

**ARLINGTON COMMUNITY SCHOOL SYSTEM**  
**FINANCIAL STATEMENTS**

June 30, 2020



**ARLINGTON COMMUNITY SCHOOL SYSTEM  
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**ARLINGTON COMMUNITY SCHOOL SYSTEM**  
**BOARD OF OFFICIALS**  
For the Year Ended June 30, 2020

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**BOARD OF EDUCATION OFFICIALS**

Chairman ..... Kay Williams  
Vice-Chairman ..... Barbara Fletcher  
Board Member ..... Scott Benjamin  
Board Member ..... Hugh Lamar  
Board Member ..... Dale Viox

**BOARD OF EDUCATION ADMINISTRATION**

Superintendent..... Tammy Mason  
Chief Financial Officer.....Miracle Roberts, CPA\*  
Chief of Staff ..... Jeff Mayo  
Director of Academics..... Todd Goforth  
Director of Accountability & Federal Compliance ..... Rochelle Douglas  
Director of Operations..... Tim Ruff

\* Designated with financial oversight responsibility



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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the statement of budgetary comparison for the general purpose fund, the fiduciary funds and the aggregate remaining fund information of the Arlington Community School System, (the "System") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the statement of budgetary comparison for the general purpose fund, the fiduciary funds, and the aggregate remaining fund information of the System, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *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, each 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, 2020, 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 opinion is not modified with respect to this matter.

### *Required Supplementary Information*

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

### *Other Information*

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

The supplementary information and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, 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.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2020, 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.

*Watkins Mikusall, PLLC*

Memphis, Tennessee  
December 21, 2020

## **ARLINGTON COMMUNITY SCHOOL SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended June 30, 2020

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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, 2020. Comparative financial information is reported for the fiscal year ended June 30, 2019. 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 School System is a K-12 school system located in Arlington, Tennessee, a suburban area of Memphis, Tennessee. Our system serves slightly over 4,500 students and consists of four schools: Arlington Elementary, Donelson Elementary, Arlington Middle, and Arlington High. Our System's mission is to empower and to inspire all students towards lifetime learning, career success and good citizenship. Our System's vision is to fully engage and to inspire our staff, parents, and community to create an environment where students can achieve their highest potential and become productive citizens in an ever changing, challenging world.

Arlington Community School System offers a rigorous and supportive academic environment at all schools. Since the establishment as a school district in 2014, the district and schools have received numerous accolades for academic achievement. Most recently, Donelson Elementary School was named a 2018 National Blue Ribbon School, a prestigious honor granted by the United States Department of Education. Arlington Community Schools offers science, technology, engineering, and mathematics (STEM) education opportunities for all students in elementary, middle, and high school. Arlington Community Schools offers students in grades five through twelve a 1:1 digital learning environment. Arlington Middle School is one of the few middle schools across the State of Tennessee where all students receive three years of Coding. Arlington High School offers Advanced Placement courses, honor courses, dual enrollment courses and career and technical industry certification aligned courses to all students in grades nine through twelve. Also, at Arlington High School, there is the Performing Arts & Visual Experience (PAVE) Fine Arts Academy, the Collegiate Academy, the Engineering and Innovation Academy.

### **Financial Highlights**

Key financial highlights for the fiscal year ended June 30, 2020 are as follows:

- The assets and deferred outflows of resources of the System exceeded its liabilities and deferred inflows of resources by \$121.3 million (net position) that represents a \$5.3 million increase in net position. Of this amount, the unrestricted net position has a balance of \$21.5 million.
- As of the close of the current fiscal year, the System reported combined ending fund balances of \$26.3 million. Approximately 82.8% of this total amount, \$21.8 million is unassigned in the general purpose fund, 0.5% represents non-spendable funds in the general purpose and non-major governmental funds, 0.9% represents funds restricted for the general purpose school fund, 1.3% represents funds restricted in the school nutrition fund, and 14.6% represents funds restricted in the education capital projects fund.
- The System has an outstanding debt to Shelby County Schools in the amount of \$2 million 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 \$5.5 million. Compensated absences balance at year-end is \$254 thousand.
- The System completed the construction of a new gymnasium at Arlington Middle School at a cost of \$4.7 million. The System continued construction on an indoor practice facility at Arlington High School. The practice facility is projected to be completed in fiscal year 2021 at a cost of \$5 million.



**ARLINGTON COMMUNITY SCHOOL SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
For the Year Ended June 30, 2020

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**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, 2020

**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 \$121 million at the close of the fiscal year ended June 30, 2020.

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, \$4.4 million represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted net position of \$21.5 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, 2020</u>	<u>June 30, 2019</u>
<b>Assets</b>		
Current and other	\$ 36,973,108	\$ 28,287,300
Capital assets - net of accumulated depreciation	<u>95,450,781</u>	<u>94,427,185</u>
Total assets	132,423,889	122,714,485
<b>Deferred outflows of resources</b>	5,758,981	6,193,568
<b>Liabilities</b>		
Long-term liabilities	7,798,776	6,667,005
Other liabilities	<u>3,165,895</u>	<u>2,395,496</u>
Total liabilities	10,964,671	9,062,501
<b>Deferred inflows of resources</b>	5,964,677	3,900,630
<b>Net Position</b>		
Net investment in capital assets	95,302,994	94,135,580
Restricted	4,421,225	4,020,417
Unrestricted	<u>21,529,303</u>	<u>17,788,925</u>
Total net position	<u><u>\$ 121,253,522</u></u>	<u><u>\$ 115,944,922</u></u>

**ARLINGTON COMMUNITY SCHOOL SYSTEM**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
For the Year Ended June 30, 2020

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 1,103,782	\$ 1,268,254
Operating grants and contributions	2,640,948	2,817,046
Capital grants and contributions	3,752,569	1,865,009
General revenues		
Property taxes	13,131,269	13,509,837
Payments in lieu of taxes	207,461	223,495
Sales taxes	5,974,339	5,426,559
Business tax	1,520	1,621
Mixed drink tax	7,547	13,595
Wheel tax	1,313,165	1,153,724
Grants and contributions		
not restricted to specific programs:		
Basic Education Program	22,594,504	21,606,169
Contributions from the Town of Arlington	593,985	584,642
Other state allocations	103,421	135,807
Interest income	108,122	128,599
Other miscellaneous revenues	286,072	290,554
Total revenues	<u>51,818,704</u>	<u>49,024,911</u>
<b>Expenses</b>		
Instruction	28,664,916	26,225,571
Support Services	5,471,104	5,186,223
Administration	5,413,508	4,819,801
Operation and maintenance of plant	3,066,729	2,699,612
Transportation	1,676,251	1,784,678
Technology	704,814	1,170,257
Food service	1,061,221	1,081,441
Interest on long-term debt	51,561	51,749
Other	400,000	-
Total expenses	<u>46,510,104</u>	<u>43,019,332</u>
<b>Change in net position</b>	5,308,600	6,005,579
Net position, beginning	115,944,922	109,939,343
Prior period adjustment	-	-
Net position, beginning restated	<u>115,944,922</u>	<u>109,939,343</u>
Net position, ending	<u>\$ 121,253,522</u>	<u>\$ 115,944,922</u>

**Governmental activities**

Total governmental activities' revenue for the fiscal year was \$51.8 million. The largest single revenue source was state revenues in the form of Basic Education Program payments.

**ARLINGTON COMMUNITY SCHOOL SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
For the Year Ended June 30, 2020

**Expenditures and Revenues - Governmental Funds**

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

The general purpose fund had \$51.9 million in revenues and \$47.8 million in expenditures. The nonmajor governmental funds had \$3.3 million in revenues, and \$3.3 million in expenditures. Major funding for these funds was provided by federal and state funds.

	<u>June 30, 2020</u>	<u>Percent</u>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 1,103,782	2.1%
Operating grants and contributions	2,629,882	5.1%
Capital grants and contributions	-	0.0%
General revenues		
Property taxes	13,221,725	25.5%
Payments in lieu of taxes	207,461	0.4%
Sales taxes	5,937,421	11.4%
Business tax	1,520	0.0%
Mixed drink tax	7,547	0.0%
Wheel tax	1,313,165	2.5%
Grants and contributions		
not restricted to specific programs:		
Basic Education Program	22,594,504	43.5%
Contributions from the Town of Arlington	593,985	1.1%
Other state allocations	3,899,090	7.5%
Interest income	108,122	0.2%
Other miscellaneous revenues	286,072	0.6%
Total revenues	<u>\$ 51,904,276</u>	<u>100%</u>

**Financial Analysis of the Government's Funds**

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

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

At June 30, 2020, the System's governmental funds reported combined fund balances of \$26.3 million. Approximately 82.8% of this amount \$21.8 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 \$114 thousand, or 2) restricted for particular purposes \$4.4 million.

The general purpose fund is the chief operating fund of the System. At the end of the current fiscal year, unassigned fund balance was \$21.8 million.

**ARLINGTON COMMUNITY SCHOOL SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
For the Year Ended June 30, 2020

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 50.2% of the total general purpose fund expenditures, while total fund balances represents 50.9% of that same amount.

**General Purpose Fund Budgetary Highlights**

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

<b>General Purpose Fund</b>	June 30, 2020		Variance with Original Budget Pos (Neg)
	Original Budget	Final Budget	
<b>Revenues</b>			
Taxes	\$ 19,071,518	\$ 19,071,518	\$ -
State revenues	22,468,000	22,468,000	-
Charges for services	500,877	500,877	-
Operating federal and state grants	-	30,000	30,000
Contributions from Town of Arlington	6,138,686	6,329,976	191,290
Other income	311,500	311,500	-
Total revenues	<u>48,490,581</u>	<u>48,711,871</u>	<u>221,290</u>
<b>Expenditures</b>			
Instruction	26,617,868	26,757,958	(140,090)
Support Services	4,913,514	4,962,645	(49,131)
Administration	5,064,603	5,418,872	(354,269)
Operation and maintenance of plant	2,967,762	2,978,972	(11,210)
Transportation	1,990,642	2,008,642	(18,000)
Technology	774,599	749,549	25,050
Debt service	333,333	333,333	-
Capital outlay	5,440,000	5,107,000	333,000
Total expenditures	<u>48,102,321</u>	<u>48,316,971</u>	<u>(214,650)</u>
<b>Other financing sources (uses):</b>			
Transfers from (to) other funds	<u>(388,260)</u>	<u>(394,900)</u>	<u>(6,640)</u>
Total other financing sources (uses)	<u>(388,260)</u>	<u>(394,900)</u>	<u>(6,640)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Over the course of the year, the System revised its budget several times. However, no significant changes were made to the original budget.

**ARLINGTON COMMUNITY SCHOOL SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
For the Year Ended June 30, 2020

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

<b>General Purpose Fund</b>	June 30, 2020		Variance with Final Budget Pos (Neg)
	Final Budget	Actual	
<b>Revenues</b>			
Taxes	\$ 19,071,518	\$ 20,688,839	\$ 1,617,321
State revenues	22,468,000	22,697,925	229,925
Charges for services	500,877	374,481	(126,396)
Operating federal and state grants	30,000	30,000	-
Contributions from Town of Arlington	6,329,976	593,985	(5,735,991)
Other income	311,500	394,194	82,694
Total revenues	<u>48,711,871</u>	<u>44,779,424</u>	<u>(3,932,447)</u>
<b>Expenditures</b>			
Instruction	26,757,958	24,655,649	2,102,309
Support Services	4,962,645	4,349,304	613,341
Administration	5,418,872	5,040,964	377,908
Operation and maintenance of plant	2,978,972	2,798,447	180,525
Transportation	2,008,642	1,557,596	451,046
Technology	749,549	656,296	93,253
Other	-	400,000	(400,000)
Debt service	333,333	485,199	(151,866)
Capital outlay	5,107,000	3,396,688	1,710,312
Total expenditures	<u>48,316,971</u>	<u>43,340,143</u>	<u>4,976,828</u>
<b>Other financing sources (uses):</b>			
Issuance of debt	-	-	-
Sale of capital assets	-	-	-
Transfers from (to) other funds	(394,900)	55,155	450,055
Total other financing sources (uses)	<u>(394,900)</u>	<u>55,155</u>	<u>450,055</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ 1,494,436</u>	<u>\$ 1,494,436</u>

Arlington Community Schools began its operations during the 2014-2015 fiscal year; the 2019-2020 fiscal year is the System's sixth year of existence. 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. Additional Basic Education Program (BEP) funds were received due to student growth. 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, 2020

**Capital Asset and Debt Administration**

**Capital Assets.** The System's investment in capital assets for its governmental activities as of June 30, 2020, amounts to \$95.4 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, 2020 included a new roof at Arlington Middle School and computer equipment refreshment.

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Land	\$ 1,996,500	\$ 1,996,500
Construction in progress	2,746,282	4,830,921
Buildings and improvements, net of depreciation	86,206,400	82,669,905
Machinery, furniture, and equipment, net of depreciation	4,501,599	4,929,859
Total capital assets	<u>\$ 95,450,781</u>	<u>\$ 94,427,185</u>

**Long-term debt** As of June 30, 2020, the System had total debt outstanding of \$2.0 million. All debt is backed by the full faith and credit of the government. The System's obligations include notes payable to Shelby County Schools for the buildings, furniture, and fixtures of the four school buildings located within the boundaries of Arlington, Tennessee, and capital lease obligations.

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Notes payable to Shelby County School System	\$ 1,865,981	\$ 2,155,801
Capital Lease	147,787	291,605
	<u>\$ 2,013,768</u>	<u>\$ 2,447,406</u>

**Economic Factors and Next Year's Budget**

Fiscal Year 2019-20 represents the System's sixth year in operation. 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 9-12, and non-resident students. The System allows open enrollment for non-resident students at schools that have 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 2020-2021 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, 2020

	Primary Government <u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 26,594,980
Accounts receivable	59,441
Due from other governments	3,640,939
Inventories	45,012
Prepaid expenses	69,161
Capital assets, not being depreciated	4,742,782
Capital assets, being depreciated, net	90,707,999
Restricted investments	228,898
Net pension asset	<u>6,205,910</u>
Total assets	<u>132,295,122</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to pensions	4,499,016
Related to OPEB	<u>1,259,965</u>
Total deferred outflows of resources	<u>5,758,981</u>
<b>LIABILITIES</b>	
Accounts payable	961,390
Accrued payroll and benefits	2,008,277
Unearned revenue	67,461
Noncurrent liabilities:	
Due within one year	611,471
Due in more than one year	1,656,656
Net OPEB liability	<u>5,530,649</u>
Total liabilities	<u>10,835,904</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to pensions	5,222,752
Related to OPEB	<u>741,925</u>
Total deferred inflows of resources	<u>5,964,677</u>
<b>NET POSITION</b>	
Net investment in capital assets	95,302,994
Restricted for:	
Net pension asset	6,205,910
Stabilization reserve trust	228,898
Capital projects	3,847,612
Nutrition	344,715
Unrestricted	<u>15,323,393</u>
Total net position	<u><u>\$ 121,253,522</u></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, 2020

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	\$ 28,664,916	\$ 374,481	\$ 2,342,606	\$ 3,752,569	\$ (22,195,260)
Support Services	5,471,104	-	-	-	(5,471,104)
Administration	5,413,508	-	-	-	(5,413,508)
Operation and maintenance of plant	3,066,729	-	-	-	(3,066,729)
Transportation	1,676,251	-	-	-	(1,676,251)
Technology	704,814	-	-	-	(704,814)
Food service	1,061,221	729,301	298,342	-	(33,578)
Other Expenses	400,000	-	-	-	(400,000)
Interest on long-term debt	51,561	-	-	-	(51,561)
	<u>\$ 46,510,104</u>	<u>\$ 1,103,782</u>	<u>\$ 2,640,948</u>	<u>\$ 3,752,569</u>	(39,012,805)
General Revenues:					
					20,635,301
					22,697,925
					593,985
					286,072
					108,122
					<u>44,321,405</u>
					5,308,600
					115,944,922
					<u>\$ 121,253,522</u>

The accompanying notes are an integral part of the financial statements

**ARLINGTON COMMUNITY SCHOOL SYSTEM**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2020

	<b>General Purpose Fund</b>	<b>Capital Projects Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 22,860,585	\$ 3,333,652	\$ 400,743	\$ 26,594,980
Accounts receivable	59,441	-	-	59,441
Due from other governments	2,426,458	960,983	253,498	3,640,939
Due from other funds	128,767	-	-	128,767
Inventory	-	-	45,012	45,012
Prepaid items	69,161	-	-	69,161
Restricted investments	228,898	-	-	228,898
	<u>\$ 25,773,310</u>	<u>\$ 4,294,635</u>	<u>\$ 699,253</u>	<u>\$ 30,767,198</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 813,704	\$ 82,058	\$ 65,628	\$ 961,390
Accrued payroll	1,963,473	-	44,804	2,008,277
Due to other funds	-	-	128,767	128,767
Unearned revenue	8,200	-	59,261	67,461
Total liabilities	<u>2,785,377</u>	<u>82,058</u>	<u>298,460</u>	<u>3,165,895</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	930,686	364,965	11,066	1,306,717
<b>FUND BALANCES</b>				
Nonspendable				
Inventory	-	-	45,012	45,012
Prepaid expenses	69,161	-	-	69,161
Restricted				
Stabilization reserve trust	228,898	-	-	228,898
Capital projects	-	3,847,612	-	3,847,612
Nutrition	-	-	344,715	344,715
Unassigned	21,759,188	-	-	21,759,188
Total fund balances	<u>22,057,247</u>	<u>3,847,612</u>	<u>389,727</u>	<u>26,294,586</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 25,773,310</u>	<u>\$ 4,294,635</u>	<u>\$ 699,253</u>	<u>\$ 30,767,198</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, 2020

Total fund balances, governmental funds		\$ 26,294,586
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.		95,450,781
(2) Other long-term assets are not available to pay for current-period expenditures and, therefore, are unearned or unavailable in the funds.		1,306,717
(3) Long-term debt is not due and payable in the current period and, therefore is not reported in the funds.		
Less: settlement obligation	(1,865,981)	
Less: capital leases payable	<u>(147,787)</u>	(2,013,768)
(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	<u>(254,359)</u>	(254,359)
(5) Pension assets 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	6,205,910	
Less: net OPEB liability	<u>(5,530,649)</u>	675,261
(6) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.		
Add: deferred outflows of resources related to pensions	4,499,016	
Less: deferred inflows of resources related to pensions	(5,222,752)	
Add: deferred outflows of resources related to OPEB	1,259,965	
Less: deferred inflows of resources related to OPEB	<u>(741,925)</u>	<u>(205,696)</u>
Net position of governmental activities		<u><u>\$ 121,253,522</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, 2020

	<b>General Purpose Fund</b>	<b>Capital Projects Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Taxes	\$ 20,688,839	\$ -	\$ -	\$ 20,688,839
Intergovernmental	22,697,925	3,795,669	-	26,493,594
Charges for services	374,481	-	729,301	1,103,782
Federal, state and other grants	30,000	-	2,599,882	2,629,882
General contributions	593,985	-	-	593,985
Interest	108,122	-	-	108,122
Other	286,072	-	-	286,072
Total revenues	<u>44,779,424</u>	<u>3,795,669</u>	<u>3,329,183</u>	<u>51,904,276</u>
<b>EXPENDITURES</b>				
Instructional	24,655,649	-	1,388,488	26,044,137
Support services	4,349,304	-	800,320	5,149,624
Administration	5,040,964	-	-	5,040,964
Operation and maintenance of plant	2,798,447	-	61,425	2,859,872
Transportation	1,557,596	-	1,164	1,558,760
Technology	656,296	-	-	656,296
Food services	-	-	1,061,221	1,061,221
Debt service	485,199	-	-	485,199
Capital outlays	3,396,688	1,102,484	-	4,499,172
Other expenses	400,000	-	-	400,000
Total expenditures	<u>43,340,143</u>	<u>1,102,484</u>	<u>3,312,618</u>	<u>47,755,245</u>
Excess of revenues over expenditures	1,439,281	2,693,185	16,565	4,149,031
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	56,209	-	1,054	57,263
Transfers out	(1,054)	-	(56,209)	(57,263)
Total other financing sources and uses	<u>55,155</u>	<u>-</u>	<u>(55,155)</u>	<u>-</u>
Net change in fund balances	1,494,436	2,693,185	(38,590)	4,149,031
Fund balances - beginning	<u>20,562,811</u>	<u>1,154,427</u>	<u>428,317</u>	<u>22,145,555</u>
Fund balances - ending	<u><u>\$ 22,057,247</u></u>	<u><u>\$ 3,847,612</u></u>	<u><u>\$ 389,727</u></u>	<u><u>\$ 26,294,586</u></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, 2020

Net change in fund balance - total governmental funds		\$ 4,149,031
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	4,370,726	
Less: Depreciation expense	(3,178,915)	
Less: Loss from the disposition of capital assets	<u>(168,215)</u>	1,023,596
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(85,572)
(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		433,638
(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	<u>(52,636)</u>	(52,636)
(7) 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	249,487	
Difference between actual contributions and OPEB expense	<u>(408,944)</u>	<u>(159,457)</u>
Change in net position of governmental activities		<u>\$ 5,308,600</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, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
<b>TAXES</b>				
Property tax - current	\$ 12,618,018	\$ 12,618,018	\$ 12,868,863	\$ 250,845
Property tax - prior year	355,000	355,000	352,862	(2,138)
Payments in lieu of tax	252,000	252,000	207,461	(44,539)
Local option sales tax	5,200,000	5,200,000	5,937,421	737,421
Business tax	1,500	1,500	1,520	20
Mixed drink tax	15,000	15,000	7,547	(7,453)
Wheel tax	630,000	630,000	1,313,165	683,165
Total taxes	19,071,518	19,071,518	20,688,839	1,617,321
<b>INTERGOVERNMENTAL</b>				
State Education Funds				
Basic education program	22,337,000	22,337,000	22,594,504	257,504
Career ladder program	86,000	86,000	61,917	(24,083)
Other	45,000	45,000	41,504	(3,496)
Total intergovernmental	22,468,000	22,468,000	22,697,925	229,925
<b>CHARGES FOR SERVICES</b>	500,877	500,877	374,481	(126,396)
<b>OPERATING FEDERAL AND STATE GRANTS</b>	-	30,000	30,000	-
<b>GENERAL CONTRIBUTIONS</b>				
Town appropriations	6,138,686	6,329,976	593,985	(5,735,991)
<b>INTEREST INCOME</b>	96,000	96,000	108,122	12,122
<b>OTHER</b>	215,500	215,500	286,072	70,572
<b>Total Revenues</b>	48,490,581	48,711,871	44,779,424	(3,932,447)
<b>EXPENDITURES</b>				
<b>INSTRUCTION</b>				
Regular Education				
Salaries	15,652,380	15,692,891	15,505,003	187,888
Benefits	5,164,125	5,069,814	4,334,084	735,730
Contractual services	112,100	102,100	85,143	16,957
Materials and supplies	1,410,500	1,532,500	871,403	661,097
Other charges	51,150	39,150	32,058	7,092
	22,390,255	22,436,455	20,827,691	1,608,764
Alternative Education				
Salaries	263,650	263,650	184,302	79,348
Benefits	88,930	89,900	44,497	45,403
Materials and supplies	3,150	3,150	956	2,194
Other charges	2,150	2,150	-	2,150
	357,880	358,850	229,755	129,095

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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, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Special Education				
Salaries	\$ 1,931,300	\$ 1,990,950	\$ 1,814,915	\$ 176,035
Benefits	673,755	614,255	541,708	72,547
Contractual services	101,000	82,700	42,611	40,089
Materials and supplies	63,200	89,000	62,909	26,091
	<u>2,769,255</u>	<u>2,776,905</u>	<u>2,462,143</u>	<u>314,762</u>
Career & Technical Instruction				
Salaries	813,820	828,720	744,858	83,862
Benefits	241,658	280,528	243,352	37,176
Contractual services	-	-	4,691	(4,691)
Materials and supplies	45,000	75,000	142,377	(67,377)
Other charges	-	1,500	782	718
	<u>1,100,478</u>	<u>1,185,748</u>	<u>1,136,060</u>	<u>49,688</u>
Total instruction	<u>26,617,868</u>	<u>26,757,958</u>	<u>24,655,649</u>	<u>2,102,309</u>
<b>SUPPORT SERVICES</b>				
Student Services				
Salaries	297,489	301,079	299,889	1,190
Benefits	107,703	107,983	70,626	37,357
Contractual services	31,450	31,450	9,589	21,861
Materials and supplies	8,000	10,450	7,936	2,514
Other charges	12,000	22,206	10,139	12,067
	<u>456,642</u>	<u>473,168</u>	<u>398,179</u>	<u>74,989</u>
Health Services				
Salaries	164,095	167,155	165,510	1,645
Benefits	68,924	69,254	55,716	13,538
Contractual services	15,650	11,350	11,168	182
Materials and supplies	3,700	7,475	7,193	282
Other charges	1,200	1,725	1,571	154
	<u>253,569</u>	<u>256,959</u>	<u>241,158</u>	<u>15,801</u>
Accountability				
Salaries	1,060,795	1,065,425	1,025,514	39,911
Benefits	403,390	362,811	329,549	33,262
Contractual services	69,700	84,044	84,044	-
Materials and supplies	9,000	11,100	10,751	349
Other charges	6,150	45,150	26,225	18,925
	<u>1,549,035</u>	<u>1,568,530</u>	<u>1,476,083</u>	<u>92,447</u>
Regular Instruction Support				
Salaries	1,034,388	1,058,148	1,018,582	39,566
Benefits	309,301	309,301	285,502	23,799
Contractual services	38,975	38,975	6,979	31,996
Materials and supplies	201,100	201,100	37,325	163,775
Other charges	118,200	98,200	85,273	12,927
	<u>1,701,964</u>	<u>1,705,724</u>	<u>1,433,661</u>	<u>272,063</u>

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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, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Special Education Support				
Salaries	\$ 402,415	\$ 410,105	\$ 409,293	\$ 812
Benefits	124,592	124,162	117,980	6,182
Contractual services	285,550	284,250	175,226	109,024
Materials and supplies	13,000	13,000	7,070	5,930
Other charges	16,000	16,000	6,342	9,658
	<u>841,557</u>	<u>847,517</u>	<u>715,911</u>	<u>131,606</u>
Technical Education Support				
Salaries	64,076	64,076	64,076	-
Benefits	19,671	19,671	17,073	2,598
Materials and supplies	1,000	1,000	-	1,000
Other charges	26,000	26,000	3,163	22,837
	<u>110,747</u>	<u>110,747</u>	<u>84,312</u>	<u>26,435</u>
Total support services	<u>4,913,514</u>	<u>4,962,645</u>	<u>4,349,304</u>	<u>613,341</u>
<b>ADMINISTRATION</b>				
Board of Education Services				
Salaries	49,364	49,364	49,364	-
Benefits	129,079	468,469	440,598	27,871
Contractual services	394,000	394,000	391,202	2,798
Materials and supplies	1,000	1,000	1,219	(219)
Other charges	171,917	160,089	55,710	104,379
	<u>745,360</u>	<u>1,072,922</u>	<u>938,093</u>	<u>134,829</u>
Office of Superintendent				
Salaries	451,912	485,112	482,861	2,251
Benefits	110,777	119,836	112,010	7,826
Contractual services	39,550	15,139	7,126	8,013
Materials and supplies	17,400	17,400	4,930	12,470
Other charges	31,350	28,850	21,433	7,417
	<u>650,989</u>	<u>666,337</u>	<u>628,360</u>	<u>37,977</u>
Office of Principal				
Salaries	2,109,591	2,154,301	2,112,880	41,421
Benefits	697,628	662,128	587,798	74,330
Contractual services	2,100	2,100	2,100	-
Other charges	18,600	18,599	16,499	2,100
	<u>2,827,919</u>	<u>2,837,128</u>	<u>2,719,277</u>	<u>117,851</u>
Fiscal Services				
Salaries	317,475	323,115	315,317	7,798
Benefits	93,211	94,021	85,046	8,975
Contractual services	88,075	89,575	65,728	23,847
Materials and supplies	12,500	12,500	11,036	1,464
Other charges	36,200	29,920	17,716	12,204
	<u>547,461</u>	<u>549,131</u>	<u>494,843</u>	<u>54,288</u>

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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, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Human Resources				
Salaries	\$ 165,278	\$ 165,718	\$ 165,716	\$ 2
Benefits	63,546	63,586	53,841	9,745
Contractual services	21,200	21,200	14,454	6,746
Materials and supplies	8,150	8,150	6,229	1,921
Other charges	34,700	34,700	20,151	14,549
	<u>292,874</u>	<u>293,354</u>	<u>260,391</u>	<u>32,963</u>
Total administration	5,064,603	5,418,872	5,040,964	377,908
<b>OPERATION AND MAINTENANCE OF PLANT</b>				
Operation of Plant				
Salaries	282,259	288,259	272,511	15,748
Benefits	90,020	88,980	70,836	18,144
Contractual services	878,225	878,665	1,638,339	(759,674)
Materials and supplies	841,800	841,840	16,200	825,640
Other charges	375	935	577	358
	<u>2,092,679</u>	<u>2,098,679</u>	<u>1,998,463</u>	<u>100,216</u>
Maintenance of Plant				
Salaries	395,493	398,523	388,338	10,185
Benefits	115,090	107,270	95,112	12,158
Contractual services	307,500	286,500	252,948	33,552
Materials and supplies	45,000	76,000	59,646	16,354
Other charges	12,000	12,000	3,940	8,060
	<u>875,083</u>	<u>880,293</u>	<u>799,984</u>	<u>80,309</u>
Total operation and maintenance of plant	2,967,762	2,978,972	2,798,447	180,525
<b>TRANSPORTATION</b>				
Student Transportation				
Contractual services	1,255,608	1,255,608	939,644	315,964
Materials and supplies	130,000	130,000	75,940	54,060
	<u>1,385,608</u>	<u>1,385,608</u>	<u>1,015,584</u>	<u>370,024</u>
Central and Other Transportation				
Salaries	373,512	373,482	335,809	37,673
Benefits	90,622	108,652	103,694	4,958
Contractual services	43,900	43,900	24,812	19,088
Materials and supplies	71,300	71,300	65,797	5,503
Other charges	25,700	25,700	11,900	13,800
	<u>605,034</u>	<u>623,034</u>	<u>542,012</u>	<u>81,022</u>
Total transportation	1,990,642	2,008,642	1,557,596	451,046

(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, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>TECHNOLOGY</b>				
Salaries	\$ 214,662	\$ 215,552	\$ 215,546	\$ 6
Benefits	69,617	70,677	61,202	9,475
Contractual services	275,400	259,400	189,161	70,239
Materials and supplies	126,800	59,600	51,487	8,113
Other charges	88,120	144,320	138,900	5,420
Total technology	<u>774,599</u>	<u>749,549</u>	<u>656,296</u>	<u>93,253</u>
Total education	42,328,988	42,876,638	39,058,256	3,818,382
<b>DEBT SERVICE</b>				
Principal	333,333	333,333	433,638	(100,305)
Interest	-	-	51,561	(51,561)
Total debt service	<u>333,333</u>	<u>333,333</u>	<u>485,199</u>	<u>(151,866)</u>
<b>CAPITAL OUTLAY</b>				
Engineering services	100,000	100,000	78,612	21,388
Building improvements	3,700,000	2,867,000	2,164,457	702,543
Other capital outlay	<u>1,640,000</u>	<u>2,140,000</u>	<u>1,153,619</u>	<u>986,381</u>
Total capital outlay	5,440,000	5,107,000	3,396,688	1,710,312
<b>OTHER EXPENSES</b>				
Contributions to Town	-	-	400,000	(400,000)
Total other expenses	<u>-</u>	<u>-</u>	<u>400,000</u>	<u>(400,000)</u>
Total expenditures	<u>48,102,321</u>	<u>48,316,971</u>	<u>43,340,143</u>	<u>4,976,828</u>
Excess of revenues over expenditures	388,260	394,900	1,439,281	1,044,381
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	56,209	56,209
Transfers out	<u>(388,260)</u>	<u>(394,900)</u>	<u>(1,054)</u>	<u>393,846</u>
Total other financing sources (uses)	<u>(388,260)</u>	<u>(394,900)</u>	<u>55,155</u>	<u>450,055</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>1,494,436</u>	<u>\$ 1,494,436</u>
Fund balances - beginning			<u>20,562,811</u>	
Fund balances - ending			<u>\$ 22,057,247</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, 2020

	<b>OPEB Trust Fund</b>	<b>Agency Fund</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 122,917	\$ 1,186,458
Receivable from other TSBA account	200,000	-
Inventory	-	11,040
Investments		
Equity exchange traded funds	550,215	
Fixed income exchange traded funds	48,653	
Equity mutual funds	1,052,320	
Fixed income mutual funds	665,820	
Structured investments	156,488	-
Total investments	<u>2,473,496</u>	<u>-</u>
Total assets	2,796,413	<u><u>\$ 1,197,498</u></u>
<b>LIABILITIES</b>		
Due to student general fund	-	\$ 704,144
Due to student groups	-	493,354
Total liabilities	<u>-</u>	<u><u>\$ 1,197,498</u></u>
<b>NET POSITION</b>		
Restricted for OPEB	<u><u>\$ 2,796,413</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, 2020

	<b>OPEB Trust Fund</b>
<b>ADDITIONS</b>	
Employer contributions	\$ 315,681
Investment earnings (losses):	
Interest and dividends	92,266
Net appreciation in fair value of investments	1,517
Total investment earnings	<u>93,783</u>
Total additions	409,464
<b>DEDUCTIONS</b>	
Benefits	115,459
Administrative expense	10,630
Total deductions	<u>126,089</u>
Change in net position	283,375
Net position - beginning of the year	<u>2,513,038</u>
Net position - end of the year	<u><u>\$ 2,796,413</u></u>

The accompanying notes are an integral part of the financial statements

**ARLINGTON COMMUNITY SCHOOL SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2020

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**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 four special revenue funds, a capital projects fund, an other postemployment benefit trust fund, and an agency 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.

**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 not properly included among program revenues are reported instead as general revenues.

*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.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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The System's major funds are as follows:

**Major Governmental Funds:** General Purpose 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 the Federal Projects Fund, Nutrition Fund, and Discretionary Grants Fund.
- c. **Capital Projects Fund** – These funds account for all the financing of major System 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. Agency funds are fiduciary funds used to account for assets held in a purely custodial capacity. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve measurement results of operations.

- a. **Other Postemployment Benefit Trust Fund** – This fund accounts for the activities and accumulation of resources that are required to be held in trust for the members and beneficiaries of the defined other postemployment benefit plan.
- b. **Agency Fund** – Internal School Funds consist of transactions related to resources held in a fiduciary capacity as agent for the general school populations, or in some cases, for a specific segment of the school population, are recorded in the Internal School Fund. This fund was audited in a separate report and can be obtained by contacting the Arlington Community School System.

## 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.

### *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. Agency funds do not use the economic resources measurement focus.

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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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.

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 is 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.

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 \$4.05 per \$100 of assessed value includes \$1.96 for both the county schools and the municipal schools of the County. Distribution of the \$1.96 to the county schools and the municipal school districts is based on the average daily attendance of each system. Approximately, 77.17% and 22.83% 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.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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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 and is valued at lower of average cost or market, using the first-in/first-out (FIFO) method. Inventory is charged to operations when consumed rather than when purchased.

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

*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 \$5,000 (amount not rounded) or more and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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. 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.

*7. Deferred Inflows of Resources*

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The 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 OPEB changes.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### 8. 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.

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

**Committed fund balance** – amounts that can only be used for the specific purposes determined by a formal action of the System's highest level of decision-making authority, the Board of Education of the Arlington Community Schools. Commitments may be changed or lifted only by the System taking the same formal action that imposed the constraint originally (for example: resolution).

**Assigned fund balance** – 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 fund balance** – 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.

When expenditures involve funds in more than one fund balance classification, the System's policy is to spend amounts from the expenditure's most restricted source first.

### 9. 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.

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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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.

### *10. 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.

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.

### *11. 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.

### **E. New Governmental Accounting Standards Board (GASB) Pronouncements**

GASB Statement No. 84, *Fiduciary Activities* was issued to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The requirements of GASB Statement No. 84 are effective for fiscal year 2021. The System is currently evaluating the impact of GASB Statement No. 84 may have on its financial statements.

GASB Statement No. 87, *Leases*, was issued to increase the usefulness of financial statements by requiring reporting of certain lease liabilities that currently are not reported, enhance comparability by requiring lessees and lessors to report leases under a single model, and enhance the usefulness of information by requiring notes to the financial statements regarding leasing arrangements. The requirements of GASB No. 87 are effective for fiscal year 2022. The System is currently evaluating the impact of GASB No. 87 may have on its financial statements.

## **NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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### **A. Budgetary information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. These include the general purpose, federal projects, school nutrition, discretionary grants, and education capital projects funds. The Board of Education approves and appropriates the budgets for these funds annually. All annual appropriations lapse at fiscal year-end.

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

### **B. Excess of expenditures over appropriations**

For the year ended June 30, 2020, expenditures did not exceed appropriations in any fund.

### **C. Deficit fund balance**

As of June 30, 2020, none of the funds had a deficit fund balance.

## **NOTE 3 - DEPOSITS**

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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 average daily balance of public deposits held. 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, 2020, 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**

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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.

## NOTE 4 – INVESTMENTS (CONTINUED)

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 <https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/disclaimer/2020/ag19091.pdf>. The following table summarizes fair value disclosures and measurements for the System’s investments held by the TRGT on its behalf June 30, 2020:

Investments at Fair Value	Level 1	Level 2	Level 3	Total
U.S. equity	\$ 70,959	\$ -	\$ -	\$ 70,959
Developed market international equity	32,046	-	-	32,046
Emerging market international equity	9,156	-	-	9,156
U.S. fixed income	-	45,780	-	45,780
Short-term securities	-	2,287	-	2,287
Real estate	-	-	22,890	22,890
	<u>112,161</u>	<u>48,067</u>	<u>22,890</u>	<u>183,118</u>
Investments at amortized cost using NAV				
Private equity and strategic lending	-	-	-	45,780
Total restricted investments	<u>\$ 112,161</u>	<u>\$ 48,067</u>	<u>\$ 22,890</u>	<u>\$ 228,898</u>

### 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. The following table summarizes fair value disclosures and measurements for fiduciary investments at June 30, 2020:

Investments at Fair Value	Level 1	Level 2	Level 3	Total
Equity exchange traded funds	\$ 550,215	\$ -	\$ -	\$ 550,215
Fixed income exchange traded funds	48,653	-	-	48,653
Equity mutual funds	1,052,320	-	-	1,052,320
Fixed income mutual funds	665,820	-	-	665,820
Structured investments	-	-	156,488	156,488
Total Investments	<u>\$ 2,317,008</u>	<u>\$ -</u>	<u>\$ 156,488</u>	<u>\$ 2,473,496</u>

## NOTE 4 – INVESTMENTS (CONTINUED)

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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, 2020:

- *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, 2020.

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**

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The composition of interfund balances as of June 30, 2020 is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Purpose Fund		
Federal Projects Fund	\$ 120,830	\$ -
Discretionary Grants Fund	7,937	-
	<u>128,767</u>	<u>-</u>
Federal Projects Fund		
General Purpose Fund	-	120,830
Discretionary Grants Fund		
General Purpose Fund	-	7,937
	<u>\$ 128,767</u>	<u>\$ 128,767</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, 2020 is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Purpose Fund		
Federal Projects Fund	56,209	-
School Nutrition	-	1,054
Federal Projects Fund		
School Nutrition	1,054	
General Purpose Fund	-	56,209
	<u>\$ 57,263</u>	<u>\$ 57,263</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, 2020, 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	4,830,921	3,964,127	(6,048,766)	2,746,282
Total capital assets, not being depreciated	<u>6,827,421</u>	<u>3,964,127</u>	<u>(6,048,766)</u>	<u>4,742,782</u>
Capital assets, being depreciated:				
Buildings and improvements	91,688,622	5,592,235	-	97,280,857
Machinery, furniture and equipment	7,702,023	863,130	(341,960)	8,223,193
Total capital assets, being depreciated	<u>99,390,645</u>	<u>6,455,365</u>	<u>(341,960)</u>	<u>105,504,050</u>
Accumulated depreciation:				
Buildings and improvements	(9,018,717)	(2,055,740)	-	(11,074,457)
Machinery, furniture and equipment	(2,772,164)	(1,123,175)	173,745	(3,721,594)
Total accumulated depreciation	<u>(11,790,881)</u>	<u>(3,178,915)</u>	<u>173,745</u>	<u>(14,796,051)</u>
Total capital assets, being depreciated, net	<u>87,599,764</u>	<u>3,276,450</u>	<u>(168,215)</u>	<u>90,707,999</u>
Total capital assets, net	<u>\$ 94,427,185</u>	<u>\$ 7,240,577</u>	<u>\$ (6,216,981)</u>	<u>\$ 95,450,781</u>

The System had outstanding commitments to contractors of \$2,250,000 at June 30, 2020 for building construction of the Arlington High School indoor practice facility and Arlington Elementary School renovations..

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

Instruction	\$ 2,112,025
Support Services	321,480
Administration	372,544
Operation and maintenance of plant	206,857
Transportation	117,491
Technology	48,518
	<u>\$ 3,178,915</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, 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%.

In June 2018, the System entered into a lease agreement for financing the acquisition of computer equipment to be used in the classroom at an interest rate of 2.76%. The cumulative amount of assets under the capital lease total \$440,970.

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

Year Ended June 30	Settlement Obligation	Capital Lease
2021	\$ 333,333	\$ 151,866
2022	333,333	-
2023	333,333	-
2024	333,333	-
2025	333,333	-
2026	333,333	-
Total payments	1,999,998	151,866
Less amount representing interest	(134,017)	(4,079)
	<u>\$ 1,865,981</u>	<u>\$ 147,787</u>

### 2. Changes in Long-Term Obligations

Long-term obligation activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Settlement obligation	\$ 2,155,801	\$ -	\$ (289,820)	\$ 1,865,981	\$ 295,669
Capital lease payable	291,605	-	(143,818)	147,787	147,787
Total long-term debt	2,447,406	-	(433,638)	2,013,768	443,456
Compensated absences	201,723	205,213	(152,577)	254,359	168,015
	<u>\$ 2,649,129</u>	<u>\$ 205,213</u>	<u>\$ (586,215)</u>	<u>\$ 2,268,127</u>	<u>\$ 611,471</u>

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

### 3. Operating Leases

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

## NOTE 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](http://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, 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	Deferred Inflows of Resources	Pension Expense
Administrative Legacy Pension Plan	\$ 396,017	\$ 188,204	\$ 138,335	\$ 83,832
Administrative Hybrid Pension Plan	52,989	86,784	2,105	17,700
Teacher Legacy Pension Plan	5,577,825	4,108,967	5,023,249	1,800,865
Teacher Hybrid Pension Plan	179,079	115,061	59,063	55,879
	<u>\$ 6,205,910</u>	<u>\$ 4,499,016</u>	<u>\$ 5,222,752</u>	<u>\$ 1,958,276</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, 2019, 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	12	-
Inactive employees entitled to but not yet receiving benefits	22	18
Active employees	53	45
	87	63

#### 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.

Employer contributions to each plan for the year ended June 30, 2020 were as follows:

	Administrative		Teacher	
	Legacy Plan	Hybrid Plan	Legacy Plan	Hybrid Plan
Employer contributions	\$ 144,358	\$ 46,681	\$ 1,920,060	\$ 86,186
Covered payroll	1,950,784	2,131,147	18,077,664	4,246,944
As a percentage of covered payroll	7.40%	2.19%	10.62%	2.03%

## NOTE 8 – PENSIONS (CONTINUED)

### B. Actuarial Assumptions

The total pension liability as of June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, net of investment expense, including inflation
Cost-of-living adjustment	2.25%
Mortality rates	Actual experience including an adjustment for anticipated movement

The actuarial assumptions used in the June 30, 2019 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. 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, 2016 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 2.5 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	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	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 7.25% based on a blending of the three factors described above.

#### Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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.

**NOTE 8 – PENSIONS (CONTINUED)**

**C. Net Pension Liability (Asset)**

The net pension liability (asset) for each TCRS administered plan was measured as of June 30, 2019. 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	\$ 228,051	\$ 93,687		
Interest	101,061	18,957		
Changes of benefit items	-	-		
Differences between expected and actual experience	29,616	16,017		
Changes in assumptions	-	-		
Benefit payments, including refunds	(18,259)	(2,191)		
Net change in total pension liability	340,469	126,470		
Total pension liability - beginning	1,175,030	168,887		
Total pension liability - ending	1,515,499	295,357		
Plan Fiduciary Net Position				
Contributions - employer	\$ 163,944	\$ 32,162		
Contributions - employee	110,774	82,467		
Net investment income	123,752	20,382		
Benefit payments	(18,259)	(2,191)		
Administrative expense	(4,931)	(3,981)		
Other changes	-	-		
Net change in plan fiduciary net position	375,280	128,839		
Plan fiduciary net position - beginning	1,536,236	219,507		
Plan fiduciary net position -ending	1,911,516	348,346		
Net pension liability (asset)	<u>\$ (396,017)</u>	<u>\$ (52,989)</u>		
Proportionate share of net pension liability (asset)			<u>\$ (5,577,825)</u>	<u>\$ (179,079)</u>
Proportionate share at June 30, 2019 measurement date			0.542495%	0.317243%
Proportionate share at June 30, 2018 measurement date			0.517096%	0.270144%

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 are 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	7.25%	\$ (156,591)	\$ (396,017)	\$ (592,839)
Administrative Hybrid Plan	7.25%	15,088	(52,989)	(106,292)
Proportionate share of the net pension asset				
Teacher Legacy Plan	7.25%	\$ 11,405,040	\$ (5,577,825)	\$ (19,087,223)
Teacher Hybrid Plan	7.25%	56,739	(179,079)	(353,393)

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

For the year ended June 30, 2020, 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>\$ 83,832</u>	<u>\$ 17,700</u>	<u>\$ 1,800,865</u>	<u>\$ 55,879</u>
Deferred Outflows of Resources				
Differences between expected and actual experience	\$ 25,385	\$ 40,103	\$ 271,570	\$ 7,425
Net difference between projected and actual earnings on plan investments	-	-	-	-
Changes in assumptions	18,461	-	751,641	6,222
Change in proportion of net pension liability (asset)	-	-	1,165,696	15,228
Contributions subsequent to the measurement date of June 30, 2018	144,358	46,681	1,920,060	86,186
	<u>\$ 188,204</u>	<u>\$ 86,784</u>	<u>\$ 4,108,967</u>	<u>\$ 115,061</u>
Deferred Inflows of Resources				
Differences between expected and actual experience	\$ 118,883	\$ -	\$ 3,407,046	\$ 31,262
Net difference between projected and actual earnings on plan investments	19,452	2,105	1,593,692	7,571
Changes in assumptions	-	-	-	-
Change in proportion of net pension liability (asset)	-	-	22,511	20,230
	<u>\$ 138,335</u>	<u>\$ 2,105</u>	<u>\$ 5,023,249</u>	<u>\$ 59,063</u>

The amounts shown above for “Contributions subsequent to the measurement date of June 30, 2019,” 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
2020	\$ (20,703)	\$ 3,388	\$ (81,617)	\$ (4,118)
2021	(26,407)	3,388	(1,507,877)	(5,276)
2022	(19,243)	3,744	(711,727)	(3,152)
2023	(16,503)	4,064	(533,121)	(2,070)
2024	(15,852)	4,171	-	(1,761)
Thereafter	4,219	19,243	-	(13,811)

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 2020, the System’s employer contribution to the defined contribution plan was \$386,403.

**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 July 1, 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, 2019, the date of the OPEB valuation, consisted of the following:

Inactive employees or beneficiaries receiving benefits	26
Active employees	444
	<u>470</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, 2020:

Employer contributions	\$ 315,681
Covered payroll	19,423,688
As a percentage of covered payroll	<u>1.63%</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, 2019 actuarial valuation using the entry age normal level percent of pay actuarial cost method with results actuarially projected on a "no gain/no loss" basis to get to the June 30, 2020 measurement date. Liabilities as of July 1, 2019 are based on an actuarial valuation date of July 1, 2019 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, 2016
Investment rate of return	6.0%, net of investment expense, including inflation
Health care cost trend rate	8.0% initial rate, 4.5% ultimate rate
Mortality rates	RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018

Changes of Assumptions

In 2020, the System OPEB changes of assumptions included a decrease in the investment rate of return and discount rate from 7.50% to 6.00%.

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, 2020, was not available from other auditors as of the date of this report.



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

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, 2020 as summarized as follows:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	7.50%	45.50%
Developed market international equity	6.70%	16.25%
Emerging market international equity	8.30%	3.25%
U.S. Fixed income	3.50%	35.00%
	<u>6.00%</u>	<u>100%</u>

### Rate of Return

For the year ended June 30, 2020, the annual money-weighted rate of return on investment was 3.75 percent. 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 7.50% as of June 30, 2020 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, 2020, were as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Beginning of year	\$ 6,531,591	\$ 2,513,715	\$ 4,325,734
Changes for the year:			
Service cost	342,320	-	342,320
Interest	511,284	-	511,284
Change of benefit terms	-	-	-
Changes in assumptions	896,336	-	896,336
Differences between expected and actual experience	161,667	-	161,667
Contributions - employer	-	315,681	(315,681)
Net investment income	-	93,783	(93,783)
Benefit payments	(116,136)	(116,136)	-
Administrative expenses	-	(10,630)	10,630
Net changes	1,795,471	282,698	1,512,773
End of year	<u>\$ 8,327,062</u>	<u>\$ 2,796,413</u>	<u>\$ 5,530,649</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, 2020, 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)	6.00%	\$ 6,185,720	\$ 5,530,649	\$ 4,924,147

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, 2020, 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%	\$ 4,656,304	\$ 5,530,649	\$ 6,550,546

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

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

For the year ended June 30, 2020, the System recognized OPEB expense of \$725,302.

For the year ended June 30, 2020,, 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	\$ 143,704	\$ 599,658
Changes in assumptions	1,002,009	142,267
Net difference between projected and actual earnings on OPEB investments	114,252	-
	<u>\$ 1,259,965</u>	<u>\$ 741,925</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:

2021	\$ 57,986
2022	61,674
2023	64,639
2024	51,033
2025	30,270
Thereafter	252,438

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

## **NOTE 11 – RISK MANAGEMENT**

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### 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 (CAFR) and can be found on the state's website at [http://www.comptroller.tn.gov/RA\\_MA\\_Financial/](http://www.comptroller.tn.gov/RA_MA_Financial/).

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, 2020, the System contributed premiums of \$4,491,872 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

	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>					
Service cost	\$ 228,051	\$ 240,205	\$ 258,233	\$ 268,523	\$ 403,716
Interest	101,061	83,556	63,315	42,617	30,274
Changes of benefit items	-	-	-	-	-
Differences between expected and actual experience	29,616	(54,602)	(10,817)	(13,936)	(130,756)
Changes in assumptions	-	-	29,540	-	-
Benefit payments	(18,259)	(12,842)	(15,057)	(6,812)	(127)
Net change in total pension liability	340,469	256,317	325,214	290,392	303,107
Total pension liability - beginning	1,175,030	918,713	593,499	303,107	-
Total pension liability - ending	1,515,499	1,175,030	918,713	593,499	303,107
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	163,944	158,364	183,342	247,505	262,260
Contributions - employee	110,774	107,397	123,880	133,498	141,457
Net investment income	123,752	108,271	105,712	15,649	6,140
Benefit payments	(18,259)	(12,842)	(15,057)	(6,812)	(127)
Administrative expense	(4,931)	(5,699)	(5,694)	(6,088)	(4,842)
Other	-	(78)	-	-	-
Net change in plan fiduciary net position	375,280	355,413	392,183	383,752	404,888
Plan fiduciary net position - beginning	1,536,236	1,180,823	788,640	404,888	-
Plan fiduciary net position - ending	1,911,516	1,536,236	1,180,823	788,640	404,888
<b>Net pension liability (asset)</b>	<u>\$ (396,017)</u>	<u>\$ (361,206)</u>	<u>\$ (262,110)</u>	<u>\$ (195,141)</u>	<u>\$ (101,781)</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	126.13%	130.74%	128.53%	132.88%	133.58%
<b>Covered payroll</b>	\$ 2,191,846	\$ 2,179,151	\$ 2,477,596	\$ 2,669,956	\$ 2,829,235
<b>Net pension liability as a percentage of covered payroll</b>	-18.07%	-16.58%	-10.58%	-7.31%	-3.60%

Changes of assumptions. 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

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 97,344	\$ 116,090	\$ 120,943	\$ 136,763	\$ 247,505	\$ 262,260
Contributions	144,358	163,944	158,364	183,342	247,505	262,260
Contribution deficiency (surplus)	<u>\$ (47,014)</u>	<u>\$ (47,854)</u>	<u>\$ (37,421)</u>	<u>\$ (46,579)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 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%	7.48%	7.27%	7.40%	9.27%	9.27%

**NOTE 1 - VALUATION DATE**

Actuarially determined contributions rates for fiscal year 2020 were calculated based on the June 30, 2018 actuarial valuation.

**NOTE 2 - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES**

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	2.5%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4%
Investment rate of return	7.25%, 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	2.25%

**NOTE 3 - CHANGES OF 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

	2019	2018	2017
<b>Total Pension Liability</b>			
Service cost	\$ 93,687	\$ 52,779	\$ -
Interest	18,957	9,498	-
Changes of benefit items	-	-	80,781
Differences between expected and actual experience	16,017	30,826	-
Changes in assumptions	-	-	-
Benefit payments	(2,191)	(4,889)	(108)
Net change in total pension liability	126,470	88,214	80,673
Total pension liability - beginning	168,887	80,673	-
Total pension liability - ending	295,357	168,887	80,673
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	32,162	51,925	42,182
Contributions - employee	82,467	64,907	52,728
Net investment income	20,382	12,664	5,271
Benefit payments	(2,191)	(4,889)	(108)
Administrative expense	(3,981)	(3,404)	(1,769)
Net change in plan fiduciary net position	128,839	121,203	98,304
Plan fiduciary net position - beginning	219,507	98,304	-
Plan fiduciary net position -ending	348,346	219,507	98,304
<b>Net pension liability (asset)</b>	<u>\$ (52,989)</u>	<u>\$ (50,620)</u>	<u>\$ (17,631)</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	117.94%	129.97%	121.85%
<b>Covered payroll</b>	\$ 1,649,316	\$ 1,266,904	\$ 633,729
<b>Net pension liability as a percentage of covered payroll</b>	-3.21%	-4.00%	-2.78%

Changes of assumptions. 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.

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

	2020	2019	2018	2017
Actuarially determined contribution	\$ 46,033	\$ 32,061	\$ 17,592	\$ 7,161
Contributions	46,681	32,162	51,925	42,182
Contribution deficiency (surplus)	<u>\$ (648)</u>	<u>\$ (101)</u>	<u>\$ (34,333)</u>	<u>\$ (35,021)</u>
Covered payroll	\$ 2,131,147	\$ 1,649,316	\$ 1,266,904	\$ 633,729
Contributions as a percentage of covered payroll	2.19%	1.95%	4.10%	6.66%

In fiscal year 2020, the actuarially determined contribution rate of 2.19% of covered payroll was placed into the pension plan and 1.72% of covered payroll was placed into the Pension Stabilization Reserve Trust. In fiscal year 2019, the actuarially determined contribution rate of 1.95% of covered payroll was placed into the pension plan and 2.08% of covered payroll was placed into the Pension Stabilization Reserve Trust.

**NOTE 1 - VALUATION DATE**

Actuarially determined contribution rates for fiscal year 2020 were calculated based on the June 30, 2018 actuarial valuation.

**NOTE 2 - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES**

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	2.5%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4%.
Investment rate of return	7.25%, 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	2.25%

**NOTE 3 - CHANGES OF 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%.

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

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	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset)	0.542495%	0.517096%	0.520200%	0.507125%	0.457425%	0.010736%
Proportionate share of the net pension liability (asset)	\$ (5,577,825)	\$ (1,819,616)	\$ (170,201)	\$ 3,169,249	\$ 187,377	\$ (1,744)
Covered payroll	\$ 18,228,357	\$ 18,107,569	\$ 18,396,999	\$ 18,306,197	\$ 17,123,741	\$ 421,371
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	-30.60%	-10.05%	-0.93%	17.31%	1.09%	0.00%
Plan fiduciary net position as a percentage of the total pension liability (asset)	104.28%	101.49%	100.14%	97.14%	97.14%	99.81%

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required	\$ 1,920,060	\$ 1,902,740	\$ 1,644,116	\$ 1,662,347	\$ 1,654,879	\$ 1,547,985	\$ 37,418
Contribution in relation to the contractually required contribution	<u>1,920,060</u>	<u>1,902,740</u>	<u>1,644,116</u>	<u>1,662,347</u>	<u>1,654,879</u>	<u>1,547,985</u>	<u>37,418</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 18,077,664	\$ 18,228,357	\$ 18,107,569	\$ 18,396,999	\$ 18,306,197	\$ 17,123,741	\$ 421,371
Contributions as a percentage of covered payroll	10.62%	10.44%	9.08%	9.04%	9.04%	9.04%	8.88%

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.

Changes of 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.

**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

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	2019	2018	2017	2016	2015
Proportion of the net pension liability (asset)	0.317243%	0.270144%	0.315942%	0.370023%	0.360154%
Proportionate share of the net pension liability (asset)	\$ (179,079)	\$ (122,518)	\$ (83,357)	\$ (38,521)	\$ (14,489)
Covered payroll	\$ 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	-5.40%	-5.19%	-4.04%	-2.37%	-1.94%
Plan fiduciary net position as a percentage of the total pension liability (asset)	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

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	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required	\$ 86,186	\$ 65,127	\$ 38,498	\$ 82,946	\$ 40,755	\$ 18,708
Contribution in relation to the contractually required contribution	<u>86,186</u>	<u>65,127</u>	<u>94,429</u>	<u>82,946</u>	<u>65,125</u>	<u>29,932</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (55,931)</u>	<u>\$ -</u>	<u>\$ (24,370)</u>	<u>\$ (11,224)</u>
Covered payroll	\$ 4,246,944	\$ 3,319,051	\$ 2,360,717	\$ 2,065,462	\$ 1,628,121	\$ 748,310
Contributions as a percentage of covered payroll	2.03%	1.96%	4.00%	4.02%	4.00%	4.00%

In fiscal year 2020, the actuarially determined contribution rate of 2.03% of covered payroll was placed into the pension plan and 1.92% of covered payroll was placed into the Pension Stabilization Reserve Trust. In fiscal year 2019, the actuarially determined contribution rate of 1.96% of covered payroll was placed into the pension plan and 1.95% of covered payroll was placed into the Pension Stabilization Reserve Trust.

*Changes of 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

	2020	2019	2018	2017
<b>Total OPEB Liability</b>				
Service cost	\$ 342,320	\$ 338,969	\$ 288,645	\$ 574,975
Interest	511,284	491,131	466,928	833,313
Changes of benefit items	-	-	-	(5,817,754)
Differences between expected and actual experience	161,667	(280,153)	(220,328)	(402,643)
Changes in assumptions	896,336	(182,915)	244,396	72,575
Benefit payments	(116,136)	(88,184)	(146,886)	(111,651)
Net change in total OPEB liability	1,795,471	278,848	632,755	(4,851,185)
Total OPEB liability - beginning	6,531,591	6,252,743	5,619,988	10,471,173
Total OPEB liability - ending	8,327,062	6,531,591	6,252,743	5,619,988
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	315,681	588,184	646,886	629,512
Net investment income	93,783	94,615	131,066	94,877
Benefit payments	(116,136)	(88,184)	(146,886)	(111,651)
Administrative expense	(10,630)	(7,909)	(16,688)	(3,188)
Net change in plan fiduciary net position	282,698	586,706	614,378	609,550
Plan fiduciary net position - beginning	2,513,715	1,927,009	1,312,631	703,081
Plan fiduciary net position -ending	2,796,413	2,513,715	1,927,009	1,312,631
<b>Net OPEB liability (asset)</b>	<b>\$ 5,530,649</b>	<b>\$ 4,017,876</b>	<b>\$ 4,325,734</b>	<b>\$ 4,307,357</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	33.58%	38.49%	30.82%	23.36%
<b>Covered payroll</b>	<b>\$ 19,423,688</b>	<b>\$ 23,825,256</b>	<b>\$ 22,456,759</b>	<b>\$ 21,802,679</b>
<b>Net OPEB liability as a percentage of covered payroll</b>	28.47%	16.86%	19.26%	19.76%

Changes of assumptions. 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**

	2020	2019	2018	2017
Actuarially determined contribution	\$ 719,164	\$ 738,157	\$ 697,756	\$ 1,442,649
Contributions	315,681	588,184	646,886	629,512
Contribution deficiency (surplus)	<u>\$ 403,483</u>	<u>\$ 149,973</u>	<u>\$ 50,870</u>	<u>\$ 813,137</u>
Covered payroll	\$ 19,423,688	\$ 23,825,256	\$ 22,456,759	\$ 21,802,679
Contributions as a percentage of covered payroll	1.63%	2.47%	2.88%	2.89%

**NOTE 1 - VALUATION DATE**

Actuarially determined contributions were based on a valuation date of June 30, 2019.

**NOTE 2 - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES**

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Asset valuation method	Market value
Inflation	3.0%
Healthcare cost trend rates	8.0% initial, decreasing to an ultimate rate of 4.5%
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	7.5%, net of investment expenses, including inflation
Mortality	SOA RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018

Changes in Assumptions. In 2019, the following assumptions were changed; updated mortality tables from SOA RPH-2016 Total Dataset Mortality Table fully generational using scale MP-2016 to SOA RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018; and the health care trend rates have been set to initial rate of 8% decreasing by 0.5% annually to an ultimate rate of 4.5%.

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

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	Annual Money-Weighted Rate of Return <u>Net of Investment Expenses</u>
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, 2020

	<b>Special Revenue Funds</b>			<b>Total Nonmajor Governmental Funds</b>
	<b>Federal Projects Fund</b>	<b>Nutrition Fund</b>	<b>Discretionary Grants Fund</b>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,623	\$ 399,120	\$ -	\$ 400,743
Due from other governments	197,741	11,066	44,691	253,498
Inventory	-	45,012	-	45,012
	<u>-</u>	<u>45,012</u>	<u>-</u>	<u>45,012</u>
Total assets	<u>\$ 199,364</u>	<u>\$ 455,198</u>	<u>\$ 44,691</u>	<u>\$ 699,253</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 35,608	\$ 144	\$ 29,876	\$ 65,628
Accrued payroll	37,926	-	6,878	44,804
Due to other funds	120,830	-	7,937	128,767
Unearned revenue	5,000	54,261	-	59,261
Total liabilities	<u>199,364</u>	<u>54,405</u>	<u>44,691</u>	<u>298,460</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue				
Grants	-	11,066	-	11,066
<b>FUND BALANCES</b>				
Nonspendable	-	45,012	-	45,012
Restricted	-	344,715	-	344,715
Total fund balances	<u>-</u>	<u>389,727</u>	<u>-</u>	<u>389,727</u>
Total liabilities and fund balances	<u>\$ 199,364</u>	<u>\$ 455,198</u>	<u>\$ 44,691</u>	<u>\$ 699,253</u>

**ARLINGTON COMMUNITY SCHOOL SYSTEM**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2020

	<b>Special Revenue Funds</b>			<b>Total Nonmajor Governmental Funds</b>
	<b>Federal Projects Fund</b>	<b>Nutrition Fund</b>	<b>Discretionary Grants Fund</b>	
<b>REVENUES</b>				
Charges for services	\$ -	\$ 729,301	\$ -	\$ 729,301
Federal, state and other grants	2,118,641	292,276	188,965	2,599,882
Total revenues	<u>2,118,641</u>	<u>1,021,577</u>	<u>188,965</u>	<u>3,329,183</u>
<b>EXPENDITURES</b>				
Current				
Instruction	1,375,488	-	13,000	1,388,488
Support services	685,780	-	114,540	800,320
Transportation	1,164	-	-	1,164
Food services	-	1,061,221	-	1,061,221
Maintenance of plant	-	-	61,425	61,425
Total expenditures	<u>2,062,432</u>	<u>1,061,221</u>	<u>188,965</u>	<u>3,312,618</u>
Excess (deficiency) of revenues over (under) expenditures	56,209	(39,644)	-	16,565
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	1,054	-	1,054
Transfers out	(56,209)	-	-	(56,209)
Total other financing sources (uses)	<u>(56,209)</u>	<u>1,054</u>	<u>-</u>	<u>(55,155)</u>
Net change in fund balances	-	(38,590)	-	(38,590)
Fund balances - beginning	-	428,317	-	428,317
Fund balances - ending	<u>\$ -</u>	<u>\$ 389,727</u>	<u>\$ -</u>	<u>\$ 389,727</u>

**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, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Federal, state and other grants				
Title I cluster	\$ 1,149,545	\$ 1,356,255	\$ 1,168,181	\$ (188,074)
Special education cluster	877,311	1,212,058	889,731	(322,327)
Other federal grants	49,516	63,516	60,729	(2,787)
Total revenues	<u>2,076,372</u>	<u>2,631,829</u>	<u>2,118,641</u>	<u>(513,188)</u>
<b>EXPENDITURES:</b>				
Instruction				
Title I, Part A				
Salaries	303,065	312,635	279,341	33,294
Benefits	96,783	99,983	86,931	13,052
Contractual services	15,363	26,589	-	26,589
Materials and supplies	195,692	141,456	138,162	3,294
Other charges	6,000	6,000	2,400	3,600
	<u>616,903</u>	<u>586,663</u>	<u>506,834</u>	<u>79,829</u>
Title II				
Salaries	1,168	-	-	-
Benefits	15	-	-	-
Materials and supplies	10,000	100	61	39
Other charges	7,500	-	-	-
	<u>18,683</u>	<u>100</u>	<u>61</u>	<u>39</u>
Title III, Part A				
Contractual services	-	2,500	2,500	-
Materials and supplies	-	1,684	1,665	19
	<u>-</u>	<u>4,184</u>	<u>4,165</u>	<u>19</u>
Carl Perkins				
Materials and supplies	33,463	45,995	45,995	-
	<u>33,463</u>	<u>45,995</u>	<u>45,995</u>	<u>-</u>
CTE Perkins Reserve				
Materials and supplies	-	14,000	11,213	2,787
	<u>-</u>	<u>14,000</u>	<u>11,213</u>	<u>2,787</u>
IDEA Discretionary				
Materials and supplies	-	5,510	5,337	173
	<u>-</u>	<u>5,510</u>	<u>5,337</u>	<u>173</u>
IDEA, Part B				
Salaries	-	-	606,387	(606,387)
Benefits	-	-	186,082	(186,082)
Contractual services	765,107	877,160	-	877,160
Materials and supplies	9,000	145,000	6,484	138,516
	<u>774,107</u>	<u>1,022,160</u>	<u>798,953</u>	<u>223,207</u>
IDEA, Preschool				
Materials and supplies	5,646	9,201	2,930	6,271
	<u>5,646</u>	<u>9,201</u>	<u>2,930</u>	<u>6,271</u>
Total instruction	<u>1,448,802</u>	<u>1,687,813</u>	<u>1,375,488</u>	<u>312,325</u>

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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, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Support Services				
Consolidated Administration				
Salaries	\$ 100,000	\$ 100,000	\$ 99,813	\$ 187
Benefits	27,670	27,670	24,841	2,829
Other charges	5,000	5,000	-	5,000
	<u>132,670</u>	<u>132,670</u>	<u>124,654</u>	<u>8,016</u>
Title I, Part A				
Contractual services	76,507	140,160	128,022	12,138
Other charges	194,799	313,804	264,251	49,553
	<u>271,306</u>	<u>453,964</u>	<u>392,273</u>	<u>61,691</u>
Title II				
Salaries	56,500	56,500	55,500	1,000
Benefits	10,509	10,509	9,796	713
Materials and supplies	-	8,000	7,883	117
Other charges	19,000	37,191	33,235	3,956
	<u>86,009</u>	<u>112,200</u>	<u>106,414</u>	<u>5,786</u>
Title IV				
Contractual services	2,500	12,000	3,989	8,011
Materials and supplies	1,500	10,000	7,451	2,549
Other charges	3,200	27,700	8,405	19,295
	<u>7,200</u>	<u>49,700</u>	<u>19,845</u>	<u>29,855</u>
Carl Perkins				
Other charges	16,053	3,521	3,521	-
	<u>16,053</u>	<u>3,521</u>	<u>3,521</u>	<u>-</u>
IDEA Supplemental				
Materials and supplies	-	2,919	2,919	-
Other charges	-	6,000	5,876	124
	<u>-</u>	<u>8,919</u>	<u>8,795</u>	<u>124</u>
IDEA, Part B				
Salaries	5,000	5,000	-	5,000
Benefits	765	765	-	765
Materials and supplies	12,942	25,000	-	25,000
Other charges	15,000	52,454	27,983	24,471
	<u>33,707</u>	<u>83,219</u>	<u>27,983</u>	<u>55,236</u>
IDEA, Preschool				
Other charges	4,000	5,137	2,295	2,842
	<u>4,000</u>	<u>5,137</u>	<u>2,295</u>	<u>2,842</u>
Total support services	<u>550,945</u>	<u>849,330</u>	<u>685,780</u>	<u>163,550</u>

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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, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Transportation				
IDEA, Part B				
Contractual services	\$ 15,500	\$ 15,500	\$ 1,164	\$ 14,336
Materials and supplies	2,500	2,500	-	2,500
Total transportation	<u>18,000</u>	<u>18,000</u>	<u>1,164</u>	<u>16,836</u>
Total expenditures	<u>2,017,747</u>	<u>2,555,143</u>	<u>2,062,432</u>	<u>492,711</u>
Excess of revenues over expenditures	58,625	76,686	56,209	(20,477)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(58,625)</u>	<u>(76,686)</u>	<u>(56,209)</u>	<u>20,477</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances - beginning			<u>-</u>	
Fund balances - ending			<u>\$ -</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, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services				
Lunch fees - children	\$ 400,000	\$ 400,000	\$ 387,602	\$ (12,398)
Lunch fees - adults	26,000	26,000	21,218	(4,782)
Breakfast fees	25,000	25,000	23,479	(1,521)
A la carte fees	280,000	280,000	297,002	17,002
Total charges for services	<u>731,000</u>	<u>731,000</u>	<u>729,301</u>	<u>(1,699)</u>
Federal, state and other grants				
State assistance	9,200	14,200	5,000	(9,200)
Nutrition cluster	365,000	376,066	277,374	(98,692)
Other state funding	-	-	9,902	9,902
Total federal, state and other grants	<u>374,200</u>	<u>390,266</u>	<u>292,276</u>	<u>(97,990)</u>
Total revenues	<u>1,105,200</u>	<u>1,121,266</u>	<u>1,021,577</u>	<u>(99,689)</u>
<b>EXPENDITURES:</b>				
Food Services				
Cafeteria				
Salaries	452,904	463,514	456,560	6,954
Benefits	128,056	128,881	116,924	11,957
Contractual services	6,000	2,500	1,920	580
Materials and supplies	558,000	661,623	481,322	180,301
Other charges	15,500	9,500	4,495	5,005
Total expenditures	<u>1,160,460</u>	<u>1,266,018</u>	<u>1,061,221</u>	<u>204,797</u>
Deficiency of revenues under expenditures	(55,260)	(144,752)	(39,644)	105,108
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>55,260</u>	<u>144,752</u>	<u>1,054</u>	<u>(143,698)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(38,590)</u>	<u>\$ (38,590)</u>
Fund balances - beginning			<u>428,317</u>	
Fund balances - ending			<u>\$ 389,727</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, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Federal, state and other grants				
State assistance	\$ 85,000	\$ 189,830	\$ 188,965	\$ (865)
<b>EXPENDITURES:</b>				
Instruction				
Cybersecurity				
Materials and supplies	-	13,000	13,000	-
Total instruction	-	13,000	13,000	-
Support Services				
Coordinated school health				
Salaries	67,323	71,051	71,051	-
Benefits	10,749	10,479	10,488	(9)
Materials and supplies	3,928	1,624	1,615	9
Other charges	3,000	1,848	1,848	-
	85,000	85,002	85,002	-
Safe Schools				
Contractual services	-	25,000	25,000	-
Materials and supplies	-	5,058	4,538	520
	-	30,058	29,538	520
Total support services	85,000	115,060	114,540	520
Operation and Maintenance of Plant				
Safe Schools				
Materials and supplies	-	61,700	61,425	275
School Safety				
Materials and supplies	-	70	-	70
Total operation and maintenance of plant	-	61,700	61,425	275
Total expenditures	85,000	189,830	188,965	865
Net change in fund balances	\$ -	\$ -	-	\$ -
Fund balances - beginning			-	
Fund balances - ending			\$ -	

**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, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental				
Shelby County	\$ 538,600	\$ 4,446,556	\$ 3,795,669	\$ (650,887)
Total revenues	<u>538,600</u>	<u>4,446,556</u>	<u>3,795,669</u>	<u>(650,887)</u>
<b>EXPENDITURES:</b>				
Capital outlay				
Building improvements	-	1,198,430	633,058	565,372
Other contracted services	<u>538,600</u>	<u>4,402,556</u>	<u>469,426</u>	<u>3,933,130</u>
Total expenditures	<u>538,600</u>	<u>5,600,986</u>	<u>1,102,484</u>	<u>4,498,502</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (1,154,430)</u>	2,693,185	<u>\$ 3,847,615</u>
Fund balances - beginning			<u>1,154,427</u>	
Fund balances - ending			<u>\$ 3,847,612</u>	

**ARLINGTON COMMUNITY SCHOOL SYSTEM**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS - INTERNAL SCHOOL FUNDS**  
For the Year Ended June 30, 2020

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Assets</b>				
Cash	\$ 1,154,773	\$ 2,165,938	\$ (2,134,253)	\$ 1,186,458
Inventory	13,205	52,466	(54,631)	11,040
	<u>\$ 1,167,978</u>	<u>\$ 2,218,404</u>	<u>\$ (2,188,884)</u>	<u>\$ 1,197,498</u>
<b>Liabilities</b>				
Due to student general fund	\$ 688,391	\$ 557,767	\$ (542,014)	\$ 704,144
Due to student groups	479,587	1,660,637	(1,646,870)	493,354
	<u>\$ 1,167,978</u>	<u>\$ 2,218,404</u>	<u>\$ (2,188,884)</u>	<u>\$ 1,197,498</u>

## **SUPPORTING SCHEDULES**

**ARLINGTON COMMUNITY SCHOOL SYSTEM**  
**SCHEDULE OF TRANSFERS**  
For the Year Ended June 30, 2020

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Major Funds</b>		
General Purpose School Fund		
Federal Projects Fund	\$ 56,209	\$ -
School Nutrition	-	1,054
Total major funds	<u>56,209</u>	<u>1,054</u>
<b>Nonmajor Governmental Funds</b>		
Federal Projects Fund		
General Purpose School Fund	-	56,209
School Nutrition		
General Purpose School Fund	1,054	-
Total nonmajor	<u>1,054</u>	<u>56,209</u>
	<u>\$ 57,263</u>	<u>\$ 57,263</u>

**ARLINGTON COMMUNITY SCHOOL SYSTEM**  
**SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE**

For the Year Ended June 30, 2020

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Oustanding 6/30/2019	Issued During Period	Paid During Period	Refunded During Period	Oustanding 6/30/2020
<b>Governmental Activities</b>									
<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	\$ 2,155,801	\$ -	\$ (289,820)	\$ -	\$ 1,865,981
Capital Lease	440,970	2.76%	6/1/2018	8/15/2020	291,605	-	(143,818)	-	147,787
					<u>\$ 2,447,406</u>	<u>\$ -</u>	<u>\$ (433,638)</u>	<u>\$ -</u>	<u>\$ 2,013,768</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, 2020

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Beginning Accrued	Cash Receipts	Expenditures	Ending Accrued
<b>U.S. Department of Agriculture</b>					
<u>Passed through TN Department of Education</u>					
<i>Child Nutrition Cluster</i>					
School Breakfast Program	10.553	\$ -	\$ 23,967	\$ 23,967	\$ -
National School Lunch Program - Non-Cash Assistance	10.555	-	61,605	61,605	-
National School Lunch Program - Cash Assistance	10.555	-	188,701	188,701	-
USDA Rebate	10.555	-	3,101	3,101	-
Subtotal - CFDA 10.555		-	<u>253,407</u>	<u>253,407</u>	-
Subtotal - Child Nutrition Cluster		-	<u>277,374</u>	<u>277,374</u>	-
Child Nutrition Discretionary Grants Limited Availability	10.579	-	-	11,066	11,066
<b>Total U.S. Department of Agriculture</b>		-	<u>277,374</u>	<u>288,440</u>	<u>11,066</u>
<b>U.S. Department of Education</b>					
<u>Passed through TN Department of Education</u>					
Title I Grants to Local Education Agencies	84.010	76,200	1,022,241	1,033,889	87,848
<i>Special Education Cluster (IDEA)</i>					
Special Education - Grants to States (IDEA, Part B)	84.027	22,659	826,439	884,506	80,726
Special Education - Preschool Grants (IDEA Preschool)	84.173	-	5,225	5,225	-
Subtotal - Special Education Cluster (IDEA)		<u>22,659</u>	<u>831,664</u>	<u>889,731</u>	<u>80,726</u>
Career and Technical Education- Basic Grants to States	84.048	-	35,653	60,729	25,076
English Language Acquisition State Grants	84.365	-	4,165	4,165	-
Supporting Effective Instruction State Grants	84.367	6,106	114,974	108,868	-
Student Support and Academic Enrichment Program	84.424	260	17,428	21,259	4,091
<b>Total U.S. Department of Education</b>		<u>105,225</u>	<u>2,026,125</u>	<u>2,118,641</u>	<u>197,741</u>
<b>Total Federal Awards</b>		<u>105,225</u>	<u>2,303,499</u>	<u>2,407,081</u>	<u>208,807</u>
<u>State Financial Assistance</u>					
Child Nutrition State Funding	N/A	-	9,902	9,902	-
Safe Schools	N/A	18,060	79,149	90,965	29,876
School Safety	N/A	3,136	3,136	-	-
Coordinated School Health	N/A	10,034	80,219	85,000	14,815
2019 Alternative Breakfast Mini-grant	N/A	-	5,000	5,000	-
Cybersecurity	N/A	-	43,000	43,000	-
New Skills for Youth	N/A	1,200	1,200	-	-
<b>Total State Financial Assistance</b>		<u>32,430</u>	<u>221,606</u>	<u>233,867</u>	<u>44,691</u>
<b>Total Federal Awards and State Financial Assistance</b>		<u>\$ 137,655</u>	<u>\$ 2,525,105</u>	<u>\$ 2,640,948</u>	<u>\$ 253,498</u>

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, 2020

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**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, 2020. 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) Pass-through entity identifying numbers are presented where available.
- 3) There were no federal awards passed through to subrecipients.
- 4) The System has elected not to use the de minimis indirect cost rate as allowed under the Uniform Guidance.
- 5) Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

**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 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 statement of budgetary comparison for the general purpose fund, each 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, 2020, 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 21, 2020. 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, 2020, 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.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 System's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free 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.

A handwritten signature in black ink that reads "Watkins Mikusall, PLLC". The signature is written in a cursive, flowing style.

Memphis, Tennessee  
December 21, 2020

**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE FOR THE 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 the Major Federal Program**

We have audited the Arlington Community School System (the "System")'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the System's major federal programs for the year ended June 30, 2020. The System's major federal programs are identified in the summary of auditor results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the System's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the System's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on the Major Federal Program**

In our opinion, the System complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2020.

## Report on Internal Control over Compliance

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

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

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

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



Memphis Tennessee  
December 21, 2020

**ARLINGTON COMMUNITY SCHOOL SYSTEM**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2020

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

**Financial Statements**

Type of auditor’s report issued on whether financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America Unmodified

Internal control over financial reporting:  
Material weakness(es) identified?      Yes   X   No

Significant deficiency(ies) identified not considered to be material weakness(es)?      Yes   X   None Reported

Noncompliance material to financial statements noted?      Yes   X   No

**Federal Awards**

Type of auditor’s report issued on compliance for major programs: Unmodified

Internal control over major programs:  
Material weakness(es) identified?      Yes   X   No

Significant deficiency(ies) identified not considered to be material weakness(es)?      Yes   X   None Reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)      Yes   X   No

Identification of major programs:

*CFDA Number: 84.010 – Title I Grants to Local Education Agencies*

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Did auditee qualify as a low-risk auditee?      Yes   X   No

**ARLINGTON COMMUNITY SCHOOL SYSTEM**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
For the Year Ended June 30, 2020

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**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, 2020

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**SECTION IV – PRIOR YEAR AUDIT FINDINGS**

**A.PRIOR YEAR FINDINGS – FINANCIAL STATEMENT AUDIT**

<b>Prior Year Finding Number</b>	<b>Finding Title</b>	<b>Status</b>
2019-001	Reverse Unavailable Revenue in Subsequent Period upon Receipt – Material Weakness (Original Finding #2019-001)	Corrected
2019-002	Recording Delinquent Taxes and CIP Allocation from County Government – Material Weakness (Original Finding #2019-002)	Corrected
2019-003	Recording Other Postemployment Benefit Trust Activity – Material Weakness (Original Finding #2019-003)	Corrected

**B.PRIOR YEAR FINDINGS – MAJOR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.