

TOWN OF ARLINGTON, TENNESSEE

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**TOWN OF ARLINGTON, TENNESSEE
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INTRODUCTORY SECTION

TOWN OF ARLINGTON, TENNESSEE
LIST OF PRINCIPAL OFFICIALS
June 30, 2015

ELECTED OFFICIALS

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

APPOINTED OFFICIALS

Town Superintendent/Recorder, CMFO

Catherine Durant

FINANCIAL SECTION

Members of:

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



Certified Public Accountants
Offices in Tennessee & Kentucky

227 Oil Well Rd.
Jackson, TN 38305

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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 (Town), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arlington, Tennessee, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the State Street Aid Fund, and the General Purpose School Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters – Material Prior Period Adjustment

As discussed in Note 5 to the financial statements, the 2014 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Emphasis of Matters – Change in Reporting Entity

As noted in Note 1 to the financial statements, the Town recently created the Arlington Community Schools. Due to the creation of the new municipal schools, the 2015 financial statements are not comparable to the 2014 financial statements. 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 on pages 5 through 10 and the Schedule of the System's Proportionate Share of the Net Pension Asset – Teacher Legacy Pension Plan of TCRS, Schedule of the System's Contributions – Teacher Legacy Pension Plan of TCRS, Schedule of the System's Contributions – Teacher Retirement Plan of TCRS, and the Schedule of Funding Progress – Post Employment Healthcare Plan on pages 65 through 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The 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 February 1, 2016 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Jackson, Tennessee
February 1, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

As management of the Town of Arlington, we offer readers of the Town of Arlington's financial statements this narrative overview and analysis of the financial activities of the Town of Arlington for the fiscal year ended June 30, 2015. 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. Although this information has been provided in the Management Discussion and Analysis, the balances are not comparable because of the addition of the Arlington Community Schools in the year 2015.

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 \$126.02 million (net position). Of this amount, \$23.56 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 \$12.67 million, an increase of \$1.33 million in comparison with the prior year due primarily to less capital outlay expenditures in the current year. Of the total fund balance, \$11.82 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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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.

Fund Financial Statements

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

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

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

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

The Town of Arlington adopts an annual appropriated budget for each governmental fund. Budgetary comparisons of the major fund statements have been provided on pages 18 through 35 of this report for the General Fund, General Purpose School Fund, and State Street Aid Fund and the nonmajor governmental funds on pages 71 through 79 to demonstrate compliance with the budget.

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 40 through 64 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 \$126.02 million at the close of the most recent fiscal year. Seventy-two percent (72%) 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	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 29,759,813	\$ 21,337,921	\$ 9,954,650	\$ 9,442,273	\$ 39,714,463	\$ 30,780,194
Capital assets	84,755,300	115,205,039	24,056,547	24,872,558	108,811,847	140,077,597
Total assets	<u>114,515,113</u>	<u>136,542,960</u>	<u>34,011,197</u>	<u>34,314,831</u>	<u>148,526,310</u>	<u>170,857,791</u>
Deferred outflows of resources	2,121,410	-	-	-	2,121,410	-
Long-term liabilities	5,008,993	4,594,330	12,537,320	13,443,927	17,546,313	18,038,257
Other liabilities	2,808,005	606,810	908,775	868,396	3,716,780	1,475,206
Total liabilities	<u>7,816,998</u>	<u>5,201,140</u>	<u>13,446,095</u>	<u>14,312,323</u>	<u>21,263,093</u>	<u>19,513,463</u>
Deferred inflows of resources	3,359,874	3,147,407	-	-	3,359,874	3,147,407
Net position:						
Net investment in capital assets	80,696,637	110,740,043	10,615,227	10,560,631	91,311,864	121,300,674
Restricted for:						
Street aid	4,080,510	6,000,316	-	-	4,080,510	6,000,316
Sanitation	678,412	556,095	-	-	678,412	556,095
Net pension asset	1,744	-	-	-	1,744	-
Inventory	12,611	-	-	-	12,611	-
Education	6,383,932	-	-	-	6,383,932	-
Unrestricted	<u>13,605,805</u>	<u>10,897,959</u>	<u>9,949,875</u>	<u>9,441,877</u>	<u>23,555,680</u>	<u>20,339,836</u>
Total net position	<u>\$ 105,459,651</u>	<u>\$ 128,194,413</u>	<u>\$20,565,102</u>	<u>\$20,002,508</u>	<u>\$ 126,024,753</u>	<u>\$ 148,196,921</u>

An additional portion of the Town of Arlington's net position (\$11.16 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 (\$23.56 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 \$10.38 million. In the business-type activities, revenues exceeded expenses by \$0.56 million.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 2,483,911	\$ 1,793,478	\$ 2,126,927	\$ 2,676,245	\$ 4,610,838	\$ 4,469,723
Operating grants and contributions	40,515,732	78,723,255	-	-	40,515,732	78,723,255
Capital grants and contributions	2,308,795	3,395,065	-	-	2,308,795	3,395,065
General revenues:						
Property taxes	3,724,401	3,591,757	-	-	3,724,401	3,591,757
Other taxes	3,491,360	3,156,202	-	-	3,491,360	3,156,202
Other sources	75,429	142,835	52,857	56,950	128,286	199,785
Total revenues	<u>52,599,628</u>	<u>90,802,592</u>	<u>2,179,784</u>	<u>2,733,195</u>	<u>54,779,412</u>	<u>93,535,787</u>
Expenses:						
General government	2,684,875	2,974,714	-	-	2,684,875	2,974,714
Public safety	1,395,210	1,396,574	-	-	1,395,210	1,396,574
Highway and streets	831,972	820,093	-	-	831,972	820,093
Public works	809,678	740,077	-	-	809,678	740,077
Sanitation collection	861,251	823,898	-	-	861,251	823,898
Culture and recreation	715,358	605,043	-	-	715,358	605,043
Education	34,909,238	1,025,998	-	-	34,909,238	1,025,998
Debt service	10,627	12,408	-	-	10,627	12,408
Sewer	-	-	1,617,190	1,392,277	1,617,190	1,392,277
Total expenses	<u>42,218,209</u>	<u>8,398,805</u>	<u>1,617,190</u>	<u>1,392,277</u>	<u>43,835,399</u>	<u>9,791,082</u>
Increase in net position	<u>10,381,419</u>	<u>82,403,787</u>	<u>562,594</u>	<u>1,340,918</u>	<u>10,944,013</u>	<u>83,744,705</u>
Net position - beginning	128,194,413	45,790,626	20,002,508	18,785,175	148,196,921	64,575,801
Restatement - GASB Statement No. 68 and 71 implementation	37,418	-	-	-	37,418	-
Prior period adjustment	(33,153,599)	-	-	(123,585)	(33,153,599)	(123,585)
Net position - beginning - restated	<u>95,078,232</u>	<u>45,790,626</u>	<u>20,002,508</u>	<u>18,661,590</u>	<u>115,080,740</u>	<u>64,452,216</u>
Net position - ending	<u>\$ 105,459,651</u>	<u>\$ 128,194,413</u>	<u>\$ 20,565,102</u>	<u>\$ 20,002,508</u>	<u>\$ 126,024,753</u>	<u>\$ 148,196,921</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 15.34% of governmental fund revenues. Accordingly this discussion will focus on the General Fund. General Fund balance was \$12.67 million at the end of the

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

current fiscal year. Of that balance, \$11.82 million is available to meet the day-to-day needs of the Town.

Revenues in the General Fund decreased from the previous year by approximately \$1.04 million. All revenues, with the exception of taxes, decreased from the prior year. The most significant changes in revenues in the General Fund were:

- Federal Grants decreased by \$862 thousand.
- Impact fees decreased \$381 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 \$9.95 million. The total growth in net position for this fund was \$563 thousand.

GENERAL FUND BUDGETARY HIGHLIGHTS

Final Budgeted and Actual Amounts

Actual revenues were over the budgeted amounts by \$1.01 million. Significant variances are as follows:

- Local sales tax was up \$273 thousand.
- Intergovernmental (state shared taxes) were up \$373 thousand.

Actual expenditures were under the final budgeted amount by \$1.06 million. Significant variances are as follows:

- General Government was under by \$296 thousand.
- Public Safety was under by \$442 thousand.
- Public Works was under by \$108 thousand.
- Parks & Library and Senior Center were under by \$215 thousand

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - At the end of fiscal year 2015, the Town had invested \$108.81 million net of accumulated depreciation in a variety of capital assets and infrastructure. Infrastructure was valued at \$27.08 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 \$17.47 million. Of this amount, \$13.41 million consists of revenue bonds. An additional \$392 thousand is for capital outlay notes, while another \$3.67 million of the Town's debt represents a note for the benefit of the Arlington Community Schools.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- Arlington's residential and commercial growth has kept a steady pace over the last few years. We are expecting an increase in residential construction and increased interest in commercial development for the next fiscal year, which will result in an increase in permit and development

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

fee collection, taxes and as an increase in population from residential growth. The increase interest in commercial development could result in an increase to real property and personal property taxes, as well as sales tax and business tax increases.

- Arlington's new home construction continued at a constant rate, with 55 new housing starts for FY 2014-15. The rate of construction is anticipated to increase in the next fiscal year. There is an inventory of 65 available residential lots. An additional 106 single-family residential lots will be ready for permitting in the first quarter 2016, which will provide additional inventory. Construction on two other residential subdivisions should begin in the second quarter 2016, resulting in 64 additional lots. Construction of a 164-unit multi-family development is still underway with 4 of the 6 buildings completed and easing the remaining 2 building or 32 units will begin construction in the second quarter 2016.
- Arlington Community Schools opened in August 2014. Enrollment in the system includes Arlington Residents K-12, Lakeland Residents for Middle School and High School Students and allows open enrollment for any school that has capacity. Arlington Community Schools are in the top 10 percent of schools statewide with both elementary schools receiving awards in academic excellence.
- Commercial developments in Arlington during the 2014-15 fiscal years included the opening of Old Town Car Wash and Primary Eye Care Clinic. Arlington has seen further Industrial investment in Arlington with three (3) industries adding to their personal property investments in Arlington; Wright Medical, Maines Paper and Food, and Micro Port.
- The Town has continued to expand and improve its infrastructure; improvements include: Airline Road in front of Wright Medical, intersection improvements to Douglas at Airline, Hall Creek Bridge on Airline; phase two (2) of our Bike Pedestrian Trail which allows safe access to three of our four schools and an additional 10 acres Sports Park on Forrest Street.

All of these factors were considered in preparing the Town of Arlington's budget for the 2016 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, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 14,433,137	\$ 3,814,299	\$ 18,247,436
Investments	8,210,971	5,955,238	14,166,209
Receivables:			
Interest	2,283	562	2,845
Taxes (net of allowance for uncollectibles of \$5,166)	3,339,809	-	3,339,809
Accounts	118,880	265,632	384,512
Internal balances	81,081	(81,081)	-
Due from other governments - grants	223,612	-	223,612
Intergovernmental - nongrant	2,389,482	-	2,389,482
Grants	872,158	-	872,158
Inventory	12,611	-	12,611
Prepayments and other current assets	74,045	-	74,045
Net pension asset	1,744	-	1,744
Capital assets not being depreciated:			
Land	5,666,856	231,762	5,898,618
Construction in process	1,193,113	-	1,193,113
Capital assets net of accumulated depreciation:			
Buildings and improvements	49,353,154	-	49,353,154
Machinery and equipment	1,459,341	-	1,459,341
Sewer plant	-	23,824,785	23,824,785
Infrastructure	27,082,836	-	27,082,836
Total assets	<u>114,515,113</u>	<u>34,011,197</u>	<u>148,526,310</u>
Deferred outflows of resources			
Pension - contributions subsequent to the measurement date of June 30, 2014	1,965,745	-	1,965,745
Pension - changes in proportion of net pension asset	151,430	-	151,430
Pension - difference between expected and actual experience	4,235	-	4,235
Total deferred outflows of resources	<u>2,121,410</u>	<u>-</u>	<u>2,121,410</u>

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

TOWN OF ARLINGTON, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Accounts payable	492,631	4,775	497,406
Other accrued expenses	266,190	-	266,190
Accrued payroll	1,386,285	-	1,386,285
Unearned revenue	72,513	-	72,513
Long-term debt			
Due within one year			
Notes payable	408,333	904,000	1,312,333
Accrued annual leave	182,053	-	182,053
Due in more than one year			
Notes payable	3,650,330	12,508,000	16,158,330
Unamortized bond premium	-	29,320	29,320
Other post employment benefits	924,651	-	924,651
Accrued annual leave	5,644	-	5,644
Accrued landfill closing and postclosing costs	428,368	-	428,368
Total liabilities	<u>7,816,998</u>	<u>13,446,095</u>	<u>21,263,093</u>
Deferred Inflows of Resources			
Pension - net difference between projected and actual earnings of pension plan investments	143,734	-	143,734
Unavailable revenue - property taxes	<u>3,216,140</u>	-	<u>3,216,140</u>
Total deferred inflows of resources	<u>3,359,874</u>	-	<u>3,359,874</u>
Net Position			
Net investment in capital assets	80,696,637	10,615,227	91,311,864
Restricted for:			
State street aid	4,080,510	-	4,080,510
Sanitation	678,412	-	678,412
Net pension asset	1,744	-	1,744
Inventory	12,611	-	12,611
Education	6,383,932	-	6,383,932
Unrestricted	<u>13,605,805</u>	<u>9,949,875</u>	<u>23,555,680</u>
Total net position	<u>\$ 105,459,651</u>	<u>\$ 20,565,102</u>	<u>\$ 126,024,753</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, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenue and Changes in Net Position</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Primary government							
Governmental activities							
General government	\$ 2,684,875	\$ 290,249	\$ 35,000	\$ 157,767	\$ (2,201,859)	\$ -	\$ (2,201,859)
Public safety	1,395,210	10,381	-	-	(1,384,829)	-	(1,384,829)
Highways and streets	831,972	-	368,398	2,151,028	1,687,454	-	1,687,454
Public works	809,678	-	-	-	(809,678)	-	(809,678)
Sanitation collection	861,251	958,290	-	-	97,039	-	97,039
Parks and recreation	715,358	77,577	95,914	-	(541,867)	-	(541,867)
Education	34,909,238	1,147,414	40,016,420	-	6,254,596	-	6,254,596
Interest on long-term debt	10,627	-	-	-	(10,627)	-	(10,627)
Total governmental activities	<u>42,218,209</u>	<u>2,483,911</u>	<u>40,515,732</u>	<u>2,308,795</u>	<u>3,090,229</u>	<u>-</u>	<u>3,090,229</u>
Business-type activities							
Sewer	<u>1,617,190</u>	<u>2,126,927</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>509,737</u>	<u>509,737</u>
Total primary government	<u>\$ 43,835,399</u>	<u>\$ 4,610,838</u>	<u>\$ 40,515,732</u>	<u>\$ 2,308,795</u>	<u>\$ 3,090,229</u>	<u>\$ 509,737</u>	<u>\$ 3,599,966</u>
General revenues							
Property taxes - levied for general government					3,489,827	-	3,489,827
Payments in lieu of taxes - other governments					234,574	-	234,574
Sales taxes					2,786,219	-	2,786,219
Franchise taxes					103,882	-	103,882
Alcoholic beverage taxes					346,370	-	346,370
Business taxes					131,371	-	131,371
State income and excise taxes					123,518	-	123,518
Interest, penalties and court costs					15,689	-	15,689
Gain on sale of capital assets					-	585	585
Unrestricted interest income					59,740	52,272	112,012
Total general revenues					<u>7,291,190</u>	<u>52,857</u>	<u>7,344,047</u>
Changes in net position					10,381,419	562,594	10,944,013
Net position - beginning					128,194,413	20,002,508	148,196,921
Restatement - GASB Statement No. 68 and 71 implementation					37,418	-	37,418
Prior period adjustment					<u>(33,153,599)</u>	<u>-</u>	<u>(33,153,599)</u>
Net position - beginning, restated					<u>95,078,232</u>	<u>20,002,508</u>	<u>115,080,740</u>
Net position - ending					<u>\$ 105,459,651</u>	<u>\$ 20,565,102</u>	<u>\$ 126,024,753</u>

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

TOWN OF ARLINGTON, TENNESSEE
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2015

	General Fund	General Purpose School	State Street Aid Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 6,276,511	\$ 6,510,753	\$ 920,166	\$ 725,707	\$ 14,433,137
Investments	5,564,889	-	2,646,082	-	8,210,971
Inventory	-	-	-	12,611	12,611
Prepaid expense	-	74,045	-	-	74,045
Receivables:					
Interest	1,460	-	823	-	2,283
Taxes (net of allowance for uncollectibles of \$5,166)	3,339,809	-	-	-	3,339,809
Accounts - other	118,880	-	-	-	118,880
Due from other governmental agencies	-	-	-	-	-
Due from other funds	-	331,743	58,493	81,081	471,317
Due from other governments - grants	-	2,931	-	220,681	223,612
Intergovernmental - nongrant	751,013	1,421,206	-	217,263	2,389,482
Grant receivable	-	-	872,158	-	872,158
Total assets	\$ 16,052,562	\$ 8,340,678	\$ 4,497,722	\$ 1,257,343	\$ 30,148,305
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ 59,635	\$ 258,940	\$ 40,706	\$ 133,350	\$ 492,631
Accrued payroll	-	1,386,285	-	34,284	1,420,569
Other accrued expenses	-	231,906	-	-	231,906
Due to other funds	58,493	-	-	331,743	390,236
Unearned revenue	-	5,570	-	66,943	72,513
Total liabilities	118,128	1,882,701	40,706	566,320	2,607,855
Deferred inflows of resources					
Unavailable revenue - nongrant	-	-	-	217,263	217,263
Unavailable revenue - grants	-	-	376,506	-	376,506
Unavailable revenue - property taxes	3,265,422	-	-	-	3,265,422
Total deferred inflows of resources	3,265,422	-	376,506	217,263	3,859,191
Fund balances					
Nonspendable					
Inventory	-	-	-	12,611	12,611
Prepaid expenses	-	74,045	-	-	74,045
Restricted					
State street aid	-	-	4,080,510	-	4,080,510
Sanitation	-	-	-	678,412	678,412
Education	-	6,383,932	-	-	6,383,932
Assigned:					
Impact fees	149,400	-	-	-	149,400
Depot Square	197,896	-	-	-	197,896
West Tennessee Veterans Home	327,382	-	-	-	327,382
Forrest Street	171,138	-	-	-	171,138
Unassigned	11,823,196	-	-	(217,263)	11,605,933
Total fund balances	12,669,012	6,457,977	4,080,510	473,760	23,681,259
Total liabilities, deferred inflows of resources, and fund balances	\$ 16,052,562	\$ 8,340,678	\$ 4,497,722	\$ 1,257,343	\$ 30,148,305

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, 2015

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

Fund balances - total governmental funds (Page 14)	\$	23,681,259
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds		84,755,300
Net pension asset is not a financial resource in the current period and, therefore, are not reported an asset in governmental funds.		1,744
Receivables not available to pay for current expenditures and, therefore, are deferred in the funds.		
Unavailable revenue		643,051
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		2,121,410
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		(143,734)
Long-term liabilities, including notes, leases payable, compensated absences, other post employment benefits, and landfill postclosing costs, are not due in the current period and, therefore, are not reported in the funds		<u>(5,599,379)</u>
Net position of governmental activities (Page 12)	\$	<u>105,459,651</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, 2015

	General Fund	General Purpose School	State Street Aid Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 5,373,598	\$ 17,906,452	\$ -	\$ -	\$ 23,280,050
Licenses and permits	50,386	-	-	-	50,386
Intergovernmental	2,033,700	19,600,912	2,143,758	2,194,523	25,972,893
Charges for services	178,584	-	-	1,570,929	1,749,513
Other	342,938	516,268	24,536	73,713	957,455
Total revenues	<u>7,979,206</u>	<u>38,023,632</u>	<u>2,168,294</u>	<u>3,839,165</u>	<u>52,010,297</u>
Expenditures					
Current					
General government	1,154,696	-	-	-	1,154,696
Public safety	1,377,375	-	-	-	1,377,375
Highways and streets	801,254	-	4,528,100	-	5,329,354
Sanitation collection	-	-	-	893,061	893,061
Parks and recreation	711,047	-	-	-	711,047
Education	-	32,262,523	-	3,196,082	35,458,605
Capital outlay	1,165,049	-	60,000	-	1,225,049
Debt service:					
Principal	73,000	-	-	-	73,000
Interest	10,627	-	-	-	10,627
Total expenditures	<u>5,293,048</u>	<u>32,262,523</u>	<u>4,588,100</u>	<u>4,089,143</u>	<u>46,232,814</u>
Revenues over (under) expenditures	2,686,158	5,761,109	(2,419,806)	(249,978)	5,777,483
Other Financing Sources (Uses)					
Transfers in	-	797,900	500,000	155,032	1,452,932
Transfers out	(1,351,900)	(101,032)	-	-	(1,452,932)
Total other financing sources (uses)	<u>(1,351,900)</u>	<u>696,868</u>	<u>500,000</u>	<u>155,032</u>	<u>-</u>
Net changes in fund balances	1,334,258	6,457,977	(1,919,806)	(94,946)	5,777,483
Fund balances - beginning	11,334,754	-	6,000,316	556,095	17,891,165
Increase (decrease) in inventory	-	-	-	12,611	12,611
Fund balances - ending	<u>\$ 12,669,012</u>	<u>\$ 6,457,977</u>	<u>\$ 4,080,510</u>	<u>\$ 473,760</u>	<u>\$ 23,681,259</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, 2015

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)	\$	5,777,483
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.		2,703,860
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).		544,179
Some expenses reported in the statement of activities, such as accrued leave other post employment benefits, and landfill liability, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		(1,005,049)
The payment of pension contributions consumes current financial resources in the governmental funds. These transactions do not have any effect on the net position, but are considered deferred outflows of resources.		1,965,745
The actuarially determined pension (income) expense does not (provide) consume current financial resources and, therefore, is not reported in the governmental funds. It is reported as revenue in the statement of activities.		(23,743)
In the governmental funds the increase (decrease) in inventory is a change in beginning fund balance. However, in the statement of net position it is an expense based on the consumption method.		12,611
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		73,000
Board of Education note payment		<u>333,333</u>
Change in net position of governmental activities (Page 13)	\$	<u>10,381,419</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, 2015

	Budgeted Amounts			Variance
	Original	Final	Actual	Over (Under)
Revenues				
Taxes:				
Real property taxes	\$ 2,808,642	\$ 2,865,073	\$ 2,918,528	\$ 53,455
Personal property taxes	286,586	288,851	291,215	2,364
Public utility taxes	317,416	329,661	329,674	13
Interest and penalties	25,000	15,000	15,688	688
In lieu of tax payments -				
Other governments	72,000	94,449	94,449	-
Local sales tax	1,018,000	1,018,000	1,290,993	272,993
Wholesale beer tax	210,000	210,000	264,018	54,018
Wholesale liquor tax	70,000	70,000	65,151	(4,849)
Franchise taxes	85,000	85,000	103,882	18,882
Total taxes	<u>4,892,644</u>	<u>4,976,034</u>	<u>5,373,598</u>	<u>397,564</u>
Licenses and permits:				
Licenses and permits	22,250	24,450	27,518	3,068
Planning commission submittals	15,000	15,000	15,683	683
Excavating permits	2,000	2,740	7,185	4,445
Total licenses and permits	<u>39,250</u>	<u>42,190</u>	<u>50,386</u>	<u>8,196</u>
Intergovernmental:				
Federal grants	10,000	55,658	54,002	(1,656)
State grant	-	-	47,593	47,593
TVA in lieu of tax	130,000	130,000	140,125	10,125
Business tax	95,000	90,000	131,371	41,371
State sales tax	790,000	790,000	915,657	125,657
State local sales tax	420,000	420,000	579,570	159,570
State income tax	25,000	25,000	110,240	85,240
State beer tax	5,750	5,750	5,782	32
State alcoholic beverage tax	10,000	10,000	11,418	1,418
State petroleum special fee	24,000	24,000	24,664	664
State telecommunications sales tax	1,000	1,000	1,183	183
State excise tax	1,500	12,095	12,095	-
Total intergovernmental	<u>1,512,250</u>	<u>1,563,503</u>	<u>2,033,700</u>	<u>470,197</u>
Charges for services:				
Fire reports	5	5	-	(5)
Community development fees	-	12,800	26,400	13,600
Street light fees	-	-	56,655	56,655
Inspection fees	-	9,600	19,800	10,200
Meeting room fees	-	3,190	8,190	5,000

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, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		Over (Under)
Community garden	-	2,000	3,000	1,000
Park and recreation fees	18,500	56,781	64,539	7,758
Total charges for services	<u>18,505</u>	<u>84,376</u>	<u>178,584</u>	<u>94,208</u>
Other:				
Other	11,200	33,255	16,389	(16,866)
Rent	6,701	6,701	6,701	-
City Court revenue	-	-	181	181
Interest earned	65,000	65,000	56,652	(8,348)
Insurance recovery	-	3,500	5,022	1,522
Industrial Development Board	-	40,000	40,000	-
Impact fees	30,000	136,480	191,300	54,820
Library fines	17,500	17,500	21,943	4,443
Contributions	-	-	4,750	4,750
Total other	<u>130,401</u>	<u>302,436</u>	<u>342,938</u>	<u>40,502</u>
Total revenues	<u>6,593,050</u>	<u>6,968,539</u>	<u>7,979,206</u>	<u>1,010,667</u>
Expenditures				
Current expenditures:				
General government:				
Salaries	436,000	416,000	401,073	(14,927)
OASI	38,000	38,000	33,911	(4,089)
Hospital and health insurance	50,000	44,000	41,551	(2,449)
Workmen's compensation	4,000	4,000	4,156	156
Other employer contributions	34,000	34,000	27,963	(6,037)
Board and committee members	61,000	61,000	61,000	-
Elections	20,000	1,000	130	(870)
Contractual services	45,000	45,000	42,097	(2,903)
Postage	4,500	4,500	3,846	(654)
Messenger and delivery services	2,500	2,500	1,439	(1,061)
Publication of legal notices	20,000	20,000	25,614	5,614
Memberships and registration fees	11,000	11,000	4,641	(6,359)
Public relations	19,000	19,000	10,713	(8,287)
Utility services	20,000	69,000	121,521	52,521
Telephone	15,000	15,000	17,021	2,021
Legal services	110,000	125,000	114,815	(10,185)
Accounting and auditing services	20,000	15,000	14,508	(492)
Architectural and engineering services	75,000	85,000	62,163	(22,837)
Planning services	20,000	-	-	-
Web site services	8,000	8,000	5,853	(2,147)

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, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		Over (Under)
Data processing services	15,000	15,000	12,028	(2,972)
Other professional services	84,000	64,000	31,159	(32,841)
Repair and maintenance services	2,000	2,000	2,508	508
Repair and maintenance of buildings	25,000	25,000	16,732	(8,268)
Travel	7,000	7,000	2,112	(4,888)
Collection fees	25,000	25,000	19,827	(5,173)
Sundry	2,000	2,000	2,022	22
Operating supplies	17,000	17,000	12,649	(4,351)
Off site record storage	4,000	4,000	4,073	73
Insurance on buildings	6,000	7,928	7,928	-
Insurance - liability	9,500	9,500	8,854	(646)
Prizes and awards	700	700	418	(282)
Capital outlay	250,000	279,000	82,488	(196,512)
Machinery and equipment rent	9,500	9,500	8,922	(578)
Other machinery and equipment	25,000	25,000	7,449	(17,551)
Donations to the Chamber of Commerce	24,000	24,000	24,000	-
Total general government	<u>1,518,700</u>	<u>1,533,628</u>	<u>1,237,184</u>	<u>(296,444)</u>
Fire protection and control:				
Salaries	866,000	866,000	830,250	(35,750)
OASI	65,000	65,000	59,518	(5,482)
Hospital and health insurance	120,000	120,000	104,950	(15,050)
Workmen's compensation	20,000	23,750	23,749	(1)
Employee education and training	15,000	-	-	-
Other employer contributions	56,800	56,800	58,232	1,432
Volunteer firemen	10,000	5,000	5,000	-
Contractual services	75,000	75,000	75,152	152
Membership fees, dues	8,000	5,000	2,736	(2,264)
Utility services	20,000	20,000	15,544	(4,456)
Telephone	8,000	9,800	10,853	1,053
Medical and dental	150,000	150,000	120,926	(29,074)
Repair and maintenance	142,000	23,000	19,445	(3,555)
Data processing	5,000	4,200	2,373	(1,827)
Travel	5,000	3,500	3,372	(128)
Operating supplies	10,500	10,500	5,403	(5,097)
Clothing and uniforms	10,000	10,000	7,524	(2,476)
Gas, oil and diesel	18,000	18,000	11,900	(6,100)
Insurance-building and liability	12,000	12,000	11,181	(819)
Insurance-vehicles and equipment	7,000	5,700	5,690	(10)
Capital outlay	50,000	626,908	299,526	(327,382)
Machinery and equipment rent	5,000	3,500	2,746	(754)

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, 2015

	Budgeted Amounts			Variance
	Original	Final	Actual	Over (Under)
Other machinery and equipment	58,000	3,000	818	(2,182)
	<u>1,736,300</u>	<u>2,116,658</u>	<u>1,676,888</u>	<u>(439,770)</u>
Fire fighting:				
Supplies	2,000	2,000	13	(1,987)
	<u>1,738,300</u>	<u>2,118,658</u>	<u>1,676,901</u>	<u>(441,757)</u>
Highway and streets:				
Salaries	531,000	531,000	469,841	(61,159)
OASI	41,000	41,000	33,595	(7,405)
Hospital and health insurance	73,000	73,000	58,024	(14,976)
Workmen's compensation	20,000	17,850	17,812	(38)
Other employer contributions	36,300	36,300	33,154	(3,146)
Memberships, registration fees	3,000	3,000	2,157	(843)
Employee education and training	7,000	-	75	75
Utility services	10,000	15,000	14,278	(722)
Ambulance services	1,700	1,700	1,356	(344)
Other professional services	10,000	18,065	19,564	1,499
Telephone	10,000	10,000	10,453	453
Data processing	7,000	7,000	7,272	272
Repair and maintenance services	60,000	110,000	82,681	(27,319)
Travel	-	100	-	(100)
Operating supplies	15,500	11,500	7,101	(4,399)
Clothing and uniforms	9,000	9,000	9,839	839
Gas, oil and diesel	21,000	13,000	9,625	(3,375)
Fabricated materials	5,000	5,000	4,412	(588)
Insurance	16,000	14,063	13,177	(886)
Machinery and equipment rental	4,000	4,000	2,994	(1,006)
Other machinery and equipment	75,000	28,000	3,844	(24,156)
Capital outlay	200,000	525,329	564,877	39,548
Total highway and streets	<u>1,155,500</u>	<u>1,473,907</u>	<u>1,366,131</u>	<u>(107,776)</u>
Parks and recreation:				
Salaries	242,000	242,000	222,900	(19,100)
OASI	18,100	18,100	15,417	(2,683)
Hospital and health insurance	42,000	38,000	36,295	(1,705)
Workmen's compensation	5,500	6,500	6,531	31
Basketball fees	-	25,000	24,762	(238)
Postage	800	800	353	(447)
Memberships and registration fees	5,000	600	306	(294)

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, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		Over (Under)
Other employer contributions	13,000	13,000	12,914	(86)
Contractual services	190,000	186,000	181,874	(4,126)
Data processing services	7,500	9,000	8,744	(256)
Other professional services	1,000	1,000	395	(605)
Public relations	15,000	15,000	15,012	12
Utility services	66,200	66,200	65,391	(809)
Telephone	7,700	7,900	8,851	951
Repair and maintenance	50,000	49,800	44,084	(5,716)
Travel	-	500	187	(313)
Sundry	1,200	1,200	1,095	(105)
Operating supplies	38,750	46,750	45,591	(1,159)
Clothing and uniforms	-	-	-	-
Gas, oil and diesel fuel	10,000	10,000	7,675	(2,325)
Insurance	9,200	9,200	8,564	(636)
Other buildings	-	-	-	-
Other machinery and equipment	93,000	101,500	3,207	(98,293)
Machinery and equipment rent	-	1,000	899	(101)
Capital outlay	<u>275,000</u>	<u>295,000</u>	<u>218,158</u>	<u>(76,842)</u>
Total parks and recreation	<u>1,090,950</u>	<u>1,144,050</u>	<u>929,205</u>	<u>(214,845)</u>
Debt Service:				
Principal	73,000	73,000	73,000	-
Interest	<u>10,700</u>	<u>10,700</u>	<u>10,627</u>	<u>(73)</u>
Total debt service	<u>83,700</u>	<u>83,700</u>	<u>83,627</u>	<u>(73)</u>
Total expenditures	<u>5,587,150</u>	<u>6,353,943</u>	<u>5,293,048</u>	<u>(1,060,895)</u>
Excess (deficiency) of revenues over (under) expenditures	1,005,900	614,596	2,686,158	2,071,562
Other financing sources (uses)				
Note proceeds	346,000	-	-	-
Transfers out	<u>(1,351,900)</u>	<u>(1,351,900)</u>	<u>(1,351,900)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,005,900)</u>	<u>(1,351,900)</u>	<u>(1,351,900)</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (737,304)</u>	<u>1,334,258</u>	<u>\$ 2,071,562</u>
Fund balance, July 1			<u>11,334,754</u>	
Fund balance, June 30			<u>\$ 12,669,012</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 Fiscal Year Then Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
Revenues:				
Taxes:				
Current property tax	\$ 11,506,291	\$ 11,506,291	\$ 12,515,905	\$ 1,009,614
Prior years property tax	-	-	557,283	557,283
Payments in lieu of taxes	-	-	233,247	233,247
Local option sales tax	4,262,634	4,262,634	4,587,939	325,305
Business tax	1,570	1,570	1,714	144
Mixed drink tax	100,136	100,136	10,364	(89,772)
Total taxes	15,870,631	15,870,631	17,906,452	2,035,821
State revenues:				
State education funds:				
Basic Education Program	18,826,416	18,826,416	19,463,000	636,584
Other state education funds	112,936	112,936	25,944	(86,992)
Career ladder program	151,666	151,666	83,719	(67,947)
Career ladder - extended contract	67,735	67,735	28,249	(39,486)
Total state revenues	19,158,753	19,158,753	19,600,912	442,159
Federal through state revenues:				
Other federal through state	20,376	20,376	-	(20,376)
Total intergovernmental	19,179,129	19,179,129	19,600,912	421,783
Other local revenues:				
Tuition	291,227	291,227	192,971	(98,256)
Contracts student support	137,954	137,954	137,860	(94)
Contracts noninstructional	89,985	89,985	89,901	(84)
Lease/rental income	30,135	30,135	67,164	37,029
E-rate funding	8,652	8,652	10,002	1,350
Contributions	-	-	2,670	2,670
Insurance recovery	-	-	8,135	8,135
Other local revenues	15,398	15,398	7,565	(7,833)
Total revenues	573,351	573,351	516,268	(57,083)
Total revenues	35,623,111	35,623,111	38,023,632	2,400,521

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 Fiscal Year Then Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Expenditures:				
Instruction:				
Regular education:				
Teachers	14,128,325	14,128,325	13,456,433	(671,892)
Career ladder program	90,373	90,373	47,980	(42,393)
Career ladder - extended contract	31,125	31,125	17,500	(13,625)
Educational assistants	171,801	171,801	156,320	(15,481)
Other salaries and wages	-	-	54,269	54,269
Social security	894,141	894,141	808,688	(85,453)
State retirement	1,304,110	1,304,110	1,238,934	(65,176)
Life insurance	96,040	96,040	55,187	(40,853)
Medical insurance	1,636,800	1,567,463	1,064,336	(503,127)
Medicare	209,114	209,114	189,128	(19,986)
Maintenance and repair	3,000	2,535	1,354	(1,181)
Contracted services - substitutes	270,525	307,304	305,484	(1,820)
Other contracted services	22,004	17,544	9,118	(8,426)
Instructional supplies and materials	271,860	232,097	184,975	(47,122)
Textbooks	250,000	319,337	299,662	(19,675)
Other supplies and materials	20,000	15,700	9,971	(5,729)
Other charges	6,000	4,375	1,319	(3,056)
Equipment	320,000	470,482	375,976	(94,506)
Total regular education	19,725,218	19,861,866	18,276,634	(1,585,232)
Alternative instruction:				
Homebound teachers	57,985	57,985	18,167	(39,818)
Social security	3,595	3,595	1,126	(2,469)
State retirement	5,242	5,242	-	(5,242)
Life insurance	399	399	-	(399)
Medical insurance	6,547	6,547	-	(6,547)
Medicare	841	841	263	(578)
Other contracted services	252,000	252,000	252,000	-
Other charges	1,000	1,000	804	(196)
Total alternative instruction	327,609	327,609	272,360	(55,249)

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 Fiscal Year Then Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
Special education:				
Teachers	1,365,648	1,365,648	1,263,443	(102,205)
Career ladder program	8,959	8,959	3,000	(5,959)
Career ladder - extended contract	3,086	3,086	2,000	(1,086)
Homebound teachers	57,985	57,985	7,270	(50,715)
Educational assistants	269,748	269,748	241,690	(28,058)
Speech pathologist	62,790	62,790	65,730	2,940
Other salaries and wages	-	250	250	-
Social Security	109,629	109,629	93,385	(16,244)
State retirement	160,611	160,611	143,002	(17,609)
Life insurance	12,071	12,071	6,364	(5,707)
Medical insurance	235,699	235,699	100,492	(135,207)
Medicare	25,639	25,639	21,840	(3,799)
Contracts with other school systems	25,000	25,000	2,723	(22,277)
Contracts with private agencies	35,000	35,000	-	(35,000)
Maintenance and repair - equipment	3,000	3,000	-	(3,000)
Contracts substitute teachers	12,825	12,825	12,727	(98)
Other contracted services	29,000	29,000	6,935	(22,065)
Instructional supplies and materials	67,200	67,200	21,343	(45,857)
Special education equipment	6,000	6,000	-	(6,000)
Total special education	<u>2,489,890</u>	<u>2,490,140</u>	<u>1,992,194</u>	<u>(497,946)</u>
Vocational education:				
Teachers	637,835	637,835	617,025	(20,810)
Career ladder program	4,021	4,021	4,000	(21)
Career ladder - extended contract	1,125	1,125	1,000	(125)
Social Security	39,865	39,865	37,539	(2,326)
State retirement	57,660	57,660	55,796	(1,864)
Life insurance	4,384	4,384	2,204	(2,180)
Medical insurance	72,019	72,019	34,365	(37,654)
Medicare	9,323	9,323	8,779	(544)
Contracts substitute teachers	14,430	14,430	10,413	(4,017)
Instructional supplies and materials	7,550	7,550	7,528	(22)
Textbooks	2,000	2,000	1,835	(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 Fiscal Year Then Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
Other supplies and materials	1,500	1,500	200	(1,300)
Special education equipment	5,000	5,000	2,442	(2,558)
Total vocational education	856,712	856,712	783,126	(73,586)
Total instruction	23,399,429	23,536,327	21,324,314	(2,212,013)
Support services:				
Attendance:				
Supervisor/director	163,920	163,920	163,920	-
Career ladder program	-	-	1,000	1,000
Clerical personnel	20,280	20,280	20,280	-
Other salaries and wages	73,170	73,170	67,203	(5,967)
Social Security	15,957	15,957	14,974	(983)
State retirement	23,481	23,481	22,920	(561)
Life insurance	1,769	1,769	1,016	(753)
Medical insurance	43,212	24,086	8,452	(15,634)
Medicare	3,732	3,732	3,502	(230)
Travel	700	700	334	(366)
Other contracted services	21,099	20,299	20,212	(87)
Other supplies and materials	500	3,290	3,036	(254)
In-services/staff development	650	5,216	5,216	-
Other charges	200	200	140	(60)
Attendance equipment	350	12,920	10,562	(2,358)
Total attendance	369,020	369,020	342,767	(26,253)
Health services:				
Medical personnel	68,210	68,210	72,627	4,417
Social Security	4,230	4,230	4,280	50
State retirement	6,323	6,323	6,733	410
Life insurance	470	470	306	(164)
Medical insurance	13,094	13,094	4,249	(8,845)
Medicare	989	989	1,001	12
Travel	250	250	-	(250)
Other contracted services	5,272	5,272	1,760	(3,512)
Other supplies and materials	5,000	5,000	3,993	(1,007)
In-service/staff development	500	500	349	(151)

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

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

For the Fiscal Year Then Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
Other charges	5,000	5,000	1,683	(3,317)
Health equipment	500	500	220	(280)
Total health services	<u>109,838</u>	<u>109,838</u>	<u>97,201</u>	<u>(12,637)</u>
Other student support:				
Career ladder program	2,810	2,810	4,000	1,190
Guidance personnel	681,000	681,000	668,047	(12,953)
Career ladder - extended contracts	3,008	3,008	-	(3,008)
Clerical personnel	12,168	12,168	12,175	7
Other salaries and wages	27,750	27,750	27,750	-
Social Security	45,058	45,058	42,082	(2,976)
State retirement	65,199	65,199	64,373	(826)
Life insurance	4,955	4,955	2,884	(2,071)
Medical insurance	70,186	70,186	35,530	(34,656)
Medicare	10,538	10,538	9,842	(696)
Evaluation and testing	70,000	70,000	33,557	(36,443)
Travel	200	200	-	(200)
Other supplies and materials	1,550	1,550	858	(692)
In-service/staff development	1,500	1,500	-	(1,500)
Other charges	40,000	40,000	1,281	(38,719)
Other equipment	1,500	1,500	162	(1,338)
Total other student support	<u>1,037,422</u>	<u>1,037,422</u>	<u>902,541</u>	<u>(134,881)</u>
Instructional staff:				
Regular education:				
Supervisor/director	185,000	185,000	164,001	(20,999)
Career ladder program	5,250	5,250	4,500	(750)
Librarian(s)	320,580	320,580	293,878	(26,702)
Instructional computer personnel	70,852	70,852	71,852	1,000
Clerical personnel	20,280	20,280	20,280	-
In-service training	20,000	20,000	1,063	(18,937)
Social Security	38,562	38,562	31,888	(6,674)
State retirement	54,464	54,464	50,253	(4,211)
Life insurance	4,102	4,102	2,010	(2,092)

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 Fiscal Year Then Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
Medical insurance	58,925	52,225	54,358	2,133
Medicare	9,018	9,018	7,458	(1,560)
Travel	3,000	2,750	131	(2,619)
Other contracted services	10,000	10,000	5,399	(4,601)
Library books	30,000	30,000	26,764	(3,236)
Other supplies and materials	5,000	7,700	6,334	(1,366)
In-service/staff development	20,000	19,500	18,039	(1,461)
Other charges	5,000	2,050	1,774	(276)
Other equipment	-	7,700	7,090	(610)
Total regular education	860,033	860,033	767,072	(92,961)
Special education:				
Supervisor/director	64,750	64,750	64,750	-
Career ladder program	556	556	1,000	444
Psychological personnel	144,764	144,764	150,195	5,431
Secretary	28,392	28,392	28,409	17
Social Security	105,605	34,105	39,280	5,175
In-service training	1,700	1,700	-	(1,700)
Social Security	21,438	17,005	16,452	(553)
State retirement	31,745	25,117	25,774	657
Life insurance	2,360	1,870	1,156	(714)
Medical insurance	37,188	27,041	20,499	(6,542)
Medicare	5,014	3,977	3,848	(129)
Consultants	1,000	1,000	-	(1,000)
Travel	2,000	1,700	868	(832)
Other contracted services	462,153	552,788	291,587	(261,201)
Other supplies and materials	50,950	48,950	12,493	(36,457)
In-service/staff development	5,000	8,000	7,957	(43)
Other charges	200	-	-	-
Other	-	3,100	2,445	(655)
Total special education	964,815	964,815	666,713	(298,102)
Vocational education:				
Supervisor/director	92,500	92,500	92,500	-
Career ladder program	-	-	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 Fiscal Year Then Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
Social Security	5,735	5,735	5,418	(317)
State retirement	8,362	8,362	8,452	90
Life insurance	636	636	375	(261)
Medical insurance	7,857	7,857	11,531	3,674
Medicare	1,341	1,341	1,267	(74)
Travel	1,000	789	130	(659)
Other supplies and materials	-	211	211	-
Total vocational education	117,431	117,431	120,884	3,453
Total instructional staff	1,942,279	1,942,279	1,554,669	(387,610)
General administration:				
Board of education services:				
Board and committee member fees	18,600	18,600	18,600	-
Social Security	1,153	1,153	1,153	-
Life insurance	1,981	1,981	-	(1,981)
Medical insurance	235,294	235,294	235,294	-
Medicare	270	270	270	-
Audit services	4,900	4,900	-	(4,900)
Dues and memberships	6,600	8,600	8,600	-
Legal services	120,000	112,600	59,505	(53,095)
Travel	250	250	-	(250)
Other supplies and materials	200	600	403	(197)
Judgments	52,131	42,131	-	(42,131)
Liability insurance	29,090	27,641	26,928	(713)
Premium on corporate surety bonds	1,372	2,821	2,821	-
Workmen's compensation insurance	31,310	88,425	84,611	(3,814)
In-service/staff development	3,000	8,000	6,095	(1,905)
Other charges	119,667	72,552	50,690	(21,862)
Total board of education services	625,818	625,818	494,970	(130,848)
Director of schools:				
City official/administrative officer	143,000	153,500	153,500	-
Career ladder program	-	-	2,000	2,000
Secretary(s)	54,333	54,333	54,333	-
Social Security	12,235	12,235	13,006	771

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 Fiscal Year Then Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Over
	Original	Final		(Under)
State retirement	17,964	17,964	19,094	1,130
Life insurance	1,356	1,356	1,154	(202)
Medical insurance	15,713	15,713	9,569	(6,144)
Dental insurance	-	-	326	326
Medicare	2,861	2,861	3,041	180
Other fringe benefits	-	-	356	356
Communication	279,365	177,622	148,619	(29,003)
Dues and memberships	1,480	1,480	150	(1,330)
Postal charges	7,500	6,500	1,951	(4,549)
Travel	7,000	3,450	66	(3,384)
Other contracted services	5,500	-	-	-
Office supplies	300	1,800	1,759	(41)
In-service/staff development	1,000	3,000	2,787	(213)
Other charges	7,560	3,560	3,417	(143)
Administration equipment	5,000	5,050	4,850	(200)
Total director of schools	562,167	460,424	419,978	(40,446)
Total general administration	1,187,985	1,086,242	914,948	(171,294)
School administration:				
Office of the principal:				
Principals	520,104	520,104	518,563	(1,541)
Career ladder program	13,448	13,448	10,000	(3,448)
Career ladder - extended	2,457	2,457	2,000	(457)
Assistant principals	920,140	920,140	825,155	(94,985)
Secretary(s)	156,066	156,066	152,301	(3,765)
Clerical personnel	453,831	453,831	442,506	(11,325)
Social Security	128,095	128,095	114,519	(13,576)
State retirement	188,173	188,173	177,150	(11,023)
Life insurance	14,092	14,092	7,885	(6,207)
Medical insurance	242,246	242,246	114,951	(127,295)
Medicare	29,958	29,958	26,782	(3,176)
Dues and memberships	3,000	2,919	2,900	(19)
Travel	3,000	3,081	731	(2,350)
Total office of the principal	2,674,610	2,674,610	2,395,443	(279,167)

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 Fiscal Year Then Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
Business administration:				
Fiscal services:				
Supervisor/director	95,000	95,000	95,000	-
Accountants/bookkeepers	47,320	47,320	47,320	-
Social Security	8,824	8,824	8,262	(562)
State retirement	13,193	13,193	13,193	-
Life insurance	978	978	578	(400)
Medical insurance	15,713	8,369	8,369	-
Medicare	2,064	2,064	1,932	(132)
Dues and memberships	1,000	1,000	800	(200)
Travel	300	444	384	(60)
Other contracted services	87,374	85,074	71,971	(13,103)
Other supplies	1,000	735	734	(1)
Other supplies and materials	400	492	492	-
In-service/staff development	4,000	4,944	4,503	(441)
Other charges	-	6,290	3,082	(3,208)
Equipment	1,000	3,439	3,438	(1)
Total fiscal services	278,166	278,166	260,058	(18,108)
Human services/personnel:				
Secretary(s)	47,320	47,320	47,320	-
Social Security	2,934	2,934	2,456	(478)
State retirement	4,386	4,386	4,386	-
Life insurance	325	325	193	(132)
Medical insurance	7,857	7,857	8,369	512
Unemployment Compensation	31,279	31,279	-	(31,279)
Medicare	686	686	574	(112)
Other fringe benefits	5,000	5,000	4,745	(255)
Dues and memberships	300	1,440	1,440	-
Travel	300	300	-	(300)
Other contracted services	43,000	43,000	29,069	(13,931)
Data processing supplies	2,500	1,500	-	(1,500)
Office supplies	800	800	692	(108)
In-service/staff development	5,000	4,860	4,377	(483)
Equipment	11,500	11,500	5,151	(6,349)
Total human services/personnel	163,187	163,187	108,772	(54,415)

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 Fiscal Year Then Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
Total business administration	441,353	441,353	368,830	(72,523)
Operation and maintenance of plant:				
Operation of plant:				
Supervisor/director	226,548	226,548	225,951	(597)
Other salaries and wages	-	-	13,980	13,980
Social Security	14,046	14,046	12,132	(1,914)
State retirement	21,001	21,001	22,243	1,242
Life insurance	1,557	1,557	918	(639)
Medical insurance	39,283	39,283	37,070	(2,213)
Medicare	3,285	3,285	3,046	(239)
Janitorial services	539,043	602,043	596,848	(5,195)
Travel	200	200	40	(160)
Other contracted services	80,000	80,000	32,693	(47,307)
Custodial supplies	11,000	11,000	9,061	(1,939)
Electricity	880,000	817,000	696,026	(120,974)
Other supplies and materials	300	1,300	1,254	(46)
Building and content insurance	110,780	110,780	105,563	(5,217)
Other charges	8,000	7,000	2,733	(4,267)
Plant operation equipment	5,000	5,000	1,722	(3,278)
Total operation of plant	1,940,043	1,940,043	1,761,280	(178,763)
Maintenance of plant:				
Supervisor/director	145,000	145,000	145,000	-
Secretary(s)	40,560	43,281	42,198	(1,083)
Maintenance personnel	120,000	120,000	120,000	-
Social Security	18,945	19,114	18,863	(251)
State retirement	28,325	28,578	28,477	(101)
Life insurance	2,100	2,100	1,241	(859)
Medical insurance	37,974	32,974	27,510	(5,464)
Medicare	4,431	4,471	4,203	(268)
Maintenance and repair - buildings	90,000	85,200	80,827	(4,373)
Maintenance and repair - equipment	7,100	7,100	7,092	(8)
Travel	200	4,100	3,756	(344)
Other contracted services	40,000	34,120	34,120	-

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 Fiscal Year Then Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
Gasoline	-	3,717	1,799	(1,918)
Other supplies and materials	2,000	1,600	1,375	(225)
In-service/staff development	700	1,700	1,428	(272)
Other charges	5,000	3,000	2,334	(666)
Administration equipment	1,800	4,590	4,111	(479)
Maintenance equipment	42,000	45,490	45,420	(70)
Total maintenance of plant	586,135	586,135	569,754	(16,381)
Total operation and maintenance of plant	2,526,178	2,526,178	2,331,034	(195,144)
Transportation:				
Student transportation:				
Contracts with other school systems	45,289	68,839	46,044	(22,795)
Contracts with private agencies	1,036,908	1,036,908	788,741	(248,167)
Other contracted services	23,550	-	-	-
Diesel fuel	311,600	311,600	98,970	(212,630)
Total student transportation	1,417,347	1,417,347	933,755	(483,592)
Central and other transportation:				
Supervisor/director	120,000	120,000	120,000	-
Other salaries and wages	60,000	60,000	60,000	-
Social Security	11,160	11,160	10,767	(393)
State retirement	16,409	16,409	16,410	1
Life insurance	1,237	1,237	730	(507)
Medical insurance	15,714	7,857	11,531	3,674
Medicare	2,610	2,610	2,518	(92)
Consultants	87,000	101,530	101,015	(515)
Maintenance and repair - equipment	25,000	20,119	19,883	(236)
Travel	1,600	-	-	-
Other contracted services	201,000	213,970	160,166	(53,804)
Data processing supplies	1,000	1,000	200	(800)
Office supplies	15,300	10,244	2,467	(7,777)
Other supplies and materials	15,000	15,000	7,454	(7,546)
In-service/staff development	5,500	5,500	1,748	(3,752)
Other charges	78,000	63,500	62,347	(1,153)

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 Fiscal Year Then Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
Administrative equipment	42,000	13,488	11,648	(1,840)
Total central and other transportation	698,530	663,624	588,884	(74,740)
Total transportation	2,115,877	2,080,971	1,522,639	(558,332)
Total support services	12,404,562	12,267,913	10,430,072	(1,837,841)
Regular capital outlay:				
Architects	3,292	3,292	-	(3,292)
Consultants	2,195	2,195	-	(2,195)
Engineering services	3,292	3,292	-	(3,292)
Building improvements	229,041	229,041	142,098	(86,943)
Site development	7,682	7,682	-	(7,682)
Other capital outlay	38,188	38,188	32,706	(5,482)
Total regular capital outlay	283,690	283,690	174,804	(108,886)
Debt service:				
Principal payment to Shelby Co. Schools	333,333	333,333	333,333	-
Total non-instructional services	617,023	617,023	508,137	(108,886)
Total expenditures	\$ 36,421,014	\$ 36,421,263	\$ 32,262,523	\$ (4,158,740)
Excess (deficiency) of revenues over (under) expenditures	(797,903)	(798,152)	5,761,109	6,559,261
Other financing sources (uses):				
Transfers out	-	-	(101,032)	(101,032)
Town appropriations - transfer in	797,900	797,900	797,900	-
Total other financing sources (uses)	797,900	797,900	696,868	(101,032)
Net changes in fund balance	\$ (3)	\$ (252)	6,457,977	\$ 6,458,229
Fund balance - beginning			-	
Fund balance - ending			\$ 6,457,977	

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

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

For the Year Ended June 30, 2015

Revenues	Budgeted Amounts			Variance
	Original	Final	Actual	Over (Under)
Intergovernmental:				
Gas 1989	\$ 36,000	\$ 36,000	\$ 35,138	\$ (862)
Gas 3 cent	67,000	67,000	65,216	(1,784)
Gasoline and motor fuel tax	195,000	195,000	221,876	26,876
Grant revenue	<u>500,000</u>	<u>1,806,116</u>	<u>1,821,528</u>	<u>15,412</u>
Total intergovernmental	<u>798,000</u>	<u>2,104,116</u>	<u>2,143,758</u>	<u>39,642</u>
Other:				
Interest earned	<u>30,000</u>	<u>30,000</u>	<u>24,536</u>	<u>(5,464)</u>
Total revenues	<u>828,000</u>	<u>2,134,116</u>	<u>2,168,294</u>	<u>34,178</u>
Expenditures				
Current:				
Public works:				
Highways and streets:				
Utilities	320,000	320,000	344,154	24,154
Repair and maintenance services	70,000	55,000	64,747	9,747
Repair and maintenance - streets	500,000	512,810	412,885	(99,925)
Gas, oil and diesel	15,000	15,000	10,187	(4,813)
Capital outlay, including grants	<u>923,000</u>	<u>3,349,966</u>	<u>3,756,127</u>	<u>406,161</u>
Total expenditures	<u>1,828,000</u>	<u>4,252,776</u>	<u>4,588,100</u>	<u>335,324</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,000,000)</u>	<u>(2,118,660)</u>	<u>(2,419,806)</u>	<u>(301,146)</u>
Other financing sources (uses)				
Other	500,000	-	-	-
Transfers in	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ (1,618,660)</u>	<u>(1,919,806)</u>	<u>\$ (301,146)</u>
Fund balance, July 1			<u>6,000,316</u>	
Fund balance, June 30			<u>\$ 4,080,510</u>	

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

TOWN OF ARLINGTON, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2015

	<u>Sewer Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 3,814,299
Investments	5,955,238
Receivables	
Interest	562
Accounts	<u>265,632</u>
Total current assets	<u>10,035,731</u>
Noncurrent assets	
Capital assets	
Land	231,762
Sewer plant	29,093,947
Less accumulated depreciation	<u>(5,269,162)</u>
Total capital assets (net of accumulated depreciation)	<u>24,056,547</u>
Total noncurrent assets	<u>24,056,547</u>
Total assets	<u>34,092,278</u>
Liabilities	
Current liabilities	
Accounts payable	4,775
Due to other funds	81,081
Bonds payable	<u>904,000</u>
Total current liabilities	<u>989,856</u>
Noncurrent liabilities	
Unamortized bond premium	29,320
Bonds payable	<u>12,508,000</u>
Total noncurrent liabilities	<u>12,537,320</u>
Total liabilities	<u>13,527,176</u>
Net position	
Net investment in capital assets	10,615,227
Unrestricted	<u>9,949,875</u>
Total net position	<u>\$ 20,565,102</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, 2015

	<u>Sewer Fund</u>
Operating revenues	
Sewer service charges	\$ 1,580,705
Surcharges and inspection fees	<u>546,222</u>
Total operating revenues	<u>2,126,927</u>
Operating expenses	
Salaries	102,543
OASI	7,053
Hospital and health insurance	21,229
Workmen's compensation	7,125
Other employer contributions	8,344
Memberships and dues	6,917
Utility services	171,876
Telephone	5,806
Accounting and auditing	7,812
Other professional services	3,400
Contractual services	54,452
Data processing services	1,761
Repair and maintenance	97,059
Lab costs	5,864
Operating supplies	12,062
Gas, oil and diesel	4,278
Insurance	28,053
Depreciation	<u>847,572</u>
Total operating expenses	<u>1,393,206</u>
Operating income (loss)	<u>733,721</u>
Non-operating income (expense)	
Interest earned	52,272
Interest expense	(173,185)
Sale of equipment	585
Debt fees	<u>(50,799)</u>
Total non-operating revenues (expenses)	<u>(171,127)</u>
Change in net position	562,594
Total net position, beginning	<u>20,002,508</u>
Total net position, ending	<u>\$ 20,565,102</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, 2015

	Sewer Fund
Cash flows from operating activities:	
Cash received from consumers	\$ 2,162,710
Cash received from other funds	2,523
Cash paid to employees for services	(109,596)
Other operating payments	(431,659)
Net cash provided (used) by operating activities	1,623,978
Cash flows from capital and related financing activities:	
Principal paid on debt	(868,001)
Interest and debt fees paid	(226,590)
Disposal of capital assets	585
Construction and acquisition of plant	(31,561)
Net cash provided (used) by capital and related financing activities	(1,125,567)
Cash flows from investing activities:	
Purchase of investments	(5,955,238)
Proceeds from sale and maturities of investments	5,919,850
Interest and unrealized change in investments	52,268
Net cash provided (used) by investing activities	16,880
Net increase (decrease) in cash and cash equivalents	515,291
Cash and cash equivalents - beginning of year	3,299,008
Cash and cash equivalents - end of year	3,814,299

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, 2015

	Sewer Fund
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income (loss)	\$ 733,721
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	847,572
(Increase) decrease in accounts receivable	35,783
Increase (decrease) in payables	4,379
Increase (decrease) in due to other funds	2,523
Net cash provided (used) by operating activities	\$ 1,623,978

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

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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, 2015

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

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

The Town reports the following major governmental funds:

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

The State Street Aid Fund accounts for street and road repair and maintenance.

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

The Town reports the following major proprietary fund:

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

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.

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

Deposits and Investments

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

Investments for the Town are reported at fair value. All investments at June 30, 2015 consisted of certificates of deposits.

Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

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

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

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

Inventories and Prepaid Items

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

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

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

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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 and improvements	20 - 50 years
Machinery and equipment	5 - 15 years

Compensated Absences

Town of Arlington

The Town has established vacation and sick leave policies. According to the vacation policy, employees other than Senior Citizen Center Department employees can accrue vacation and sick time based on longevity of service. The Fire Department employees can accrue up to 10 days of vacation time and 45 days of sick time based on 24 hour shifts. Other Town employees can accrue up to 20 days of vacation time and 90 days of sick time based on 8 hour shifts. Upon separation, employees are entitled to be reimbursed for any unused vacation and sick time up to 20 days maximum. The current portion of the accrued vacation at June 30, 2015 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, twelve days of vacation per year; ten to fifteen years of employment, 15 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 of 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.

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Impact of Recently Issued Accounting Pronouncements

In June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, and Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. Statement No. 67, effective for fiscal years beginning after June 15, 2013, revises existing standards of financial reporting by state and local government pension plans and will be adopted by the pension plan itself. Statement 68 will affect the governments that participate as employers in these plans and is effective for fiscal years beginning after June 15, 2014. For governments to adopt Statement 68, the underlying pension plans must first adopt Statement No. 67. These statements establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. Statement No. 68 details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. The objective of Statement No. 68 is to improve accounting and financial reporting by state and local governments for pensions. These pension standards include significant changes to how governmental employers will report liabilities related to pension obligations. The implementation of this statement resulted in a restatement of beginning net position. Net pension asset and deferred inflows and outflows of resources on the government wide statement are now reported.

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In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require the beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68. The implementation of this statement resulted in a restatement of net position in the government wide statement of activities to report the beginning deferred outflows of resources.

Net Position Flow Assumption

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

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

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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. As of June 30, 2015, the Education Capital Projects Fund had a negative fund balance of \$217,263, due to a deferred revenue in the current year.

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

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

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including notes and leases payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$5,599,379 difference are as follows:

Long-term debt due within a year	\$ 408,333
Long-term debt due in more than a year	3,650,330
Compensated absences payable	187,697
OPEB	924,651
Accrued postclosure care costs	428,368
Net adjustment to reduce fund balance - total government funds to arrive at net position - governmental activities	\$ 5,599,379

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 \$2,703,860 difference are as follows:

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Capital Outlay net of contributed capital	\$ 5,396,346
Amount costs of disposed assets exceeded accumulated depreciation	(10,981)
Depreciation expense	<u>(2,681,505)</u>
Net adjustment to reduce net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 2,703,860</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 \$544,179 difference are as follows:

Change in deferred property taxes	\$ (49,590)
Change in deferred grant revenue	376,506
Change in unavailable revenue	<u>217,263</u>
Net adjustment to reduce net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 544,179</u>

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. For the year ended June 30, 2015, expenditures in the State Street Aid Fund exceeded appropriations by \$335,324.

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. The System is not in compliance with this policy on the following categories: in the General Purpose Fund, the total transfer expenditure included in other financing sources (uses) exceeded the budget by \$101,032; also in the General Purpose Fund, under support services, total vocational education expenditures exceeded the budget by \$3,453.

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NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Investments were made up entirely of certificates of deposits with original maturities greater than three months for the fiscal year ended June 30, 2015.

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, 2015, all deposits were fully collateralized or insured.

B. Receivables

Receivables as of June 30, 2015 for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	General Purpose School	State Street Aid	Sewer	Other Governmental Funds	Total
Receivables						
Interest	\$ 1,460	\$ -	\$ 823	\$ 562	\$ -	\$ 2,845
Taxes	3,344,975	-	-	-	-	3,344,975
Accounts	118,880	-	-	265,632	-	384,512
Due from other						
governments - grants	-	2,931	-	-	220,681	223,612
Intergovernmental	751,013	1,421,206	-	-	217,263	2,389,482
Grants	-	-	872,158	-	-	872,158
Gross receivables	4,216,328	1,424,137	872,981	266,194	437,944	7,217,584
Less: allowance for uncollectibles	(5,166)	-	-	-	-	(5,166)
Net total receivables	<u>\$ 4,211,162</u>	<u>\$ 1,424,137</u>	<u>\$ 872,981</u>	<u>\$ 266,194</u>	<u>\$ 437,944</u>	<u>\$ 7,212,418</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 governmental agencies represent amounts due from the county to reimburse for capital 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

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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:

	<u>Unavailable</u>	<u>Unearned/Unavailable</u>	<u>Total</u>
Grant revenue	\$ 376,506	\$ -	\$ 376,506
Delinquent property taxes receivable	49,282	-	49,282
2015 property tax assessment	-	3,216,140	3,216,140
Education capital projects revenue	217,263	-	217,263
Prepaid tuition	-	5,570	5,570
County allocation - athletic fieldhouse	-	11,785	11,785
Federal projects revenue - Title II, Part A	-	861	861
Prepaid lunch balances	-	14,247	14,247
Soccer field donation	-	40,050	40,050
Total deferred revenue for governmental funds	<u>\$ 643,051</u>	<u>\$ 3,288,653</u>	<u>\$ 3,931,704</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

Governmental Activities:	<u>Beginning Balance</u>	<u>Adjustment</u>	<u>Beginning Balance Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:						
Land	\$ 12,783,168	\$ (7,116,312)	\$ 5,666,856	\$ -	\$ -	\$ 5,666,856
Construction in progress	1,613,397	-	1,613,397	4,816,836	5,237,120	1,193,113
Total capital assets, not being depreciated, net	<u>14,396,565</u>	<u>(7,116,312)</u>	<u>7,280,253</u>	<u>4,816,836</u>	<u>5,237,120</u>	<u>6,859,969</u>
Capital assets being depreciated:						
Buildings and improvements	77,483,665	(13,350,494)	64,133,171	749,455	-	64,882,626
Machinery and equipment	3,353,925	381,878	3,735,803	278,384	53,713	3,960,474
Infrastructure	27,901,606	-	27,901,606	4,788,791	-	32,690,397
Total capital assets being depreciated	<u>108,739,196</u>	<u>(12,968,616)</u>	<u>95,770,580</u>	<u>5,816,630</u>	<u>53,713</u>	<u>101,533,497</u>
Less: accumulated depreciation for:						
Buildings and improvements	(1,844,200)	(12,284,114)	(14,128,314)	(1,401,158)	-	(15,529,472)
Machinery and equipment	(1,497,189)	(784,557)	(2,281,746)	(262,119)	(42,732)	(2,501,133)
Infrastructure	(4,589,333)	-	(4,589,333)	(1,018,228)	-	(5,607,561)
Total accumulated depreciation	<u>(7,930,722)</u>	<u>(13,068,671)</u>	<u>(20,999,393)</u>	<u>(2,681,505)</u>	<u>(42,732)</u>	<u>(23,638,166)</u>
Total capital assets, being depreciated, net	<u>100,808,474</u>	<u>(26,037,287)</u>	<u>74,771,187</u>	<u>3,135,125</u>	<u>10,981</u>	<u>77,895,331</u>
Governmental activities, capital assets, net	<u>\$ 115,205,039</u>	<u>\$ (33,153,599)</u>	<u>\$ 82,051,440</u>	<u>\$ 7,951,961</u>	<u>\$ 5,248,101</u>	<u>\$ 84,755,300</u>

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Business-type Activities:	Beginning		Increases	Decreases	Ending
Capital assets not being depreciated:	Balance				Balance
Land	\$ 231,762	\$ -	\$ -	\$ -	\$ 231,762
Total capital assets, not being depreciated	<u>231,762</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>231,762</u>
Capital assets being depreciated:					
Sewer plant	29,062,387	31,561	-	-	29,093,948
Total capital assets being depreciated	<u>29,062,387</u>	<u>31,561</u>	<u>-</u>	<u>-</u>	<u>29,093,948</u>
Less: accumulated depreciation for:					
Infrastructure	(4,421,591)	(847,572)	-	-	(5,269,163)
Total accumulated depreciation	<u>(4,421,591)</u>	<u>(847,572)</u>	<u>-</u>	<u>-</u>	<u>(5,269,163)</u>
Total capital assets being depreciated, net	<u>24,640,796</u>	<u>(816,011)</u>	<u>-</u>	<u>-</u>	<u>23,824,785</u>
Business-type activities capital assets, net	<u>\$ 24,872,558</u>	<u>\$ (816,011)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,056,547</u>

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

Governmental activities:		
General government	\$	104,272
Public safety		95,266
Public works		69,049
Street department		1,048,273
Parks department		155,672
Education		1,208,973
Total depreciation expense - governmental activities	<u>\$</u>	<u>2,681,505</u>
Business-type activities:		
Sewer	<u>\$</u>	<u>847,572</u>

D. Interfund Transfers and Balances

The composition of interfund transfers as of June 30, 2015, is as follows:

Transfer from	Transfer to	Amount
General	General Purpose School	\$ 797,900
General	State Street Aid	500,000
General	Sanitation	54,000
General Purpose School	School Nutrition	101,032
Total		<u>\$ 1,452,932</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

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transfer from the Town to the School System includes \$451,000 for the School's portion of local tax revenue per State Statute. The Town also paid \$346,000 to the Schools to assist with startup costs. The transfer from the General Purpose School Fund to the School Nutrition Fund is to assist in operating the fund.

As of May 31, 2014, Shelby County School System transferred Arlington Community School's associated assets to the Town of Arlington, Tennessee. On July 1, 2014, the Town of Arlington, Tennessee transferred these assets to the School System. The total historical cost of the assets transferred was \$62,259,534. The total accumulated depreciation that was related to these assets was \$13,068,671 which created a net book value of \$49,190,863. The School System agreed to repay Shelby County School System \$3,999,996 of this amount which left \$45,190,867 that was considered contributed capital.

The composition of due to and due from other funds as of June 30, 2015, is as follows:

Due from	Due to	Amount
General Fund	State Street Aid	\$ 58,493
Federal Projects	General Purpose School	165,353
Education Capital Projects	General Purpose School	166,390
Sewer Fund	Sanitation	81,081
Total		471,317
Governmental fund activities eliminated		(390,236)
Internal balances		\$ 81,081

The balance due from the General Fund to the State Street Aid Fund is related to transfers to move revenues from the General Fund to the fund in which it relates. The balance due from the Sewer Fund to the Sanitation Fund relates to collections for sanitation services by the Sewer Fund. The balances due from the Federal Projects Fund and the Education Capital Projects Fund to the General Purpose School Fund is for the negative cash balance in the pooled bank account at the end of the year.

E. Long-term Debt

Long-term debt at June 30, 2015 is summarized as follows:

Revenue Bonds:

Adjustable Rate Pooled Financing Revenue Bonds, Series 2002 Tennessee County Loan Pool; the total amount of the bond issue is for \$13,000,000; due in annual installments of \$484,000 to \$1,023,000 through 2024; interest at 0.26% at June 30, 2015	\$ 7,772,000
Adjustable Rate Pooled Financing Revenue Bonds, Series 2012 Tennessee County Loan Pool; the total amount of the bond issue is for \$6,000,000; due in annual installments of \$180,000 to \$335,000 through 2038; interest at 2.00% at June 30, 2015	5,640,000

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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, 2015 392,000

Arlington Board of Education Note payable to the Shelby County
Board of Education; the total amount of the note is \$3,999,996;
due in annual payments of \$333,333 through 2026. 3,666,663

Total \$ 17,470,663

The following is a summary of long-term debt transactions for the year ended June 30, 2015:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
Notes payable					
Note payable-capital outlay	\$ 465,000	\$ -	\$ 73,000	\$ 392,000	\$ 75,000
Note payable-Board of Education	<u>3,999,996</u>	-	<u>333,333</u>	<u>3,666,663</u>	<u>333,333</u>
Total notes payable	<u>4,464,996</u>	-	<u>406,333</u>	<u>4,058,663</u>	<u>408,333</u>
OPEB	-	924,651	-	924,651	-
Compensated absences	75,489	112,208	-	187,697	182,053
Landfill closing and post closing monitoring costs	<u>460,178</u>	-	<u>31,810</u>	<u>428,368</u>	-
	<u>\$ 5,000,663</u>	<u>\$ 1,036,859</u>	<u>\$ 438,143</u>	<u>\$ 5,599,379</u>	<u>\$ 590,386</u>
Business-type activities:					
Bonds payable					
Revenue bonds 2002	\$ 8,460,000	\$ -	\$ 688,000	\$ 7,772,000	\$ 719,000
Revenue bonds 2012	5,820,001	-	180,001	5,640,000	185,000
Premium	<u>31,926</u>	-	<u>2,606</u>	<u>29,320</u>	<u>2,606</u>
	<u>\$ 14,311,927</u>	\$ -	<u>\$ 870,607</u>	<u>\$13,441,320</u>	<u>\$ 906,606</u>

The annual requirements to amortize all long-term debt and obligations outstanding, except accrued employee vacation, OPEB, and landfill closing and post-closing monitoring costs, at June 30, 2015, including interest payments of \$2,324,485, are as follows:

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Year Ending June 30,	Total Principal	Total Interest	Total
2016	\$ 1,312,333	\$ 183,577	\$ 1,495,910
2017	1,352,333	176,073	1,528,406
2018	1,397,333	168,296	1,565,629
2019	1,434,333	160,293	1,594,626
2020	1,473,333	152,149	1,625,482
2021-2025	6,577,665	653,693	7,231,358
2026-2030	1,543,333	491,052	2,034,385
2031-2035	1,405,000	290,113	1,695,113
2036-2038	975,000	49,239	1,024,239
Total	<u>\$ 17,470,663</u>	<u>\$ 2,324,485</u>	<u>\$ 19,795,148</u>

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 in 2007. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Expenditures were \$31,810 for the year ended June 30, 2015.

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.

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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 Risk Management Trust (TNRMT), 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.

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, 2015, total employer contributions were \$99,108 and employee contributions were \$132,377 based on total covered wages of \$1,964,560.

Arlington Community School System

Teacher Legacy Pension Plan of Tennessee Consolidated Retirement System

Plan description

Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Arlington Community Schools are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, 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

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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.

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, 2015 to the Teacher Legacy Pension Plan were \$1,932,647 which is 9.73 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 asset

At June 30, 2014, the Arlington Community Schools reported an asset of \$1,744 for its proportionate share of net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset 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' employer contributions to the pension plan during the year ended June 30, 2014 relative to the contributions of all LEAs for the year ended June 30, 2014. At the June 30, 2014 measurement date, Arlington Community Schools' proportion was 0.010736 percent. The proportion measured as of June 30, 2013 was 0.025820 percent.

Pension expense

For the year ended June 30, 2015, Arlington Community Schools recognized a pension expense of \$23,743.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2015, Arlington Community Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

June 30, 2015

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,235	\$ -
Net difference between projected and actual earnings on pension plan investments	-	143,734
Changes in proportion of Net Pension Liability (Asset)	151,430	-
Contributions subsequent to the measurement date of June 30, 2014	1,932,647	-
Total	\$ 2,088,312	\$ 143,734

Arlington Community Schools employer contributions of \$1,932,647, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2016	\$ (9,989)
2017	(9,989)
2018	(9,989)
2019	(9,989)
2020	25,944
Thereafter	25,944

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, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

June 30, 2015

The actuarial assumptions used in the June 30, 2014 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 current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

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

June 30, 2015

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Arlington Community Schools' proportionate share of the net pension liability (asset)	\$ 294,227	\$ (1,744)	\$ (246,777)

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, 2015, Arlington Community Schools reported a payable of \$119,742 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

Teacher Retirement Plan of Tennessee Consolidated Retirement System

Plan description

Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Arlington Community Schools are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014 are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost sharing multiple-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 all employer pension plans in the TCRS. The Tennessee Treasury Department, 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 Retirement Plan are eligible to retire 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. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's 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

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

June 30, 2015

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. 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 for the year ended June 30, 2015 to the Teacher Retirement Plan were \$33,098, 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

Since the measurement date is June 30, 2014, which is prior to the July 1, 2014 inception of the Teacher Retirement Plan, there is not a net pension liability to report at June 30, 2015.

Pension expense

Since the measurement date is June 30, 2014, Arlington Community Schools did not recognize a pension expense at June 30, 2015.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2015, 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
Contributions subsequent to the measurement date of June 30, 2014	\$ <u>33,098</u>	<u>-</u>

Arlington Community Schools' employer contributions of \$33,098 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, 2016.

Payable to the Pension Plan

At June 30, 2015, Arlington Community Schools reported a payable of \$4,989 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

D. Postemployment Healthcare Plan

Plan Description

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

Eligibility

Employees who retire from the System and qualify for full retirement benefits under the Tennessee Consolidated Retirement System (TCRS) may be eligible for post-retirement health benefits. Eligible employees must complete 15 years of service with the System. Those who are former employees of Shelby County School District or Memphis City Schools must have 15 years of continuous service with Arlington, Shelby County, and/or Memphis City Schools prior to retirement. Employees must be enrolled in the System's health plan immediately preceding retirement to qualify for retirement benefits. Tier 1 employees are those hired directly from Shelby County Schools prior to August 4, 2014 and employees are hired by Arlington Community Schools between January 1, 2014 and June 30, 2014. Tier 2 employees are those whose effective hire date is July 1, 2014. As of June 30, 2015, there are no retired participants of this plan.

Spouse Benefit

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

Explicit Subsidy

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

Retiree Cost Sharing

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

Medical Benefit

Same benefit options are offered to retirees as active employees (tier 1 employees only). The System participates in the Interlocal Health Benefit Trust. Premium rates are developed on the experience of several School Districts, the Town of Collierville, and the City of Bartlett. The monthly premiums and active employee contribution percentages by plan effective July 1, 2015 are shown below:

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Pre-65 Plan	Effective July 1, 2015	
	Retiree	Ret/Spouse
Basic	\$ 508.48	\$ 1,016.95
EPO	563.26	1,126.53
HRA	476.65	953.32

Post-65 Plan	Effective September 1, 2015	
	Retiree	Ret/Spouse
Aetna	\$ 349.54	\$ 699.08

Plan	Effective July 1, 2015	
	Retiree	Ret/Spouse
Basic	31%	42%
EPO	34%	46%
HRA	24%	38%
Aetna (post-65 plan)	34%	34%

Life Insurance

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

ARC		\$	1,157,845
Interest on the NPO			-
Adjustment to the ARC			-
Annual OPEB cost			1,157,845
Amount of contribution			(233,194)
Increase/Decrease in NOP			924,651
Net OPEB obligation - beginning of year			-
Net OPEB obligation - end of year		\$	924,651
Year End	Annual OPEB Cost		Percentage of Annual OPEB Cost Contributed
June 30, 2015	\$ 1,157,845		20.14%
		\$	924,651

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2015, was as follows:

Actuarial valuation date	June 30, 2015
Actuarial accrued liability (AAL)	\$ 6,962,519
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	6,962,519
Actuarial Value of Assets as a % of the AAL	0%
Covered Payroll (active plan members)	20,686,474
UAAL as a percentage of covered payroll	34%
Net OPEB obligation - end of year	\$ 924,651

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

Actuarial Methods and Assumptions

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

In the June 30, 2015, actuarial valuation for the Local Education plan, the Projected Unit Credit actuarial cost method was used and the actuarial assumptions included an 8 percent investment rate of return (net of expenses) and an annual healthcare cost trend rate of 3.0 percent per year. The cost method used was Projected Unit Credit with linear proration to decrement. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with July 1, 2015.

E. 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, 2015, are as follows:

Years Ended June 30		
2016	\$	6,859
2017		3,648
2018		3,817
2019		1,286
2020		264
Total	\$	15,874

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

June 30, 2015

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 are 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:

<u>Years ending June 30,</u>	
2016	\$ 149,663
2017	149,663
2018	75,617
2019	131
	<u>\$ 375,074</u>

Lease expense for the year ended June 30, 2015 was \$75,487.

F. Restatement of beginning net position – GASB Statements No. 68 and 71 implementation

The Arlington Community School System was not officially in existence until July 1, 2014. However, certain employees were hired in January of 2014 who began to develop the System to ensure that it was operational as of July 1, 2014. During this period, the employees were paid by the Town of Arlington, Tennessee. The Town also paid the employees' TCRS benefits on their behalf which was credited towards the System's plan.

As of July 1, 2014, a restatement of beginning net position was made for net pension asset and deferred outflows of resources due to the System implementing GASB Statements No. 68 and 71, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 and Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The implementation of GASB Statements No. 68 and 71 resulted in the System restating July 1, 2014 net position by \$37,418 in the governmental activities with a measurement date of June 30, 2014.

G. Prior Period Adjustment

As of May 31, 2014, Shelby County School System transferred Arlington Community School's associated assets to the Town of Arlington, Tennessee. As of June 30, 2014, the Town recorded the assets at the fair market value of \$82,344,462, as that was the only known value at the time. Subsequently, the historical cost information was obtained, and a prior period adjustment in the amount of \$33,153,599 was made to the government wide statements to reduce the value of the assets to the historical cost. The Town then transferred the assets to the Arlington Community School System effective July 1, 2014. The total historical cost of the assets transferred was \$62,259,534. The total accumulated depreciation that was related to these assets was \$13,068,671 which created a net book value of \$49,190,863. The Schools agreed to repay Shelby County School System \$3,999,996 of this amount which left \$45,190,867 that was considered to be the value of the assets transferred.

TOWN OF ARLINGTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

H. Concentration of Credit Risk

Approximately 55% of total revenue for the Arlington Community School System during the fiscal year was provided by intergovernmental funds: the State of Tennessee, federal funds received through the State of Tennessee, and the Town. Funding lost from any or all of these sources would have a significant impact on the System's operations.

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 constitute a liability of the applicable funds. The amount, if any, of expenditures, which may be disallowed by the grantors, 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 \$1,982,323.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

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

	2014
Arlington Community Schools' proportion of the net pension asset	0.010736%
Arlington Community Schools' proportionate share of the net pension asset	\$ 1,744
Arlington Community Schools' covered employee payroll	\$ 421,371
Arlington Community Schools' proportionate share of the net pension asset as a percentage of its covered-employee payroll	0.41%
Plan fiduciary net position as a percentage of the total pension asset	100.08%

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

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

See independent auditor's report.

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

	<u>2014</u>	<u>2015</u>
Actuarially determined contribution (ADC)	\$ 37,418	\$ 1,932,647
Contributions in relation to the actuarially determined contributions	<u>37,418</u>	<u>1,932,647</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 421,371	\$ 19,859,015
Contributions as a percentage covered-employee payroll	8.88%	9.73%

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

See independent auditor's report.

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

	2015
Actuarially determined contribution (ADC)	\$ 20,686
Contributions in relation to the actuarially determined contributions	33,098
Contribution deficiency (excess)	\$ (12,412)
Covered-employee payroll	\$ 827,459
Contributions as a percentage covered-employee payroll	4.00%

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

See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
ARLINGTON COMMUNITY SCHOOLS
SCHEDULE OF FUNDING PROGRESS - POST EMPLOYMENT HEALTHCARE PLAN
June 30, 2015

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%	\$ 20,686,474	33.66%

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

See independent auditor's report.

SUPPLEMENTARY AND OTHER INFORMATION SECTION

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

TOWN OF ARLINGTON, TENNESSEE
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
June 30, 2015

	<u>Sanitation</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	\$ 667,739	\$ -	\$ -	\$ 14,387	\$ 43,581	\$ 725,707
Due from other governmental agencies	-	217,263	-	-	-	217,263
Due from other governments - grants	-	-	205,220	-	15,461	220,681
Due from other funds	81,081	-	-	-	-	81,081
Inventory	-	-	-	12,611	-	12,611
Total assets	<u>\$ 748,820</u>	<u>\$ 217,263</u>	<u>\$ 205,220</u>	<u>\$ 26,998</u>	<u>\$ 59,042</u>	<u>\$ 1,257,343</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:						
Liabilities						
Accounts payable	70,408	39,088	7,767	140	15,947	133,350
Due to other funds	-	166,390	165,353	-	-	331,743
Unearned revenue	-	11,785	861	14,247	40,050	66,943
Accrued payroll and expenses	-	-	31,239	-	3,045	34,284
Total liabilities	<u>70,408</u>	<u>217,263</u>	<u>205,220</u>	<u>14,387</u>	<u>59,042</u>	<u>566,320</u>
Deferred Inflows of Resources						
Unavailable revenue	-	217,263	-	-	-	217,263
Fund Balances						
Nonspendable						
Inventory	-	-	-	12,611	-	12,611
Restricted	678,412	-	-	-	-	678,412
Unassigned	-	(217,263)	-	-	-	(217,263)
Total fund balance	<u>678,412</u>	<u>(217,263)</u>	<u>-</u>	<u>12,611</u>	<u>-</u>	<u>473,760</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 748,820</u>	<u>\$ 217,263</u>	<u>\$ 205,220</u>	<u>\$ 26,998</u>	<u>\$ 59,042</u>	<u>\$ 1,257,343</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 Fiscal Year Ended June 30, 2015

	<u>Sanitation</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	\$ 958,290	\$ -	\$ -	\$ 612,639	\$ -	\$ 1,570,929
Other local revenues	-	50,675	-	-	19,950	70,625
State revenue	-	-	-	-	338,094	338,094
Federal revenue	-	-	1,531,652	324,777	-	1,856,429
Interest	3,088	-	-	-	-	3,088
Total revenues	<u>961,378</u>	<u>50,675</u>	<u>1,531,652</u>	<u>937,416</u>	<u>358,044</u>	<u>3,839,165</u>
Expenditures:						
Current:						
Public works	893,061	-	-	-	-	893,061
Instruction	-	-	1,275,834	-	231,027	1,506,861
Support services	-	-	255,818	-	107,067	362,885
Non-instructional services	-	267,938	-	-	19,950	287,888
Food service	-	-	-	1,038,448	-	1,038,448
Total expenditures	<u>893,061</u>	<u>267,938</u>	<u>1,531,652</u>	<u>1,038,448</u>	<u>358,044</u>	<u>4,089,143</u>
Excess (deficiency) of revenues over (under) expenditures	<u>68,317</u>	<u>(217,263)</u>	<u>-</u>	<u>(101,032)</u>	<u>-</u>	<u>(249,978)</u>
Other financing sources (uses):						
Operating transfers in	<u>54,000</u>	<u>-</u>	<u>-</u>	<u>101,032</u>	<u>-</u>	<u>155,032</u>
Total other financing sources (uses)	<u>54,000</u>	<u>-</u>	<u>-</u>	<u>101,032</u>	<u>-</u>	<u>155,032</u>
Net changes in fund balance	122,317	(217,263)	-	-	-	(94,946)
Fund balance - beginning	556,095	-	-	-	-	556,095
Increase (decrease) in inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,611</u>	<u>-</u>	<u>12,611</u>
Fund balance - ending	<u>\$ 678,412</u>	<u>\$ (217,263)</u>	<u>\$ -</u>	<u>\$ 12,611</u>	<u>\$ -</u>	<u>\$ 473,760</u>

See independent auditor's report.

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

For the Fiscal Year Ended June 30, 2015

Revenues	Budgeted Amounts		Actual	Variance Over (Under)
	Original	Final		
Charges for services:				
Refuse collection charges	\$ 852,000	\$ 852,000	\$ 958,290	\$ 106,290
Other:				
Interest earned	<u>1,000</u>	<u>2,500</u>	<u>3,088</u>	<u>588</u>
Total revenues	<u>853,000</u>	<u>854,500</u>	<u>961,378</u>	<u>106,878</u>
Expenditures				
Current expenditures:				
Public works:				
Solid waste collection:				
Contracted services	852,000	852,000	884,836	32,836
Landfill closure:				
Professional services	12,000	12,000	1,105	(10,895)
Repair and maintenance	<u>43,000</u>	<u>43,000</u>	<u>7,120</u>	<u>(35,880)</u>
Total expenditures	<u>907,000</u>	<u>907,000</u>	<u>893,061</u>	<u>(13,939)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(54,000)</u>	<u>(52,500)</u>	<u>68,317</u>	<u>120,817</u>
Other financing sources (uses)				
Operating transfers in	<u>54,000</u>	<u>54,000</u>	<u>54,000</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 1,500</u>	<u>\$ 122,317</u>	<u>\$ 120,817</u>
Fund balance, July 1			<u>556,095</u>	
Fund balance, June 30			<u>\$ 678,412</u>	

See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
EDUCATION CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Fiscal Year Then Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Other local revenues	\$ -	\$ 912,460	\$ 50,675	\$ (861,785)
Expenditures				
Other contracted services	-	912,460	267,938	(644,522)
Net changes in fund balance			(217,263)	
Fund balance - beginning			-	
Fund balance - ending			\$ (217,263)	

See independent auditor's report.

**TOWN OF ARLINGTON, TENNESSEE
FEDERAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**
For the Fiscal Year Then Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over <u>(Under)</u>
Revenues				
Federal through State:				
Vocational education - basic				
grants to State	\$ 283,315	\$ 283,315	\$ 283,260	\$ (55)
Other vocational	-	5,000	5,000	-
Title I	325,312	398,396	345,838	(52,558)
Special education - grants to State	831,724	831,724	758,376	(73,348)
Special education preschool grant	6,038	6,904	2,416	(4,488)
English language acquisition grant	10,758	14,047	9,864	(4,183)
Title II	169,513	190,251	126,898	(63,353)
Other federal through state	92,251	-	-	-
Total revenues	<u>1,718,911</u>	<u>1,729,637</u>	<u>1,531,652</u>	<u>(197,985)</u>
Expenditures				
Instruction:				
Regular instruction:				
Teachers	212,947	204,948	201,292	(3,656)
Social Security	13,203	12,707	12,080	(627)
State retirement	19,250	19,250	18,178	(1,072)
Life insurance	1,464	1,464	815	(649)
Medical insurance	23,261	23,261	8,111	(15,150)
Medicare	3,088	2,973	2,825	(148)
Contracts substitute teachers - certified	10,000	13,200	10,103	(3,097)
Instructional supplies and materials	84,761	81,571	41,865	(39,706)
Other charges	16,000	12,800	7,405	(5,395)
Equipment	-	15,140	12,429	(2,711)
Total regular instruction	<u>383,974</u>	<u>387,314</u>	<u>315,103</u>	<u>(72,211)</u>
Special education program:				
Educational assistants	449,580	452,580	430,926	(21,654)
Speech pathologist	116,308	134,308	127,486	(6,822)
Social Security	35,085	35,085	32,189	(2,896)
State retirement	52,458	52,458	50,897	(1,561)
Life insurance	3,890	3,890	2,322	(1,568)
Medical insurance	144,034	57,034	56,011	(1,023)
Medicare	8,205	8,205	7,528	(677)
Instructional supplies	7,362	35,158	3,781	(31,377)

See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
FEDERAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Fiscal Year Then Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
Special education equipment	\$ 2,538	\$ 32,917	\$ 28,391	\$ (4,526)
Total special education	<u>819,460</u>	<u>811,635</u>	<u>739,531</u>	<u>(72,104)</u>
Vocational education:				
Maintenance and repair services	14,166	1,235	1,235	-
Other supplies and materials	44,894	80,538	80,528	(10)
Equipment	139,567	139,438	139,437	(1)
Total vocational education	<u>198,627</u>	<u>221,211</u>	<u>221,200</u>	<u>(11)</u>
 Total instruction	<u>1,402,061</u>	<u>1,420,160</u>	<u>1,275,834</u>	<u>(144,326)</u>
Support Services:				
Other student support:				
Travel	56,663	40,173	40,173	-
Travel - PD	14,165	14,165	14,141	(24)
Total other student support	<u>70,828</u>	<u>54,338</u>	<u>54,314</u>	<u>(24)</u>
Regular instruction:				
Supervisor/director	71,420	71,420	71,420	-
In-service training	49,000	49,905	38,440	(11,465)
Social security	7,466	7,523	6,540	(983)
State retirement	10,886	10,968	9,931	(1,037)
Life insurance	491	491	290	(201)
Medical insurance	6,646	6,646	4,249	(2,397)
Medicare	1,747	1,762	1,530	(232)
In-service-staff development	73,812	76,824	47,346	(29,478)
Other charges	10,967	8,037	4,651	(3,386)
Total regular instruction	<u>232,435</u>	<u>233,576</u>	<u>184,397</u>	<u>(49,179)</u>
Special education program:				
In-service training	750	750	-	(750)
Social security	46	47	-	(47)
Medicare	11	11	-	(11)
Other supplies and materials	500	2,500	967	(1,533)
In-service-staff development	1,000	3,070	2,515	(555)

See independent auditor's report.

**TOWN OF ARLINGTON, TENNESSEE
FEDERAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Fiscal Year Then Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over <u>(Under)</u>
	<u>Original</u>	<u>Final</u>		
Other equipment	\$ -	\$ 5,000	\$ 3,459	\$ (1,541)
Total special education	<u>2,307</u>	<u>11,378</u>	<u>6,941</u>	<u>(4,437)</u>
Vocational education:				
Travel	5,280	5,280	5,261	(19)
Other charges	3,000	2,042	2,042	-
Equipment	<u>3,000</u>	<u>2,863</u>	<u>2,863</u>	<u>-</u>
Total vocational education	<u>11,280</u>	<u>10,185</u>	<u>10,166</u>	<u>(19)</u>
Total support services	<u>316,850</u>	<u>309,477</u>	<u>255,818</u>	<u>(53,659)</u>
Total expenditures	<u>1,718,911</u>	<u>1,729,637</u>	<u>1,531,652</u>	<u>(197,985)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance - beginning			<u>-</u>	
Fund balance - ending			<u><u>\$ -</u></u>	

See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
SCHOOL NUTRITION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Fiscal Year Then Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over <u>(Under)</u>
Revenues				
Charges for current services:				
Lunch payments - children	\$ 397,615	\$ 397,615	\$ 335,020	\$ (62,595)
Lunch payments - adults	240,685	240,685	19,166	(221,519)
Income from breakfast	169,338	169,338	21,118	(148,220)
A La Carte sales	<u>120,000</u>	<u>120,000</u>	<u>237,335</u>	<u>117,335</u>
Total charges for current services	<u>927,638</u>	<u>927,638</u>	<u>612,639</u>	<u>(314,999)</u>
State education funds:				
School food services	<u>4,293</u>	<u>4,293</u>	<u>-</u>	<u>(4,293)</u>
Federal through State:				
USDA - lunch	279,352	279,352	224,583	(54,769)
USDA - breakfast	89,862	89,862	35,492	(54,370)
USDA - commodities	<u>-</u>	<u>-</u>	<u>64,702</u>	<u>64,702</u>
Total Federal through State	<u>369,214</u>	<u>369,214</u>	<u>324,777</u>	<u>(44,437)</u>
Total revenues	<u>1,301,145</u>	<u>1,301,145</u>	<u>937,416</u>	<u>(363,729)</u>
Expenditures				
Support Services:				
Board of Education:				
Audit Services	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Noninstructional Services:				
Food services:				
Supervisor/Director	132,787	132,787	132,149	(638)
Cafeteria personnel	292,243	292,243	259,609	(32,634)
Social Security	26,352	26,352	22,552	(3,800)
State retirement	23,218	23,218	22,651	(567)
Life insurance	1,722	1,722	1,025	(697)
Medical insurance	72,019	57,074	39,197	(17,877)
Medicare	6,163	6,163	5,274	(889)
Maintenance & repair - equipment	8,886	8,886	1,435	(7,451)
Transportation - other than students	500	500	-	(500)
Other contracted services	66,791	71,886	66,485	(5,401)
Cafeteria substitutes	-	8,000	4,432	(3,568)

See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
SCHOOL NUTRITION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Fiscal Year Then Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
Food supplies	\$ 600,000	\$ 600,000	\$ 374,478	\$ (225,522)
Uniforms	1,735	1,735	287	(1,448)
Commodities expense	-	-	64,702	64,702
Other supplies & materials	46,493	46,493	33,668	(12,825)
Other charges	4,920	6,770	5,454	(1,316)
Equipment	7,316	7,316	5,050	(2,266)
Total food services	1,291,145	1,291,145	1,038,448	(252,697)
 Total expenditures	1,301,145	1,301,145	1,038,448	(262,697)
Excess (deficiency) of revenues over (under) expenditures	-	-	(101,032)	(101,032)
Other financing sources (uses):				
Operating transfers in	-	-	101,032	101,032
Total other financing sources (uses)	-	-	101,032	101,032
Net changes in fund balance	\$ -	\$ -	-	\$ -
Fund balance - beginning			-	
Increase (decrease) in inventory			12,611	
Fund balance - ending			\$ 12,611	

See independent auditor's report.

**TOWN OF ARLINGTON, TENNESSEE
DISCRETIONARY GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**
For the Fiscal Year Then Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
Revenues				
State revenues:				
State education funds:				
Other State education funds	\$ -	\$ 231,027	\$ 231,027	\$ -
State grant revenues:				
Other State grants	85,000	85,000	83,767	(1,233)
Other revenue:				
Other State revenues	-	23,300	23,300	-
Other local revenue	-	60,000	19,950	(40,050)
Total other revenue	-	83,300	43,250	(40,050)
Total revenues	85,000	399,327	358,044	(41,283)
Expenditures				
Instruction:				
Regular instruction:				
Equipment	-	231,027	231,027	-
Total instruction	-	231,027	231,027	-
Support Services:				
Health Services:				
Other salaries and wages	62,493	62,195	62,195	-
Social security	3,875	3,659	3,676	17
State retirement	5,793	5,766	5,766	-
Life insurance	430	454	254	(200)
Medical insurance	6,646	-	-	-
Employer medicare	906	856	860	4
Travel	1,150	206	206	-
Other supplies and materials	2,307	6,194	5,032	(1,162)
In-service/staff development	500	1,802	1,802	-
Health equipment	900	4,069	3,976	(93)
Total health services	85,000	85,201	83,767	(1,434)
Other Student Support:				
Contracts with Government agencies	-	23,300	23,300	-

See independent auditor's report.

**TOWN OF ARLINGTON, TENNESSEE
DISCRETIONARY GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**
For the Fiscal Year Then Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over <u>(Under)</u>
	<u>Original</u>	<u>Final</u>		
Total support services	\$ 85,000	\$ 108,501	\$ 107,067	\$ (1,434)
Noninstructional Services:				
Regular Capital Outlay:				
Other contracted services	<u>-</u>	<u>50,473</u>	<u>19,950</u>	<u>(30,523)</u>
Total noninstructional services	<u>-</u>	<u>50,473</u>	<u>19,950</u>	<u>(30,523)</u>
Total expenditures	<u>85,000</u>	<u>390,001</u>	<u>358,044</u>	<u>(31,957)</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ 9,326</u>	-	<u>\$ (9,326)</u>
Fund balance - beginning			<u>-</u>	
Fund balance - ending			<u>\$ -</u>	

See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION DEBT
June 30, 2015

Year Ended June 30,	Capital Outlay Note		Board of Education Note		Total Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2016	\$ 75,000	\$ 8,792	\$ 333,333	\$ -	\$ 408,333	\$ 8,792	\$ 417,125
2017	77,000	6,907	333,333	-	410,333	6,907	417,240
2018	78,000	4,985	333,333	-	411,333	4,985	416,318
2019	80,000	3,026	333,333	-	413,333	3,026	416,359
2020	82,000	1,017	333,333	-	415,333	1,017	416,350
2021	-	-	333,333	-	333,333	-	333,333
2022	-	-	333,333	-	333,333	-	333,333
2023	-	-	333,333	-	333,333	-	333,333
2024	-	-	333,333	-	333,333	-	333,333
2025	-	-	333,333	-	333,333	-	333,333
2026	-	-	333,333	-	333,333	-	333,333
	<u>\$ 392,000</u>	<u>\$ 24,727</u>	<u>\$ 3,666,663</u>	<u>\$ -</u>	<u>\$ 4,058,663</u>	<u>\$ 24,727</u>	<u>\$ 4,083,390</u>

See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
PROPRIETARY FUNDS DEBT
June 30, 2015

Year Ended June 30,	Series 2002		Revenue Bonds Series 2012		Total Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
	2016	\$ 719,000	\$ 20,207	\$ 185,000	\$ 154,578	\$ 904,000	\$ 174,785
2017	752,000	18,338	190,000	150,828	942,000	169,166	1,111,166
2018	786,000	16,383	200,000	146,928	986,000	163,311	1,149,311
2019	821,000	14,339	200,000	142,928	1,021,000	157,267	1,178,267
2020	858,000	12,204	200,000	138,928	1,058,000	151,132	1,209,132
2021	897,000	9,974	205,000	134,878	1,102,000	144,852	1,246,852
2022	937,000	7,641	210,000	130,728	1,147,000	138,369	1,285,369
2023	979,000	5,205	215,000	126,074	1,194,000	131,279	1,325,279
2024	1,023,000	2,660	220,000	120,909	1,243,000	123,569	1,366,569
2025	-	-	225,000	115,624	225,000	115,624	340,624
2026	-	-	230,000	110,221	230,000	110,221	340,221
2027	-	-	235,000	104,553	235,000	104,553	339,553
2028	-	-	240,000	98,615	240,000	98,615	338,615
2029	-	-	250,000	92,240	250,000	92,240	342,240
2030	-	-	255,000	85,423	255,000	85,423	340,423
2031	-	-	265,000	77,343	265,000	77,343	342,343
2032	-	-	270,000	67,980	270,000	67,980	337,980
2033	-	-	280,000	58,355	280,000	58,355	338,355
2034	-	-	290,000	48,380	290,000	48,380	338,380
2035	-	-	300,000	38,055	300,000	38,055	338,055
2036	-	-	315,000	27,293	315,000	27,293	342,293
2037	-	-	325,000	16,418	325,000	16,418	341,418
2038	-	-	335,000	5,528	335,000	5,528	340,528
	<u>\$ 7,772,000</u>	<u>\$ 106,951</u>	<u>\$ 5,640,000</u>	<u>\$ 2,192,807</u>	<u>\$ 13,412,000</u>	<u>\$ 2,299,758</u>	<u>\$ 15,711,758</u>

See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF CHANGES IN TAXES RECEIVABLE
For the Year Ended June 30, 2015

<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>
2014	\$1.15	\$ 3,147,413	\$ -	\$ 3,171,846	\$ 3,093,773	\$ 78,073	\$ 78,073
2013	1.15	3,086,420	90,460	(157)	62,850	27,453	27,453
2012	1.15	3,191,116	32,040	(427)	17,331	14,282	14,282
2011	1.00	2,707,557	5,718	11	2,674	3,055	3,055
2010	1.00	2,677,703	2,825	-	138	2,687	2,687
2009	1.00	2,757,236	2,992	(107)	618	2,267	2,267
2008	1.00	2,336,905	1,586	(908)	-	678	678
2007	1.00	2,082,027	177	(80)	-	97	97
2006	1.00	1,867,780	224	(86)	69	69	69
2005	1.00	1,424,436	172	-	(2)	174	174
			<u>\$ 136,194</u>	<u>\$ 3,170,092</u>	<u>\$ 3,177,451</u>	<u>\$ 128,835</u>	<u>\$ 128,835</u>

Above balances represented as follows:

Considered current receivables	\$ 74,387
Allowance for uncollectible accounts	5,166
Unavailable revenue	<u>49,282</u>
	128,835
Tax levy due October 1, 2015 considered unavailable revenue	<u>3,216,140</u>
Total taxes receivable	<u>\$ 3,344,975</u>

See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF UTILITY RATES IN EFFECT
June 30, 2015

Sewer Rates

Residential, Commercial and Industrial:

	\$7.24
Each 100 cubic feet	\$2.74 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, 2015:	<u>4,209</u>
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See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015

<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: Sustainable Communities Regional Planning - Loosahatchie River Greenway Trail	14.703	CA-1416947	\$ <u>273</u>
United States Department of Transportation/ Tennessee Department of Transportation:			
Highway Planning and Construction	20.205*	090129A	60,000
Highway Planning and Construction	20.205*	130203	34,752
Highway Planning and Construction	20.205*	140074	59,608
Highway Planning and Construction	20.205*	110103	995,276
Highway Planning and Construction	20.205*	110104	850,549
Highway Planning and Construction	20.205*	140035	50,948
Highway Planning and Construction	20.205*	130014	<u>57,563</u>
Total United States Department of Transportation			<u>2,108,696</u>
United States Department of Homeland Security/ Department of Military, State of Tennessee Tennessee Emergency Management Agency: Hazard Mitigation	97.039	34101-51812	<u>50,158</u>
Institute of Museum and Library Services/ State of Tennessee, Office of the Secretary of State, Tennessee State Library and Archives: Grants to States, Sam T. Wilson Public Library	45.310	30504-00315-114	<u>3,571</u>
United States Department of Agriculture Passed through the Tennessee Department of Agriculture			
School Breakfast Program	10.553*	N/A	35,492
National School Lunch Program	10.555*	N/A	224,583
National School Lunch Program - Commodities	10.555*	N/A	<u>64,702</u>
Total United States Department of Agriculture			<u>324,777</u>

See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015

<u>Grantor/Pass Through Entity</u>		<u>Grant Number</u>	<u>Expenditures</u>
Federal Financial Assistance:			
United States Department of Education			
Passed through the Tennessee Department of Education			
Title I, Grants to Local Education Agencies	84.010*	S010A140042	68,567
Title I, Grants to Local Education Agencies	84.010*	S010A140042	<u>277,271</u>
			<u>345,838</u>
Career and Technical Education Basic Grants	84.048	V048A140042	<u>288,260</u>
English Language Acquisition Grant	84.365A	S365A130042	<u>9,864</u>
Title II, Part A, Improving Teacher Quality	84.367	S367A140040	<u>127,759</u>
Special Education Grants to States			
IDEA Program	84.027*	H027A140052	<u>758,376</u>
Special Education - Preschool Grant	84.173*	H173A140095	<u>2,416</u>
Total Special Education Grants To States			<u>760,792</u>
Total United States Department of Education			<u>1,532,513</u>
Total Expenditures of Federal Awards			<u>\$ 4,019,988</u>

*Major federal financial assistance program.

Note 1:

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

See independent auditor's report.

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended June 30, 2015

Grantor/Pass Through Entity	Expenditures
State Financial Assistance:	
Tennessee Department of Transportation: Wright Medical Industrial Access Road	<u>\$ 107,337</u>
State of Tennessee, Office of the Secretary of State, Tennessee State Library and Archives, Sam T. Wilson Library	<u> 1,423</u>
Tennessee Department of Environment and Conservation Local Park and Recreation Fund Grant	<u> 46,170</u>
Tennessee Department of Education:	
Coordinated School Health	83,767
Career Ladder Supplements	83,719
Extended Contract	28,249
Safe Schools	23,300
Technology Grant	231,027
Internet Connectivity	14,507
ACT/Explore	<u>11,437</u>
Total Tennessee Department of Education	<u>476,006</u>
Total state financial assistance	<u>\$ 630,936</u>

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

Members of:

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arlington, Tennessee (Town), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 1, 2016.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency, described as item 2015-001.

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, described as 2015-001, that is required to be reported under *Government Auditing Standards*.

Town's Response to Finding

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
February 1, 2016

Members of:

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



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

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Arlington, Tennessee's (Town) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2015. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

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

Alexander Thompson Arnold PLLC

Jackson, Tennessee
February 1, 2016

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements:

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

 yes X no

Significant deficiencies identified?

 X yes none reported

Noncompliance material to financial statements noted?

 X yes no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?

 yes X no

Significant deficiencies identified?

 yes X none reported

Type of auditor's report issued on compliance
for major programs

Unmodified

Any audit findings disclosed that are required
to be reported in accordance with

Section .510(a) of OMB Circular A-133?

 yes X no

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
20.205	Highway Planning and Construction
84.010	Title I, Grants to Local Education Agencies
	Special Education Grants to States Cluster:
84.027	IDEA
84.173	Preschool

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

\$ 300,000

Auditee qualified as low-risk auditee?

 yes X no

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS

2015-001 Expenditures in Excess of Budget (Significant Deficiency and Noncompliance)

Condition: During the year ended June 30, 2015, actual expenditures exceed final budgeted amounts in total within the State Street Aid Fund by \$335,324.

Criteria: Tennessee Code Annotated Section 6-56-203 requires that municipalities expend funds in accordance with an authorized budget.

Effect: The Town has made expenditures not legally appropriated in accordance with state statute.

Recommendation: We recommend the Town carefully monitor its budget periodically and make amendments in order to include all expenditures.

Response: The Town of Arlington will make every effort to amend its budget to comply with Criteria as set forth in Tennessee Code Annotated Section 6-56-203; mathematical error occurred when estimating expenses related to several major road projects.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

TOWN OF ARLINGTON, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2015

FINANCIAL STATEMENT FINDINGS

There were no prior findings reported.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no prior findings reported.