

**ARLINGTON COMMUNITY SCHOOLS**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**ARLINGTON COMMUNITY SCHOOLS  
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## **INTRODUCTORY SECTION**

**ARLINGTON COMMUNITY SCHOOLS  
DIRECTORY**  
June 30, 2015

**SCHOOL BOARD**

Kay Williams, Chair  
Kevin Yates, Vice Chair  
Barbara Fletcher  
Danny Young  
Dale Viox

**MANAGEMENT TEAM**

Tammy Mason, Superintendent  
Jeff Mayo, Chief of Staff  
Miracle Meeks, Chief Financial Officer

**COUNSEL**

Law Offices of Perkins and Lawson  
Memphis, Tennessee

**INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Alexander Thompson Arnold PLLC  
Jackson, Tennessee

## **FINANCIAL SECTION**

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## Independent Auditor's Report

Board of Education  
Arlington Community Schools  
Arlington, Tennessee

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Arlington Community Schools, (the System) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the System'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, each major fund, and the aggregate remaining fund information of the Arlington Community Schools, as of June 30, 2015, and the respective changes in financial position thereof and the budgetary comparison for the general purpose fund the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Arlington Community Schools, special revenue funds, and do not purport to, and do not, present fairly the financial position of the Town of Arlington, Tennessee, as of June 30, 2015, and the changes in its financial position or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. 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 12 and the required 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 53 through 56 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 System's basic financial statements. The introductory section and 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 purposes of additional analysis and are not a required part of the basic financial statements.

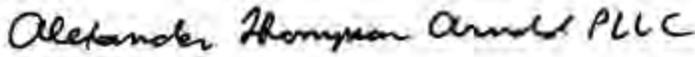
The supplementary and other information section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit 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 introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2016, on our consideration of the System'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 System's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Alexander Thompson Arnold PLLC". The signature is written in a cursive, slightly slanted style.

Jackson, Tennessee  
January 25, 2016

## Management's Discussion and Analysis

As management of the Arlington Community Schools (System), we offer readers of the financial statements for the System, this narrative overview and analysis of the financial activities for the year ended June 30, 2015. We encourage readers to consider the information here in conjunction with the Independent Auditor's Report and the System's financial statements. The accompanying financial statements are presented at the department level and do not purport to represent the government-wide statements of the Town. The determination of major and nonmajor funds is determined at the Town level. Professional standards require the inclusion of certain comparative information in the Management's Discussion and Analysis (MD&A). However, Arlington Community Schools was not in existence prior to July 1, 2014, therefore, there is no comparative information to present. Comparisons will be included in future years as information becomes available.

Arlington Community Schools is a K-12 school system located in Arlington, Tennessee, a suburb of Memphis. Our system serves slightly under 5,000 students and consists of four schools: Arlington Elementary, Donelson Elementary, Arlington Middle, and Arlington High. Our district's mission is to empower and inspire all students towards lifetime learning, career success and good citizenship. Our district's vision is to fully engage and inspire our staff, parents and community to create an environment where students can achieve their highest potential and become productive citizens in an ever changing, challenging world.

Arlington Community Schools offers a challenging and supportive academic environment at all schools inclusive of a comprehensive individualized special education program. In 2015, Arlington Community Schools was designated an Exemplary District by the Tennessee Department of Education. Arlington Elementary and Donelson Elementary have both been honored for their outstanding achievements as Tennessee Department of Education Reward Schools. Arlington Middle offers high school credit earning courses in Spanish, Algebra I and Physical Science. Arlington High is ranked 23<sup>rd</sup> out 14,431 high schools (2015 Niche Rankings) and offers honor courses, Advanced Placement courses, dual college credit courses and a variety of Career & Technical courses.

### Financial Highlights

- The assets and deferred outflows of resources of the System exceeded its liabilities and deferred inflows of resources at June 30, 2015 by \$52,233,902. Of this amount, the unrestricted net position has a balance of \$7,429,143.
- As of the close of the current fiscal year, the System reported combined ending fund balances of \$6,253,325. Approximately 101.91% of this total amount, \$6,372,944, is unassigned in the general purpose fund, 1.18% and 0.20% represents nonspendable funds in the general purpose and school nutrition funds, respectively, 0.18% represents funds restricted in the general purpose fund and (3.47%) represents funds unassigned in the education capital projects fund (negative unassigned is due to a deferred revenue in the current year).
- At the end of the current fiscal year, unassigned fund balance for the general purpose fund was \$6,372,944 or 19.69% of total general purpose fund expenditures.
- The System obtained a debt to Shelby County Schools in the amount of \$3,999,996 and made a payment in the current year of \$333,333 to an ending balance of \$3,666,663. Other post employment benefits liability was determined by the actuary to be \$924,651, and compensated absences balance at year end was \$70,871.

## Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to the System's basic financial statements. The System's basic financial statements comprise three components: 1) department-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and supplementary and other information in addition to the basic financial statements themselves.

**Department-wide financial statements** The *department-wide financial statements* are designed to provide readers with a broad overview of the System's finances, in a manner similar to a private-sector business.

The *statement of net position* presents all the assets, liabilities and deferred outflows/inflows of resources for the System, with differences 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 System is improving or deteriorating.

The *statement of activities* presents information showing how the government'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 earned but unused vacation leave).

Both of the department-wide financial statements distinguish functions of the System 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. The System's governmental activities include general administration, finance and education. The System has no business-type activities to report.

Please refer to the Table of Contents to locate the department-wide financial statements.

**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 System, 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 System can be grouped into one category: governmental funds.

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

Because the focus of governmental funds is narrower than that of the department-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the department-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The System maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues,

expenditures, and changes in fund balances – for the general purpose fund, the education capital projects fund, and the nonmajor governmental funds. The general purpose and the education capital projects funds are considered major funds at the System level. The major funds and nonmajor funds will be re-evaluated at the Town level. The System adopts an annual appropriated budget for its general purpose, federal projects, discretionary grants, school nutrition, and education capital projects funds. The System adopts a federal projects program, and the budgets for the federal projects fund are determined by the grantor of each grant. A budgetary comparison statement has been provided as basic financial statements for the general purpose fund to demonstrate compliance with this budget.

Please refer to the Table of Contents to locate the basic governmental fund financial statements.

**Notes to the financial statements** The notes provide additional information that is essential to a full understanding of the data provided in the department-wide and fund financial statements. Please refer to the Table of Contents to locate the notes to the financial statements.

**Other information** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This required supplementary information has been presented in the required supplementary information section of this report.

### **Department-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the System, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$52,233,902 at the close of the fiscal year ended June 30, 2015.

A large portion of the System's net position reflects its investment in capital assets (e.g., buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. The System uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the System'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.

An additional portion of the System's net position, \$25,343 represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted net position of \$7,429,143. The System uses unrestricted funds to meet the government's ongoing obligations to citizens and creditors.

## The System's Net Position

	<u>June 30, 2015</u>
<b>Assets</b>	
Current and other	\$ 8,519,202
Capital assets - net of accumulated depreciation	<u>48,446,079</u>
Total assets	<u>56,965,281</u>
<b>Deferred outflows of resources</b>	
	<u>2,121,410</u>
<b>Liabilities</b>	
Long-term liabilities	4,662,185
Other liabilities	<u>2,046,870</u>
Total liabilities	<u>6,709,055</u>
<b>Deferred inflows of resources</b>	
	<u>143,734</u>
<b>Net position</b>	
Net investment in capital assets	44,779,416
Restricted	25,343
Unrestricted	<u>7,429,143</u>
Total net position	<u><u>\$ 52,233,902</u></u>

The above provides a summary of the System's net position for 2015.

The following summary shows the changes in net position for fiscal year 2015.

## The System's Changes in Net Position

	<u>June 30, 2015</u>
<b>Revenues</b>	
Program revenues	
Charges for services	\$ 1,100,535
Operating grants and contributions	2,283,191
General revenues	
Property taxes	13,073,188
Sales taxes	4,587,939
Mixed drink tax	10,364
Payments in lieu of taxes	233,247
Business tax	1,714
Grants and contributions not restricted to specific programs:	
Basic Education Program	19,463,000
Other	49,244
Gain (Loss) on sale of capital assets	(1,726)
Insurance recovery	8,135
Other miscellaneous revenues	308,124
Total revenues	<u>\$ 41,116,955</u>
<b>Expenses</b>	
Instruction	\$ 22,376,605
Support services	10,279,524
Non-instructional services	2,253,109
Total expenses	<u>34,909,238</u>
<b>Increase (decrease) in net position before transfers and contributed capital</b>	6,207,717
Transfer capital contributed net of related debt	45,190,867
Transfers from the Town of Arlington	797,900
Total transfers and contributed capital	<u>45,988,767</u>
<b>Increase (decrease) in net position after transfers</b>	52,196,484
Net position, beginning	-
Restatement - GASB Statement No. 68 and 71 implementation	37,418
Net position, beginning - restated	<u>37,418</u>
Net position, ending	<u>\$ 52,233,902</u>

### Governmental activities

Total governmental activities' revenue for the fiscal year was \$41,116,955. The largest single revenue source was state revenues in the form of Basic Education Program payments.

### Expenditures and Revenues - Governmental Funds

Certain revenues are generated that are specific to governmental program activities.

The general purpose fund had \$38,023,632 in revenues, \$696,868 in net other financing sources and \$32,262,523 in expenditures. The education capital projects fund had \$50,675 in revenues and \$267,938 in expenditures. The federal projects fund had \$1,531,652 in revenues and expenditures. The school nutrition fund had \$937,416 in revenues, \$101,032 transfers in, and \$1,038,448 in expenditures. The discretionary grants fund had \$358,044 in revenues and expenditures. Major funding for these funds was provided by federal and State funds.

### Revenue by Source - Government Funds

	June 30, 2015	
	Amount	Percent
Program revenues		
Charges for services	\$ 1,100,535	3%
Operating grants and contributions	2,283,191	5%
Capital grants and contributions	-	0%
General revenues		
Property taxes	13,073,188	32%
Sales taxes	4,587,939	11%
Mixed drink tax	10,364	0%
Payments in lieu of taxes	233,247	1%
Business tax	1,714	0%
Grants and contributions not restricted to specific programs:		
Basic Education Program	19,463,000	47%
Other	49,244	0%
Gain (Loss) on sale of capital assets	(1,726)	0%
Insurance recovery	8,135	0%
Other miscellaneous revenues	308,124	1%
Total revenues	<u>\$ 41,116,955</u>	<u>100%</u>

### Financial Analysis of the Government's Funds

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

**Governmental funds** The focus of the System's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the System's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the System itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the System's Board.

At June 30, 2015, the System's governmental funds reported combined fund balances of \$6,253,325. Approximately 98.44% of this amount \$6,155,681 constitutes unassigned fund balance, which is available for spending at the System's discretion. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form \$86,656, 2) legally required to be maintained intact \$0, 3) restricted for particular purposes \$10,988, 4) committed for particular purposes \$0, or 5) assigned for particular purposes \$0.

The general purpose fund is the chief operating fund of the System. At the end of the current fiscal year, unassigned fund balance was \$6,372,944.

As a measure of the general purpose fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 19.02% of the total general purpose fund expenditures, while total fund balances represents 19.32% of that same amount.

### General Purpose Fund Budgetary Highlights

Differences between the original budget and the final amended budget are briefly summarized as follows:

General Purpose Fund	June 30, 2015		
	Original	Final	Difference
<b>Revenues</b>			
Taxes	\$ 15,870,631	\$ 15,870,631	\$ -
Intergovernmental	19,179,129	19,179,129	-
Other local revenues	573,351	573,351	-
Total revenues	<u>35,623,111</u>	<u>35,623,111</u>	<u>-</u>
<b>Expenditures</b>			
Instruction	23,399,429	23,536,077	136,648
Support services	12,404,559	12,267,911	(136,648)
Non-instructional services	617,023	617,023	-
Total expenditures	<u>36,421,011</u>	<u>36,421,011</u>	<u>-</u>
<b>Other financing sources (uses):</b>			
Town appropriations	797,900	797,900	-
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

There were no major increases or decreases in the budgets in 2015.

### Capital Asset and Debt Administration

**Capital Assets.** The System's investment in capital assets for its governmental activities as of June 30, 2015, amounts to \$44,779,416 (net of accumulated depreciation and related debt). This investment in capital assets includes buildings and improvements and other capital assets (including equipment). The major capital asset events that occurred during June 30, 2015 included the transferring of assets (and associated accumulated depreciation) from the Town of Arlington, Tennessee that was obtained during the division of Shelby County School System. See Note 4D for details. The System also purchased two vehicles, a printer, and asphalt work for the high school and various building improvements in the current year.

	June 30, 2015
Land	\$ 3,396,688
Construction in progress	311,335
Buildings and improvements (net of accumulated depreciation)	44,305,065
Machinery and equipment (net of accumulated depreciation)	432,991
Total capital assets	<u>48,446,079</u>
Long-term debt related to capital assets	<u>(3,666,663)</u>
Net investment in capital assets	<u>\$ 44,779,416</u>

**Long-term debt** As of June 30, 2015, the System had total debt outstanding of \$3,666,663. All debt is backed by the full faith and credit of the government.

The System's debt is comprised of a notes payable to Shelby County School System for the assets obtained during the division from Shelby County School System.

In addition to the previous information, the System's obligations include compensated absences and other post employment benefits.

	<u>June 30, 2015</u>
Notes Payable, Shelby County School System	\$ 3,666,663
OPEB liability	924,651
Compensated absences	70,871
	<u>\$ 4,662,185</u>

### **Economic Factors and Next year's Budget and Rates**

The unemployment rate of the Town of Arlington in Shelby County, Tennessee as of November 2015 is currently 6.4%. This compares unfavorably to the state's average unemployment rate of 5.4% and the national average of 5.0%.

Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the System's budget for the 2015-2016 fiscal year.

### **Request for Information**

This financial report is designed to provide a general overview of the System's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Arlington Community Schools, 5475 Airline Road, Arlington, TN 38002.

## **BASIC FINANCIAL STATEMENTS**

**ARLINGTON COMMUNITY SCHOOLS**  
**DEPARTMENT-WIDE STATEMENT OF NET POSITION**  
June 30, 2015

**Assets**

Cash and cash equivalents	\$ 6,568,721
Due from other governmental agencies	1,638,469
Due from other governments - grants	223,612
Inventory	12,611
Prepaid expenses	74,045
Net pension asset	1,744
Capital assets, not being depreciated:	
Land	3,396,688
Construction in progress	311,335
Capital assets, being depreciated (net of accumulated depreciation):	
Buildings and improvements	44,305,065
Machinery and equipment	432,991
<b>Total assets</b>	<b><u>56,965,281</u></b>

**Deferred outflows of resources**

Pension - contributions subsequent to the measurement date of June 30, 2014	1,965,745
Pension - changes in proportion of net pension asset	151,430
Pension - difference between expected and actual experience	4,235
<b>Total deferred outflows of resources</b>	<b><u>\$ 2,121,410</u></b>

**Liabilities:**

Accounts payable	\$ 321,882
Other accrued expenses	266,190
Accrued payroll	1,386,285
Unearned revenue	72,513
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	35,435
Notes payable	333,333
Portion due or payable after one year:	
Notes payable	3,333,330
Other post employment benefits	924,651
Compensated absences	35,436
<b>Total liabilities</b>	<b><u>6,709,055</u></b>

**Deferred inflows of resources**

Pension - net difference between projected and actual earnings of pension plan investments	143,734
<b>Total deferred inflows of resources</b>	<b><u>143,734</u></b>

**Net position:**

Net investment in capital assets	44,779,416
Restricted for:	
Net pension asset	1,744
Inventory	12,611
Education	5,749
Instruction	5,239
Unrestricted	7,429,143
<b>Total net position</b>	<b><u>\$ 52,233,902</u></b>

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

**ARLINGTON COMMUNITY SCHOOLS**  
**DEPARTMENT-WIDE STATEMENT OF ACTIVITIES**  
For the Fiscal Year Then Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Instruction:</b>					
Regular education	\$ 18,614,931	\$ 487,896	\$ 388,256	\$ -	\$(17,738,779)
Alternate education	272,360	-	-	-	(272,360)
Special education	2,540,123	-	745,242	-	(1,794,881)
Vocational education	949,191	-	226,723	-	(722,468)
<b>Support Services:</b>					
Attendance	320,119	-	-	-	(320,119)
Health services	168,617	-	1,067	-	(167,550)
Other student support	916,544	-	373,375	-	(543,169)
Regular education	891,998	-	189,197	-	(702,801)
Special education	648,185	-	8,009	-	(640,176)
Vocational education	122,698	-	12,299	-	(110,399)
Board of Education	494,970	-	-	-	(494,970)
Office of Director of Schools	401,110	-	1,067	-	(400,043)
Office of Principals	2,220,391	-	13,179	-	(2,207,212)
Fiscal Services	247,021	-	-	-	(247,021)
Human services/personnel	104,438	-	-	-	(104,438)
Operation and maintenance of plant	2,243,910	-	-	-	(2,243,910)
Student transportation	933,755	-	-	-	(933,755)
Central and other transportation	565,768	-	-	-	(565,768)
<b>Noninstructional Services:</b>					
Food service	1,003,454	612,639	324,777	-	(66,038)
Capital outlay (non-capitalized)	40,682	-	-	-	(40,682)
Unallocated depreciation	1,208,973	-	-	-	(1,208,973)
	<b>\$ 34,909,238</b>	<b>\$ 1,100,535</b>	<b>\$ 2,283,191</b>	<b>\$ -</b>	<b>\$(31,525,512)</b>

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

**ARLINGTON COMMUNITY SCHOOLS**  
**DEPARTMENT-WIDE STATEMENT OF ACTIVITIES**  
For the Fiscal Year Then Ended June 30, 2015

	Net (Expenses) Revenues and Changes in <u>Net Position</u>
<b>General Revenues:</b>	
Property taxes	\$ 13,073,188
Sales taxes	4,587,939
Mixed drink tax	10,364
Payments in lieu of taxes	233,247
Business tax	1,714
Grants and contributions not restricted to specific programs	
Basic Education Program	19,463,000
Other	49,244
Gain (Loss) on sale of capital assets	(1,726)
Insurance recovery	8,135
Other miscellaneous revenues	308,124
<b>Total general revenues</b>	<b><u>37,733,229</u></b>
<b>Change in net position before transfers and contributed capital</b>	<b>6,207,717</b>
Transfer capital contributed net of related debt	45,190,867
Transfers from Town of Arlington	797,900
<b>Total transfers and contributed capital</b>	<b><u>45,988,767</u></b>
<b>Change in net position</b>	<b><u>52,196,484</u></b>
Net position, beginning	-
Restatement - GASB Statement No. 68 and 71 implementation	37,418
Net position, beginning - restated	37,418
Net position, ending	<b><u>\$ 52,233,902</u></b>

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

**ARLINGTON COMMUNITY SCHOOLS  
BALANCE SHEET - GOVERNMENTAL FUNDS**

June 30, 2015

	Education			Total Governmental Funds
	General Purpose Fund	Capital Projects Fund	Nonmajor Governmental Funds	
<b>Assets</b>				
Cash and cash equivalents	\$ 6,510,753	\$ -	\$ 57,968	\$ 6,568,721
Inventory	-	-	12,611	12,611
Prepaid expense	74,045	-	-	74,045
Due from other governmental agencies	1,421,206	217,263	-	1,638,469
Due from other funds	331,743	-	-	331,743
Due from other governments - grants	2,931	-	220,681	223,612
<b>Total assets</b>	<u>\$ 8,340,678</u>	<u>\$ 217,263</u>	<u>\$ 291,260</u>	<u>\$ 8,849,201</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 258,940	\$ 39,088	\$ 23,854	\$ 321,882
Accrued payroll	1,386,285	-	-	1,386,285
Other accrued expenses	231,906	-	34,284	266,190
Due to other funds	-	166,390	165,353	331,743
Unearned revenue	5,570	11,785	55,158	72,513
<b>Total liabilities</b>	<u>1,882,701</u>	<u>217,263</u>	<u>278,649</u>	<u>2,378,613</u>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue	-	217,263	-	217,263
<b>Fund balances</b>				
Nonspendable				
Inventory	-	-	12,611	12,611
Prepaid expenses	74,045	-	-	74,045
Restricted				
Extended contract	5,749	-	-	5,749
Career ladder	5,239	-	-	5,239
Unassigned	6,372,944	(217,263)	-	6,155,681
<b>Total fund balances</b>	<u>6,457,977</u>	<u>(217,263)</u>	<u>12,611</u>	<u>6,253,325</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 8,340,678</u>	<u>\$ 217,263</u>	<u>\$ 291,260</u>	<u>\$ 8,849,201</u>

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

**ARLINGTON COMMUNITY SCHOOLS  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
June 30, 2015**

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

<b>Fund balance - total governmental funds (Page 16)</b>	<b>\$ 6,253,325</b>
Capital assets used in governmental funds are not financial resources and, therefore, are not reported as assets in governmental funds.	48,446,079
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 deferred in the funds. Unavailable Revenue	217,263
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 payable, compensated absences and OPEB, are not due in the current period and, therefore, are not reported in the funds	<u>(4,662,185)</u>
<b>Net position of governmental activities (Page 13)</b>	<b><u>\$ 52,233,902</u></b>

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

**ARLINGTON COMMUNITY SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

For the Fiscal Year Then Ended June 30, 2015

	Education			Total Governmental Funds
	General Purpose Fund	Capital Projects Fund	Nonmajor Governmental Funds	
<b>Revenues</b>				
Taxes	\$ 17,906,452	\$ -	\$ -	\$ 17,906,452
Intergovernmental	19,600,912	-	2,194,523	21,795,435
Meal sales	-	-	612,639	612,639
Other local revenues	516,268	50,675	19,950	586,893
Total revenues	<u>38,023,632</u>	<u>50,675</u>	<u>2,827,112</u>	<u>40,901,419</u>
<b>Expenditures</b>				
Instruction	21,324,314	-	1,506,861	22,831,175
Support services	10,430,072	-	362,885	10,792,957
Food services	-	-	1,038,448	1,038,448
Non-instructional services	508,137	267,938	19,950	796,025
Total expenditures	<u>32,262,523</u>	<u>267,938</u>	<u>2,928,144</u>	<u>35,458,605</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,761,109</u>	<u>(217,263)</u>	<u>(101,032)</u>	<u>5,442,814</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	101,032	101,032
Operating transfers out	(101,032)	-	-	(101,032)
City appropriations	797,900	-	-	797,900
Total other financing sources (uses)	<u>696,868</u>	<u>-</u>	<u>101,032</u>	<u>797,900</u>
<b>Net changes in fund balances</b>	<u><b>6,457,977</b></u>	<u><b>(217,263)</b></u>	<u><b>-</b></u>	<u><b>6,240,714</b></u>
Fund balances - beginning	-	-	-	-
<b>Increase (decrease) in inventory</b>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>12,611</b></u>	<u><b>12,611</b></u>
Fund balances - ending	<u><u><b>\$ 6,457,977</b></u></u>	<u><u><b>\$ (217,263)</b></u></u>	<u><u><b>\$ 12,611</b></u></u>	<u><u><b>\$ 6,253,325</b></u></u>

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

**ARLINGTON COMMUNITY SCHOOLS**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
For the Fiscal Year Then Ended June 30, 2015

Amounts reported for the governmental activities in the statement of activities (Pages 14 to 15) are different because:

<b>Net change in fund balance - total governmental funds (Page 18)</b>	<b>\$ 6,240,714</b>
Expenses on the statement of activities that are not current financial uses are not reported as expenses in governmental funds:	
OPEB	(924,651)
Compensated absences	(70,871)
Unavailable revenue is a revenue in the governmental funds, but the deferral of funds is a deferred inflow of resources on the statement of activities.	
	217,263
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 (addition to) repayment of the principal of long-term debt is a (revenue) expenditure in the governmental funds, but the (proceeds) repayment (increases) reduces long-term liabilities on the statement of activities.	
Notes payable repayment	333,333
Notes payable proceeds	(3,999,996)
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:	
Net contributed capital transferred from the Town of Arlington	49,190,863
Capital outlays	465,915
Disposition of asset	(1,726)
Depreciation	<u>(1,208,973)</u>
<b>Change in Net Position of Governmental Activities (Page 15)</b>	<b><u>\$ 52,196,484</u></b>

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

**ARLINGTON COMMUNITY SCHOOLS  
GENERAL PURPOSE 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	(Under)
<b>Revenues:</b>				
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)
	19,158,753	19,158,753	19,600,912	442,159
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)
	573,351	573,351	516,268	(57,083)
<b>Total revenues</b>	<b>35,623,111</b>	<b>35,623,111</b>	<b>38,023,632</b>	<b>2,400,521</b>

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

**ARLINGTON COMMUNITY SCHOOLS  
GENERAL PURPOSE FUND  
STATEMENT 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)
<b>Expenditures:</b>				
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	<u>19,725,218</u>	<u>19,861,866</u>	<u>18,276,634</u>	<u>(1,585,232)</u>
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	<u>327,609</u>	<u>327,609</u>	<u>272,360</u>	<u>(55,249)</u>

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

**ARLINGTON COMMUNITY SCHOOLS  
GENERAL PURPOSE FUND  
STATEMENT 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:				
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	269,498	241,690	(27,808)
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>2,489,890</u>	<u>1,992,194</u>	<u>(497,696)</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.*

**ARLINGTON COMMUNITY SCHOOLS  
GENERAL PURPOSE FUND  
STATEMENT 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)
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	<u>856,712</u>	<u>856,712</u>	<u>783,126</u>	<u>(73,586)</u>
<b>Total instruction</b>	<b><u>23,399,429</u></b>	<b><u>23,536,077</u></b>	<b><u>21,324,314</u></b>	<b><u>(2,211,763)</u></b>
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	<u>369,020</u>	<u>369,020</u>	<u>342,767</u>	<u>(26,253)</u>
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.*

**ARLINGTON COMMUNITY SCHOOLS  
GENERAL PURPOSE FUND  
STATEMENT 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)
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.*

**ARLINGTON COMMUNITY SCHOOLS  
GENERAL PURPOSE FUND  
STATEMENT 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)
Medical insurance	58,925	52,225	54,358	2,133
Medicare	9,017	9,017	7,458	(1,559)
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	<u>860,032</u>	<u>860,032</u>	<u>767,072</u>	<u>(92,960)</u>
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	<u>964,815</u>	<u>964,815</u>	<u>666,713</u>	<u>(298,102)</u>
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.*

**ARLINGTON COMMUNITY SCHOOLS  
GENERAL PURPOSE 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	 1,942,278	 1,942,278	 1,554,669	 (387,609)
 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)
Judgements	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.*

**ARLINGTON COMMUNITY SCHOOLS  
GENERAL PURPOSE FUND  
STATEMENT 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)
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	<u>562,167</u>	<u>460,424</u>	<u>419,978</u>	<u>(40,446)</u>
 Total general administration	 <u>1,187,985</u>	 <u>1,086,242</u>	 <u>914,948</u>	 <u>(171,294)</u>
 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 school administration	<u>2,674,610</u>	<u>2,674,610</u>	<u>2,395,443</u>	<u>(279,167)</u>

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

**ARLINGTON COMMUNITY SCHOOLS  
GENERAL PURPOSE FUND  
STATEMENT 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)
<b>Business administration:</b>				
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	<u>278,166</u>	<u>278,166</u>	<u>260,058</u>	<u>(18,108)</u>
<b>Human services/personnel:</b>				
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	<u>163,187</u>	<u>163,187</u>	<u>108,772</u>	<u>(54,415)</u>

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

**ARLINGTON COMMUNITY SCHOOLS  
GENERAL PURPOSE 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.*

**ARLINGTON COMMUNITY SCHOOLS  
GENERAL PURPOSE 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	15,712	7,856	11,531	3,675
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.*

**ARLINGTON COMMUNITY SCHOOLS  
GENERAL PURPOSE 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	698,528	663,623	588,884	(74,739)
Total transportation	2,115,875	2,080,970	1,522,639	(558,331)
<b>Total support services</b>	<b>12,404,559</b>	<b>12,267,911</b>	<b>10,430,072</b>	<b>(1,837,839)</b>
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	-
<b>Total non-instructional services</b>	<b>617,023</b>	<b>617,023</b>	<b>508,137</b>	<b>(108,886)</b>
<b>Total expenditures</b>	<b>\$ 36,421,011</b>	<b>\$ 36,421,011</b>	<b>\$ 32,262,523</b>	<b>\$ (4,158,488)</b>
Excess (deficiency) of revenues over (under) expenditures	(797,900)	(797,900)	5,761,109	6,559,009
<b>Other financing sources (uses):</b>				
Transfers out	-	-	(101,032)	(101,032)
Town appropriations	797,900	797,900	797,900	-
<b>Total other financing sources (uses)</b>	<b>797,900</b>	<b>797,900</b>	<b>696,868</b>	<b>(101,032)</b>
Net changes in fund balance	\$ -	\$ -	6,457,977	\$ 6,457,977
Fund balance - beginning			-	
Fund balance - ending			\$ 6,457,977	

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

**ARLINGTON COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity:**

The Arlington Community Schools (the System), special revenue fund of the Town of Arlington, Tennessee, was created on July 1, 2014, with purpose of operating and administering the Town of Arlington's public schools. Prior to July 1, 2014, Arlington Schools were a part of the Shelby County School System.

The System operates under a Board of Education form of government and provides educational services as authorized by the Town's charter. The Board consists of five members elected at-large for staggered four-year terms. The System consists of special revenue funds of the Town of Arlington, Tennessee (Town). The financial statements presented herein relate only to the System and are not intended to present fairly the overall position of the Town.

As required by generally accepted accounting principles, these financial statements present all funds, which comprise the System. There are no other component units, entities, which should be included.

The financial statements of the System have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

The department-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 department. 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 the only activities of the department. The System does not maintain any business-type activities.

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, 2) operating grants and contributions restricted to meeting the operational requirements of a particular function or segment, and 3) capital grants and contributions that are restricted to meeting the 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. Individual governmental funds are reported as separate columns in the fund financial statements. The major and nonmajor funds will be re-determined at the Town level, but for the System, the general purpose, federal projects, and the school nutrition funds are considered major funds.

**ARLINGTON COMMUNITY SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

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

The department-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered 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 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, and claims and judgments, are recorded only when payment is due.

Property 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 measurable and available only when cash is received by the government.

The System reports the following major governmental funds:

The general purpose fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The education capital projects fund is used to account for educational capital project income and expenditures.

As a general rule, the effect of interfund activity has been eliminated from the department-wide financial statements.

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.

When both restricted and unrestricted resources are available for use, it is the System's policy to use the restricted resources first, then unrestricted resources as they are needed.

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

***Deposits and Investments***

The System'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 System to invest in certificates of deposit, obligations of the U.S. Treasury,

**ARLINGTON COMMUNITY SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

agencies and instrumentalities, obligations guaranteed by the U.S. government or its agencies, repurchase agreements and the state's investment pool.

***Receivables and Payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds".

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets, in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources", since they do not represent net current assets. Recognition of governmental fund type revenues represented by non-current receivables is deferred in the governmental fund statements until they become current receivables.

***Inventories***

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.

***Capital Assets***

Capital assets, which include buildings and improvements and other fixed assets, are reported in the applicable department-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 (amount not rounded) or more and an estimated useful life in excess of one year.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the System are depreciated using the straight-line method over the following useful lives:

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

***Compensated Absences***

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

**ARLINGTON COMMUNITY SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

basis. Unused sick, personal and annual days are not vested by the System. Vacation can be accumulated up to a maximum of twenty-five days.

***Long-term Liabilities***

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

In the fund financial statements, the 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 in the year of issuance. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The long-term liabilities of the System are included in the government-wide financial statements of the Town.

***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 13.

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 disclosed on pages 13 and 16.

***Summary of Significant Accounting Policies***

*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

**ARLINGTON COMMUNITY SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
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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.

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 government 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 department-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government'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 System is bound to honor constraints on the specific purposes 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.

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**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 System's highest level of decision-making authority, the Board of Education of the Arlington Community Schools. Commitments may be changed or lifted only by the System 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 System for specific purposes that are neither restricted nor committed. The Board and the Director of Schools have the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

**Unassigned fund balance**

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

**Fund balance flow assumptions**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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

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

Another element of that reconciliation explains that "capital assets used in governmental funds are not financial resources and, therefore, are not reported as assets in the governmental funds." The details of this \$48,446,079 are as follows:

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Land	\$ 3,396,688
Construction in progress	311,335
Buildings and improvements	57,730,481
Other capital assets	<u>1,275,945</u>
	62,714,449
Less accumulated depreciation	<u>(14,268,370)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 48,446,079</u>

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the department-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including notes, bonds, and leases payable, are not due and payable in the current period, and; therefore, are not reported in the funds." The details of this (\$4,662,185) are as follows:

Notes payable to Shelby County School System	\$ (3,666,663)
OPEB	(924,651)
Compensated absences	<u>(70,871)</u>
	<u>\$ (4,662,185)</u>

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

**Budgetary Information**

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 budgeted expenditure by \$101,032; also in the general purpose fund, under support services, total vocational education expenditures exceeded the budget by \$3,453.

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

**A. Deposits and Investments**

As of June 30, 2015, the System had no investments.

***Custodial Credit Risk***

The System's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. State statute required that all deposits with financial institutions

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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, by the Tennessee Bank Collateral Pool, by collateral held by the System's agent in the System's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the System 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 bank deposits were fully collateralized or insured.

The following is a summary of cash and cash equivalents as of June 30, 2015:

	General Purpose Fund	Education Capital Projects Fund	Federal Projects Fund	School Nutrition Fund	Discretionary Grants Fund	Total
Cash and cash equivalents:						
Cash in bank	\$ 6,510,753	\$ -	\$ -	\$ 14,387	\$ 43,581	\$ 6,568,721

**B. Receivables**

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

	General Purpose Fund	Education Capital Projects Fund	Federal Projects Fund	School Nutrition Fund	Discretionary Grants Fund	Total
Receivables:						
Due from other governmental agencies	\$ 1,421,206	\$ 217,263	\$ -	\$ -	\$ -	\$ 1,638,469
Due from other governmental agencies - grants	2,931	-	205,220	-	15,461	223,612
Gross receivables	1,424,137	217,263	205,220	-	15,461	1,862,081
Less: Allowance for uncollectibles	-	-	-	-	-	-
Net total receivables	\$ 1,424,137	\$ 217,263	\$ 205,220	\$ -	\$ 15,461	\$ 1,862,081

Amounts in the general purpose 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 education capital projects fund called due from other governmental agencies represent amounts due from the county to reimburse for capital related expenditures.

Management determined that all receivables were collectable and no allowance was considered necessary.

The above mentioned education capital projects fund due from other governmental agencies in the amount of \$217,263 is considered unavailable in the fund statements based on the System not receiving the funds within 60 days of year end.

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The following revenues are unearned based on the funds being received but not earned:

	Unearned
General purpose fund	
Prepaid tuition	\$ 5,570
Education capital projects fund	
County allocation - athletic fieldhouse	11,785
Federal projects fund	
Title II, Part A	861
School nutrition fund	
Prepaid lunch balances	14,247
Discretionary grants fund	
Soccer field donation	40,050
Total unearned revenue	\$ 72,513

**C. Interfund Receivables, Payables, and Transfers**

The interfund payables from the federal projects fund and the education capital projects fund to the general fund is for the negative cash balance in the pooled bank account at the end of the year. The composition of balances as of June 30, 2015, is as follows:

Receivable Fund	Payable Fund	Amount
General Purpose	Federal Projects	\$ 165,353
General Purpose	Education Captial Projects	166,390
		\$ 331,743

The following is a summary of transfers during the year ended June 30, 2015.

Transfers From	Transfers To	Amount
Town	General Purpose	\$ 797,900
General Purpose	School Nutrition	\$ 101,032

The transfer from the Town includes \$451,900 for the System's portion of local tax revenue per State Statute. The Town also paid \$346,000 to the System to assist with startup costs. The transfer from the general purpose 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, at historical cost, to the Town of Arlington, Tennessee. On July 1, 2014, the Town of Arlington, Tennessee transferred these assets to the 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 System agreed to repay Shelby County School System \$3,999,996 of this amount which left \$45,190,867 that was considered contributed capital. All of these transactions were included in the department-wide statements.

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**D. Capital Assets**

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

	6/30/14	Transferred from Town of Arlington	Additions	Reductions	6/30/15
Capital assets, not being depreciated:					
Land	\$ -	\$ 3,396,688	\$ -	\$ -	\$ 3,396,688
Construction in progress	-	-	311,335	-	311,335
Total	-	3,396,688	311,335	-	3,708,023
Capital assets, being depreciated:					
Buildings and improvements	-	57,619,806	110,675	-	57,730,481
Machinery and equipment	-	1,243,040	43,905	11,000	1,275,945
Total	-	58,862,846	154,580	11,000	59,006,426
Accumulated depreciation:					
Buildings and improvements	-	(12,284,114)	(1,141,302)	-	(13,425,416)
Machinery and equipment	-	(784,557)	(67,671)	(9,274)	(842,954)
Total	-	(13,068,671)	(1,208,973)	(9,274)	(14,268,370)
Capital assets net of accumulated depreciation	-	49,190,863	(743,058)	1,726	48,446,079
Long-term debt related to capital assets (including bond costs and premiums)	-	(3,999,996)	-	(333,333)	(3,666,663)
Net investment in capital assets	\$ -	\$ 45,190,867	\$ (743,058)	\$ (331,607)	\$ 44,779,416

Depreciation expense was charged to unallocated depreciation due to the System's software not having the capability of reporting the depreciation by functions/programs of the primary government.

**E. Leases**

***Operating Leases***

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:

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Years ending June 30,	
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. Long-term Debt**

During the division from Shelby County School System, the System entered into an agreement with Shelby County School System to pay a total of \$3,999,996 over twelve years for the purchase of the System's associated assets. Annual payments in the amount of \$333,333 are due by November 1<sup>st</sup> each year with the first payment due and paid in 2014. No interest will be paid on this payable. This agreement will expire on November 1, 2026.

The annual requirements to amortize all long-term debt and obligations outstanding, excluding compensated absences of \$70,871 and OPEB of \$924,651, as of June 30, 2015, are as follows:

Years Ending June 30,	Bonds Principal
2016	\$ 333,333
2017	333,333
2018	333,333
2019	333,333
2020	333,333
2021-2025	1,666,665
2026	333,333
	<u>\$ 3,666,663</u>

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

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Shelby County Schools Payable	\$ -	\$ 3,999,996	\$ 333,333	\$ 3,666,663	\$ 333,333
OPEB	-	924,651	-	924,651	-
Compensated absences	-	70,871	-	70,871	35,435
	<u>\$ -</u>	<u>\$ 4,995,518</u>	<u>\$ 333,333</u>	<u>\$ 4,662,185</u>	<u>\$ 368,768</u>

Notes Payable:

Notes Payable to Shelby County School, 0% interest, due in annual installments of \$333,333 through 2026	<u>\$ 3,666,663</u>
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The General Fund is used to liquidate compensated absences and OPEB.

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**NOTE 5 - OTHER INFORMATION**

**A. Pensions**

***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](http://www.treasury.tn.gov/tcrs).

**Benefits provided**

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



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**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.

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:

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

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

**Discount rate**

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from 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:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
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.

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***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](http://www.treasury.tn.gov/tcrs).

**Benefits Provided**

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire 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 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

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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:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
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.

**B. 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

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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:

Effective July 1, 2015		
Pre-65 Plan	Retiree	Ret/Spouse
Basic	\$ 508.48	\$ 1,016.95
EPO	563.26	1,126.53
HRA	476.65	953.32
Effective September 1, 2015		
Post-65 Plan	Retiree	Ret/Spouse
Aetna	\$ 349.54	\$ 699.08
Effective July 1, 2015		
Plan	Retiree	Ret/Spouse
Basic	31%	42%
EPO	34%	46%
HRA	24%	38%
Aetna (post-65 plan)	34%	34%

**ARLINGTON COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

***Life Insurance***

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

***Funding Policy***

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

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

***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)			22,644,265
UAAL as a percentage of covered payroll			31%
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

**ARLINGTON COMMUNITY SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

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.

**C. Contingent Liabilities and Losses**

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 System's management expects such amounts, if any, to be immaterial.

**D. Risk Management**

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

**E. Concentration of Credit Risk**

Approximately 55% of total revenue 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.

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

The 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

**ARLINGTON COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

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.

**REQUIRED SUPPLEMENTARY INFORMATION**

**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\*

	<b>2014</b>
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.

**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.*

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

	<b>2015</b>
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.*

**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%	\$ 22,644,265	30.75%

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**

**ARLINGTON COMMUNITY SCHOOLS  
EDUCATION CAPITAL PROJECTS FUND  
STATEMENT 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)
<b>Revenues</b>				
Other local revenues	\$ -	\$ 912,460	\$ 50,675	\$ (861,785)
<b>Expenditures</b>				
Other contracted services	-	912,460	267,938	(644,522)
<b>Net changes in fund balance</b>			<b>(217,263)</b>	
<b>Fund balance - beginning</b>			<u>-</u>	
<b>Fund balance - ending</b>			<b><u>\$ (217,263)</u></b>	

*See independent auditor's report.*

**ARLINGTON COMMUNITY SCHOOLS  
OTHER GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
June 30, 2015**

	Special Revenue Funds			Total
	Federal Projects Fund	School Nutrition Fund	Discretionary Grants Fund	
<b>Assets:</b>				
Cash	\$ -	\$ 14,387	\$ 43,581	\$ 57,968
Due from other governments - grants	205,220	-	15,461	220,681
Inventory	-	12,611	-	12,611
<b>Total assets</b>	<b><u>\$ 205,220</u></b>	<b><u>\$ 26,998</u></b>	<b><u>\$ 59,042</u></b>	<b><u>\$ 291,260</u></b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 7,767	\$ 140	\$ 15,947	\$ 23,854
Due to other funds	165,353	-	-	165,353
Accrued payroll and expenses	31,239	-	3,045	34,284
Total liabilities	<u>204,359</u>	<u>140</u>	<u>18,992</u>	<u>223,491</u>
<b>Deferred Inflows of Resources:</b>				
Unearned revenue	<u>861</u>	<u>14,247</u>	<u>40,050</u>	<u>55,158</u>
<b>Fund balances:</b>				
Nonspendable				
Inventory	-	12,611	-	12,611
Total fund balances	<u>-</u>	<u>12,611</u>	<u>-</u>	<u>12,611</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b><u>\$ 205,220</u></b>	<b><u>\$ 26,998</u></b>	<b><u>\$ 59,042</u></b>	<b><u>\$ 291,260</u></b>

*See independent auditor's report.*

**ARLINGTON COMMUNITY SCHOOLS  
OTHER GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES**  
For The Fiscal Year Then Ended June 30, 2015

	Special Revenue Funds			Total
	Federal Projects Fund	School Nutrition Fund	Discretionary Grants Fund	
<b>Revenues:</b>				
Charges for current services	\$ -	\$ 612,639	\$ -	\$ 612,639
Other local revenues	-	-	19,950	19,950
State revenue	-	-	338,094	338,094
Federal revenue	1,531,652	324,777	-	1,856,429
<b>Total revenues</b>	<b><u>1,531,652</u></b>	<b><u>937,416</u></b>	<b><u>358,044</u></b>	<b><u>2,827,112</u></b>
<b>Expenditures:</b>				
Instruction	1,275,834	-	231,027	1,506,861
Support services	255,818	-	107,067	362,885
Non-instructional services	-	-	19,950	19,950
Food service	-	1,038,448	-	1,038,448
<b>Total expenditures</b>	<b><u>1,531,652</u></b>	<b><u>1,038,448</u></b>	<b><u>358,044</u></b>	<b><u>2,928,144</u></b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>-</b>	<b>(101,032)</b>	<b>-</b>	<b>(101,032)</b>
<b>Other financing sources (uses)</b>				
Operating transfers in	-	101,032	-	101,032
<b>Total other financing sources (uses)</b>	<b>-</b>	<b><u>101,032</u></b>	<b>-</b>	<b><u>101,032</u></b>
<b>Net changes in fund balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance - beginning</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Increase (decrease) in inventory	-	12,611	-	12,611
<b>Fund balance - ending</b>	<b><u>\$ -</u></b>	<b><u>\$ 12,611</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 12,611</u></b>

*See independent auditor's report.*

**ARLINGTON COMMUNITY SCHOOLS  
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)
<b>Revenues</b>				
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	-	-	-
<b>Total revenues</b>	<b><u>1,718,911</u></b>	<b><u>1,729,637</u></b>	<b><u>1,531,652</u></b>	<b><u>(197,985)</u></b>
<b>Expenditures</b>				
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.*

**ARLINGTON COMMUNITY SCHOOLS  
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	<u>139,567</u>	<u>139,438</u>	<u>139,437</u>	<u>(1)</u>
Total vocational education	<u>198,627</u>	<u>221,211</u>	<u>221,200</u>	<u>(11)</u>
<b>    Total instruction</b>	<b><u>1,402,061</u></b>	<b><u>1,420,160</u></b>	<b><u>1,275,834</u></b>	<b><u>(144,326)</u></b>
Support Services:				
Other student support:				
Travel	56,663	40,173	40,173	-
Travel - PD	<u>14,165</u>	<u>14,165</u>	<u>14,141</u>	<u>(24)</u>
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	<u>10,967</u>	<u>8,037</u>	<u>4,651</u>	<u>(3,386)</u>
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.*

**ARLINGTON COMMUNITY SCHOOLS  
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)
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>
<b>    Total support services</b>	<b><u>316,850</u></b>	<b><u>309,477</u></b>	<b><u>255,818</u></b>	<b><u>(53,659)</u></b>
<b>    Total expenditures</b>	<b><u>1,718,911</u></b>	<b><u>1,729,637</u></b>	<b><u>1,531,652</u></b>	<b><u>(197,985)</u></b>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
<b>Fund balance - beginning</b>			<u>-</u>	
<b>Fund balance - ending</b>			<u>\$ -</u>	

*See independent auditor's report.*

**ARLINGTON COMMUNITY SCHOOLS  
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 (Under)
<b>Revenues</b>				
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	120,000	120,000	237,335	117,335
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>
<b>Total revenues</b>	<u>1,301,145</u>	<u>1,301,145</u>	<u>937,416</u>	<u>(363,729)</u>
<b>Expenditures</b>				
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.*

**ARLINGTON COMMUNITY SCHOOLS  
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)
<b>Total expenditures</b>	<b>1,301,145</b>	<b>1,301,145</b>	<b>1,038,448</b>	<b>(262,697)</b>
Excess (deficiency) of revenues over (under) expenditures	-	-	(101,032)	(101,032)
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	101,032	101,032
<b>Total other financing sources (uses)</b>	-	-	101,032	101,032
<b>Net changes in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>
Fund balance - beginning			-	
<b>Increase (decrease) in inventory</b>			<b>12,611</b>	
Fund balance - ending			<b>\$ 12,611</b>	

*See independent auditor's report.*

**ARLINGTON COMMUNITY SCHOOLS  
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 (Under)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
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)
<b>    Total revenues</b>	<b>85,000</b>	<b>399,327</b>	<b>358,044</b>	<b>(41,283)</b>
<b>Expenditures</b>				
Instruction:				
Regular instruction:				
Equipment	-	231,027	231,027	-
<b>    Total instruction</b>	<b>-</b>	<b>231,027</b>	<b>231,027</b>	<b>-</b>
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.*

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

*See independent auditor's report.*

**ARLINGTON COMMUNITY SCHOOL BOARD**  
**SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS**  
June 30, 2015

	<u>Notes Payable</u>
<u>Year Ended</u> <u>June 30,</u>	<u>Shelby County</u> <u>School System</u> <u>Principal</u>
2016	\$ 333,333
2017	333,333
2018	333,333
2019	333,333
2020	333,333
2021	333,333
2022	333,333
2023	333,333
2024	333,333
2025	333,333
2026	<u>333,333</u>
Total	<u>\$ 3,666,663</u>

*See independent auditor's report.*

**ARLINGTON COMMUNITY SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Fiscal Year Then Ended June 30, 2015

	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Expenditures/ Amount Earned/ Amount Issued</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>Pass-through the Tennessee Department of Education</b>			
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>
<b>Special Education Grants to States</b>			
IDEA Program	84.027*	H027A140052	<u>758,376</u>
Special Education - Preschool Grant	84.173*	H173A140095	<u>2,416</u>
<b>Total Special Education Grants To States</b>			<u>760,792</u>
<b>Total Passed through the U.S. Department of Education</b>			<u>1,532,513</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Pass-through the Tennessee Department of Agriculture</b>			
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>
			<u>324,777</u>
<b>Total Passed through the U.S. Department of Agriculture</b>			<u>324,777</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,857,290</u>

\*Major federal financial assistance program.

All expenditures reported are under the modified accrual basis of accounting whereby revenues are recorded when measurable and available and expenditures are recorded when the liability is incurred.

*See independent auditor's report.*

**ARLINGTON COMMUNITY SCHOOLS**  
**SCHEDULE OF STATE FINANCIAL ASSISTANCE**  
For the Fiscal Year Then Ended June 30, 2015

	<u>Expenditures/ Amount Earned/ Amount Issued</u>
<b>TENNESSEE DEPARTMENT OF EDUCATION</b>	
Coordinated School Health	\$ <u>83,767</u>
Career Ladder Supplements	<u>83,719</u>
Extended Contract	<u>28,249</u>
Safe Schools	<u>23,300</u>
Technology Grant	<u>231,027</u>
Internet Connectivity	<u>14,507</u>
ACT/Explore	<u>11,437</u>
<b>Total Expenditures of State Awards</b>	<b>\$ <u><u>476,006</u></u></b>

*See independent auditor's report*

**INTERNAL CONTROL AND COMPLIANCE SECTION**

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American Society of Certified Public Accountants  
AICPA Center for Public Company Audit Firms  
AICPA Governmental Audit Quality Center  
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227 Oil Well Rd.  
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## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Board of Education  
Arlington Community Schools  
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, each major fund, and the aggregate remaining fund information of the Arlington Community Schools (the System) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the System's basic financial statements and have issued our report thereon dated January 25, 2016.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the System'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 Systems internal control. Accordingly, we do not express an opinion on the effectiveness of the System'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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on

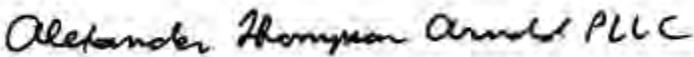
the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The results of our tests disclosed an other matter finding that is required to be reported by the State of Tennessee, Comptroller of the Treasury, *Audit Manual – Auditing, Accounting, and Reporting for Local Governmental Units and Other Organizations* as item 2015-001 in the accompanying schedule of findings and questioned costs.

In addition, we noted other matters involving the internal control and its operation that we reported to management of the System in a separate letter dated January 25, 2016.

### **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.

A handwritten signature in black ink that reads "Alexander Thompson Arnold PLLC". The signature is written in a cursive, slightly slanted style.

Jackson, Tennessee  
January 25, 2016

**Members of:**

American Society of Certified Public Accountants  
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**Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control Over  
Compliance Required by OMB Circular A-133**

Board of Education  
Arlington Community Schools  
Arlington, Tennessee

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

We have audited Arlington Community Schools' 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 System's major federal programs for the year ended June 30, 2015. The System'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 System'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 System'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 System's compliance.

## Opinion on Each Major Federal Program

In our opinion, the System 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.

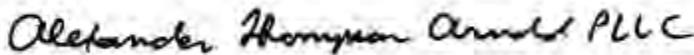
## Report on Internal Control Over Compliance

Management of the System 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 System'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 System'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.



Jackson, Tennessee  
January 25, 2016

**ARLINGTON COMMUNITY SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 June 30, 2015

**Section I – Summary of Auditor’s Results**

Financial Statements

Type of auditor’s report issued:		Unmodified
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	<u>    X    </u> no
Significant deficiency(ies) identified?	_____ yes	<u>    X    </u> none reported
Noncompliance material to financial statements noted?	_____ yes	<u>    X    </u> no

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	_____ yes	<u>    X    </u> no
Significant deficiency(ies) identified?	_____ yes	<u>    X    </u> 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	<u>    X    </u> no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
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

**ARLINGTON COMMUNITY SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
June 30, 2015

**Section II – Financial Statement Findings**

**2015-001 Cash Thefts due to a Refund Function that was Improperly Implemented by the Software Company (Other Matter)**

Condition: Arlington Community Schools (the System) has adequate controls and policies in place regarding school nutrition refunds. The policy is for a parent of a student to provide the school with a request for reimbursement in writing to the school. The school's cafeteria manager sends the request for reimbursement to Nutrition services that verifies the account balance and then notifies the finance department to issue a refund. No refunds are allowed to be issued at the School level. However, unknown to the System, the software system had a refund key that was enabled at the school level that allowed an employee to take advantage of that key and issue fraudulent refunds in the amount of \$750 against student prepaid accounts. Once the System became aware of the refund function, they immediately contacted the software company and had them disable the key. The employee was questioned and denied using the refund key and denied knowing that the refund key existed. The employee was put on unpaid suspension pending investigation and later terminated once the System confirmed the theft.

Criteria: Although the System had adequate controls in place to catch and prevent the theft, Section A-8 of the *State of Tennessee Audit Manual* states that "all instances of fraud, regardless of materiality, be communicated to those charged with governance in the report on internal control over financial reporting and on compliance."

Effect: Due to the refund key that was improperly set up by the software company, an employee was able to commit fraud.

Recommendation: We encourage continuing the implementation of existing controls to ensure that no refunds are issued at the school level. This includes monitoring of regular reports to ensure that no refunds are issued at the school level.

Response: Upon us discovering the refunds issued directly from the register, we had the software vendor to disable this key. Shared services Nutrition currently runs a report to see if any refunds have been issued directly from a register as an additional way to detect this weakness.

**Section III – Federal Award Findings and Questioned Costs**

None reported.

**ARLINGTON COMMUNITY SCHOOLS**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
June 30, 2015

The year ended June 30, 2015 was the first year of operations for this System.

**ARLINGTON COMMUNITY SCHOOLS  
CORRECTIVE ACTION PLAN  
June 30, 2015**

Arlington Community Schools respectfully submits the following corrective action plan for the year ended June 30, 2015.

Name and address of independent public accounting firm:

Alexander Thompson Arnold  
227 Oil Well Road  
Jackson, TN 38305

June 30, 2015

The finding from June 30, 2015, schedule of findings and questioned costs are discussed below. The finding is numbered consistently with the number assigned in the schedule.

Finding required to be reported in accordance with governmental auditing standards.

2015-001 Cash Thefts due to a Refund Function that was Improperly Implemented by the Software Company (Other Matter)

Condition: Arlington Community Schools (the System) has adequate controls and policies in place regarding school nutrition refunds. The policy is for a parent of a student to provide the school with a request for reimbursement in writing to the school. The school's cafeteria manager sends the request for reimbursement to Nutrition services that verifies the account balance and then notifies the finance department to issue a refund. No refunds are allowed to be issued at the School level. However, unknown to the System, the software system had a refund key that was enabled at the school level that allowed an employee to take advantage of that key and issue fraudulent refunds in the amount of \$750 against student prepaid accounts. Once the System became aware of the refund function, they immediately contacted the software company and had them disable the key. The employee was questioned and denied using the refund key and denied knowing that the refund key existed. The employee was put on unpaid suspension pending investigation and later terminated once the System confirmed the theft.

Response: Upon us discovering the refunds issued directly from the register, we had the software vendor to disable this key. Shared services Nutrition currently runs a report to see if any refunds have been issued directly from a register as an additional way to detect this weakness.