	<u>105,994</u>	<u>(156,206)</u>
Total intergovernmental	<u>582,200</u>	<u>582,200</u>	<u>440,625</u>	<u>(141,575)</u>
Other:				
Interest earned	<u>20,000</u>	<u>20,000</u>	<u>19,479</u>	<u>(521)</u>
Total revenues	<u>602,200</u>	<u>602,200</u>	<u>460,104</u>	<u>(142,096)</u>
Expenditures				
Current:				
Public works:				
Highways and streets:				
Utilities	350,000	350,000	303,980	(46,020)
Repair and maintenance services	130,000	80,000	48,097	(31,903)
Repair and maintenance - streets	630,000	630,000	579,750	(50,250)
Gas, oil and diesel	15,000	15,000	8,964	(6,036)
Capital outlay, including grants	<u>477,200</u>	<u>527,200</u>	<u>132,433</u>	<u>(394,767)</u>
Total expenditures	<u>1,602,200</u>	<u>1,602,200</u>	<u>1,073,224</u>	<u>(528,976)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>(613,120)</u>	<u>386,880</u>
Other financing sources (uses)				
Transfers in	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>386,880</u>	<u>\$ 386,880</u>
Fund balance, July 1			<u>3,892,222</u>	
Fund balance, June 30			<u>\$ 4,279,102</u>	

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

**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, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Under)</u>
Revenues				
Other local revenues	\$ -	\$ 826,020	\$ 826,020	\$ -
Expenditures				
Non-instructional services:				
Capital outlay	<u>1,112,559</u>	<u>1,112,559</u>	<u>376,986</u>	<u>(735,573)</u>
Net changes in fund balance	<u>\$ (1,112,559)</u>	<u>\$ (286,539)</u>	<u>449,034</u>	<u>\$ 735,573</u>
Fund balance - beginning			1,112,559	
Fund balance - ending			<u>\$ 1,561,593</u>	

See independent auditor's report.

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

For the Year Then Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
Revenues				
Federal through State:				
Vocational education - basic				
grants to State	\$ 358,670	\$ 363,670	\$ 361,407	\$ (2,263)
Title I	414,963	522,242	370,315	(151,927)
Special education - grants to State	929,298	1,071,179	792,721	(278,458)
Special education preschool grant	6,510	9,503	6,756	(2,747)
English language acquisition grant	3,052	3,052	3,050	(2)
Title II	<u>193,362</u>	<u>268,190</u>	<u>204,291</u>	<u>(63,899)</u>
Total revenues	<u>1,905,855</u>	<u>2,237,836</u>	<u>1,738,540</u>	<u>(499,296)</u>
Expenditures				
Instruction:				
Regular instruction:				
Teachers	217,575	217,575	215,854	(1,721)
Social security	13,490	13,490	13,084	(406)
State retirement	19,669	19,669	19,488	(181)
Life insurance	1,523	1,523	644	(879)
Medical insurance	26,520	26,520	7,134	(19,386)
Medicare	3,155	3,155	3,060	(95)
Contracts substitute teachers - certified	18,200	24,900	20,007	(4,893)
Instructional supplies and materials	34,282	43,782	29,259	(14,523)
Other charges	8,800	7,800	5,985	(1,815)
Equipment	<u>29,462</u>	<u>115,183</u>	<u>27,703</u>	<u>(87,480)</u>
Total regular instruction	<u>372,676</u>	<u>473,597</u>	<u>342,218</u>	<u>(131,379)</u>
Special education program:				
Educational assistants	473,973	496,973	458,115	(38,858)
Speech pathologist	107,412	107,411	99,453	(7,958)
Social security	36,045	37,472	31,858	(5,614)
State retirement	53,648	55,780	43,888	(11,892)
Life insurance	3,996	4,153	1,666	(2,487)
Medical insurance	108,971	108,971	62,304	(46,667)
Medicare	8,430	8,765	7,451	(1,314)
Instructional supplies	21,510	52,500	10,608	(41,892)

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, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
Special education equipment	17,000	40,530	15,908	(24,622)
Other supplies and materials	2,696	6,000	527	(5,473)
Total special education	<u>833,681</u>	<u>918,555</u>	<u>731,778</u>	<u>(186,777)</u>
Vocational education:				
Maintenance and repair services	15,683	243	243	-
Other supplies and materials	100,001	111,001	111,001	-
Equipment	138,886	145,326	145,146	(180)
Instructional supplies	10,000	10,000	7,917	(2,083)
Total vocational education	<u>264,570</u>	<u>266,570</u>	<u>264,307</u>	<u>(2,263)</u>
 Total instruction	<u>1,470,927</u>	<u>1,658,722</u>	<u>1,338,303</u>	<u>(320,419)</u>
Support Services:				
Other student support:				
Travel	62,734	65,734	65,734	-
In-service training	15,684	15,684	15,684	-
Total other student support	<u>78,418</u>	<u>81,418</u>	<u>81,418</u>	<u>-</u>
Regular instruction:				
Supervisor/director	49,500	49,500	49,236	(264)
In-service training	89,000	79,000	46,125	(32,875)
Social security	8,463	7,869	5,685	(2,184)
State retirement	4,475	4,475	4,451	(24)
Life insurance	347	347	148	(199)
Medical insurance	3,574	3,574	2,286	(1,288)
Medicare	2,009	1,825	1,342	(483)
In-service-staff development	39,845	127,544	91,563	(35,981)
Other charges	5,744	5,744	3,223	(2,521)
Contracts with private agencies	25,000	25,000	5,537	(19,463)
Total regular instruction	<u>227,957</u>	<u>304,878</u>	<u>209,596</u>	<u>(95,282)</u>
Special education program:				
In-service training	3,000	3,000	-	(3,000)
Social security	354	354	50	(304)

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
Other supplies and materials	5,207	9,207	3,311	(5,896)
In-service-staff development	16,000	26,000	18,551	(7,449)
Other equipment	7,996	51,996	2,004	(49,992)
Other charges	2,000	4,000	848	(3,152)
Pension	8,321	7,386	4,169	(3,217)
Total special education	<u>42,878</u>	<u>101,943</u>	<u>28,933</u>	<u>(73,010)</u>
Vocational education:				
Travel	6,000	6,000	6,000	-
Other charges	2,000	2,000	2,000	-
In-service-staff development	1,000	1,000	1,000	-
Total vocational education	<u>9,000</u>	<u>9,000</u>	<u>9,000</u>	<u>-</u>
Total support services	<u>358,253</u>	<u>497,239</u>	<u>328,947</u>	<u>(168,292)</u>
Total expenditures	<u>1,829,180</u>	<u>2,155,961</u>	<u>1,667,250</u>	<u>(488,711)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>76,675</u>	<u>81,875</u>	<u>71,290</u>	<u>(10,585)</u>
Other financing sources (uses):				
Transfers - out	<u>(76,675)</u>	<u>(81,875)</u>	<u>(71,290)</u>	<u>(10,585)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance - beginning			-	
Fund balance - ending			<u>\$ -</u>	

See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
SCHOOL NUTRITION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Then Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
Revenues				
Charges for current services:				
Lunch payments - children	\$ 375,000	\$ 375,000	\$ 411,464	\$ 36,464
Lunch payments - adults	26,001	26,001	26,387	386
Income from breakfast	27,000	27,000	25,781	(1,219)
A La Carte sales	264,000	264,000	325,153	61,153
Receipts from individual schools	-	-	4,287	4,287
Total charges for current services	692,001	692,001	793,072	101,071
State education funds:				
School food services	8,500	8,500	12,631	4,131
Federal through State:				
USDA - lunch	230,000	230,000	266,303	36,303
USDA - breakfast	45,000	45,000	39,364	(5,636)
USDA - commodities	2,500	2,500	-	(2,500)
Total Federal through State	277,500	277,500	305,667	28,167
Total revenues	978,001	978,001	1,111,370	133,369
Expenditures				
Noninstructional Services:				
Food services:				
Supervisor/Director	133,692	135,292	135,284	(8)
Cafeteria personnel	249,334	247,734	240,698	(7,036)
Social Security	23,748	23,748	21,468	(2,280)
State retirement	19,090	19,090	16,185	(2,905)
Life insurance	1,381	1,381	614	(767)
Medical insurance	46,000	46,000	38,562	(7,438)
Medicare	5,553	5,553	5,021	(532)
Maintenance & repair - equipment	2,000	2,000	423	(1,577)
Other contracted services	62,205	61,855	59,779	(2,076)
Cafeteria substitutes	7,001	7,001	2,278	(4,723)
Food supplies	455,000	455,000	427,921	(27,079)
Uniforms	500	500	-	(500)
Other supplies & materials	44,998	44,998	37,859	(7,139)
Other charges	8,800	8,800	7,396	(1,404)
Equipment	12,601	12,601	248	(12,353)
Travel	200	550	372	(178)
Total expenditures	1,072,103	1,072,103	994,108	(77,995)
Excess (deficiency) of revenues over (under) expenditures	(94,102)	(94,102)	117,262	211,364
Other financing sources (uses):				
Operating transfers in	94,102	94,102	-	(94,102)
Net changes in fund balance	\$ -	\$ -	117,262	\$ 117,262
Fund balance - beginning			114,631	
Fund balance - ending			\$ 231,893	

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
Revenues				
State revenue	<u>107,600</u>	<u>107,600</u>	<u>107,403</u>	<u>(197)</u>
Total revenues	<u>107,600</u>	<u>107,600</u>	<u>107,403</u>	<u>(197)</u>
Expenditures				
Support Services:				
Health Services:				
Supervisor/director	-	64,031	64,031	-
Other salaries and wages	67,112	-	-	-
Social security	4,161	3,794	3,744	(50)
State retirement	6,221	4,741	4,738	(3)
Life insurance	461	204	192	(12)
Employer medicare	973	887	876	(11)
Travel	300	150	149	(1)
Other supplies and materials	3,272	8,352	8,301	(51)
In-service/staff development	2,000	2,260	2,191	(69)
Office equipment	<u>500</u>	<u>581</u>	<u>581</u>	<u>-</u>
Total health services	<u>85,000</u>	<u>85,000</u>	<u>84,803</u>	<u>(197)</u>
Other Student Support:				
Contracts with Government agencies	<u>22,600</u>	<u>22,600</u>	<u>22,600</u>	<u>-</u>
Total support services	<u>107,600</u>	<u>107,600</u>	<u>107,403</u>	<u>(197)</u>
Total expenditures	<u>107,600</u>	<u>107,600</u>	<u>107,403</u>	<u>(197)</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance - beginning			<u>-</u>	
Fund balance - ending			<u>\$ -</u>	

See independent auditor's report.

**TOWN OF ARLINGTON, TENNESSEE
ARLINGTON COMMUNITY SCHOOLS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
INTERNAL SCHOOL FUNDS
For the Year Ended June 30, 2017**

	Balance			Balance
	<u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2017</u>
Assets				
Cash	\$ 957,939	\$ 2,276,741	\$ (2,214,869)	\$ 1,019,811
Inventories	<u>18,639</u>	<u>74,350</u>	<u>(81,933)</u>	<u>11,056</u>
Total assets	<u>\$ 976,578</u>	<u>\$ 2,351,091</u>	<u>\$ (2,296,802)</u>	<u>\$ 1,030,867</u>
Liabilities				
Due to student general fund	\$ 539,375	\$ 573,350	\$ (487,885)	\$ 624,840
Due to student groups	<u>437,203</u>	<u>1,725,107</u>	<u>(1,756,283)</u>	<u>406,027</u>
Total liabilities	<u>\$ 976,578</u>	<u>\$ 2,298,457</u>	<u>\$ (2,244,168)</u>	<u>\$ 1,030,867</u>

See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION DEBT
June 30, 2017

Year Ended June 30,	Capital Outlay Note		Board of Education Note		Total Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
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>\$ 240,000</u>	<u>\$ 9,028</u>	<u>\$2,999,997</u>	<u>\$ -</u>	<u>\$ 3,239,997</u>	<u>\$ 9,028</u>	<u>\$ 3,249,025</u>

See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
PROPRIETARY FUNDS DEBT
June 30, 2017

Year Ended June 30,	Series 2002		Revenue Bonds Series 2012		Total Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2018	\$ 786,000	\$ 59,229	\$ 200,000	\$ 146,928	\$ 986,000	\$ 206,157	\$ 1,192,157
2019	821,000	51,841	200,000	142,928	1,021,000	194,769	1,215,769
2020	858,000	44,124	200,000	138,928	1,058,000	183,052	1,241,052
2021	897,000	36,058	205,000	134,878	1,102,000	170,936	1,272,936
2022	937,000	27,627	210,000	130,728	1,147,000	158,355	1,305,355
2023	979,000	18,819	215,000	126,074	1,194,000	144,893	1,338,893
2024	1,023,000	9,616	220,000	120,909	1,243,000	130,525	1,373,525
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>\$ 6,301,000</u>	<u>\$ 247,314</u>	<u>\$ 5,265,000</u>	<u>\$ 1,887,401</u>	<u>\$ 11,566,000</u>	<u>\$ 2,134,715</u>	<u>\$ 13,700,715</u>

See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF CHANGES IN TAXES RECEIVABLE
For the Year Ended June 30, 2017

<u>Tax Levy for Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Beginning Outstanding Taxes</u>	<u>Additions and Adjustments</u>	<u>Collections</u>	<u>Ending Outstanding Taxes</u>	<u>Outstanding Taxes Filed With Trustee</u>
2016	\$1.15	\$ 3,390,841	\$ -	\$ 3,376,198	\$ 3,330,989	\$ 45,209	\$ 45,209
2015	1.15	3,216,147	57,672	(14,198)	32,514	10,960	10,960
2014	1.15	3,147,413	17,022	(1,461)	5,698	9,863	9,863
2013	1.15	3,086,420	10,095	(33)	1,228	8,834	8,834
2012	1.15	3,191,116	7,707	(1,644)	1,831	4,232	4,232
2011	1.00	2,707,557	3,022	(28)	451	2,543	2,543
2010	1.00	2,677,703	2,498	(134)	209	2,155	2,155
2009	1.00	2,757,236	2,103	-	1	2,102	2,102
2008	1.00	2,336,905	507	-	-	507	507
2007	1.00	2,082,027	96	-	-	96	96
			<u>\$ 100,722</u>	<u>\$ 3,358,700</u>	<u>\$ 3,372,921</u>	<u>\$ 86,501</u>	<u>\$ 86,501</u>

Above balances represented as follows:

Considered current receivables	\$ 2,282
Allowance for uncollectible accounts	17,042
Unavailable revenue	<u>67,177</u>
	86,501
Tax levy due October 1, 2017 considered unavailable revenue	<u>3,897,006</u>
Total taxes receivable	<u>\$ 3,983,507</u>

See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF UTILITY RATES IN EFFECT
June 30, 2017

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, 2017:	<u>4,182</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, 2017

<u>Grantor/Pass Through Entity</u>	<u>Grant Number</u>	<u>Expenditures</u>
Federal Financial Assistance:		
United States Department of Housing and Urban Development/Shelby County, Tennessee:		
CDBG - Dr. Logan Subdivision Drainage	14.218	CA-1519396
		\$ 20,337
Total United States Department of Housing and Urban Development		20,337
United States Department of Transportation/ Tennessee Department of Transportation:		
Highway Planning and Construction Cluster		
Highway Planning and Construction	20.205	140074
		67,028
Highway Planning and Construction	20.205	140035
		43,942
Total United States Department of Transportation		110,970
Total Expenditures of Federal Awards		\$ 131,307

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards include the award activity of the Town under programs of the federal and state governments, respectively, for the year ended June 30, 2017. Because the schedule of expenditures of federal awards present only a selected portion of the operations of the Town, they are not intended to and do not present the financial position, statement of activities, or cash flows of the Town.

Note 2 - Summary of Significant Accounting Policies

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

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

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arlington, Tennessee (Town), as of and for the year ended June 30, 2017, 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 29, 2017.

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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as 2017-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2017-001.

Town's Responses to Findings

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

Purpose of this Report

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

Alexander Thompson Arnold PLLC

Jackson, Tennessee
December 29, 2017

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF FINDINGS
June 30, 2017

2017-001 Lack of Obtaining Bid (Significant Deficiency and Noncompliance)

Condition: A material equipment purchase was made by the Town without obtaining appropriate bids in accordance with the purchasing policy.

Criteria: The Town's purchasing policy requires competitive bids be obtained for purchases that exceed \$10,000.

Effect: The Town purchased equipment without ensuring that the best available option was obtained.

Recommendation: We recommend that future purchases that exceed the bid threshold be in accordance with the competitive bid requirements.

Response: We have revised the Purchase Request form to include signature lines for the Recorder/treasurer and Town Administrator. The new form also has more information that is required before a PO can be issued such as three quotes for purchases over 1,000 and justification for use of vendors. The Town Recorder/treasurer held staff meetings with the Finance Staff and Department Heads to discuss the purchasing policy and train staff on the procedures of a properly authorized purchase. She trained Department Heads on the required information for a purchase requisition before it can be submitted. She trained finance staff on information to look for and how to obtain the proper signatures before issuing a Purchase Order. Due to change in staffing, this form was created to get new staff members familiar with required information needed by the finance department. This form went into effect July 1st, 2017 and has been a vital tool to train staff correctly on the purchasing requirements for the Town. All purchase requisitions must be signed by the recorder/treasurer before a purchase order number can be issued. In the absence of the recorder/treasurer, the Town Administrator will sign all purchase requisitions.

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2017

FINANCIAL STATEMENT FINDINGS

Prior Year Finding Number	Finding Title	Status/Current Year Finding Number
2016-001	Discount on Settlement Liability (original finding # 2016-001)	Corrected
2016-002	Recording Delinquent Property Taxes (original finding # 2016-002)	Corrected
2016-003	Recording Unavailable Revenue (original finding # 2016-003)	Corrected
2016-004	Recognizing Revenue (original finding # 2016-004)	Corrected
2016-005	Recording Audit Adjustments (original finding # 2016-005)	Corrected

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no prior findings reported.

TOWN OF ARLINGTON, TENNESSEE
MANAGEMENT'S CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2017

The Town of Arlington, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2017.

Contact person/person responsible for implementing Corrective Action: Catherine Durant, Town Superintendent, CMFO

Name and address of independent public accounting firm:

Alexander Thompson Arnold PLLC
227 Oil Well Road
Jackson, TN 38305

Audit period: June 30, 2017

The finding from the June 30, 2017, schedule of findings is discussed below.
The finding is numbered consistently with the number assigned in the schedule.

2017-001 Lack of Obtaining Bid (Significant Deficiency and Noncompliance)

Action Taken/Planned: We have revised the Purchase Request form to include signature lines for the Recorder/treasurer and Town Administrator. The new form also has more information that is required before a PO can be issued such as three quotes for purchases over 1,000 and justification for use of vendors. The Town Recorder/treasurer held staff meetings with the Finance Staff and Department Heads to discuss the purchasing policy and train staff on the procedures of a properly authorized purchase. She trained Department Heads on the required information for a purchase requisition before it can be submitted. She trained finance staff on information to look for and how to obtain the proper signatures before issuing a Purchase Order. Due to change in staffing, this form was created to get new staff members familiar with required information needed by the finance department. This form went into effect July 1st, 2017 and has been a vital tool to train staff correctly on the purchasing requirements for the Town. All purchase requisitions must be signed by the recorder/treasurer before a purchase order number can be issued. In the absence of the recorder/treasurer, the Town Administrator will sign all purchase requisitions.

Anticipated Completion Date/Date Completed: July 1, 2017