

ARLINGTON COMMUNITY SCHOOL SYSTEM
FINANCIAL STATEMENTS

June 30, 2023



ARLINGTON COMMUNITY SCHOOL SYSTEM

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ARLINGTON COMMUNITY SCHOOL SYSTEM
BOARD OF OFFICIALS
For the Year Ended June 30, 2023

BOARD OF EDUCATION OFFICIALS

Position 1 Scott Benjamin (2026*)
Position 2 Lyle Conley (2024*)
Position 3 Jonathan Dunn (2026*)
Position 4 Kay Williams (2024*)
Position 5 Dale Viox (2026*)

BOARD OF EDUCATION ADMINISTRATION

Superintendent..... Jeffrey Mayo
Chief Financial Officer..... Amy Sapinsley**
Chief of Human Resources..... Dr. Allison Clark
Chief of Academics Todd Goforth
Chief of Accountability & Federal Compliance Rochelle Douglas
Chief of Operations Tim Ruff

* Year term expires

** Designated with financial oversight responsibility

INDEPENDENT AUDITOR'S REPORT

To the Superintendent and Board Members
Arlington Community School System
Arlington, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, the fiduciary fund, and the aggregate remaining fund information of the Arlington Community School System, (the "System"), which are funds of the Town of Arlington, Tennessee, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

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, the fiduciary fund, and the aggregate remaining fund information of the Arlington Community School System, as of June 30, 2023, and the respective changes in financial position and statements of budgetary comparison for the general purpose fund and federal projects fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of a Matter

As discussed in Note 1, the financial statements of the Arlington Community School System are intended to present the financial position and the changes in the financial position of only the governmental activities, each major fund, the fiduciary fund, and the aggregate other fund information of the Town of Arlington, Tennessee that is attributable to the transactions of the Arlington Community School System. They do not purport to, and do not present fairly the financial position of the Town of Arlington, Tennessee as of June 30, 2023, the changes in its financial position, budgetary comparisons, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management's 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and certain pension and other postemployment benefit plan information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying combining and individual fund financial statements and schedules, supporting schedules, and schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required

part of the basic financial statements. Such information 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. The 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 combining and individual fund financial statements and schedules, the supporting schedules, and the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.



Memphis, Tennessee
December 13, 2023

ARLINGTON COMMUNITY SCHOOL SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2023

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, 2023. Comparative financial information is reported for the fiscal year ended June 30, 2022. 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 of Arlington (Town). The determination of major and non-major funds is determined at the Town level.

Arlington Community Schools is a K-12 school system located in Arlington, Tennessee, a suburban area of Memphis, Tennessee. As the school district of choice for more than 4,800 Pre-K through 12th grade students, ACS has become an academic destination for many families thanks to our dedicated staff, strong academic record, modern facilities, technology-forward vision and vast extra-curricular offerings beyond the classroom. In ACS, we're prioritizing STEAM Learning (Science, Technology, Engineering, Arts & Mathematics) with two STEAM Designated Schools and STEM for All in Grades Pre-K through 12. We care about developing students for their future, not our present, which is why we continue to expand college-level credit opportunities and career and technical programs to meet our students' needs while also embedding important life skills through our [Portrait of an ACS Graduate](#).

Arlington High, the district's only high school, is home to more than 40 college-level courses, including Advanced Placement, Dual Enrollment and CTE. AHS also has more than a dozen Industry Certification opportunities to help prepare students for the workforce. Additionally, AHS boasts several academies, including the Performing Arts & Visual Experience (PAVE) Fine Arts Academy, the Collegiate Academy and the Academy of Engineering & Innovation. These vast opportunities expand down to the middle school as well, where Arlington Middle is one of the few middle schools across the State of Tennessee where all students have the option to receive STEM for one hour per day and participate in a 5-day a week music program in band, choir and orchestra.

ACS is proud to be among the Best Communities for Music Education® and the #1 Certified Top Workplace® for employees in the Memphis-Metro region. Explore why ACS is big enough to be a place for everyone but still thrives on that small-town charm by visiting our website, www.acsk-12.org.

Financial Highlights

Key financial highlights for the fiscal year ended June 30, 2023 are as follows:

- The assets and deferred outflows of resources of the System exceeded its liabilities and deferred inflows of resources by \$146.7 million (net position) that represents a \$6.7 million increase in net position. Of this amount, the unrestricted net position has a balance of \$37 million.
- As of the close of the current fiscal year, the System reported combined ending fund balances of \$39.0 million. Approximately 85.0% of this total amount, \$33.3 million is unassigned in the general purpose fund, 1.0% represents non-spendable funds in the general purpose and non-major governmental funds, 1.8% represents funds restricted for the general purpose fund, 5.8% represents funds restricted in the school nutrition fund, 4.6% represents funds restricted in the internal school funds, and 1.8% represents funds restricted in the education capital projects fund.
- The System has an outstanding debt to Shelby County Schools in the amount of \$960 thousand and made a payment in the current fiscal year of \$333,333.
- The net other postemployment benefits liability is determined by the actuary to be \$4.1 million.
- The System began a multi-year construction project on a Fine Arts expansion at the high school, with an estimated budget of \$8.5 million.

**ARLINGTON COMMUNITY SCHOOL SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**
For the Year Ended June 30, 2023

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) system-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information, supplementary information, and other information in addition to the basic financial statements themselves.

System-wide financial statements: The system-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 system-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 system-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 the funds of the System can be grouped into the category of governmental funds except for the other postemployment fund which is a fiduciary fund.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the system-wide financial statements. However, unlike the system-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 system-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the system-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 the general purpose fund and non-major 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 those funds. The major funds and non-major funds will be re-evaluated at the Town level. The System adopts an annual appropriated budget for its general purpose and non-major governmental funds. 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.

**ARLINGTON COMMUNITY SCHOOL SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

For the Year Ended June 30, 2023

Notes to the financial statements The notes provide additional information that is essential to a full understanding of the data provided in the system-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.

System-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 \$146 million at the close of the fiscal year ended June 30, 2023.

A large portion of the System's net position reflects its investment in capital assets (e.g., buildings, and equipment). The System uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

An additional portion of the System's net position, \$10.7 million represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted net position of \$37 million. The System uses unrestricted funds to meet the government's ongoing obligations to citizens and creditors. The following provides a summary of the System's net position for the years ended June 30:

| | <u>June 30, 2023</u> | <u>June 30, 2022</u> |
|--|-----------------------|-----------------------|
| Assets | | |
| Current and other | \$ 53,697,901 | \$ 65,463,744 |
| Capital assets - net of accumulated depreciation | <u>98,733,161</u> | <u>97,467,482</u> |
| Total assets | 152,431,062 | 162,931,226 |
| Deferred outflows of resources | 9,536,736 | 10,788,277 |
| Liabilities | | |
| Long-term liabilities | 5,442,607 | 5,774,337 |
| Other liabilities | <u>5,718,642</u> | <u>3,111,139</u> |
| Total liabilities | 11,161,249 | 8,885,476 |
| Deferred inflows of resources | 4,059,026 | 24,810,212 |
| Net Position | | |
| Net investment in capital assets | 98,733,161 | 97,467,482 |
| Restricted | 10,679,460 | 6,906,038 |
| Unrestricted | <u>37,334,902</u> | <u>35,650,295</u> |
| Total net position | <u>\$ 146,747,523</u> | <u>\$ 140,023,815</u> |

ARLINGTON COMMUNITY SCHOOL SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2023

The following summary shows the changes in net position for fiscal years ended June 30:

| | <u>June 30, 2023</u> | <u>June 30, 2022</u> |
|--|-----------------------|-----------------------|
| Revenues | | |
| Program revenues | | |
| Charges for services | \$ 1,744,582 | \$830,506 |
| Operating grants and contributions | 9,417,787 | 9,922,162 |
| Capital grants and contributions | 856,236 | - |
| General revenues | | |
| Property taxes | 14,109,656 | 14,756,049 |
| Payments in lieu of taxes | 247,664 | 246,011 |
| Sales taxes | 8,562,961 | 8,756,615 |
| Business tax | 1,669 | 1,346 |
| Mixed drink tax | 28,294 | 25,183 |
| Wheel tax | 1,398,497 | 894,682 |
| Grants and contributions | | |
| not restricted to specific programs: | | |
| Basic Education Program | 24,772,539 | 24,128,130 |
| Other state allocations | 61,200 | 1,245,120 |
| Contributions from the Town of Arlington | 786,494 | 748,953 |
| Investment income (loss) | 282,092 | (27,219) |
| Other miscellaneous revenues | 303,889 | 353,088 |
| Total revenues | <u>62,573,560</u> | <u>61,880,626</u> |
| Expenses | | |
| Instruction and instruction support | 39,142,955 | 33,592,064 |
| School support | 3,055,742 | 2,895,325 |
| Central office | 3,253,742 | 3,038,671 |
| Operation of plant | 3,734,767 | 3,629,766 |
| Transportation | 1,545,037 | 1,551,296 |
| Technology | 886,830 | 763,536 |
| Food service | 1,760,118 | 1,723,189 |
| Student activities | 2,445,054 | 2,452,201 |
| Interest on long-term debt | 25,607 | 31,696 |
| Total expenses | <u>55,849,852</u> | <u>49,677,744</u> |
| Change in net position | 6,723,708 | 12,202,882 |
| Net position, beginning | 140,023,815 | 127,820,933 |
| Net position, ending | <u>\$ 146,747,523</u> | <u>\$ 140,023,815</u> |

Revenues

The System's total revenues for the fiscal year June 30, 2023 was \$62.5 million. The largest single revenue source was state revenues in the form of Basic Education Program revenue of \$24.7 million, an increase of \$644 thousand. In addition, grant revenue increased \$1.2 million due to additional COVID-19 related funding.

**ARLINGTON COMMUNITY SCHOOL SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**
For the Year Ended June 30, 2023

Expenses

Expenses totaled \$55.8 million for the fiscal year ended June 30, 2023, an increase of \$6 million due to the implementation of new math books, iPad refresh for 1st grade and laptop refresh for all teachers.

The following table presents the net cost of the major functional activities of Arlington Community Schools for the fiscal years ended June 30, 2023 and 2022.

| Expenses (Net of Program Revenues) | <u>June 30, 2023</u> | <u>June 30, 2022</u> |
|---|----------------------|----------------------|
| Instruction and instruction support | \$ 31,876,234 | \$28,209,382 |
| Support services | 3,055,742 | 2,895,325 |
| Central office | 3,253,742 | 3,038,671 |
| Operation of plant | 3,734,767 | 3,629,766 |
| Transportation | 1,545,037 | 1,551,296 |
| Technology | 886,830 | 763,536 |
| Food service | (297,038) | (1,004,083) |
| Student activities | (249,674) | (190,513) |
| Interest on long-term debt | 25,607 | 31,696 |
| | <u>43,831,247</u> | <u>38,925,076</u> |

The net cost is the total cost less program fees and directly related federal and state grant revenue provided for those programs within the functional expense category. The net cost shows the financial burden on the local and state taxpayers by each activity. The total cost of services for fiscal year 2023 was \$55.8 million compared to \$49.7 million in fiscal year 2022.

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, 2023, the System's governmental funds reported combined fund balances of \$39 million. Approximately 85.0% of this amount \$33.3 million constitutes unassigned fund balance, which is available for spending at the System's discretion. The remainder of the fund balance is either non-spendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form \$406 thousand, 2) restricted for particular purposes \$4.8 million, or 3) committed for capital projects \$697 thousand.

The general purpose fund is the chief operating fund of the System. At the end of the current fiscal year, unassigned fund balance was \$33.3 million.

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 68% of the total general purpose fund expenditures, while total fund balances represent 70.2% of that same amount.

**ARLINGTON COMMUNITY SCHOOL SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**
For the Year Ended June 30, 2023

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, 2023 | | Variance with Original Budget Inc (Dec) |
|--|--------------------|-------------------|---|
| | Original Budget | Final Budget | |
| Revenues | | | |
| Taxes | \$ 23,516,500 | \$ 23,516,500 | \$ - |
| State revenues | 25,271,000 | 25,271,000 | - |
| Charges for services | 410,100 | 410,100 | - |
| Operating federal and state grants | 80,000 | 1,945,909 | 1,865,909 |
| Contributions from Town of Arlington | 804,493 | 804,493 | - |
| Other income | 247,000 | 247,000 | - |
| Total revenues | <u>50,329,093</u> | <u>52,195,002</u> | <u>1,865,909</u> |
| Expenditures | | | |
| Instruction and instruction support | 37,366,150 | 39,044,699 | (1,678,549) |
| School support | 2,902,317 | 2,952,137 | (49,820) |
| Central office | 3,552,145 | 3,652,145 | (100,000) |
| Operation of plant | 3,613,526 | 3,613,526 | - |
| Transportation | 2,173,510 | 2,173,510 | - |
| Technology | 921,447 | 921,447 | - |
| Food services | - | 37,540 | (37,540) |
| Debt service | 333,333 | 333,333 | - |
| Capital outlay | 5,728,500 | 5,728,500 | - |
| Total expenditures | <u>56,590,928</u> | <u>58,456,837</u> | <u>(1,865,909)</u> |
| Other financing sources (uses): | | | |
| Transfers from (to) other funds | (20,000) | (20,000) | - |
| Planned use of fund balance | 6,281,835 | 6,281,835 | - |
| Total other financing sources (uses) | <u>6,261,835</u> | <u>6,261,835</u> | <u>-</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Over the course of the year, the System revised its budget several times. The significant changes made to the original budget were due additional state funding for the Innovative School Model grant.

**ARLINGTON COMMUNITY SCHOOL SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**
For the Year Ended June 30, 2023

Differences between the final budget and the actual expenditures are briefly summarized as follows:

| General Purpose Fund | June 30, 2023 | | Variance with Final Budget Inc (Dec) |
|--|-------------------|---------------------|--|
| | Final Budget | Actual | |
| Revenues | | | |
| Taxes | \$ 23,516,500 | \$ 24,473,680 | \$ 957,180 |
| State revenues | 25,271,000 | 24,833,739 | (437,261) |
| Charges for services | 410,100 | 578,704 | 168,604 |
| Operating federal and state grants | 1,945,909 | 336,933 | (1,608,976) |
| Contributions from Town of Arlington | 804,493 | 786,494 | (17,999) |
| Other income | 247,000 | 573,317 | 326,317 |
| Total revenues | <u>52,195,002</u> | <u>51,582,867</u> | <u>(612,135)</u> |
| Expenditures | | | |
| Instruction and instruction support | 39,044,699 | 34,572,584 | 4,472,115 |
| School support | 2,952,137 | 2,726,481 | 225,656 |
| Central office | 3,652,145 | 3,050,713 | 601,432 |
| Operation of plant | 3,613,526 | 3,235,750 | 377,776 |
| Transportation | 2,173,510 | 1,441,036 | 732,474 |
| Technology | 921,447 | 835,726 | 85,721 |
| Food services | 37,540 | 15,707 | 21,833 |
| Debt service | 333,333 | 333,333 | - |
| Capital outlay | 5,728,500 | 2,667,164 | 3,061,336 |
| Total expenditures | <u>58,456,837</u> | <u>48,878,494</u> | <u>9,578,343</u> |
| Other financing sources (uses): | | | |
| Transfers from (to) other funds | (20,000) | 20,150 | 40,150 |
| Planned use of fund balance | 6,281,835 | - | (6,281,835) |
| Total other financing sources (uses) | <u>6,261,835</u> | <u>20,150</u> | <u>(6,241,685)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ 2,724,523</u> | <u>\$ 2,724,523</u> |

The utilization of conservative estimates has allowed the System to eliminate the necessity for a bridge loan through the Town of Arlington in order to meet its payroll and other expenditure obligations during the months where cash in-flows lag behind cash out-flows. The System has also been able to complete major projects for the schools without the need for the Town to incur any debt on behalf of the System.

Significant variances between the final budgeted revenue and actual revenue received are attributed to a difference in actual property tax, local option sales tax, and wheel tax over projected amounts. Significant variances between the final budgeted expenditures and actual expenditures incurred are attributed to the System, along with other municipal school systems and municipalities within Shelby County, is self-insured through a medical health trust since its inception in 2014. Additional medical insurance contribution may be required from the System, over the covered employee and dependent amount, to fully fund the health trust. Budgeted expenditures anticipated additional contributions to the medical insurance trust may have been necessary.

**ARLINGTON COMMUNITY SCHOOL SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**
For the Year Ended June 30, 2023

Capital Asset and Debt Administration

Capital Assets The System's investment in capital assets for its governmental activities as of June 30, 2023, amounts to \$98.7 million, net of accumulated depreciation. This investment in capital assets includes buildings and improvements and other capital assets (including equipment). The major capital asset investments that occurred during June 30, 2023 included laptop refresh for all teachers and iPad refresh for 1st grade, in addition to a remodel of the AHS baseball bleachers.

| | <u>June 30, 2023</u> | <u>June 30, 2022</u> |
|--|----------------------|----------------------|
| Land | \$ 1,996,500 | \$ 1,996,500 |
| Construction in progress | 3,174,634 | 112,458 |
| Buildings and improvements, net of depreciation | 89,767,364 | 91,666,783 |
| Machinery, furniture, and equipment, net of depreciation | 3,794,663 | 3,691,741 |
| Total capital assets | <u>\$ 98,733,161</u> | <u>\$ 97,467,482</u> |

Long-term debt Arlington Community Schools is fiscally dependent on the Town for the issuance of debt for any capital projects. However, as of June 30, 2023, the System had a note payable to Shelby County School System totaling \$960 thousand related to the settlement of litigation upon creating the System.

Economic Factors and Next Year's Budget

Student enrollment is the primary driver of instruction and school expenditure budgets. Enrollment in the System includes Arlington Residents for grades K-12, Lakeland Residents for grades 10-12, and non-resident students. The System allows open enrollment for non-resident students at schools that have the capacity in which those students meet the open enrollment criteria established by the district.

All these factors were considered in preparing the System's budget for the 2023-2024 fiscal year. The System will continue to maximize all financial resources available to provide a quality education for all its students.

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, Chief Financial Officer, 12060 Arlington Trail, Arlington, TN 38002.

BASIC FINANCIAL STATEMENTS

ARLINGTON COMMUNITY SCHOOL SYSTEM
STATEMENT OF NET POSITION
June 30, 2023

| | Primary Government <u>Governmental Activities</u> |
|--|---|
| ASSETS | |
| Cash and cash equivalents | \$ 40,208,670 |
| Accounts receivable | 89,665 |
| Due from other governments | 4,855,918 |
| Inventory | 34,310 |
| Prepaid expenses | 372,237 |
| Restricted investments | 709,784 |
| Net pension asset | 7,427,316 |
| Capital assets, not being depreciated | 5,171,134 |
| Capital assets, being depreciated, net | <u>93,562,027</u> |
| Total assets | 152,431,061 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Related to pensions | 8,176,910 |
| Related to OPEB | <u>1,359,826</u> |
| Total deferred outflows of resources | 9,536,736 |
| LIABILITIES | |
| Accounts payable | 3,192,556 |
| Accrued payroll and benefits | 2,471,781 |
| Unearned revenue | 54,304 |
| Noncurrent liabilities | |
| Due within one year | 552,946 |
| Due in more than one year | |
| Other liabilities | 686,307 |
| Net pension liability | 33,300 |
| Net OPEB liability | <u>4,170,054</u> |
| Total liabilities | 11,161,248 |
| DEFERRED INFLOWS OF RESOURCES | |
| Related to pensions | 1,530,475 |
| Related to OPEB | <u>2,528,551</u> |
| Total deferred inflows of resources | <u>4,059,026</u> |
| NET POSITION | |
| Investment in capital assets | 98,733,161 |
| Restricted for: | |
| Net pension asset | 5,896,841 |
| Stabilization reserve trust | 709,784 |
| Nutrition | 2,260,126 |
| Grants | 17,554 |
| Internal school funds | 1,795,155 |
| Unrestricted | <u>37,334,902</u> |
| Total net position | <u>\$ 146,747,523</u> |

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

ARLINGTON COMMUNITY SCHOOL SYSTEM
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses) Revenues and Changes in Net Position |
|--|----------------------|----------------------|------------------------------------|----------------------------------|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental Activities: | | | | | |
| Instruction and instruction support | \$ 39,142,955 | \$ 578,704 | \$ 5,831,781 | \$ 856,236 | \$ (31,876,234) |
| Support services | 3,055,742 | - | - | - | (3,055,742) |
| Central office | 3,253,742 | - | - | - | (3,253,742) |
| Operation of plant | 3,734,767 | - | - | - | (3,734,767) |
| Transportation | 1,545,037 | - | - | - | (1,545,037) |
| Technology | 886,830 | - | - | - | (886,830) |
| Food service | 1,760,118 | 1,165,878 | 891,278 | - | 297,038 |
| Student activities | 2,445,054 | - | 2,694,728 | - | 249,674 |
| Interest on long-term debt | 25,607 | - | - | - | (25,607) |
| | <u>\$ 55,849,852</u> | <u>\$ 1,744,582</u> | <u>\$ 9,417,787</u> | <u>\$ 856,236</u> | (43,831,247) |
| General Revenues | | | | | |
| Shared revenues - taxes | | | | | 24,348,741 |
| Shared revenues - state and county allocations | | | | | 24,833,739 |
| General contributions | | | | | 786,494 |
| Other revenues | | | | | 303,889 |
| Investment income | | | | | 282,092 |
| Total general revenues | | | | | <u>50,554,955</u> |
| Change in net position | | | | | 6,723,708 |
| Net position, beginning of year | | | | | 140,023,815 |
| Net position, end of year | | | | | <u>\$ 146,747,523</u> |

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

ARLINGTON COMMUNITY SCHOOL SYSTEM
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

| | General Purpose Fund | Federal Projects Fund | Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|-------------------------------------|--------------------------------------|--------------------------------------|--|---|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 35,474,074 | \$ 1,747 | \$ 625,919 | \$ 4,106,930 | \$ 40,208,670 |
| Accounts receivable | 37,599 | - | - | 52,066 | 89,665 |
| Due from other governments | 3,851,361 | 914,087 | 70,862 | 19,608 | 4,855,918 |
| Due from other funds | 222,112 | - | - | - | 222,112 |
| Inventory | - | - | - | 34,310 | 34,310 |
| Prepaid items | 372,237 | - | - | - | 372,237 |
| Restricted investments | 709,784 | - | - | - | 709,784 |
| | <u>\$ 40,667,167</u> | <u>\$ 915,834</u> | <u>\$ 696,781</u> | <u>\$ 4,212,914</u> | <u>\$ 46,492,696</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 2,510,280 | \$ 641,968 | \$ - | \$ 40,308 | \$ 3,192,556 |
| Accrued payroll and benefits | 2,408,870 | 62,907 | - | 4 | 2,471,781 |
| Due to other funds | - | 210,959 | - | 11,153 | 222,112 |
| Unearned revenue | - | - | - | 54,304 | 54,304 |
| Total liabilities | <u>4,919,150</u> | <u>915,834</u> | <u>-</u> | <u>105,769</u> | <u>5,940,753</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable tax revenue | 1,284,579 | - | - | - | 1,284,579 |
| FUND BALANCES | | | | | |
| Nonspendable | | | | | |
| Inventory | - | - | - | 34,310 | 34,310 |
| Prepaid expenses | 372,237 | - | - | - | 372,237 |
| Restricted | | | | | |
| Stabilization reserve trust | 709,784 | - | - | - | 709,784 |
| Nutrition | - | - | - | 2,260,126 | 2,260,126 |
| Grants | - | - | - | 17,554 | 17,554 |
| Internal school funds | - | - | - | 1,795,155 | 1,795,155 |
| Committed | - | - | 696,782 | - | 696,782 |
| Unassigned | 33,381,417 | - | (1) | - | 33,381,416 |
| Total fund balances | <u>34,463,438</u> | <u>-</u> | <u>696,781</u> | <u>4,107,145</u> | <u>39,267,364</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 40,667,167</u> | <u>\$ 915,834</u> | <u>\$ 696,781</u> | <u>\$ 4,212,914</u> | <u>\$ 46,492,696</u> |

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

**ARLINGTON COMMUNITY SCHOOL SYSTEM
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
NET POSITION**

June 30, 2023

| | | |
|--|--------------------|------------------------------|
| Total fund balances, governmental funds | | \$ 39,267,364 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| (1) Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 98,733,161 |
| (2) Other long-term assets are not available to pay for current-period expenditures and, therefore, are unearned or unavailable in the funds. | | 1,284,579 |
| (3) Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds. Less: settlement obligation | | (960,949) |
| (4) Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Less: compensated absences payable | | (278,304) |
| (5) Pension assets (liabilities) and other postemployment benefit (OPEB) liabilities result from the excess (deficiency) of trust assets over (under) total pension and OPEB liabilities. The amounts are not available for use in the current period; therefore, are not reported in the funds. Add: net pension asset | 7,427,316 | |
| Less: net pension liability | (33,300) | |
| Less: net OPEB liability | <u>(4,170,054)</u> | 3,223,962 |
| (6) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be amortized and recognized as components of pension and OPEB expense in future years. Add: deferred outflows of resources related to pensions | 8,176,910 | |
| Less: deferred inflows of resources related to pensions | (1,530,475) | |
| Add: deferred outflows of resources related to OPEB | 1,359,826 | |
| Less: deferred inflows of resources related to OPEB | <u>(2,528,551)</u> | <u>5,477,710</u> |
| Net position of governmental activities | | <u><u>\$ 146,747,523</u></u> |

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

ARLINGTON COMMUNITY SCHOOL SYSTEM
STATEMENT OF REVENUES EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

| | General Purpose Fund | Federal Projects Fund | Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------------|-----------------------------|-----------------------------|-----------------------------------|--------------------------------|
| REVENUES | | | | | |
| Taxes | \$ 24,473,680 | \$ - | \$ - | \$ - | \$ 24,473,680 |
| Intergovernmental | 24,833,739 | - | 856,236 | - | 25,689,975 |
| Charges for services | 578,704 | - | - | 1,165,878 | 1,744,582 |
| Federal, state and other grants | 336,933 | 5,271,015 | - | 1,115,111 | 6,723,059 |
| General contributions | 786,494 | - | - | - | 786,494 |
| Student activities | - | - | - | 2,694,728 | 2,694,728 |
| Investment income | 282,092 | - | - | - | 282,092 |
| Other | 291,225 | - | - | 24,982 | 316,207 |
| Total revenues | <u>51,582,867</u> | <u>5,271,015</u> | <u>856,236</u> | <u>5,000,699</u> | <u>62,710,817</u> |
| EXPENDITURES | | | | | |
| Instruction and instruction support | 34,572,584 | 4,372,090 | - | 35,456 | 38,980,130 |
| Support services | 2,726,481 | 41,287 | - | 108,122 | 2,875,890 |
| Central office | 3,050,713 | - | - | - | 3,050,713 |
| Operation of plant | 3,235,750 | 198,086 | - | 85,711 | 3,519,547 |
| Transportation | 1,441,036 | 1,000 | - | - | 1,442,036 |
| Technology | 835,726 | - | - | - | 835,726 |
| Food services | 15,707 | 191,562 | - | 1,540,175 | 1,747,444 |
| Student activities | - | - | - | 2,445,054 | 2,445,054 |
| Debt service | 333,333 | - | - | - | 333,333 |
| Capital outlays | 2,667,164 | 446,840 | 856,236 | - | 3,970,240 |
| Total expenditures | <u>48,878,494</u> | <u>5,250,865</u> | <u>856,236</u> | <u>4,214,518</u> | <u>59,200,113</u> |
| Excess of revenues over expenditures | 2,704,373 | 20,150 | - | 786,181 | 3,510,704 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 20,150 | - | - | - | 20,150 |
| Transfers out | - | (20,150) | - | - | (20,150) |
| Total other financing sources and uses | <u>20,150</u> | <u>(20,150)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 2,724,523 | - | - | 786,181 | 3,510,704 |
| Fund balances - beginning | <u>31,738,915</u> | <u>-</u> | <u>696,781</u> | <u>3,320,964</u> | <u>35,756,660</u> |
| Fund balances - ending | <u>\$ 34,463,438</u> | <u>\$ -</u> | <u>\$ 696,781</u> | <u>\$ 4,107,145</u> | <u>\$ 39,267,364</u> |

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

ARLINGTON COMMUNITY SCHOOL SYSTEM
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2023

| | | |
|--|-----------------|---------------------|
| Net change in fund balance - total governmental funds | | \$ 3,510,704 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| (1) Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. | | |
| Add: Capital outlays capitalized | 4,750,794 | |
| Less: Depreciation expense | (3,437,556) | |
| Less: Proceeds received for sale of equipment | (12,318) | |
| Less: Loss from the disposition of capital assets | <u>(35,241)</u> | 1,265,679 |
| (2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | (124,939) |
| (3) The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | |
| Add: principal payments on long-term debt | | 307,726 |
| (4) Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | |
| Change in compensated absences | | (15,414) |
| (5) Payments of contributions to the pension plans and OPEB plan are recorded as expenditures in the governmental funds. Pension expense and OPEB expense are recorded on an actuarially determined basis in the statement of activities. | | |
| Difference between actual contributions and pension expense | 1,750,247 | |
| Difference between actual contributions and OPEB expense | <u>29,705</u> | <u>1,779,952</u> |
| Change in net position of governmental activities | | <u>\$ 6,723,708</u> |

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

ARLINGTON COMMUNITY SCHOOL SYSTEM
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL PURPOSE FUND
For the Year Ended June 30, 2023

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget - Increase (Decrease)</u> |
|--|-------------------------|---------------|-----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| TAXES | | | | |
| Property taxes | | | | |
| Property tax - current | \$ 14,700,000 | \$ 14,700,000 | \$ 13,925,485 | \$ (774,515) |
| Property tax - prior year | 235,000 | 235,000 | 309,174 | 74,174 |
| Payments in lieu of tax | 240,000 | 240,000 | 247,664 | 7,664 |
| Business tax | 1,500 | 1,500 | 1,669 | 169 |
| Wheel tax | 1,200,000 | 1,200,000 | 1,398,497 | 198,497 |
| Interest and penalties on delinquent taxes | 15,000 | 15,000 | - | (15,000) |
| Local taxes | | | | |
| Local option sales tax | 7,100,000 | 7,100,000 | 8,562,897 | 1,462,897 |
| Mixed drink tax | 25,000 | 25,000 | 28,294 | 3,294 |
| Total taxes | 23,516,500 | 23,516,500 | 24,473,680 | 957,180 |
| INTERGOVERNMENTAL | | | | |
| State Education Funds | | | | |
| Basic education program | 25,206,000 | 25,206,000 | 24,772,539 | (433,461) |
| Career ladder program | 65,000 | 65,000 | 61,200 | (3,800) |
| Total intergovernmental | 25,271,000 | 25,271,000 | 24,833,739 | (437,261) |
| CHARGES FOR SERVICES | 410,100 | 410,100 | 578,704 | 168,604 |
| FEDERAL AND STATE GRANTS | 80,000 | 1,945,909 | 336,933 | (1,608,976) |
| TOWN CONTRIBUTIONS | 804,493 | 804,493 | 786,494 | (17,999) |
| INVESTMENT INCOME | - | - | 282,092 | 282,092 |
| OTHER | 247,000 | 247,000 | 291,225 | 44,225 |
| Total Revenues | 50,329,093 | 52,195,002 | 51,582,867 | (612,135) |
| EXPENDITURES | | | | |
| INSTRUCTION AND INSTRUCTION SUPPORT | | | | |
| Regular Education | | | | |
| Salaries | 17,534,000 | 17,854,120 | 17,382,166 | 471,954 |
| Benefits | 5,538,917 | 5,430,417 | 4,688,594 | 741,823 |
| Contractual services | 291,830 | 291,830 | 291,296 | 534 |
| Materials and supplies | 1,434,909 | 1,495,155 | 1,272,058 | 223,097 |
| Other charges | 86,150 | 87,183 | 66,354 | 20,829 |
| | 24,885,806 | 25,158,705 | 23,700,468 | 1,458,237 |

(CONTINUED ON NEXT PAGE)

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

ARLINGTON COMMUNITY SCHOOL SYSTEM
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL PURPOSE FUND
For the Year Ended June 30, 2023

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget - Increase (Decrease)</u> |
|--------------------------------|-------------------------|-------------------|-----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Alternative Education | | | | |
| Salaries | 297,400 | 297,400 | 288,723 | 8,677 |
| Benefits | 97,049 | 97,049 | 70,356 | 26,693 |
| Materials and supplies | 3,050 | 3,050 | 1,414 | 1,636 |
| Other charges | 2,100 | 2,100 | - | 2,100 |
| | <u>399,599</u> | <u>399,599</u> | <u>360,493</u> | <u>39,106</u> |
| Special Education | | | | |
| Salaries | \$ 2,392,300 | \$ 2,408,600 | \$ 2,050,410 | \$ 358,190 |
| Benefits | 819,853 | 803,553 | 578,195 | 225,358 |
| Contractual services | 52,000 | 52,000 | 36,180 | 15,820 |
| Materials and supplies | 78,400 | 78,400 | 55,814 | 22,586 |
| | <u>3,342,553</u> | <u>3,342,553</u> | <u>2,720,599</u> | <u>621,954</u> |
| Career & Technical Instruction | | | | |
| Salaries | 1,011,225 | 1,013,225 | 757,513 | 255,712 |
| Benefits | 275,045 | 275,045 | 246,841 | 28,204 |
| Contractual services | - | - | 5,500 | (5,500) |
| Materials and supplies | 137,000 | 160,000 | 175,028 | (15,028) |
| Other charges | 27,000 | 1,502,000 | 38,498 | 1,463,502 |
| | <u>1,450,270</u> | <u>2,950,270</u> | <u>1,223,380</u> | <u>1,726,890</u> |
| Regular Instruction Support | | | | |
| Salaries | 1,379,997 | 1,389,997 | 1,316,541 | 73,456 |
| Benefits | 375,579 | 375,579 | 339,463 | 36,116 |
| Contractual services | 85,000 | 75,000 | 43,336 | 31,664 |
| Materials and supplies | 749,367 | 749,367 | 742,229 | 7,138 |
| Other charges | 193,447 | 193,447 | 123,832 | 69,615 |
| | <u>2,783,390</u> | <u>2,783,390</u> | <u>2,565,401</u> | <u>217,989</u> |
| Special Education Support | | | | |
| Salaries | 481,664 | 540,167 | 523,651 | 16,516 |
| Benefits | 139,817 | 137,679 | 124,065 | 13,614 |
| Contractual services | 731,100 | 664,735 | 432,731 | 232,004 |
| Materials and supplies | 17,000 | 17,000 | 13,946 | 3,054 |
| Other charges | 31,500 | 41,500 | 32,908 | 8,592 |
| | <u>1,401,081</u> | <u>1,401,081</u> | <u>1,127,301</u> | <u>273,780</u> |
| Technical Education Support | | | | |
| Salaries | 65,489 | 65,489 | 65,489 | - |
| Benefits | 22,450 | 22,450 | 19,062 | 3,388 |
| Materials and supplies | 1,000 | 1,000 | 100 | 900 |
| Other charges | 57,550 | 57,550 | 36,645 | 20,905 |
| | <u>146,489</u> | <u>146,489</u> | <u>121,296</u> | <u>25,193</u> |
| Office of Principal | | | | |
| Salaries | 2,214,450 | 2,219,250 | 2,200,534 | 18,716 |
| Benefits | 700,412 | 601,262 | 533,845 | 67,417 |
| Contractual services | 2,500 | 2,500 | 2,500 | - |
| Other charges | 39,600 | 39,600 | 16,767 | 22,833 |
| | <u>2,956,962</u> | <u>2,862,612</u> | <u>2,753,646</u> | <u>108,966</u> |
| Total instruction | <u>37,366,150</u> | <u>39,044,699</u> | <u>34,572,584</u> | <u>4,472,115</u> |

(CONTINUED ON NEXT PAGE)

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

ARLINGTON COMMUNITY SCHOOL SYSTEM
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL PURPOSE FUND
For the Year Ended June 30, 2023

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget - Increase (Decrease)</u> |
|-----------------------------|-------------------------|------------------|-----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| SUPPORT SERVICES | | | | |
| Student Services | | | | |
| Salaries | \$ 585,140 | \$ 593,640 | \$ 580,194 | \$ 13,446 |
| Benefits | 214,783 | 176,683 | 136,732 | 39,951 |
| Contractual services | 91,450 | 127,450 | 121,021 | 6,429 |
| Materials and supplies | 11,150 | 13,750 | 12,885 | 865 |
| Other charges | 24,650 | 15,650 | 12,580 | 3,070 |
| | <u>927,173</u> | <u>927,173</u> | <u>863,412</u> | <u>63,761</u> |
| Health Services | | | | |
| Salaries | 271,000 | 283,000 | 280,272 | 2,728 |
| Benefits | 98,644 | 102,644 | 76,386 | 26,258 |
| Contractual services | 14,550 | 19,550 | 14,550 | 5,000 |
| Materials and supplies | 4,100 | 4,100 | 3,330 | 770 |
| Other charges | 1,800 | 1,800 | 1,508 | 292 |
| | <u>390,094</u> | <u>411,094</u> | <u>376,046</u> | <u>35,048</u> |
| Guidance | | | | |
| Salaries | 823,150 | 848,270 | 815,201 | 33,069 |
| Benefits | 247,547 | 251,247 | 224,018 | 27,229 |
| Contractual services | 15,000 | 15,000 | 3,918 | 11,082 |
| Other charges | 15,000 | 15,000 | - | 15,000 |
| | <u>1,100,697</u> | <u>1,129,517</u> | <u>1,043,137</u> | <u>86,380</u> |
| Accountability | | | | |
| Salaries | 293,695 | 293,695 | 291,806 | 1,889 |
| Benefits | 134,908 | 106,908 | 95,287 | 11,621 |
| Materials and supplies | 5,500 | 17,500 | 17,335 | 165 |
| Other charges | 30,250 | 46,250 | 37,983 | 8,267 |
| | <u>464,353</u> | <u>464,353</u> | <u>442,411</u> | <u>21,942</u> |
| Planning | | | | |
| Contractual services | 20,000 | 20,000 | 1,475 | 18,525 |
| Total support services | <u>2,902,317</u> | <u>2,952,137</u> | <u>2,726,481</u> | <u>225,656</u> |
| CENTRAL OFFICE | | | | |
| Board of Education Services | | | | |
| Salaries | 52,775 | 52,775 | 52,667 | 108 |
| Benefits | 500,310 | 500,310 | 482,470 | 17,840 |
| Contractual services | 577,500 | 577,500 | 461,603 | 115,897 |
| Materials and supplies | 5,000 | 5,000 | - | 5,000 |
| Other charges | 313,802 | 189,802 | 105,587 | 84,215 |
| | <u>1,449,387</u> | <u>1,325,387</u> | <u>1,102,327</u> | <u>223,060</u> |
| Office of Superintendent | | | | |
| Salaries | 610,075 | 624,275 | 622,340 | 1,935 |
| Benefits | 185,624 | 171,424 | 161,478 | 9,946 |
| Contractual services | 62,750 | 62,750 | 26,811 | 35,939 |
| Materials and supplies | 28,500 | 33,000 | 20,191 | 12,809 |
| Other charges | 57,000 | 52,500 | 38,115 | 14,385 |
| | <u>943,949</u> | <u>943,949</u> | <u>868,935</u> | <u>75,014</u> |

(CONTINUED ON NEXT PAGE)

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

ARLINGTON COMMUNITY SCHOOL SYSTEM
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL PURPOSE FUND
For the Year Ended June 30, 2023

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget - Increase (Decrease)</u> |
|----------------------------------|-------------------------|------------------|-----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Fiscal Services | | | | |
| Salaries | \$ 371,265 | \$ 371,265 | \$ 367,245 | \$ 4,020 |
| Benefits | 114,227 | 109,227 | 104,686 | 4,541 |
| Contractual services | 89,500 | 313,500 | 65,930 | 247,570 |
| Materials and supplies | 13,500 | 13,000 | 11,802 | 1,198 |
| Other charges | 36,600 | 42,100 | 39,300 | 2,800 |
| | <u>625,092</u> | <u>849,092</u> | <u>588,963</u> | <u>260,129</u> |
| Human Resources | | | | |
| Salaries | 331,000 | 331,000 | 330,716 | 284 |
| Benefits | 119,092 | 119,092 | 96,603 | 22,489 |
| Contractual services | 29,500 | 29,500 | 25,818 | 3,682 |
| Materials and supplies | 16,525 | 16,525 | 9,771 | 6,754 |
| Other charges | 37,600 | 37,600 | 27,580 | 10,020 |
| | <u>533,717</u> | <u>533,717</u> | <u>490,488</u> | <u>43,229</u> |
| Total central office | <u>3,552,145</u> | <u>3,652,145</u> | <u>3,050,713</u> | <u>601,432</u> |
| OPERATION OF PLANT | | | | |
| Operation of Plant | | | | |
| Salaries | 295,000 | 297,000 | 286,606 | 10,394 |
| Benefits | 96,925 | 94,925 | 70,649 | 24,276 |
| Contractual services | 2,126,950 | 2,126,950 | 1,930,550 | 196,400 |
| Materials and supplies | 19,000 | 19,000 | 15,040 | 3,960 |
| Other charges | 9,575 | 9,575 | 6,006 | 3,569 |
| | <u>2,547,450</u> | <u>2,547,450</u> | <u>2,308,851</u> | <u>238,599</u> |
| Maintenance of Plant | | | | |
| Salaries | 503,274 | 503,274 | 449,382 | 53,892 |
| Benefits | 151,802 | 151,802 | 114,994 | 36,808 |
| Contractual services | 263,000 | 263,000 | 233,675 | 29,325 |
| Materials and supplies | 135,500 | 135,500 | 124,207 | 11,293 |
| Other charges | 12,500 | 12,500 | 4,641 | 7,859 |
| | <u>1,066,076</u> | <u>1,066,076</u> | <u>926,899</u> | <u>139,177</u> |
| Total operation of plant | <u>3,613,526</u> | <u>3,613,526</u> | <u>3,235,750</u> | <u>377,776</u> |
| TRANSPORTATION | | | | |
| Student Transportation | | | | |
| Contractual services | 1,726,779 | 1,726,779 | 1,113,430 | 613,349 |
| Materials and supplies | 246,000 | 246,000 | 146,493 | 99,507 |
| | <u>1,972,779</u> | <u>1,972,779</u> | <u>1,259,923</u> | <u>712,856</u> |
| Central and Other Transportation | | | | |
| Salaries | 95,240 | 95,240 | 90,066 | 5,174 |
| Benefits | 38,291 | 38,291 | 31,582 | 6,709 |
| Contractual services | 6,000 | 6,000 | - | 6,000 |
| Materials and supplies | 60,200 | 60,200 | 59,465 | 735 |
| Other charges | 1,000 | 1,000 | - | 1,000 |
| | <u>200,731</u> | <u>200,731</u> | <u>181,113</u> | <u>19,618</u> |
| Total transportation | <u>2,173,510</u> | <u>2,173,510</u> | <u>1,441,036</u> | <u>732,474</u> |

(CONTINUED ON NEXT PAGE)

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

ARLINGTON COMMUNITY SCHOOL SYSTEM
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL PURPOSE FUND
For the Year Ended June 30, 2023

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget - Increase (Decrease)</u> |
|---|-------------------------|-------------------|-----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| TECHNOLOGY | | | | |
| Salaries | \$ 313,405 | \$ 317,405 | \$ 316,957 | \$ 448 |
| Benefits | 104,922 | 100,922 | 84,738 | 16,184 |
| Contractual services | 308,700 | 306,700 | 268,740 | 37,960 |
| Materials and supplies | 51,800 | 53,800 | 26,891 | 26,909 |
| Other charges | 142,620 | 142,620 | 138,400 | 4,220 |
| Total technology | <u>921,447</u> | <u>921,447</u> | <u>835,726</u> | <u>85,721</u> |
| FOOD SERVICES | | | | |
| Salaries | - | 7,840 | 7,120 | 720 |
| Benefits | - | 1,700 | 1,005 | 695 |
| Materials and supplies | - | 28,000 | 7,582 | 20,418 |
| Total food services | <u>-</u> | <u>37,540</u> | <u>15,707</u> | <u>21,833</u> |
| Total education | <u>50,529,095</u> | <u>52,395,004</u> | <u>45,877,997</u> | <u>6,517,007</u> |
| DEBT SERVICE | | | | |
| Principal | 333,333 | 333,333 | 307,726 | 25,607 |
| Interest | - | - | 25,607 | (25,607) |
| Total debt service | <u>333,333</u> | <u>333,333</u> | <u>333,333</u> | <u>-</u> |
| CAPITAL OUTLAY | | | | |
| Building improvements | 2,628,500 | 2,844,439 | 1,924,888 | 919,551 |
| Architects | 50,000 | 50,000 | 16,989 | 33,011 |
| Other capital outlay | 3,050,000 | 2,834,061 | 725,287 | 2,108,774 |
| Total capital outlay | <u>5,728,500</u> | <u>5,728,500</u> | <u>2,667,164</u> | <u>3,061,336</u> |
| Total expenditures | <u>56,590,928</u> | <u>58,456,837</u> | <u>48,878,494</u> | <u>9,578,343</u> |
| Excess (deficiency) of revenues over (under) expenditures | (6,261,835) | (6,261,835) | 2,704,373 | 8,966,208 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | 20,150 | 20,150 |
| Transfers out | (20,000) | (20,000) | - | 20,000 |
| Planned use of fund balance | 6,281,835 | 6,281,835 | - | (6,281,835) |
| Total other financing sources | <u>6,261,835</u> | <u>6,261,835</u> | <u>20,150</u> | <u>(6,241,685)</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$ -</u> | <u>2,724,523</u> | <u>\$ 2,724,523</u> |
| Fund balances - beginning | | | <u>31,738,915</u> | |
| Fund balances - ending | | | <u>\$ 34,463,438</u> | |

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

ARLINGTON COMMUNITY SCHOOL SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FEDERAL PROJECTS FUND
For the Year Ended June 30, 2023

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget - Increase (Decrease)</u> |
|--|-------------------------|------------------|-----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Federal, state and other grants | | | | |
| Title I cluster | \$ 1,037,521 | \$ 1,382,352 | \$ 1,247,888 | \$ (134,464) |
| Special education cluster | 1,302,893 | 1,568,011 | 1,118,332 | (449,679) |
| ESSER | 8,962,988 | 6,862,994 | 2,825,708 | (4,037,286) |
| Other federal grants | 55,375 | 92,704 | 79,087 | (13,617) |
| Total revenues | <u>11,358,777</u> | <u>9,906,061</u> | <u>5,271,015</u> | <u>(4,635,046)</u> |
| EXPENDITURES | | | | |
| INSTRUCTION AND INSTRUCTION SUPPORT | | | | |
| Consolidated Administration | | | | |
| Salaries | 106,304 | 116,659 | 110,804 | 5,855 |
| Benefits | 28,768 | 29,123 | 24,911 | 4,212 |
| Other charges | 3,924 | 3,924 | 1,991 | 1,933 |
| | <u>138,996</u> | <u>149,706</u> | <u>137,706</u> | <u>12,000</u> |
| Title I, Part A | | | | |
| Salaries | 268,435 | 182,084 | 178,873 | 3,211 |
| Benefits | 71,996 | 53,335 | 45,025 | 8,310 |
| Contractual services | 153,525 | 188,812 | 179,389 | 9,423 |
| Materials and supplies | 160,439 | 517,819 | 514,790 | 3,029 |
| Other charges | 111,860 | 136,996 | 79,799 | 57,197 |
| | <u>766,255</u> | <u>1,079,046</u> | <u>997,876</u> | <u>81,170</u> |
| Title II | | | | |
| Salaries | 58,000 | 48,000 | 44,500 | 3,500 |
| Benefits | 10,657 | 7,867 | 7,109 | 758 |
| Contractual services | - | 17,000 | - | 17,000 |
| Materials and supplies | 9,000 | - | - | - |
| Other charges | 7,499 | 34,020 | 27,875 | 6,145 |
| | <u>85,156</u> | <u>106,887</u> | <u>79,484</u> | <u>27,403</u> |
| Title III, Part A | | | | |
| Contractual services | 2,873 | 4,000 | 3,603 | 397 |
| Materials and supplies | 4,000 | 3,039 | 2,987 | 52 |
| Other charges | 3,000 | 2,071 | 2,071 | - |
| | <u>9,873</u> | <u>9,110</u> | <u>8,661</u> | <u>449</u> |
| Title IV | | | | |
| Contractual services | - | 8,156 | 6,600 | 1,556 |
| Materials and supplies | 500 | - | - | - |
| Other charges | - | 11,546 | 5,351 | 6,195 |
| | <u>500</u> | <u>19,702</u> | <u>11,951</u> | <u>7,751</u> |
| ARP Homeless | | | | |
| Salaries | - | 680 | - | 680 |
| Benefits | - | 112 | - | 112 |
| Contractual services | - | 1,000 | - | 1,000 |
| | <u>-</u> | <u>1,792</u> | <u>-</u> | <u>1,792</u> |

(CONTINUED ON NEXT PAGE)

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

ARLINGTON COMMUNITY SCHOOL SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FEDERAL PROJECTS FUND
For the Year Ended June 30, 2023

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget - Increase (Decrease)</u> |
|---|-------------------------|------------------|-----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Carl Perkins | | | | |
| Contractual services | \$ - | \$ 9,817 | \$ 9,817 | \$ - |
| Materials and supplies | 35,911 | 37,048 | 37,048 | - |
| Other charges | 300 | 2,400 | 2,400 | - |
| | <u>36,211</u> | <u>49,265</u> | <u>49,265</u> | <u>-</u> |
| IDEA, Part B | | | | |
| Salaries | 699,459 | 754,765 | 686,746 | 68,019 |
| Benefits | 115,961 | 131,697 | 230,819 | (99,122) |
| Contractual services | 148,626 | 261,916 | 18,000 | 243,916 |
| Materials and supplies | 230,419 | 280,412 | 96,006 | 184,406 |
| Other charges | 38,985 | 64,969 | 41,354 | 23,615 |
| | <u>1,233,450</u> | <u>1,493,759</u> | <u>1,072,925</u> | <u>420,834</u> |
| IDEA, Preschool | | | | |
| Materials and supplies | 31,781 | 32,289 | 25,846 | 6,443 |
| | <u>31,781</u> | <u>32,289</u> | <u>25,846</u> | <u>6,443</u> |
| ESSER 1.0 | | | | |
| Salaries | 45,000 | - | - | - |
| Benefits | 5,720 | - | - | - |
| Contractual services | 9,000 | - | - | - |
| Materials and supplies | 74,500 | - | - | - |
| Other charges | 36,000 | - | - | - |
| | <u>170,220</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| ESSER 2.0 | | | | |
| Salaries | 208,385 | 232,089 | 232,089 | - |
| Benefits | 67,410 | 13,423 | 13,423 | - |
| Materials and supplies | 11,460 | 157,194 | 157,194 | - |
| Other charges | 7,460 | - | - | - |
| | <u>294,715</u> | <u>402,706</u> | <u>402,706</u> | <u>-</u> |
| ESSER 3.0 | | | | |
| Salaries | 1,182,333 | 1,552,067 | 732,607 | 819,460 |
| Benefits | 294,225 | 411,595 | 165,553 | 246,042 |
| Contractual services | 57,500 | 36,840 | 23,379 | 13,461 |
| Materials and supplies | 1,533,132 | 997,637 | 492,907 | 504,730 |
| Other charges | 135,050 | 111,300 | 57,008 | 54,292 |
| | <u>3,202,240</u> | <u>3,109,439</u> | <u>1,471,454</u> | <u>1,637,985</u> |
| Fiscal Pre Monitoring Support | | | | |
| Contractual services | 46,200 | 46,200 | 27,966 | 18,234 |
| Math Implementation Support | | | | |
| Contractual services | 71,250 | 71,250 | 71,250 | - |
| Legacy Stipend | | | | |
| Salaries | - | 15,000 | 15,000 | - |
| Total instruction and instruction support | <u>6,086,847</u> | <u>6,586,151</u> | <u>4,372,090</u> | <u>2,214,061</u> |

(CONTINUED ON NEXT PAGE)

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ARLINGTON COMMUNITY SCHOOL SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FEDERAL PROJECTS FUND
For the Year Ended June 30, 2023

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget - Increase (Decrease)</u> |
|---------------------------|-------------------------|---------------|-----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| SUPPORT SERVICES | | | | |
| Title I, Part A | | | | |
| Other charges | \$ 7,743 | \$ 10,681 | \$ 8,650 | \$ 2,031 |
| Title IV | | | | |
| Materials and supplies | 24,453 | 3,844 | 2,971 | 873 |
| ARP Homeless | | | | |
| Contracted services | - | 4,060 | 500 | 3,560 |
| Carl Perkins | | | | |
| Other charges | 19,164 | 11,700 | 11,700 | - |
| ESSER 2.0 | | | | |
| Salaries | 94,000 | - | - | - |
| Benefits | 33,235 | 7,350 | 7,350 | - |
| Contracted services | 3,478 | - | - | - |
| Materials and supplies | 4,644 | - | - | - |
| | <u>135,357</u> | <u>7,350</u> | <u>7,350</u> | <u>-</u> |
| ARPA/ESSER 3.0 | | | | |
| Salaries | 20,040 | 7,000 | 7,000 | - |
| Benefits | 2,495 | 10,535 | 1,494 | 9,041 |
| Materials and supplies | 16,455 | - | - | - |
| Other charges | 4,640 | - | - | - |
| | <u>20,040</u> | <u>7,000</u> | <u>8,494</u> | <u>-</u> |
| Coordinated School Health | | | | |
| Materials and supplies | - | 4,060 | 1,055 | 3,005 |
| Other charges | - | 4,358 | 567 | 3,791 |
| | <u>-</u> | <u>8,418</u> | <u>1,622</u> | <u>6,796</u> |
| Total support services | <u>230,347</u> | <u>63,588</u> | <u>41,287</u> | <u>22,301</u> |
| OPERATION OF PLANT | | | | |
| ESSER | | | | |
| Salaries | 15,000 | - | - | - |
| Benefits | 2,310 | - | - | - |
| Contractual services | 16,000 | - | - | - |
| Materials and supplies | 14,417 | - | - | - |
| | <u>47,727</u> | <u>-</u> | <u>-</u> | <u>-</u> |

(CONTINUED ON NEXT PAGE)

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ARLINGTON COMMUNITY SCHOOL SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FEDERAL PROJECTS FUND
For the Year Ended June 30, 2023

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget - Increase (Decrease)</u> |
|--|-------------------------|----------------|-----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| ESSER 2.0 | | | | |
| Salaries | \$ 120,000 | \$ - | \$ - | \$ - |
| Benefits | 55,685 | - | - | - |
| Contractual services | 20,000 | 150,000 | 150,000 | - |
| Materials and supplies | 30,000 | 7,000 | 7,000 | - |
| | <u>225,685</u> | <u>157,000</u> | <u>157,000</u> | <u>-</u> |
| ARPA/ESSER 3.0 | | | | |
| Salaries | 147,600 | 44,036 | 35,550 | 8,486 |
| Benefits | 60,447 | 8,023 | 5,536 | 2,487 |
| Contractual services | 155,200 | 101,327 | - | 101,327 |
| Materials and supplies | 176,385 | - | - | - |
| | <u>539,632</u> | <u>153,386</u> | <u>41,086</u> | <u>112,300</u> |
| Total Operation and Maintenance of Plant | 813,044 | 310,386 | 198,086 | 112,300 |
| TRANSPORTATION | | | | |
| Title I, Part A | | | | |
| Contractual services | 3,250 | 2,685 | - | 2,685 |
| | <u>3,250</u> | <u>2,685</u> | <u>-</u> | <u>2,685</u> |
| IDEA, Part B | | | | |
| Contractual services | 3,000 | 3,000 | - | 3,000 |
| Materials and supplies | 2,429 | 5,500 | - | 5,500 |
| | <u>5,429</u> | <u>8,500</u> | <u>-</u> | <u>8,500</u> |
| ARP Homeless | | | | |
| Other charges | - | 2,469 | 1,000 | 1,469 |
| Total transportation | 8,679 | 13,654 | 1,000 | 12,654 |
| FOOD SERVICES | | | | |
| ESSER | | | | |
| Salaries | 45,000 | - | - | - |
| Benefits | 3,490 | - | - | - |
| Materials and supplies | 5,000 | - | - | - |
| | <u>53,490</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| ESSER 3.0 | | | | |
| Salaries | 153,600 | 154,600 | 69,080 | 85,520 |
| Benefits | 98,408 | 15,169 | 5,894 | 9,275 |
| Materials and supplies | - | 129,883 | 116,588 | 13,295 |
| | <u>252,008</u> | <u>299,652</u> | <u>191,562</u> | <u>108,090</u> |
| Total Food Services | 305,498 | 299,652 | 191,562 | 108,090 |

(CONTINUED ON NEXT PAGE)

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

ARLINGTON COMMUNITY SCHOOL SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FEDERAL PROJECTS FUND
For the Year Ended June 30, 2023

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget - Increase (Decrease)</u> |
|---|-------------------------|------------------|-----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| CAPITAL OUTLAY | | | | |
| Building improvements | \$ 2,700,834 | \$ 1,323,475 | \$ 315,352 | \$ 1,008,123 |
| Contracted services | 1,180,000 | 1,275,000 | 131,488 | 1,143,512 |
| Total capital outlay | <u>3,880,834</u> | <u>2,598,475</u> | <u>446,840</u> | <u>2,151,635</u> |
| Total expenditures | <u>11,325,249</u> | <u>9,871,906</u> | <u>5,250,865</u> | <u>4,621,041</u> |
| Excess of revenues over expenditures | 33,528 | 34,155 | 20,150 | (14,005) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | <u>(31,295)</u> | <u>(30,691)</u> | <u>(20,150)</u> | <u>10,541</u> |
| Net change in fund balances | <u>\$ 2,233</u> | <u>\$ 3,464</u> | <u>-</u> | <u>\$ (3,464)</u> |
| Fund balances - beginning | | | <u>-</u> | |
| Fund balances - ending | | | <u>\$ -</u> | |

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

ARLINGTON COMMUNITY SCHOOL SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2023

| | OPEB Trust Fund |
|------------------------------|----------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 39,930 |
| Investments | |
| Equity exchange traded funds | 751,139 |
| Equity mutual funds | 1,520,780 |
| Fixed income mutual funds | 1,631,417 |
| Structured investments | 314,336 |
| Total investments | <u>4,217,672</u> |
| Total assets | <u>4,257,602</u> |
| LIABILITIES | |
| Accounts Payable | <u>(874)</u> |
| Total liabilities | <u>(874)</u> |
| NET POSITION | |
| Restricted for OPEB | <u><u>\$ 4,258,476</u></u> |

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

**ARLINGTON COMMUNITY SCHOOL SYSTEM
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND**

For the Year Ended June 30, 2023

| | OPEB Trust Fund |
|---------------------------------------|----------------------------|
| ADDITIONS | |
| Employer contributions | \$ 504,955 |
| Investment earnings (losses): | |
| Interest and dividends | 110,673 |
| Net loss in fair value of investments | 308,424 |
| Total investment earnings | <u>419,097</u> |
| Total additions | 924,052 |
| DEDUCTIONS | |
| Benefits | 294,955 |
| Administrative expense | 15,444 |
| Total deductions | <u>310,399</u> |
| Change in net position | 613,653 |
| Net position - beginning of the year | <u>3,644,823</u> |
| Net position - end of the year | <u><u>\$ 4,258,476</u></u> |

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

ARLINGTON COMMUNITY SCHOOL SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Arlington Community School System (the "System") 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. Matters that may financially obligate the Town must also be approved by the Board of Mayor and Aldermen of the Town. The System consists of five special revenue funds, a capital projects fund, and an other postemployment benefit trust fund of the Town of Arlington, Tennessee (the "Town"). The financial statements presented herein relate only to the System and are not intended to present fairly the overall position of the Town.

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

Fiduciary Component Unit – The System's OPEB Trust Fund represents a fiduciary fund. The trust fund is a legally separate entity, and the resources of the trust fund cannot be used to finance the School's operations. The School is committed to making contributions to the trust, and therefore assumes a financial burden for the trust fund and thus has financial accountability.

B. Basis of Presentation

1. System-Wide Financial Statements

The system-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government and are designed to provide readers with a broad overview of the System's finances, in a manner similar to private-sector business. Governmental activities, which are supported by taxes and intergovernmental revenues, are the only activities of the System. The System does not maintain any business-type activities. Certain eliminations have been made regarding interfund activities, payables, and receivables.

The statement of net position presents information on all the System's assets, deferred outflows of resources, liabilities, deferred inflows of resources, with the differences presented as net position. Net position is reported as one of three categories: net investment in capital assets, restricted, or unrestricted. Restricted net position is further classified as either net position restricted by enabling legislation or net position that is otherwise restricted.

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 properly excluded from program revenues are reported instead as general revenues.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Fund Financial Statements

Separate financial statements are provided for governmental funds and the fiduciary fund, even though the fiduciary fund is excluded from the system-wide financial statements. The activities of the System are organized into funds, each of which are separate entities. Each fund is accounted for by providing a set of self-balancing accounts which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures/expenses. The major and nonmajor funds will be re-determined at the Town level, but the System has presented all major funds that met the quantitative or qualitative qualifications to be reported as a major fund as separate columns in the fund financial statements. In addition, the System has elected to present the Capital Projects fund as a major fund.

The System's major funds are as follows:

Major Governmental Funds: General Purpose Fund, Federal Projects Fund, and Capital Projects Fund.

Detailed descriptions of these funds are presented below.

3. Governmental Fund Financial Statements

Governmental fund financial statements include a balance sheet and statement of revenues, expenditures, and changes in fund balance individually for all major funds and in the aggregate for the remaining nonmajor funds. An accompanying schedule is presented to reconcile and explain the difference in fund balance and changes in fund balances as presented in these statements to net position and changes in net position presented in the system-wide financial statements. The governmental funds of the System are described below:

- a. **General Purpose Fund** – 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.
- b. **Special Revenue Funds** – These funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted or committed to expenditures for specific purposes. The special revenue funds include Nutrition Fund, Discretionary Grants Fund, and Internal School Fund as well as the Federal Projects Fund which is described in further detail below:

Federal Projects Fund – The special revenue fund was established to account for federal grants that must be spent for a specific purpose such as special education, educator professional development, and economically disadvantaged students.

- c. **Capital Projects Fund** – This fund accounts for all the financing of major capital asset purchases.

4. Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a statement of fiduciary net position and statement of changes in fiduciary net position.

- a. **Other Postemployment Benefit (OPEB) Trust Fund** – This fund accounts for the activities and accumulation or resources related solely to retiree group health and dental benefits that are required to be held in trust for the members and beneficiaries of the defined other postemployment benefit plan.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus

On the system-wide statement of net position and statement of activities, governmental activities are presented using the “economic resources” measurement focus. Accordingly, all the System’s assets and liabilities, including capital assets and long-term liabilities, along with deferred inflows and outflows of resources, are included in the accompanying statement of net position. The statement of activities presents changes in net position.

Fiduciary funds are also accounted for using the “economic resources” measurement focus. Accordingly, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) are included in the statement of net position. The statement of revenues, expenses, and changes in net position presents revenues (additions) and expenses (deductions) in total net position.

All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period. These funds use fund balance as their measure of available resources at the end of the period.

Basis of Accounting

The system-wide financial statements are presented using the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Revenues in the fiduciary funds are those additions to the plan that are generated from contributions from the System and participants and investment related income. Expenses are those deductions to the assets of the plan that arise from the payment of benefits and administrative expenses.

Governmental fund financial statements are reported using the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available to finance expenditures of the current period. Revenues are available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the System considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

The primary revenue sources, which have been treated as susceptible to accrual by the System, are property taxes, sales taxes, grants, and interest. All other revenue items are measurable and available only when cash is received by the System. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The issuance of long-term debt and financing through leases and SBITAs are reported as other financing sources.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances

1. Deposits and Investments

The System considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents. Cash equivalents held by the trustee of the OPEB Fund are included in cash and cash equivalents.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments, including other postemployment benefit investments held in the fiduciary fund, are reported at fair value except for investments measured using Net Asset Value (“NAV”) per share which have no readily determinable fair value and have been determined using amortized cost which approximates fair value. Restricted investments consist of assets held in an irrevocable trust for future TCRS pension benefits.

2. Receivables and Revenue

The System recognizes as revenue its share of real and personal property taxes, sales taxes, and other local taxes collected by the State of Tennessee, Shelby County, Tennessee (the “County”), or the Town or Arlington, as applicable. The System does not have taxing authority. Consequently, the System relies on a share of realty and personal property taxes collected by the County. The Shelby County tax levy of \$3.39 per \$100 of assessed value includes \$1.587 for both the county schools and the municipal schools of the County. Distribution of the \$1.587 to the county schools and the municipal school districts is based on the average daily attendance of each system. Approximately, 75.8% and 24.2% was distributed to Shelby County Schools and the municipal school districts of Shelby County, respectively.

Receivables due from other governments are primarily from the United States government, the State of Tennessee, and Shelby County, Tennessee. No allowance for uncollectible amounts has been recognized.

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned as “unearned revenue”. At the end of the current fiscal year, unavailable revenue principally represents amounts relating to taxes.

3. Interfund Transactions

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.”

Permanent reallocations of resources between funds of the System are classified as interfund transfers. For the statement of activities, all transfers between individual governmental funds have been eliminated.

4. Inventories and Prepaid Items

Inventory consists of food supplies held for consumption and are valued at the lower of cost or net realizable value. Inventory is charged to operations using first-in, first out. Certain payment to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The costs of inventory and prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

5. Capital Assets

Capital assets, which include buildings, improvements, and equipment, are reported in the applicable system-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$10,000 (amount not rounded) or more and an estimated useful life in excess of three years. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land and construction in progress are not depreciated. Capital assets 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 |

6. Right-of-use Capital Assets and Related Liabilities

Right-of-use subscription-based IT arrangements (SBITA) are recorded at an amount equal to the initial measurement of the related SBITA liability, plus payments made prior to the SBITA term, and plus capitalizable implementation costs. The right-of use assets are amortized on a straight-line basis over the life of the related SBITA term.

SBITA liabilities are initially measured at the present value of payments expected to be made during the term of the related agreements. Subsequently, the liabilities are reduced by the principal portion of the payments made. The System uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by lessor is not determinable, the System uses its estimated incremental borrowing rate as the discount rate for the liabilities. The SBITA term includes the noncancellable period of the agreement including renewal periods reasonably certain to be exercised and termination options reasonably certain not to be exercised.

7. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The System has qualifying items for reporting in this category related to pensions and other postemployment benefits.

8. Long-term Obligations

In the system-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term obligations of the System are included in the government-wide financial statements of the Town.

9. Compensated Absences

Employees of Arlington Schools are granted sick and annual leave in varying amounts in accordance with administrative policies. Upon termination or retirement, employees are paid full value for any accrued annual leave earned not to exceed the maximum annual leave as set forth by the personnel policy. Employees may accumulate sick leave, but upon termination or retirement, no payment shall be made for unused sick leave. Instead, sick leave is applied to an employee's credited service for pension plan purposes.

Vested or accumulated annual leave for terminated or retired employees that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated annual leave that are not expected to be liquidated with expendable available financial resources are maintained separately and represents a reconciling item between the fund and district-wide presentation.

Vested or accumulated annual leave of governmental funds is recorded only if the leave has matured (i.e. unused reimbursable leave still outstanding following an employee's resignation or retirement). Vested or accumulated annual leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. *Deferred Inflows of Resources*

Deferred inflows of resources represent acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The System has qualifying items for reporting in this category. These items are amounts in the governmental funds that were receivable and measurable at year-end but were not available to finance expenditures for the current year. This includes unavailable revenue from taxes. In addition, amounts include those related to pensions and other postemployment benefits.

11. *Net Position and Fund Balance*

In the system-wide financial statements, equity is classified as net position and displayed in three components:

Net investment in capital assets – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Applicable deferred outflows of resources and deferred inflows of resources, if any, should be included in the component of net position.

Restricted net position – consists of net position with constraints placed on either use by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislations.

Unrestricted net position – all other net position that does not meet the definition of restricted or net investment in capital assets.

In the fund financial statements, governmental funds report fund balances in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications consist of the following five components, as applicable:

Nonspendable – amounts that cannot be spent because they are either in a (a) non-spendable form, including items not expected to be converted to cash (i.e. inventories, prepaid amounts, long-term portion of loans and notes receivable), or (b) legally or contractually required to be maintained intact (i.e. the principal of a permanent fund).

Restricted – amounts constrained to be used for a specific purpose as per external parties, constitutional provision, or enabling legislation.

Committed – 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 – 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. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

Unassigned – represents the residual balance available for any purpose in the general purpose fund. In other governmental funds, the classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the policy of the System to generally consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the System that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts. In both instances, when a proposed expenditure is made with specific balances identified as the source of the funding, that specific fund balance will be used.

12. Pensions and Other Postemployment Benefits

The System maintains four defined benefit retirement plans sponsored by Tennessee Consolidated Retirement System and one defined benefit other postemployment benefit plan ("OPEB") sponsored by the System.

For purposes of measuring the net pension and net OPEB asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position, and additions to/deductions from each plan's fiduciary net position have been determined on the same basis as they are reported to the actuaries. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of each plan. Expenses of the plans, such as investment fees, trustee fees, and audit fees, are paid by the plans. However, certain administrative functions performed by employees of the System are not reimbursed by the plans. Investments, other than contracts, are reported at fair value. Investment income is recognized as earned. Plan assets do not include any securities of the System nor have any of the plans made loans to the System.

13. Fair Value Measurement

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets and liabilities recorded at fair value in the statements of net position are categorized based on the level of judgment associated with the inputs used to measure their value. The three categories of level inputs are as follows: Level 1 inputs include unadjusted quoted prices in active markets for identical assets or liabilities accessible at the measurement date; Level 2 inputs include quoted prices for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in inactive markets; or other inputs that can be corroborated by observable market data. Such inputs include market interest rates and volatilities, spreads and yield curves; Level 3 inputs are inputs which are unobservable for the asset or liability and rely on management's own assumptions that market participants would use in pricing the asset or liability. Investments using the Net Asset Value ("NAV") per share have no readily determinable fair value and have been determined using amortized cost which approximates fair value.

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

14. Estimates

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Adoption of New Accounting Standard

Effective July 1, 2022, the System implemented accounting and financial reporting requirements of GASB No. 96, *Subscription-Based Information Technology Arrangements* (SBITA). Under this statement, the System is required to recognize a SBITA liability and an intangible right-to-use SBITA asset. The System did not identify SBITA that would require recognition as of July 1, 2022. There was no effect on net position as a result of the adoption of this statement.

The system has committed to a SBITA involving accounting and business suite computer software. This SBITA is currently being implemented, and the System has paid a total of \$190,807 related to this agreement. This outflow was recorded as a prepayment as of June 30, 2023.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds which require legally adopted budgets. These include the general purpose, federal projects, school nutrition, discretionary grants, and education capital projects funds. The internal school funds are not legally required to adopt a budget. 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.

B. Excess of expenditures over appropriations

For the year ended June 30, 2023, expenditures did not exceed appropriations in any fund.

C. Deficit fund balance

As of June 30, 2023, there was no deficit fund balance.

NOTE 3 - DEPOSITS

Legal Provisions – Deposits must be collateralized by federal depository insurance, the Tennessee Bank Collateral Pool, collateral held by the System's agent in the System's name, collateral held by the Federal Reserve Banks acting as third-party agents, or a combination of these methods. State statute requires that all uninsured deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of the state deposit secured. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are insured for purposes of credit risk disclosure.

Custodial Risk – Custodial risk is the risk that in the event of a bank failure, the System's deposits may not be returned to it. The System's policy for custodial risk is to follow state guidelines. As of June 30, 2023, all bank deposits were entirely insured by federal depository insurance and collateralized by the Bank Collateral Pool of the State of Tennessee.

NOTE 4 - INVESTMENTS

Legal Provisions – Investments of the System are limited to those authorized by Tennessee State Law. State statutes authorize the System to make direct investments in in bonds, notes or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the Local Government Investment Pool (“LGIP”); bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and nonconvertible debt securities of certain federal government sponsored enterprises. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction.

State statutes limit maturities of the above investments to four years from the date of investment unless a greater maturity is approved by the State Director of Finance.

The System is a member of the Tennessee Consolidated Retirement System (“TCRS”) Stabilization Reserve Trust. The School has placed funds into the irrevocable trust as authorized by statute under *Tennessee Code Annotated*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the trust. Funds of trust members are held and invested in the name of the trust for the benefit of each member. Each member’s funds are restricted for the payment of retirement benefits of that member’s employees. Trust funds are not subject to the claims of general creditors of the System. The trust is authorized to make investments as directed by the TCRS Board of Trustees. The System may not impose restrictions on investments placed by the trust on their behalf.

In addition to investments allowed by the System, the fiduciary fund’s investment policy authorizes investments in mutual funds, common stocks, and other equities. The OPEB’s investment policy has been formally adopted by the System’s Board of Directors.

A. *Restricted Investments – TCRS Stabilization Reserve Trust*

Assets of the TCRS, including the Stabilization Reserve Trust, are invested in the Tennessee Retiree Group Trust (“TRGT”). The TRGT is not registered with the Securities and Exchange Commission (SEC) as an investment company. The State of Tennessee has not obtained a credit quality rating for the TRGT from a nationally recognized credit ratings agency. The fair value of investment positions in the TRGT is determined daily based on the fair value of the pool’s underlying portfolio. Furthermore, TCRS had not obtained or provided any legally binding guarantees to support the value of participant shares during the fiscal year. There are no restrictions on the sale or redemption of shares. For further information concerning the System’s investments with the TCRS Stabilization Reserve Trust, audited financial statements of the Tennessee Consolidated Retirement System may be obtained at <http://www.comptroller.tn.gov/advance-search.html>.

The following table summarizes fair value disclosures and measurements for the System’s investments held by the TRGT on its behalf June 30, 2023:

| Investments at Fair Value | Total | Level 1 | Level 2 | Level 3 |
|--|------------|------------|------------|-----------|
| U.S. equity | \$ 220,033 | \$ 220,033 | \$ - | \$ - |
| Developed market international equity | 99,370 | 99,370 | - | - |
| Emerging market international equity | 28,391 | 28,391 | - | - |
| U.S. fixed income | 141,957 | - | 141,957 | - |
| Short-term securities | 7,098 | - | 7,098 | - |
| Real estate | 70,978 | - | - | 70,978 |
| | 567,827 | \$ 347,794 | \$ 149,055 | \$ 70,978 |
| <u>Investments at amortized cost using NAV</u> | | | | |
| Private equity and strategic lending | 141,957 | | | |
| Total restricted investments | \$ 709,784 | | | |

NOTE 4 – INVESTMENTS (CONTINUED)

B. *Fiduciary Investments*

The System administers a fiduciary fund whose investments are held by a third-party trustee bank. Additionally, the System utilizes an advisor to select appropriate investment choices. All fiduciary investments were measured using Level 1 fair value inputs at June 30, 2023. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023:

- *Short-term securities:* generally, include investments in money market-type securities reported at cost plus accrued interest.
- *Equity and equity derivative securities:* Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Level 2 are securities whose values are derived daily from associated traded securities. Level 3 are valued with last trade data having limited trading volume.
- *US Treasury Bills, Bonds, Notes and Futures:* Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Level 2 are valued using a bid-ask spread price from multiple independent brokers, dealers, or market principals, which are known to be actively involved in the market. Level 3 are valued using proprietary information, a single pricing source, or other unobservable inputs related to similar assets or liabilities.
- *Real estate investments:* Level 3 are valued using the last valuations provided by external investment advisors or independent external appraisers. Generally, all direct real estate investments are appraised by a qualified independent appraiser(s) with the professional designation of Member of the Appraisal Institute (“MAI”), or its equivalent, every three (3) years beginning from the acquisition date of the property. The appraisals are performed using generally accepted valuation approaches applicable to the property type.
- *Private mutual funds, traditional private equity funds, strategic lending funds and real estate funds:* Those funds that report using GAAP, the fair value, as well as the unfunded commitments, were determined using the prior quarter’s NAV, as reported by the fund managers, plus the current cash flows. These assets were then categorized by investment strategy. In instances where the fund investment reported using non-GAAP standards, the investment was valued using the same method, but was classified in Level 3.

Risks and Uncertainties – The fiduciary fund trust’s and TRGT’s investments include various types of investment funds, which in turn invest in any combination of stock, bonds and other investments exposed to various risks, such as interest rate, credit, and market risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported for trust investments.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System does not have the ability to limit TRGT investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The System manages its exposure to declines in fair value by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System does not have the ability to limit the credit ratings of individual investments made by the trust.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer. The System places no limit on the amount the TRGT may invest in one issuer. The System has adopted the investment policy established by TCA 6-5-106 for investments other than those held for pension and OPEB benefits. The System diversifies its fiduciary fund investment portfolios so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized. The System had no investments that comprised more than 5% of its total investments at June 30, 2023.

NOTE 4 – INVESTMENTS (CONTINUED)

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The third-party bank is also a participant in the State collateral pool. Pursuant to the trust agreements, investments held in the TRGT and fiduciary trust are for the benefit the System to pay retirement benefits of their respective employees.

NOTE 5 – INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2023 is as follows:

| | <u>Interfund Receivable</u> | <u>Interfund Payable</u> |
|---------------------------|---------------------------------|------------------------------|
| General Purpose Fund | | |
| Federal Projects Fund | \$ 210,959 | \$ - |
| Discretionary Grants Fund | 11,153 | - |
| | <u>222,112</u> | <u>-</u> |
| Federal Projects Fund | | |
| General Purpose Fund | - | 210,959 |
| Discretionary Grants Fund | | |
| General Purpose Fund | - | 11,153 |
| | <u>\$ 222,112</u> | <u>\$ 222,112</u> |

The interfund payables from the federal projects fund and the discretionary grants fund to the general fund are for the negative cash balance in the pooled bank account at the end of the year.

The composition of interfund transfers during the year ended June 30, 2023 is as follows:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|-----------------------|---------------------|----------------------|
| General Purpose Fund | | |
| Federal Projects Fund | \$ 20,150 | \$ - |
| Federal Projects Fund | | |
| General Purpose Fund | - | 20,150 |
| | <u>\$ 20,150</u> | <u>\$ 20,150</u> |

Transfers are used to offset cash advance from the general purpose fund during outstanding billing periods for federal funds.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

| | Beginning Balance | Transfers/ Additions | Transfers/ Reductions | Ending Balance |
|--|----------------------|-------------------------|--------------------------|----------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,996,500 | \$ - | \$ - | \$ 1,996,500 |
| Construction in progress | 112,458 | 3,593,701 | (531,525) | 3,174,634 |
| Total capital assets, not being depreciated | <u>2,108,958</u> | <u>3,593,701</u> | <u>(531,525)</u> | <u>5,171,134</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 107,250,224 | 531,525 | - | 107,781,749 |
| Machinery, furniture and equipment | 9,597,449 | 1,157,093 | (94,660) | 10,659,882 |
| Total capital assets, being depreciated | <u>116,847,673</u> | <u>1,688,618</u> | <u>(94,660)</u> | <u>118,441,631</u> |
| Accumulated depreciation: | | | | |
| Buildings and improvements | (15,583,441) | (2,430,944) | - | (18,014,385) |
| Machinery, furniture and equipment | (5,905,708) | (1,006,612) | 47,101 | (6,865,219) |
| Total accumulated depreciation | <u>(21,489,149)</u> | <u>(3,437,556)</u> | <u>47,101</u> | <u>(24,879,604)</u> |
| Total capital assets, being depreciated, net | <u>95,358,524</u> | <u>(1,748,938)</u> | <u>(47,559)</u> | <u>93,562,027</u> |
| Total capital assets, net | <u>\$ 97,467,482</u> | <u>\$ 1,844,763</u> | <u>\$ (579,084)</u> | <u>\$ 98,733,161</u> |

The System had outstanding commitments to contractors of approximately \$6,775,000 at June 30, 2023 primarily related to the Arlington High School Fine Arts Expansion.

Depreciation expense was charged to function/programs of the System as follows:

| | |
|--------------------|---------------------|
| Instruction | \$ 2,672,676 |
| Support Services | 179,852 |
| Central office | 203,029 |
| Operation of plant | 215,220 |
| Transportation | 103,001 |
| Technology | 51,104 |
| Food Service | 12,674 |
| | <u>\$ 3,437,556</u> |

NOTE 7 – LONG-TERM LIABILITIES

1. Long-Term Debt

In January 2014, the System entered into a settlement agreement with the Board of Commissioners of Shelby County, Tennessee, and the Shelby County Board of Education. The System agreed to pay the Shelby County Board of Education twelve annual installments of \$333,333 due by November 1 of each year. The System elected to establish the liability incurred through the settlement agreement at its present value with a discount rate of 2.0%.

Future payments under the long-term debt are as follows:

| <u>Year Ended June 30</u> | <u>Settlement Obligation</u> |
|-----------------------------------|----------------------------------|
| 2024 | \$ 333,333 |
| 2025 | 333,333 |
| 2026 | 333,333 |
| Total payments | 999,999 |
| Less amount representing interest | (39,050) |
| | <u>\$ 960,949</u> |

2. *Changes in Long-Term Obligations*

Long-term obligation activity for the year ended June 30, 2023, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|-----------------------|------------------------------|-------------------|---------------------|---------------------------|--------------------------------|
| Settlement obligation | \$ 1,268,675 | \$ - | \$ (307,726) | \$ 960,949 | \$ 313,937 |
| Compensated absences | 262,890 | 290,436 | (275,022) | 278,304 | 239,009 |
| | <u>\$ 1,531,565</u> | <u>\$ 290,436</u> | <u>\$ (582,748)</u> | <u>\$ 1,239,253</u> | <u>\$ 552,946</u> |

The general purpose fund is used to liquidate compensated absences and the Shelby County Board of Education settlement liability.

NOTE 8 - PENSIONS

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

- I. **Legacy Public Employee Retirement Plan ("Administrative Legacy")** – Certain administrative employees of the Arlington Community School System with membership in TCRS prior to July 1, 2014 are included in this plan. This plan was closed to new membership on June 30, 2014 but continues to provide benefits to existing members. This is an agent multiple-employer pension plan.
- II. **Hybrid Public Employee Retirement Plan ("Administrative Hybrid")** – Certain administrative employees of the Arlington Community School System with membership in TCRS beginning on or after July 1, 2014 are included in this plan. This plan is a hybrid plan which features both a defined contribution element and a pension plan element. This is an agent multiple-employer pension plan.
- III. **Teacher Legacy Pension Plan ("Teacher Legacy")** – Teachers with membership in TCRS prior to July 1, 2014 are included in this plan. The plan was closed to new membership on June 30, 2014 but continues to provide benefits to existing members. The plan is a cost-sharing multiple-employer pension plan.
- IV. **Teacher Retirement Plan ("Teacher Hybrid")** – Teachers with membership in TCRS beginning July 1, 2014 are included in this plan. The plan is a hybrid plan which features both a defined contribution element and a pension plan element. The plan is a cost-sharing multiple-employer pension plan.

The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute.

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

| | Net Pension Asset | Deferred Outflows of Resources | Net Pension Liability | Deferred Inflows of Resources | Pension (Negative) Expense |
|------------------------------------|----------------------|--------------------------------------|--------------------------|-------------------------------------|----------------------------------|
| Administrative Legacy Pension Plan | \$ 533,733 | \$ 298,343 | \$ - | \$ 186,451 | \$ 43,780 |
| Administrative Hybrid Pension Plan | - | 330,210 | 33,300 | 49,280 | 110,280 |
| Teacher Legacy Pension Plan | 6,779,870 | 7,168,079 | - | 1,184,643 | 40,138 |
| Teacher Hybrid Pension Plan | 113,713 | 380,278 | - | 110,101 | 157,933 |
| | <u>\$ 7,427,316</u> | <u>\$ 8,176,910</u> | <u>\$ 33,300</u> | <u>\$ 1,530,475</u> | <u>\$ 352,131</u> |

NOTE 8 – PENSIONS (CONTINUED)

A. General Information about the Pension Plan

Benefits Provided

Under the Administrative Legacy Plan and Teacher Legacy Plan, members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member’s highest five consecutive year average compensation and the member’s years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Under the Administrative Hybrid Plan and Teacher Hybrid Plan, members are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member’s age and service credit total 90. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Benefits are determined by a formula using the member’s highest five consecutive year average compensation and the member’s years of service credit. Members vest with five years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for non-service-related disability eligibility. The service related and non-service-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Plan and Teacher Hybrid Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, under the Administrative Hybrid Plan, Teacher Legacy Plan, and Teacher Hybrid Plan, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2022, the following employees were covered by the benefit terms of the agent plans:

| | Administrative | |
|--|----------------|-------------|
| | Legacy Plan | Hybrid Plan |
| Inactive employees or beneficiaries currently receiving benefits | 16 | 1 |
| Inactive employees entitled to but not yet receiving benefits | 24 | 48 |
| Active employees | 41 | 72 |
| | <u>81</u> | <u>121</u> |

Contributions

Under the TCRS Plans, contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or, for the Administrative Hybrid Plan and Teacher Hybrid Plan, by automatic cost controls set by law. Employees contribute 5 percent of salary. The Board of Education makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions are required to be paid. The TCRS may intercept the Board of Education’s state shared taxes if required employer contributions are not remitted. The employer rate and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability. Per statutory provisions governing TCRS, the employer contribution rate for the Hybrid Plans cannot be less than 4 percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees is reached.

NOTE 8 – PENSIONS (CONTINUED)

Employer contributions to each plan for the year ended June 30, 2023 were as follows:

| | Administrative | | Teacher | |
|------------------------------------|----------------|-------------|--------------|-------------|
| | Legacy Plan | Hybrid Plan | Legacy Plan | Hybrid Plan |
| Employer contributions | \$ 127,109 | \$ 103,059 | \$ 1,651,850 | \$ 193,933 |
| Covered payroll | 1,717,696 | 3,076,377 | 18,996,474 | 6,783,382 |
| As a percentage of covered payroll | 7.40% | 3.35% | 8.70% | 2.86% |

B. Actuarial Assumptions

The total pension liability as of June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 2.25% |
| Salary increases | Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00% |
| Investment rate of return | 6.75%, net of investment expense, including inflation |
| Cost-of-living adjustment | 2.125% |
| Mortality rates | Actual experience including an adjustment for anticipated movement |

The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to reflect more closely actual and expected future experience.

Investment Policy

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, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce 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 expected inflation of 2.25 percent. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Long-Term Expected Real Rate of Return</u> | <u>Target Allocation</u> |
|---------------------------------------|---|--------------------------|
| U.S. equity | 4.88% | 31% |
| Developed market international equity | 5.37% | 14% |
| Emerging market international equity | 6.09% | 4% |
| Private equity and strategic lending | 6.57% | 20% |
| U.S. fixed income | 1.20% | 20% |
| Real estate | 4.38% | 10% |
| 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 6.75% based on a blending of the three factors described above.

NOTE 8 – PENSIONS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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 Board of Education 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 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 total pension liability.

C. Net Pension Liability (Asset)

The net pension liability (asset) for each TCRS administered plan was measured as of June 30, 2022. The total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of the respective dates. The components of the net pension liability (asset) as of those dates are as follows:

| | Administrative | | Teacher | |
|--|----------------|-------------|--------------------|--------------|
| | Agent Plans | | Cost-Sharing Plans | |
| | Legacy Plan | Hybrid Plan | Legacy Plan | Hybrid Plan |
| Total Pension Liability | | | | |
| Service cost | \$ 207,780 | \$ 216,370 | | |
| Interest | 157,129 | 74,579 | | |
| Changes of assumptions | - | - | | |
| Differences between expected and actual experience | (18,116) | (55,440) | | |
| Benefit payments, including refunds | (22,798) | (130) | | |
| Net change in total pension liability | 323,995 | 235,379 | | |
| Total pension liability - beginning | 2,131,450 | 888,571 | | |
| Total pension liability - ending | 2,455,445 | 1,123,950 | | |
| Plan Fiduciary Net Position | | | | |
| Contributions - employer | \$ 125,147 | \$ 73,025 | | |
| Contributions - employee | 90,688 | 139,359 | | |
| Net investment income | (115,148) | (39,298) | | |
| Benefit payments | (22,798) | (130) | | |
| Administrative expense | (4,204) | (6,781) | | |
| Net change in plan fiduciary net position | 73,685 | 166,175 | | |
| Plan fiduciary net position - beginning | 2,915,493 | 924,475 | | |
| Plan fiduciary net position - ending | 2,989,178 | 1,090,650 | | |
| Net pension liability (asset) | \$ (533,733) | \$ 33,300 | | |
| Plan fiduciary net position as a percentage of total pension liability | 121.74% | 97.04% | | |
| Proportionate share of net pension liability (asset) | | | \$ (6,779,870) | \$ (113,713) |
| Proportionate share at June 30, 2022 measurement date | | | 0.552825% | 0.375382% |
| Proportionate share at June 30, 2021 measurement date | | | 0.555821% | 0.362426% |

The System's proportion of the net pension liability (asset) was based on the System's share of contributions to each cost-sharing plan relative to the contributions of all participating LEAs. Detailed information about each cost-sharing pension plan's fiduciary net position is available in separately issued TCRS financial reports.

NOTE 8 – PENSIONS (CONTINUED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability (asset) or proportionate share of net pension liability (asset) of the System related to each plan calculated using the current discount rates as well as what the net pension liability (asset) or proportionate share of net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| | <u>Current Rate</u> | <u>1% Decrease</u> | <u>Current Rate</u> | <u>1% Increase</u> |
|--|---------------------|--------------------|---------------------|--------------------|
| Net pension liability (asset) | | | | |
| Administrative Legacy Plan | 6.75% | \$ (162,238) | \$ (533,733) | \$ (841,766) |
| Administrative Hybrid Plan | 6.75% | 265,769 | 33,300 | (150,785) |
| Proportionate share of the net pension asset | | | | |
| Teacher Legacy Plan | 6.75% | \$ 13,428,587 | \$ (6,779,870) | \$ (23,612,173) |
| Teacher Hybrid Plan | 6.75% | 596,925 | (113,713) | (632,696) |

D. Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2023, the System reported pension expense and deferred outflows of resources and deferred inflows of resources related to each plan from the following sources:

| | <u>Administrative</u> | | <u>Teacher Plans</u> | |
|--|-----------------------|--------------------|----------------------|--------------------|
| | <u>Legacy Plan</u> | <u>Hybrid Plan</u> | <u>Legacy Plan</u> | <u>Hybrid Plan</u> |
| Pension Expense (Negative Pension Expense) | <u>\$ 43,780</u> | <u>\$ 110,280</u> | <u>\$ 40,138</u> | <u>\$ 157,933</u> |
| Deferred Outflows of Resources | | | | |
| Differences between expected and actual experience | \$ 12,692 | \$ 156,887 | \$ 1,115,264 | \$ 6,218 |
| Net difference between projected and actual earnings on plan investments | 23,258 | 17,698 | 115,933 | 35,843 |
| Changes in assumptions | 135,284 | 52,566 | 4,247,262 | 133,209 |
| Change in proportion of net pension liability (asset) | - | - | 37,770 | 11,075 |
| Contributions subsequent to the measurement date of June 30, 2022 | 127,109 | 103,059 | 1,651,850 | 193,933 |
| | <u>\$ 298,343</u> | <u>\$ 330,210</u> | <u>\$ 7,168,079</u> | <u>\$ 380,278</u> |
| Deferred Inflows of Resources | | | | |
| Differences between expected and actual experience | \$ 186,451 | \$ 49,280 | \$ 1,145,592 | \$ 69,088 |
| Change in proportion of net pension liability (asset) | - | - | 39,051 | 41,013 |
| | <u>\$ 186,451</u> | <u>\$ 49,280</u> | <u>\$ 1,184,643</u> | <u>\$ 110,101</u> |

The amounts shown above for “Contributions subsequent to the measurement date of June 30, 2022,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

NOTE 8 – PENSIONS (CONTINUED)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

| | School Administrative | | Teacher Plans | |
|------------|-----------------------|-------------|---------------|-------------|
| | Legacy Plan | Hybrid Plan | Legacy Plan | Hybrid Plan |
| 2024 | \$ (28,734) | \$ 21,568 | \$ 662,498 | \$ (162) |
| 2025 | (28,083) | 21,675 | 1,259,680 | 203 |
| 2026 | (17,038) | 19,645 | (1,169,002) | (5,687) |
| 2027 | 61,670 | 44,032 | 3,578,410 | 56,743 |
| 2028 | (3,032) | 22,305 | - | 3,814 |
| Thereafter | - | 48,646 | - | 21,333 |

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

NOTE 9 – DEFINED CONTRIBUTION EMPLOYEE BENEFIT PLAN

TCRS Hybrid 401(k) Plan

The Teacher Retirement Plan and the Hybrid Public Employee Retirement Plan (the Hybrid Plans) provides a combination of a defined benefit plan and a defined contribution plan. The defined benefit portion of the Hybrid Plans are managed by TCRS. The defined contribution assets are deposited into the State’s 401(k) plan where the employee manages the investments within the 401(k) plan. Enrolled employees may, at their option, contribute 2% of their salaries and employers are required to contribute 5% of those salaries to the defined contribution (401(k)) portion of the Hybrid Plans. Contributions are made on a tax-deferred basis. Employees are immediately vested in contributions. During 2023, the System’s employer contribution to the defined contribution plan was \$668,172.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)

The System administers a single-employer defined benefit other postemployment benefit plan to provide health care benefits to certain employees under the provisions of the System’s Other Postemployment Benefit Plan.

A. General Information about the OPEB Plan

Benefits Provided

Employees who retire from the System and qualify for full retirement benefits under the Tennessee Consolidated Retirement System (TCRS) may be eligible for postemployment health benefits at the same cost as current employees until age 65. Eligible employees must have been enrolled in the Arlington Community School sponsored insurance plan for twelve consecutive months immediately prior to retirement and have complete 15 years of service with the System. Those who are former employees of Shelby County School District or Memphis City Schools must have 15 years of continuous service with Arlington, Shelby County, and/or Memphis City Schools prior to retirement. Employees must be enrolled in the System’s health plan immediately preceding retirement to qualify for retirement benefits. Tier 1 employees are those hired directly from Shelby County Schools prior to August 4, 2014 and employees are hired by the System between January 1, 2014 and June 30, 2014. Tier 2 employees are those whose effective hire date is July 1, 2014. Employees hired on or after December 31, 2017 will not be eligible for retiree health benefits.

Benefits and premiums are set by the Board of Education. The Board is authorized to (1) add, change, or end any coverage offered, (2) change or discontinue benefits, (3) establish premiums, (4) change the rules for eligibility at any time, for any reason.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (CONTINUED)

Employees Covered by Benefit Terms

Plan membership as of June 30, 2023, the date of the OPEB valuation, consisted of the following:

| | |
|--|------------|
| Inactive employees or beneficiaries receiving benefits | 38 |
| Active employees | 280 |
| | <u>318</u> |

Contributions

The System's intent is to partially fund the annual required contribution and pay for the pay-go costs from the general-purpose fund until the Trust balance is sufficient to meet future benefit payments. Employer contributions are based on an actuarially determined rate and are as follows for the year ended June 30, 2023:

| | |
|------------------------------------|-------------------|
| Employer contributions | \$ 504,955 |
| Covered payroll | <u>18,853,668</u> |
| As a percentage of covered payroll | <u>2.68%</u> |

B. Actuarial Assumptions

Actuarial valuation for the OPEB plan involves estimates of the value of reported amounts and assumptions about the probability of events far into the future. As such, the actuarial calculations of the OPEB plan reflect a long-term perspective. Actuarially determined amounts are subject to continual revisions as results are compared to past expectations and new estimates are made about the future.

The total OPEB liability was determined as part of the June 30, 2023, actuarial valuation using the entry age normal level percent of pay actuarial cost method. Liabilities as of June 30, 2022, are based on an actuarial valuation date of July 1, 2021, with no adjustments.

| | |
|-----------------------------|--|
| Inflation | 3.0% |
| Payroll growth | Payroll growth including general wage inflation plus merit/productivity increases are based on the TCRS valuation as of June 30, 2020 |
| Investment rate of return | 6.5%, net of investment expense, including inflation |
| Health care cost trend rate | 7.5% initial rate, 4.5% ultimate rate, 7-year grading |
| Mortality rates | SOA Pub-2010 Teacher Headcount Weighted Mortality Table fully generational using Scale MP-2021 SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021 |

Changes of Assumptions

In 2023, the System OPEB changes of assumptions included changes to the discount rate, health care cost trend rates, and mortality table updates which increased the OPEB liability.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (CONTINUED)

Investment Policy

The System has placed funds with the Tennessee School Board Association OPEB Trust (“TSBA OPEB Trust”) to be used to pre-fund a portion of the OPEB liability. The assets of the TSBA OPEB Trust are commingled with other participant’s funds for investment purposes but are held in an irrevocable trust for each plan participant and may be used only for the payment of benefits to the members of the plan in accordance with the terms of their plan. The TSBA OPEB Trust’s policy regarding allocation of invested assets is established and may be amended by the TSBA OPEB Trust Board of Trustees by a majority vote of its members. The TSBA OPEB Trust obtains an annual audit, which may be obtained from the TSBA at 525 Brick Church Park Drive, Nashville, TN 37207; however, the audit for the year ended June 30, 2023, was not available from other auditors as of the date of this report.

It is the policy of the TSBA OPEB Trust Board to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a board selection of distinct asset classes. The investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future rates of return are developed for each major asset class. These expected future rates of return are then combined to produce the long-term expected rate of return by weighting them based on the target asset allocation percentage. The best estimates of arithmetic real rates of return for each major asset class including the target asset allocation as of June 30, 2023 as summarized as follows:

| <u>Asset Class</u> | <u>Long-Term Expected Real Rate of Return</u> | <u>Target Allocation</u> |
|---------------------------------------|---|------------------------------|
| U.S. equity | 8.2% | 42% |
| Developed market international equity | 7.1% | 18% |
| Emerging market international equity | 8.4% | 5% |
| U.S. Fixed income | 3.9% | 35% |
| | <u>6.5%</u> | <u>100%</u> |

Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return on investment was 11.30%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

Discount Rate Information

The discount rate used to value OPEB liabilities in funded plans as of the measurement date must be based on the long-term expected rate of return on OPEB plan investments that are expected to be used to finance future benefit payments to the extent that they are sufficient to pay for the projected benefit payments and the OPEB plan assets are invested using a strategy that will achieve that return. When the OPEB plan investments are insufficient to cover future benefit payments, a yield of 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale) must be used. The final equivalent single discount rate used for this year’s valuation is 6.50% as of June 30, 2023 with the assumption that the System will eventually pay the pay-go costs out of the OPEB Trust at the time the Trust is expected to be sufficient to finance all future benefit payments.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (CONTINUED)

C. Net OPEB Liability

The components of the System’s net OPEB liability on June 30, 2023, were as follows:

| | Increase (Decrease) | | |
|---|-------------------------|--------------------------------|-------------------------------|
| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability (Asset) |
| Beginning of year | \$ 7,887,595 | \$ 3,644,823 | \$ 4,242,772 |
| Changes for the year: | | | |
| Service cost | 370,042 | - | 370,042 |
| Interest | 535,456 | - | 535,456 |
| Change of benefit terms | - | - | - |
| Changes in assumptions | 274,248 | - | 274,248 |
| Differences between expected and actual experience | (343,856) | - | (343,856) |
| Contributions - employer | - | 504,955 | (504,955) |
| Net investment income | - | 419,097 | (419,097) |
| Benefit payments | (294,955) | (294,955) | - |
| Administrative expenses | - | (15,444) | 15,444 |
| Net changes | 540,935 | 613,653 | (72,718) |
| End of year | <u>\$ 8,428,530</u> | <u>\$ 4,258,476</u> | <u>\$ 4,170,054</u> |
| Plan fiduciary net position as a percentage of total OPEB liability | | | <u>50.52%</u> |

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

The following represents the net OPEB liability (asset) as of June 30, 2023, calculated using the current discount rate, as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

| | Current Rate | 1% Decrease | Current Rate | 1% Increase |
|----------------------------|--------------|--------------|--------------|--------------|
| Net OPEB liability (asset) | 6.50% | \$ 4,779,031 | \$ 4,170,054 | \$ 3,599,284 |

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

The following represents the net OPEB liability (asset) as of June 30, 2023, calculated using the current healthcare cost trend rate as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1% lower or 1% than the current rate:

| | Current Rate | 1% Decrease | Current Rate | 1% Increase |
|----------------------------|--------------|--------------|--------------|--------------|
| Net OPEB liability (asset) | 7.5% to 4.5% | \$ 3,402,332 | \$ 4,170,054 | \$ 5,046,751 |

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (CONTINUED)

D. OPEB Expense, Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the System recognized OPEB expense of \$475,250.

For the year ended June 30, 2023, the System reported deferred outflows of resources and deferred inflows of resources of related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 89,815 | \$ 2,187,091 |
| Changes in assumptions | 1,148,579 | 341,460 |
| Net difference between projected and actual earnings on OPEB investments | 121,432 | - |
| | <u>\$ 1,359,826</u> | <u>\$ 2,528,551</u> |

Amounts recognized as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the year ending June 30:

| | |
|------------|--------------|
| 2024 | \$ (212,392) |
| 2025 | (233,155) |
| 2026 | (70,831) |
| 2027 | (235,525) |
| 2028 | (149,635) |
| Thereafter | (267,187) |

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

NOTE 11 – RISK MANAGEMENT

Insurance Other Than Health Insurance

The System is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The System considers it more economically feasible to participate in a public entity risk pool as opposed to purchasing commercial insurance for certain general liability, workers' compensation, and property insurance. As such, the System participates in the Public Entity Partners Risk Management Pool (the "Pool"), which is a public entity risk pool consisting of member political subdivisions of the State of Tennessee. The System pays an annual premium to the Pool and each political subdivision that has participated in the Pool is subject to assessment if the funds it paid as premiums are insufficient to meet the obligations of the Pool. The Pool may reinsure through the Local Government Reinsurance Fund of Tennessee or a commercial insurance company. The System continues to carry commercial insurance for all other risks of loss, including public officials' bond. The System has replacement cost insurance, including earthquake coverage, on all buildings and on mobile equipment and vehicles costing more than \$25,000 each.

The System has not incurred any losses in excess of commercial insurance coverage for the past 3 fiscal years. Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated.

Health Insurance

The System participates in the Interlocal Health Benefits Plan Asset Trust to reduce costs of benefit plan administration and lower premium rates related to healthcare benefits. The Interlocal Health Plan is accounted for as a public entity risk pool but operates solely as a risk-sharing pool. Benefits and premium requirements are established and may be amended by an insurance committee. Members have the option of choosing between a Health Reimbursement Account (HRA) option, an Exclusive Provider Organization (EPO) option, and a basic option for healthcare benefits. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop a contribution policy in term of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The plan has a separately issued Comprehensive Annual Report and can be found on the state's website at <http://www.comptroller.tn.gov/advance-search.html>.

The System is only liable for their portion of plan premiums plus any outstanding capital requirements from the Interlocal Health Plan. The liability for any incurred-but-not-reported claims is borne by the Interlocal Health Plan and not by the individual members. During the year ended June 30, 2023, the System contributed premiums of \$5,007,918 to the Interlocal Health Benefits Plan Asset Trust.

REQUIRED SUPPLEMENTARY INFORMATION

**ARLINGTON COMMUNITY SCHOOL SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LEGACY PUBLIC EMPLOYEE PENSION PLAN OF TCRS**

Last Ten Fiscal Years June 30

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total Pension Liability | | | | | | | | |
| Service cost | \$ 207,780 | \$ 191,848 | \$ 223,154 | \$ 228,051 | \$ 240,205 | \$ 258,233 | \$ 268,523 | \$ 403,716 |
| Interest | 157,129 | 133,460 | 125,316 | 101,061 | 83,556 | 63,315 | 42,617 | 30,274 |
| Differences between expected and actual experience | (18,116) | (26,159) | (186,130) | 29,616 | (54,602) | (10,817) | (13,936) | (130,756) |
| Changes in assumptions | - | 191,854 | - | - | - | 29,540 | - | - |
| Benefit payments | (22,798) | (17,066) | (20,326) | (18,259) | (12,842) | (15,057) | (6,812) | (127) |
| Net change in total pension liability | 323,995 | 473,937 | 142,014 | 340,469 | 256,317 | 325,214 | 290,392 | 303,107 |
| Total pension liability - beginning | 2,131,450 | 1,657,513 | 1,515,499 | 1,175,030 | 918,713 | 593,499 | 303,107 | - |
| Total pension liability - ending | 2,455,445 | 2,131,450 | 1,657,513 | 1,515,499 | 1,175,030 | 918,713 | 593,499 | 303,107 |
| Plan Fiduciary Net Position | | | | | | | | |
| Contributions - employer | 125,147 | 135,292 | 87,887 | 163,944 | 158,364 | 183,342 | 247,505 | 262,260 |
| Contributions - employee | 90,688 | 91,413 | 60,624 | 110,774 | 107,397 | 123,880 | 133,498 | 141,457 |
| Net investment income | (115,148) | 576,801 | 97,883 | 123,752 | 108,271 | 105,712 | 15,649 | 6,140 |
| Benefit payments | (22,798) | (17,066) | (20,326) | (18,259) | (12,842) | (15,057) | (6,812) | (127) |
| Administrative expense | (4,204) | (4,127) | (4,404) | (4,931) | (5,699) | (5,694) | (6,088) | (4,842) |
| Other | - | - | - | (78) | - | - | - | - |
| Net change in plan fiduciary net position | 73,685 | 782,313 | 221,664 | 375,202 | 355,491 | 392,183 | 383,752 | 404,888 |
| Plan fiduciary net position - beginning | 2,915,493 | 2,133,180 | 1,911,516 | 1,536,314 | 1,180,823 | 788,640 | 404,888 | - |
| Plan fiduciary net position -ending | 2,989,178 | 2,915,493 | 2,133,180 | 1,911,516 | 1,536,314 | 1,180,823 | 788,640 | 404,888 |
| Net pension liability (asset) | \$ (533,733) | \$ (784,043) | \$ (475,667) | \$ (396,017) | \$ (361,284) | \$ (262,110) | \$ (195,141) | \$ (101,781) |
| Plan fiduciary net position as a percentage of the total pension liability | 121.74% | 136.78% | 128.70% | 126.13% | 130.75% | 128.53% | 132.88% | 133.58% |
| Covered payroll | \$ 1,813,731 | \$ 1,828,262 | \$ 1,950,784 | \$ 2,191,846 | \$ 2,179,151 | \$ 2,477,596 | \$ 2,669,956 | \$ 2,829,235 |
| Net pension liability as a percentage of covered payroll | -29.43% | -42.88% | -24.38% | -18.07% | -16.58% | -10.58% | -7.31% | -3.60% |

Changes of assumptions

In 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, and mortality improvements.
In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

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 SCHOOL SYSTEM
SCHEDULE OF CONTRIBUTIONS
LEGACY PUBLIC EMPLOYEE RETIREMENT PLAN OF TCRS**

Last Ten Fiscal Years June 30

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------|--------------|
| Actuarially determined contribution | \$ 85,713 | \$ 66,745 | \$ 88,854 | \$ 59,265 | \$ 116,090 | \$ 120,943 | \$ 136,763 | \$ 247,505 | \$ 262,260 |
| Contributions | 127,109 | 125,147 | 135,292 | 87,887 | 163,944 | 158,364 | 183,342 | 247,505 | 262,260 |
| Contribution deficiency (surplus) | <u>\$ (41,396)</u> | <u>\$ (58,402)</u> | <u>\$ (46,438)</u> | <u>\$ (28,622)</u> | <u>\$ (47,854)</u> | <u>\$ (37,421)</u> | <u>\$ (46,579)</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 1,717,696 | \$ 1,813,731 | \$ 1,828,262 | \$ 1,950,784 | \$ 2,191,846 | \$ 2,179,151 | \$ 2,477,596 | \$ 2,669,956 | \$ 2,829,235 |
| Contributions as a percentage of covered payroll | 7.40% | 6.90% | 7.40% | 4.51% | 7.48% | 7.27% | 7.40% | 9.27% | 9.27% |

NOTE - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

| | |
|-------------------------------|--|
| Valuation date | Actuarially determined contribution rates for fiscal year 2023 were calculated based on the June 30, 2021 actuarial valuation. |
| Actuarial cost method | Entry age normal |
| Amortization method | Level dollar, closed (not to exceed 20 years) |
| Remaining amortization period | Varies by year |
| Asset valuation method | 10 year smoothed with a 20% corridor to market value |
| Inflation | 2.25% |
| Salary increases | Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4% |
| Investment rate of return | 6.75%, net of investment expenses, including inflation |
| Retirement age | Pattern of retirement determined by experience study |
| Mortality | Customized table based on actual experience including an adjustment for some anticipated improvement |
| Cost of Living Adjustments | 2.125% |

Changes of assumptions

In 2021, the following assumptions were changed: decreased inflation rate from 2.5% to 2.25%; decreased the investment rate of return from 7.25% to 6.75%; decreased the cost-of-living adjustment from 2.25% to 2.125%; and modified mortality assumptions.

In 2017, the following assumptions were changed: decreased inflation rate from 3% to 2.5%; decreased the investment rate of return from 7.5% to 7.25%; decreased the cost-of-living adjustment from 2.5% to 2.25%; decreased salary growth graded ranges from an average of 4.25% to an average of 4%; and modified mortality assumptions.

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 SCHOOL SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
HYBRID PUBLIC EMPLOYEE PENSION PLAN OF TCRS
Last Ten Fiscal Years June 30

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------|
| Total Pension Liability | | | | | | |
| Service cost | \$ 216,370 | \$ 153,534 | \$ 117,365 | \$ 93,687 | \$ 52,779 | \$ - |
| Interest | 74,579 | 52,081 | 29,831 | 18,957 | 9,498 | - |
| Changes of benefit items | - | - | - | - | - | 80,781 |
| Differences between expected and actual experience | (55,440) | 52,425 | 124,798 | 16,017 | 30,826 | - |
| Changes in assumptions | - | 65,708 | - | - | - | - |
| Benefit payments | (130) | - | (2,528) | (2,191) | (4,889) | (108) |
| Net change in total pension liability | 235,379 | 323,748 | 269,466 | 126,470 | 88,214 | 80,673 |
| Total pension liability - beginning | 888,571 | 564,823 | 295,357 | 168,887 | 80,673 | - |
| Total pension liability - ending | 1,123,950 | 888,571 | 564,823 | 295,357 | 168,887 | 80,673 |
| Plan Fiduciary Net Position | | | | | | |
| Contributions - employer | 73,025 | 60,855 | 50,942 | 32,162 | 51,925 | 42,182 |
| Contributions - employee | 139,359 | 140,218 | 146,180 | 82,467 | 64,907 | 52,728 |
| Net investment income | (39,298) | 169,600 | 21,983 | 20,382 | 12,664 | 5,271 |
| Benefit payments | (130) | - | (2,528) | (2,191) | (4,889) | (108) |
| Administrative expense | (6,781) | (6,222) | (4,899) | (3,981) | (3,404) | (1,769) |
| Net change in plan fiduciary net position | 166,175 | 364,451 | 211,678 | 128,839 | 121,203 | 98,304 |
| Plan fiduciary net position - beginning | 924,475 | 560,024 | 348,346 | 219,507 | 98,304 | - |
| Plan fiduciary net position - ending | 1,090,650 | 924,475 | 560,024 | 348,346 | 219,507 | 98,304 |
| Net pension liability (asset) | \$ 33,300 | \$ (35,904) | \$ 4,799 | \$ (52,989) | \$ (50,620) | \$ (17,631) |
| Plan fiduciary net position as a percentage of the total pension liability | 97.04% | 104.04% | 99.15% | 117.94% | 129.97% | 121.85% |
| Covered payroll | \$ 2,787,173 | \$ 2,783,990 | \$ 2,162,555 | \$ 1,649,316 | \$ 1,266,904 | \$ 633,729 |
| Net pension liability as a percentage of covered payroll | 1.19% | -1.29% | 0.22% | -3.21% | -4.00% | -2.78% |

Changes of assumptions.

In 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth, and mortality improvements.

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 SCHOOL SYSTEM
SCHEDULE OF CONTRIBUTIONS
HYBRID PUBLIC EMPLOYEE RETIREMENT PLAN OF TCRS
Last Ten Fiscal Years June 30**

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| Actuarially determined contribution | \$ 103,059 | \$ 73,025 | \$ 60,855 | \$ 50,942 | \$ 32,162 | \$ 17,592 |
| Contributions | 103,059 | 73,025 | 60,855 | 50,942 | 32,162 | 51,925 |
| Contribution deficiency (surplus) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (34,333) |
| Covered payroll | \$ 3,076,377 | \$ 2,787,173 | \$ 2,783,990 | \$ 2,162,555 | \$ 1,649,316 | \$ 1,266,904 |
| Contributions as a percentage of covered payroll | 3.35% | 2.62% | 2.19% | 2.36% | 1.95% | 4.10% |
| Contributions as a percentage of covered payroll placed into Pension Stabilization Reserve Trust* | 0.65% | 1.38% | 1.81% | 1.64% | 2.05% | 0.00% |

* Beginning in fiscal year 2019, contributions in excess of amounts required by TCRS to be placed towards the pension were placed in a Pension Stabilization Reserve Trust.

NOTE - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

| | |
|-------------------------------|--|
| Valuation date | Actuarially determined contribution rates for fiscal year 2023 were calculated based on the June 30, 2021 actuarial valuation. |
| Actuarial cost method | Entry age normal |
| Amortization method | Level dollar, closed (not to exceed 20 years) |
| Remaining amortization period | Varies by year |
| Asset valuation method | 10 year smoothed with a 20% corridor to market value |
| Inflation | 2.25% |
| Salary increases | Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4% |
| Investment rate of return | 6.75%, net of investment expenses, including inflation |
| Retirement age | Pattern of retirement determined by experience study |
| Mortality | Customized table based on actual experience including an adjustment for some anticipated improvement |
| Cost of Living Adjustments | 2.125% |

Changes of assumptions

In 2021, the following assumptions were changed: decreased inflation rate from 2.5% to 2.25%; decreased the investment rate of return from 7.25% to 6.75%; decreased the cost-of-living adjustment from 2.25% to 2.125%; and modified mortality assumptions.

In 2017, the following assumptions were changed: decreased inflation rate from 3% to 2.5%; decreased the investment rate of return from 7.5% to 7.25%; decreased the cost-of-living adjustment from 2.5% to 2.25%; decreased salary growth graded ranges from an average of 4.25% to an average of 4%; and modified mortality assumptions.

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 SCHOOL SYSTEM
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
TEACHER LEGACY PENSION PLAN OF TCRS
Last Ten Fiscal Years June 30

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|----------------|----------------|----------------|----------------|----------------|---------------|---------------|---------------|
| Proportion of the net pension liability (asset) | 0.552825% | 0.555821% | 0.546080% | 0.542495% | 0.517096% | 0.520200% | 0.507125% | 0.457425% |
| Proportionate share of the net pension liability (asset) | \$ (6,779,870) | \$(23,973,896) | \$ (4,164,259) | \$ (5,577,825) | \$ (1,819,616) | \$ (170,201) | \$ 3,169,249 | \$ 187,377 |
| Covered payroll | \$ 18,193,363 | \$ 18,238,877 | \$ 18,176,499 | \$ 18,228,357 | \$ 18,107,569 | \$ 18,396,999 | \$ 18,306,197 | \$ 17,123,741 |
| Proportionate share of the net pension liability (asset) as a percentage of covered payroll | -37.27% | -131.44% | -22.91% | -30.60% | -10.05% | -0.93% | 17.31% | 0.00% |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 104.42% | 116.13% | 103.09% | 104.28% | 101.49% | 100.14% | 97.14% | 97.14% |

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 SCHOOL SYSTEM
SCHEDULE OF CONTRIBUTIONS
TEACHER LEGACY PENSION PLAN OF TCRS
Last Ten Fiscal Years June 30**

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Contractually required | \$ 1,651,850 | \$ 1,873,891 | \$ 1,873,556 | \$ 1,931,996 | \$ 1,902,740 | \$ 1,644,116 | \$ 1,662,347 | \$ 1,654,879 | \$ 1,547,985 |
| Contribution in relation to the contractually required contribution | 1,651,850 | 1,873,891 | 1,873,556 | 1,931,996 | 1,902,740 | 1,644,116 | 1,662,347 | 1,654,879 | 1,547,985 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 18,996,474 | \$ 18,193,363 | \$ 18,238,877 | \$ 18,176,499 | \$ 18,228,357 | \$ 18,107,569 | \$ 18,396,999 | \$ 18,306,197 | \$ 17,123,741 |
| Contributions as a percentage of covered payroll | 8.70% | 10.30% | 10.27% | 10.63% | 10.44% | 9.08% | 9.04% | 9.04% | 9.04% |

Changes of assumptions

In 2021, the following assumptions were changed: decreased inflation rate from 2.5% to 2.25%; decreased the investment rate of return from 7.25% to 6.75%; decreased the cost-of-living adjustment from 2.25% to 2.125%; and modified mortality assumptions.

In 2017, the following assumptions were changed: decreased inflation rate from 3% to 2.5%; decreased the investment rate of return from 7.5% to 7.25%; decreased the cost-of-living adjustment from 2.5% to 2.25%; decreased salary growth graded ranges from an average of 4.25% to an average of 4%; and modified mortality assumptions.

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 SCHOOL SYSTEM
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
TEACHER RETIREMENT PLAN OF TCRS**

Last Ten Fiscal Years June 30

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|
| Proportion of the net pension liability (asset) | 0.375382% | 0.362426% | 0.338965% | 0.317243% | 0.270144% | 0.315942% | 0.370023% | 0.360154% |
| Proportionate share of the net pension liability (asset) | \$ (113,713) | \$ (392,594) | \$ (192,749) | \$ (179,079) | \$ (122,518) | \$ (83,357) | \$ (38,521) | \$ (14,489) |
| Covered payroll | \$ 6,410,252 | \$ 5,230,459 | \$ 4,278,815 | \$ 3,319,051 | \$ 2,360,717 | \$ 2,065,462 | \$ 1,628,121 | \$ 748,310 |
| Proportionate share of the net pension liability (asset) as a percentage of covered payroll | -1.77% | -7.51% | -4.50% | -5.40% | -5.19% | -4.04% | -2.37% | -1.94% |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 104.55% | 121.53% | 116.52% | 123.07% | 126.97% | 126.81% | 121.88% | 127.46% |

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 SCHOOL SYSTEM
SCHEDULE OF CONTRIBUTIONS
TEACHER RETIREMENT PLAN OF TCRS**

Last Ten Fiscal Years June 30

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|
| Contractually required | \$ 193,934 | \$ 128,849 | \$ 105,658 | \$ 86,833 | \$ 65,127 | \$ 38,498 | \$ 82,946 | \$ 40,755 | \$ 18,708 |
| Contribution in relation to the contractually required contribution | 193,934 | 128,849 | 105,658 | 86,833 | 65,127 | 94,429 | 82,946 | 65,125 | 29,932 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (55,931) | \$ - | \$ (24,370) | \$ (11,224) |
| Covered payroll | \$ 6,783,382 | \$ 6,410,252 | \$ 5,230,459 | \$ 4,278,815 | \$ 3,319,051 | \$ 2,360,717 | \$ 2,065,462 | \$ 1,628,121 | \$ 748,310 |
| Contributions as a percentage of covered payroll | 2.86% | 2.01% | 2.02% | 2.03% | 1.96% | 4.00% | 4.02% | 4.00% | 4.00% |
| Contributions as a percentage of covered payroll placed into Pension Stabilization Reserve Trust* | 1.14% | 1.99% | 1.98% | 1.97% | 2.04% | 0.00% | 0.00% | 0.00% | 0.00% |

* Beginning in fiscal year 2019, contributions in excess of amounts required by TCRS to be placed towards the pension were placed in a Pension Stabilization Reserve Trust.

Changes of assumptions

In 2021, the following assumptions were changed: decreased inflation rate from 2.5% to 2.25%; decreased the investment rate of return from 7.25% to 6.75%; decreased the cost-of-living adjustment from 2.25% to 2.125%; and modified mortality assumptions.

In 2017, the following assumptions were changed: decreased inflation rate from 3% to 2.5%; decreased the investment rate of return from 7.5% to 7.25%; decreased the cost-of-living adjustment from 2.5% to 2.25%; decreased salary growth graded ranges from an average of 4.25% to an average of 4%; and modified mortality assumptions.

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 SCHOOL SYSTEM
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

Last Ten Fiscal Years June 30

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total OPEB Liability | | | | | | | |
| Service cost | \$ 370,042 | \$ 393,147 | \$ 467,144 | \$ 342,320 | \$ 338,969 | \$ 288,645 | \$574,975 |
| Interest | 535,456 | 512,871 | 522,895 | 511,284 | 491,131 | 466,928 | 833,313 |
| Changes of benefit terms | - | 132,909 | - | - | - | - | (5,817,754) |
| Differences between expected and actual experience | (343,856) | (884,952) | (1,405,106) | 161,667 | (280,153) | (220,328) | (402,643) |
| Changes in assumptions | 274,248 | (346,886) | 475,714 | 896,336 | (182,915) | 244,396 | 72,575 |
| Benefit payments | (294,955) | (145,360) | (161,843) | (116,136) | (88,184) | (146,886) | (111,651) |
| Net change in total OPEB liability | 540,935 | (338,271) | (101,196) | 1,795,471 | 278,848 | 632,755 | (4,851,185) |
| Total OPEB liability - beginning | 7,887,595 | 8,225,866 | 8,327,062 | 6,531,591 | 6,252,743 | 5,619,988 | 10,471,173 |
| Total OPEB liability - ending | 8,428,530 | 7,887,595 | 8,225,866 | 8,327,062 | 6,531,591 | 6,252,743 | 5,619,988 |
| Plan Fiduciary Net Position | | | | | | | |
| Contributions - employer | 504,955 | 290,360 | 661,843 | 315,681 | 588,184 | 646,886 | 629,512 |
| Net investment income | 419,097 | (565,617) | 801,155 | 93,783 | 94,615 | 131,066 | 94,877 |
| Benefit payments | (294,955) | (145,360) | (161,843) | (116,136) | (88,184) | (146,886) | (111,651) |
| Administrative expense | (15,444) | (17,022) | (15,106) | (10,630) | (7,909) | (16,688) | (3,188) |
| Net change in plan fiduciary net position | 613,653 | (437,639) | 1,286,049 | 282,698 | 586,706 | 614,378 | 609,550 |
| Plan fiduciary net position - beginning | 3,644,823 | 4,082,462 | 2,796,413 | 2,513,715 | 1,927,009 | 1,312,631 | 703,081 |
| Plan fiduciary net position -ending | 4,258,476 | 3,644,823 | 4,082,462 | 2,796,413 | 2,513,715 | 1,927,009 | 1,312,631 |
| Net OPEB liability (asset) | \$ 4,170,054 | \$ 4,242,772 | \$ 4,143,404 | \$ 5,530,649 | \$ 4,017,876 | \$ 4,325,734 | \$ 4,307,357 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 50.52% | 46.21% | 49.63% | 33.58% | 38.49% | 30.82% | 23.36% |
| Covered payroll | \$ 18,853,668 | \$ 18,164,752 | \$ 17,635,682 | \$ 19,423,688 | \$ 23,825,256 | \$ 22,456,759 | \$ 21,802,679 |
| Net OPEB liability as a percentage of covered payroll | 22.12% | 23.36% | 23.49% | 28.47% | 16.86% | 19.26% | 19.76% |

Changes of assumptions.

In 2023, amounts reported as changes of assumption resulted from changes to the mortality table, healthcare cost trend rates and changes to the discount rate resulting in increases to the liability.

In 2022, amounts reported as changes of assumption resulted from changes to the healthcare cost trend rates and changes to the discount rate resulting in decreases to the liability.

In 2021, amounts reported as changes of assumption resulted from changes to the mortality table and healthcare cost trend rates resulting in increases to the liability.

In 2020, amounts reported as changes of assumptions resulted from changes to the long-term rate of return and discount rate.

In 2019, amounts reported as changes of assumptions resulted from changes to the mortality tables and health care cost trend rates.

In 2018, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, payroll growth rate, and mortality tables.

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 SCHOOL SYSTEM
SCHEDULE OF CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN
Last Ten Fiscal Years June 30**

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|-------------------|
| Actuarially determined contribution | \$ 751,495 | \$ 740,861 | \$ 920,665 | \$ 719,164 | \$ 738,157 | \$ 697,756 | \$ 1,442,649 |
| Contributions | 504,955 | 290,360 | 661,843 | 315,681 | 588,184 | 646,886 | 629,512 |
| Contribution deficiency (surplus) | <u>\$ 246,540</u> | <u>\$ 450,501</u> | <u>\$ 258,822</u> | <u>\$ 403,483</u> | <u>\$ 149,973</u> | <u>\$ 50,870</u> | <u>\$ 813,137</u> |
| Covered payroll | \$ 18,853,668 | \$ 18,164,752 | \$ 17,635,682 | \$ 19,423,688 | \$ 23,825,256 | \$ 22,456,759 | \$ 21,802,679 |
| Contributions as a percentage of covered payroll | 2.68% | 1.60% | 3.75% | 1.63% | 2.47% | 2.88% | 2.89% |

NOTE - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

| | |
|-----------------------------|--|
| Valuation date | Actuarially determined contributions for June 30, 2023 were based on a valuation date of June 30, 2021. |
| Actuarial cost method | Entry age normal |
| Amortization method | Level percentage of payroll |
| Asset valuation method | Fair value |
| Inflation | 3.0% |
| Healthcare cost trend rates | 7.50% initial, decreasing to an ultimate rate of 4.6% |
| Salary increases | Payroll growth including general wage inflation plus merit/ productivity increases are based on the TCRS valuation as of June 30, 2016 |
| Investment rate of return | 6.6%, net of investment expenses, including inflation |
| Mortality | SOA Pub-2010 Teacher Headcount Weighted Mortality Table fully generational using Scale MP-2020 SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2020 |

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 SCHOOL SYSTEM
SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN
OTHER POSTEMPLOYMENT BENEFIT PLAN**
Last Ten Fiscal Years June 30

| | Annual Money-Weighted Rate of Return <u>Net of Investment Expenses</u> |
|------|--|
| 2023 | 11.30% |
| 2022 | -13.93% |
| 2021 | 29.69% |
| 2020 | 3.75% |
| 2019 | 4.74% |
| 2018 | 8.93% |
| 2017 | 13.13% |

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.

SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

ARLINGTON COMMUNITY SCHOOL SYSTEM
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023

| | Nutrition Fund | Discretionary Grants Fund | Internal School Funds | Total Nonmajor Governmental Funds |
|--|---------------------------|--|--------------------------------------|--|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 2,305,642 | \$ 26,554 | \$ 1,774,734 | \$ 4,106,930 |
| Accounts receivable | - | - | 52,066 | 52,066 |
| Due from other governments | - | 19,608 | - | 19,608 |
| Inventory | 28,776 | - | 5,534 | 34,310 |
| Total assets | \$ 2,334,418 | \$ 46,162 | \$ 1,832,334 | \$ 4,212,914 |
| LIABILITIES | | | | |
| Accounts payable | \$ 208 | \$ 8,455 | \$ 31,645 | \$ 40,308 |
| Accrued payroll | 4 | - | - | 4 |
| Due to other funds | - | 11,153 | - | 11,153 |
| Unearned revenue | 45,304 | 9,000 | - | 54,304 |
| Total liabilities | 45,516 | 28,608 | 31,645 | 105,769 |
| FUND BALANCES | | | | |
| Nonspendable | 28,776 | - | 5,534 | 34,310 |
| Restricted | 2,260,126 | - | 1,156,250 | 3,416,376 |
| Assigned | - | - | 638,905 | 638,905 |
| Unassigned | - | 17,554 | - | 17,554 |
| Total fund balances | 2,288,902 | 17,554 | 1,800,689 | 4,107,145 |
| Total liabilities and fund balances | \$ 2,334,418 | \$ 46,162 | \$ 1,832,334 | \$ 4,212,914 |

ARLINGTON COMMUNITY SCHOOL SYSTEM
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

| | <u>Nutrition Fund</u> | <u>Discretionary Grants Fund</u> | <u>Internal School Funds</u> | <u>Total Nonmajor Governmental Funds</u> |
|-------------------------------------|---------------------------|--|--------------------------------------|--|
| REVENUES | | | | |
| Charges for services | \$ 1,165,878 | \$ - | \$ - | \$ 1,165,878 |
| Federal, state and other grants | 891,278 | 223,833 | - | 1,115,111 |
| Student activities | - | - | 2,694,728 | 2,694,728 |
| Other | 1,857 | 23,125 | - | 24,982 |
| Total revenues | <u>2,059,013</u> | <u>246,958</u> | <u>2,694,728</u> | <u>5,000,699</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction and instruction support | - | 35,456 | - | 35,456 |
| Support services | - | 108,122 | - | 108,122 |
| Food services | 1,540,175 | - | - | 1,540,175 |
| Operation of plant | - | 85,711 | - | 85,711 |
| Student activities | - | - | 2,445,054 | 2,445,054 |
| Total expenditures | <u>1,540,175</u> | <u>229,289</u> | <u>2,445,054</u> | <u>4,214,518</u> |
| Net change in fund balances | 518,838 | 17,669 | 249,674 | 786,181 |
| Fund balances - beginning | <u>1,770,064</u> | <u>(115)</u> | <u>1,551,015</u> | <u>3,320,964</u> |
| Fund balances - ending | <u>\$ 2,288,902</u> | <u>\$ 17,554</u> | <u>\$ 1,800,689</u> | <u>\$ 4,107,145</u> |

ARLINGTON COMMUNITY SCHOOL SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SCHOOL NUTRITION FUND
For the Year Ended June 30, 2023

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget - Increase (Decrease)</u> |
|---|-------------------------|-------------------|-----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Charges for services | | | | |
| Lunch fees - children | \$ 1,000 | \$ 1,000 | \$ 685,197 | \$ 684,197 |
| Lunch fees - adults | 13,000 | 13,000 | 22,305 | 9,305 |
| Breakfast fees | 1,000 | 1,000 | 59,321 | 58,321 |
| A la carte fees | 200,000 | 200,000 | 399,055 | 199,055 |
| Total charges for services | <u>215,000</u> | <u>215,000</u> | <u>1,165,878</u> | <u>950,878</u> |
| Federal, state and other grants | | | | |
| Nutrition cluster | 2,237,500 | 1,851,426 | 871,001 | (980,425) |
| Other state funding | 9,000 | 9,000 | 20,277 | 11,277 |
| Total federal, state and other grants | <u>2,246,500</u> | <u>1,860,426</u> | <u>891,278</u> | <u>(969,148)</u> |
| Other income | - | - | 1,857 | 1,857 |
| Total revenues | <u>2,461,500</u> | <u>2,075,426</u> | <u>2,059,013</u> | <u>(16,413)</u> |
| EXPENDITURES | | | | |
| Food Services | | | | |
| Cafeteria | | | | |
| Salaries | 660,000 | 660,000 | 544,005 | 115,995 |
| Benefits | 185,867 | 185,867 | 101,860 | 84,007 |
| Contractual services | 16,000 | 16,000 | 2,176 | 13,824 |
| Materials and supplies | 1,586,133 | 1,830,058 | 884,660 | 945,398 |
| Other charges | 13,500 | 13,500 | 7,474 | 6,026 |
| Total expenditures | <u>2,461,500</u> | <u>2,705,425</u> | <u>1,540,175</u> | <u>1,165,250</u> |
| Excess (deficiency) of revenues over (under) expenditures | - | (629,999) | 518,838 | 1,148,837 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | 800,000 | - | (800,000) |
| Net change in fund balances | <u>\$ -</u> | <u>\$ 170,001</u> | <u>518,838</u> | <u>\$ 348,837</u> |
| Fund balances - beginning | | | <u>1,770,064</u> | |
| Fund balances - ending | | | <u>\$ 2,288,902</u> | |

ARLINGTON COMMUNITY SCHOOL SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DISCRETIONARY GRANTS FUND
For the Year Ended June 30, 2023

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget - Increase (Decrease)</u> |
|---------------------------------|-------------------------|-------------------|-----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Federal, state and other grants | | | | |
| State assistance | \$ 176,334 | \$ 195,893 | \$ 193,833 | \$ (2,060) |
| Other assistance | 176,334 | 195,893 | 30,000 | (165,893) |
| Other Income | 150,000 | 150,000 | 23,125 | (126,875) |
| Total revenues | <u>502,668</u> | <u>541,786</u> | <u>246,958</u> | <u>(294,828)</u> |
| EXPENDITURES | | | | |
| Regular Instruction | | | | |
| Other Discretionary Grants | | | | |
| Other charges | - | - | 23,122 | (23,122) |
| Battelle other charges | - | - | 12,334 | (12,334) |
| | <u>-</u> | <u>-</u> | <u>35,456</u> | <u>(35,456)</u> |
| Support Services | | | | |
| Coordinated school health | | | | |
| Salaries | 47,637 | 47,637 | 47,637 | - |
| Benefits | 8,111 | 7,151 | 7,086 | 65 |
| Materials and supplies | 23,252 | 21,812 | 21,730 | 82 |
| Other charges | 6,000 | 8,400 | 6,669 | 1,731 |
| | <u>85,000</u> | <u>85,000</u> | <u>83,122</u> | <u>1,878</u> |
| Safe Schools | | | | |
| Contractual services | 25,000 | 25,000 | 25,000 | - |
| Total support services | <u>110,000</u> | <u>110,000</u> | <u>108,122</u> | <u>1,878</u> |
| Operation of Plant | | | | |
| Safe Schools | | | | |
| Materials and supplies | 66,334 | 85,893 | 85,711 | 182 |
| Total expenditures | <u>176,334</u> | <u>195,893</u> | <u>229,289</u> | <u>(33,396)</u> |
| Net change in fund balances | <u>\$ 326,334</u> | <u>\$ 345,893</u> | 17,669 | <u>\$ (328,224)</u> |
| Fund balances - beginning | | | <u>(115)</u> | |
| Fund balances - ending | | | <u>\$ 17,554</u> | |

ARLINGTON COMMUNITY SCHOOL SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
For the Year Ended June 30, 2023

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget - Increase (Decrease)</u> |
|-----------------------------|-------------------------|---------------------|-----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Intergovernmental | | | | |
| Shelby County | \$ 1,800,000 | \$ 1,800,000 | \$ 856,236 | \$ (943,764) |
| Total revenues | <u>1,800,000</u> | <u>1,800,000</u> | <u>856,236</u> | <u>(943,764)</u> |
| EXPENDITURES: | | | | |
| Capital Outlay | | | | |
| Building improvements | (1,800,000) | (1,800,000) | 856,236 | (2,656,236) |
| Other contracted services | - | - | - | - |
| Total expenditures | <u>(1,800,000)</u> | <u>(1,800,000)</u> | <u>856,236</u> | <u>(2,656,236)</u> |
| Net change in fund balances | <u>\$ 3,600,000</u> | <u>\$ 3,600,000</u> | - | <u>\$ (3,600,000)</u> |
| Fund balances - beginning | | | <u>696,781</u> | |
| Fund balances - ending | | | <u>\$ 696,781</u> | |

SUPPORTING SCHEDULES

ARLINGTON COMMUNITY SCHOOL SYSTEM
SCHEDULE OF TRANSFERS
For the Year Ended June 30, 2023

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|-----------------------------|---------------------|----------------------|
| Major Funds | | |
| General Purpose School Fund | | |
| Federal Projects Fund | \$ 20,150 | \$ - |
| Federal Projects Fund | | |
| General Purpose School Fund | - | 20,150 |
| Total major funds | <u>\$ 20,150</u> | <u>\$ 20,150</u> |

ARLINGTON COMMUNITY SCHOOL SYSTEM
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
For the Year Ended June 30, 2023

| Description of Indebtedness | Original Amount of Issue | Interest Rate | Date of Issue | Maturity Date | Outstanding 6/30/2022 | Issued During Period | Paid During Period | Refunded During Period | Outstanding 6/30/2023 |
|--|--------------------------------|------------------|------------------|------------------|--------------------------|----------------------------|--------------------------|------------------------------|--------------------------|
| Governmental Activities | | | | | | | | | |
| <u>Payable through General Purpose School Fund</u> | | | | | | | | | |
| Direct borrowings: | | | | | | | | | |
| Shelby County Settlement Obligation | \$ 3,999,996 | 2.00% | 11/1/2014 | 11/1/2025 | \$ 1,268,675 | \$ - | \$ (307,726) | \$ - | \$ 960,949 |
| | | | | | <u>\$ 1,268,675</u> | <u>\$ -</u> | <u>\$ (307,726)</u> | <u>\$ -</u> | <u>\$ 960,949</u> |

ARLINGTON COMMUNITY SCHOOL SYSTEM
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS
For the Year Ended June 30, 2023

| Fiscal Year | Shelby County Settlement Obligation | | |
|------------------------|--|------------------|-------------------|
| | Principal | Interest | Total |
| 2024 | \$ 313,937 | \$ 19,396 | \$ 333,333 |
| 2025 | 320,273 | 13,060 | 333,333 |
| 2026 | 326,739 | 6,594 | 333,333 |
| | <u>\$ 960,949</u> | <u>\$ 39,050</u> | <u>\$ 999,999</u> |

GOVERNMENT AUDITING STANDARDS SECTION

ARLINGTON COMMUNITY SCHOOL SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2023

| Federal Grantor/Pass-Through Grantor/Program | Assistance Number | Contract Number | Expenditures |
|--|----------------------|--------------------|--------------|
| U.S. Department of Agriculture | | | |
| <u>Passed through TN Department of Education</u> | | | |
| <i>Child Nutrition Cluster</i> | | | |
| School Breakfast Program | 10.553 | | \$ 61,996 |
| National School Lunch Program - Non-Cash Assistance | 10.555 | | 89,355 |
| National School Lunch Program - Cash Assistance | 10.555 | | 471,769 |
| USDA Rebate | 10.555 | | 3,955 |
| USDA Supply Chain Assistance Grant | 10.555 | | 243,926 |
| Subtotal - CFDA 10.555 | | | 809,005 |
| Subtotal - Child Nutrition Cluster | | | 871,001 |
| Total U.S. Department of Agriculture | | | 871,001 |
| U.S. Department of Education | | | |
| <u>Passed through TN Department of Education</u> | | | |
| Title I Grants to Local Education Agencies | 84.010 | S010A220042 | 1,144,562 |
| <i>Special Education Cluster (IDEA)</i> | | | |
| Special Education - Grants to States (IDEA, Part B) | 84.027A | H027A220052 | 939,644 |
| COVID-19 - Special Education - ARP (IDEA, Part B) | 84.027X | | 152,842 |
| Special Education - Preschool Grants (IDEA Preschool) | 84.173 | H173A220095 | 10,469 |
| COVID-19 - Special Education - Preschool Grants ARP (IDEA, Preschool) | 84.173X | | 15,377 |
| Subtotal - Special Education Cluster (IDEA) | | | 1,118,332 |
| Career and Technical Education - Basic Grants to States | 84.048 | | 60,965 |
| English Language Acquisition State Grants | 84.365 | | 8,661 |
| Supporting Effective Instruction State Grants | 84.367 | S367A220040 | 79,651 |
| Title VII - Impact Aid | 84.041 | | 44,012 |
| Student Support and Academic Enrichment Program | 84.424 | S424A220044 | 15,014 |
| <i>Education Stabilization Fund</i> | | | |
| COVID-19 Elementary & Secondary School Emergency Relief (ESSER) 2.0 | 84.425D | | 908,184 |
| COVID-19 Fiscal Pre-Monitoring Support Grant | 84.425D | | 27,966 |
| COVID-19 Math Implementation Grant | 84.425D | | 71,250 |
| COVID-19 Elementary & Secondary School Emergency Relief (ESSER) 3.0 | 84.425U | | 1,818,308 |
| COVID-19 Innovative School Models | 84.425U | | 27,952 |
| COVID-19 Education for Homeless Children and Youth | 84.425W | | 3,122 |
| COVID-19 Literacy Training Teacher Stipend Grant - Secondary Training (5-12) | 84.425B | | 15,000 |
| Subtotal - CFDA 84.425 | | | 2,871,782 |
| Total U.S. Department of Education | | | 5,342,979 |
| U.S. Department of Health and Human Services | | | |
| <u>Passed through TN Department of Education</u> | | | |
| Temporary Assistance for Needy Families (TANF) | | | |
| COVID-19 - Summer Learning Camp Federal | 93.558 | | 10,996 |
| Subtotal - TANF | | | 10,996 |
| Total U.S. Department of Health and Human Services | | | 10,996 |
| Total Federal Awards | | | 6,224,976 |
| <u>State Financial Assistance</u> | | | |
| Child Nutrition State Funding | N/A | N/A | 20,277 |
| Safe Schools | N/A | N/A | 110,711 |
| Coordinated School Health | N/A | N/A | 83,122 |
| Summer Learning Camps | N/A | N/A | 253,973 |
| Total State Financial Assistance | | | 468,083 |
| Total Federal Awards and State Financial Assistance | | | \$ 6,693,059 |

See independent auditor's report and accompanying notes to the schedule.

**ARLINGTON COMMUNITY SCHOOL SYSTEM
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

For the Year Ended June 30, 2023

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance (the “Schedule”) includes the federal and state grant activity of the Arlington Community School System (the “System”) under programs of those governments for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the System, it is not intended to and does not present the financial position, changes in net position, or cash flows of the System.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 1) Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- 2) The grant revenue amounts received and expensed (eligible for reimbursement) are subject to audit adjustment. If any expenses are disallowed by the grantor as a result of such audit, any claim for reimbursement to the grantor would become a liability of Arlington Community School System. In the opinion of management, all grant expenses (eligible for reimbursement) are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.
- 3) Pass-through entity identifying numbers are presented where available.
- 4) There were no federal awards passed through to subrecipients.
- 5) The System has elected not to use the de minimis indirect cost rate as allowed under the Uniform Guidance.
- 6) Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

NOTE C – RECONCILIATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE TO THE FINANCIAL STATEMENTS

The following is a reconciliation of expenditures per the schedule to the revenue balances in the System’s financial statements:

| | |
|---|----------------------------|
| Total grant revenue per governmental funds financial statements | 6,723,059 |
| Non-federal and non-state grants and awards | <u>(30,000)</u> |
| Total federal awards and state financial assistance | <u><u>\$ 6,693,059</u></u> |

**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**

To the Superintendent and Board Members of the
Arlington Community School System:

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, the fiduciary fund, and the aggregate remaining fund information of the Arlington Community School System (the "System"), which are funds of the Town of Arlington, Tennessee (the "Town"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated December 13, 2023. Our report disclosed that the financial statements of the System are intended to present only that portion of the Town that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of the Town as of June 30, 2023, the changes in its financial position, budgetary comparison, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on 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) as a basis for designing 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 System's 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

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 System'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 System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Watkins Mikusall, PLLC

Memphis, Tennessee
December 13, 2023

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Superintendent and Board Members of the
Arlington Community School System:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Arlington Community School System (the "System")'s compliance with the types of compliance requirements identified as subject to audit in the *OMB 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, 2023. 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.

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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Arlington Community School System and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the System's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the System's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the System's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as

fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the System's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the System's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the System's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



Memphis Tennessee
December 13, 2023

ARLINGTON COMMUNITY SCHOOL SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

| | |
|---|---------------|
| Type auditor's report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None Reported |
| Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|--|---------------|
| Type of auditor's report issued on compliance for major programs: | Unmodified |
| Internal control over major programs: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None Reported |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| Identification of major federal programs: | |
| <ul style="list-style-type: none"> • Assistance Listing Number: 84.010 – Title I Grants to Local Education Agencies • Assistance Listing Number: 84.425 – Education Stabilization Fund | |
| Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| Did auditee qualify as a low-risk auditee? | Yes |

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

ARLINGTON COMMUNITY SCHOOL SYSTEM
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

SECTION IV – PRIOR YEAR AUDIT FINDINGS

FINANCIAL STATEMENT AUDIT

None reported.

MAJOR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.