

ARLINGTON COMMUNITY SCHOOL SYSTEM
FINANCIAL STATEMENTS

June 30, 2021



**ARLINGTON COMMUNITY SCHOOL SYSTEM
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ARLINGTON COMMUNITY SCHOOL SYSTEM
BOARD OF OFFICIALS
For the Year Ended June 30, 2021

BOARD OF EDUCATION OFFICIALS

Position 1 Scott Benjamin (2022*)
Position 2 Lyle Conley (2024*)
Position 3 Hugh Lamar (2022*)
Position 4 Kay Williams (2024*)
Position 5 Dale Viox (2022*)

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

* Year term expires

** Designated with financial oversight responsibility

INDEPENDENT AUDITOR'S REPORT

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

Report on the 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 fund, and the aggregate remaining fund information of the Arlington Community School System, (the "System"), which are funds of the Town of Arlington, Tennessee, as of and for the year ended June 30, 2021, 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, 2021, 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 Matters

As discussed in Note 1, the financial statements of the Arlington Community School System are intended to present the financial position and the changes in the financial position of only the governmental activities, each major fund, the statement of budgetary comparison for the general purpose fund, the fiduciary fund, and the aggregate other fund information of the Town of Arlington, Tennessee that is attributable to the transactions of the Arlington Community School System. They do not purport to, and do not present fairly the financial position of the Town of Arlington, Tennessee as of June 30, 2021, 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.

As discussed in Note 1, during the year ended June 30, 2021, the School adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, which established accounting and financial reporting standards for the identification of fiduciary activities.

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, 2021, 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, 2021

ARLINGTON COMMUNITY SCHOOL SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2021

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, 2021. Comparative financial information is reported for the fiscal year ended June 30, 2020. 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. The district continues to rank at the state level in the top percentiles for ELA and Math. 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 kindergarten 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 have the option to receive STEM for one hour per day. Arlington High School offers Advanced Placement courses, honor courses, dual enrollment courses, dual credit 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, and the Engineering and Innovation Academy.

Financial Highlights

Key financial highlights for the fiscal year ended June 30, 2021 are as follows:

- The assets and deferred outflows of resources of the System exceeded its liabilities and deferred inflows of resources by \$127.8 million (net position) that represents a \$6.6 million increase in net position. Of this amount, the unrestricted net position has a balance of \$22.4 million.
- As of the close of the current fiscal year, the System reported combined ending fund balances of \$27.3 million. Approximately 91.5% of this total amount, \$25 million is unassigned in the general purpose fund, 0.4% represents non-spendable funds in the general purpose and non-major governmental funds, 1.6% represents funds restricted for the general purpose school fund, 1.4% represents funds restricted in the school nutrition fund, 4.9% represents funds restricted in the internal school funds, and .2% represents funds restricted in the education capital projects fund.
- The System has an outstanding debt to Shelby County Schools in the amount of \$1.6 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 \$4.1 million. Compensated absences balance at year-end is \$274 thousand.
- The System completed the construction of the indoor practice facility at Arlington High School at a cost of \$4.1 million. The System continued construction on a wrestling facility at Arlington High School. The wrestling facility is projected to be completed in fiscal year 2022 at a cost of \$4.6 million.

**ARLINGTON COMMUNITY SCHOOL SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**
For the Year Ended June 30, 2021

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, 2021

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 \$128 million at the close of the fiscal year ended June 30, 2021.

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, \$7 million represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted net position of \$22.4 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, 2021</u>	<u>June 30, 2020</u>
Assets		
Current and other	\$ 38,374,881	\$ 36,973,108
Capital assets - net of accumulated depreciation	<u>98,365,858</u>	<u>95,450,781</u>
Total assets	136,740,739	132,423,889
Deferred outflows of resources	5,404,242	5,758,981
Liabilities		
Long-term liabilities	5,992,834	7,798,776
Other liabilities	<u>3,696,963</u>	<u>3,165,895</u>
Total liabilities	9,689,797	10,964,671
Deferred inflows of resources	4,634,251	5,964,677
Net Position		
Net investment in capital assets	98,365,858	95,302,994
Restricted	7,007,114	4,421,225
Unrestricted	<u>22,447,961</u>	<u>21,529,303</u>
Total net position	<u>\$ 127,820,933</u>	<u>\$ 121,253,522</u>

**ARLINGTON COMMUNITY SCHOOL SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**
For the Year Ended June 30, 2021

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

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Revenues		
Program revenues		
Charges for services	\$ 534,529	\$ 1,103,782
Operating grants and contributions	6,983,800	2,640,948
Capital grants and contributions	-	3,752,569
General revenues		
Property taxes	13,726,519	13,131,269
Payments in lieu of taxes	244,034	207,461
Sales taxes	7,288,009	5,974,339
Business tax	1,267	1,520
Mixed drink tax	19,932	7,547
Wheel tax	1,213,719	1,313,165
Grants and contributions		
not restricted to specific programs:		
Basic Education Program	23,639,757	22,594,504
Contributions from the Town of Arlington	607,588	593,985
Other state allocations	1,431,134	103,421
Interest income	71,862	108,122
Other miscellaneous revenues	284,031	286,072
Total revenues	<u>56,046,181</u>	<u>51,818,704</u>
Expenses		
Instruction and instruction support	36,958,959	28,664,916
School support	2,587,522	5,471,104
Central office	3,215,497	5,413,508
Operation of plant	3,154,167	3,066,729
Transportation	1,355,194	1,676,251
Technology	761,780	704,814
Food service	1,133,207	1,061,221
Student activities	1,468,199	-
Interest on long-term debt	41,743	51,561
Other	-	400,000
Total expenses	<u>50,676,268</u>	<u>46,510,104</u>
Change in net position	5,369,913	5,308,600
Net position, beginning, as originally reported	121,253,522	115,944,922
Prior period adjustment	1,197,498	-
Net position, beginning restated	<u>122,451,020</u>	<u>115,944,922</u>
Net position, ending	<u>\$ 127,820,933</u>	<u>\$ 121,253,522</u>

Governmental activities

Total governmental activities' revenue for the fiscal year was \$56 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, 2021

Expenditures and Revenues - Governmental Funds

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

The general purpose fund had \$47.6 million in revenues and \$44.2 million in expenditures. The nonmajor governmental funds had \$6.8 million in revenues, and \$6.5 million in expenditures. Major funding for these funds was provided by federal and state funds.

	<u>June 30, 2021</u>	<u>Percent</u>
Revenues		
Program revenues		
Charges for services	\$ 534,529	1.0%
Operating grants and contributions	6,723,421.00	12.3%
Capital grants and contributions	-	0.0%
General revenues		
Property taxes	13,827,601	25.2%
Payments in lieu of taxes	244,034	0.4%
Sales taxes	7,150,244	13.0%
Business tax	1,267	0.0%
Mixed drink tax	19,932	0.0%
Wheel tax	1,213,719	2.2%
Grants and contributions		
not restricted to specific programs:		
Basic Education Program	23,639,757	43.1%
Contributions from the Town of Arlington	607,588	1.1%
Other state allocations	531,648	1.0%
Interest income	71,862	0.1%
Other miscellaneous revenues	284,031	0.5%
Total revenues	<u>\$ 54,849,633</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, 2021, the System's governmental funds reported combined fund balances of \$27.3 million. Approximately 91.5% of this amount \$25 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 \$103 thousand, or 2) restricted for particular purposes \$2.2 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 \$25 million.

**ARLINGTON COMMUNITY SCHOOL SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**
For the Year Ended June 30, 2021

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 56.7% of the total general purpose fund expenditures, while total fund balances represents 57.8% of that same amount.

General Purpose Fund Budgetary Highlights

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

General Purpose Fund	June 30, 2021		Variance with Original Budget Inc (Dec)
	Original Budget	Final Budget	
Revenues			
Taxes	\$ 19,285,940	\$ 19,939,357	\$ 653,417
State revenues	23,592,000	23,284,000	(308,000)
Charges for services	574,154	574,154	-
Operating federal and state grants	45,000	497,205	452,205
Contributions from Town of Arlington	2,720,053	4,287,506	1,567,453
Other income	358,500	358,500	-
Total revenues	<u>46,575,647</u>	<u>48,940,722</u>	<u>2,365,075</u>
Expenditures			
Instruction and instruction support	33,219,090	34,873,326	(1,654,236)
School support	2,421,770	2,436,030	(14,260)
Central office	2,794,806	3,463,878	(669,072)
Operation of plant	2,944,162	2,954,722	(10,560)
Transportation	1,316,963	1,316,963	-
Technology	763,280	780,227	(16,947)
Debt service	333,333	333,333	-
Capital outlay	2,055,000	2,055,000	-
Total expenditures	<u>45,848,404</u>	<u>48,213,479</u>	<u>(2,365,075)</u>
Other financing sources (uses):			
Transfers from (to) other funds	(727,243)	(727,243)	-
Total other financing sources (uses)	<u>(727,243)</u>	<u>(727,243)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Over the course of the year, the System revised its budget several times. The significant changes made to the original budget were due additional projected usage of fund balance.

**ARLINGTON COMMUNITY SCHOOL SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**
For the Year Ended June 30, 2021

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

General Purpose Fund	June 30, 2021		Variance with Final Budget Inc (Dec)
	Final Budget	Actual	
Revenues			
Taxes	\$ 19,939,357	\$ 22,456,797	\$ 2,517,440
State revenues	23,284,000	23,704,819	420,819
Charges for services	574,154	425,641	(148,513)
Operating federal and state grants	497,205	56,212	(440,993)
Contributions from Town of Arlington	4,287,506	607,588	(3,679,918)
Other income	358,500	330,442	(28,058)
Total revenues	<u>48,940,722</u>	<u>47,581,499</u>	<u>(1,359,223)</u>
Expenditures			
Instruction and instruction support	34,873,326	32,440,281	2,433,045
School support	2,436,030	2,268,787	167,243
Central office	3,463,878	3,014,643	449,235
Operation of plant	2,954,722	2,743,240	211,482
Transportation	1,316,963	1,257,707	59,256
Technology	780,227	713,905	66,322
Debt service	333,333	485,199	(151,866)
Capital outlay	2,055,000	1,233,454	821,546
Total expenditures	<u>48,213,479</u>	<u>44,157,216</u>	<u>4,056,263</u>
Other financing sources (uses):			
Issuance of debt	-	-	-
Sale of capital assets	-	-	-
Transfers from (to) other funds	(727,243)	50,083	777,326
Total other financing sources (uses)	<u>(727,243)</u>	<u>50,083</u>	<u>777,326</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 3,474,366</u>	<u>\$ 3,474,366</u>

Arlington Community Schools began its operations during the 2014-2015 fiscal year; the 2020-2021 fiscal year is the System's seventh 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. 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, 2021

Capital Asset and Debt Administration

Capital Assets The System's investment in capital assets for its governmental activities as of June 30, 2021, amounts to \$98.4 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, 2021 included a new roof at Arlington Middle School and computer equipment refreshment.

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Land	\$ 1,996,500	\$ 1,996,500
Construction in progress	2,451,804	2,746,282
Buildings and improvements, net of depreciation	88,919,873	86,206,400
Machinery, furniture, and equipment, net of depreciation	4,997,681	4,501,599
Total capital assets	<u>\$ 98,365,858</u>	<u>\$ 95,450,781</u>

Long-term debt As of June 30, 2021, the System had total debt outstanding of \$1.6 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.

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Notes payable to Shelby County School System	\$ 1,570,312	\$ 1,865,981
Capital Lease	-	147,787
	<u>\$ 1,570,312</u>	<u>\$ 2,013,768</u>

Economic Factors and Next Year's Budget

Fiscal Year 2020-2021 represents the System's seventh 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 2021-2022 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, 2021

	Primary Government <u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 27,859,054
Accounts receivable	42,350
Due from other governments	4,863,374
Inventories	37,555
Prepaid expenses	65,246
Capital assets, not being depreciated	4,448,304
Capital assets, being depreciated, net	93,917,554
Restricted investments	446,752
Net pension asset	4,832,675
Total assets	<u>136,512,864</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	3,988,850
Related to OPEB	1,415,392
Total deferred outflows of resources	<u>5,404,242</u>
LIABILITIES	
Accounts payable	1,171,961
Accrued payroll and benefits	2,245,758
Unearned revenue	51,369
Noncurrent liabilities:	
Due within one year	473,881
Due in more than one year	1,370,750
Net pension liability	4,799
Net OPEB liability	4,143,404
Total liabilities	<u>9,461,922</u>
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	2,357,529
Related to OPEB	2,276,722
Total deferred inflows of resources	<u>4,634,251</u>
NET POSITION	
Investment in capital assets	98,365,858
Restricted for:	
Net pension asset	4,832,675
Stabilization reserve trust	446,752
Nutrition	375,458
Grants	119
Internal school funds	1,352,110
Unrestricted	22,447,961
Total net position	<u>\$ 127,820,933</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, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction and instruction support	\$ 36,958,959	\$ 425,641	\$ 4,058,940	\$ -	\$ (32,474,378)
Support Services	2,587,522	-	-	-	(2,587,522)
Central Office	3,215,497	-	-	-	(3,215,497)
Operation of plant	3,154,167	-	-	-	(3,154,167)
Transportation	1,355,194	-	-	-	(1,355,194)
Technology	761,780	-	-	-	(761,780)
Food service	1,133,207	108,888	1,291,009	-	266,690
Student activities	1,468,199	-	1,633,851	-	165,652
Interest on long-term debt	41,743	-	-	-	(41,743)
	<u>\$ 50,676,268</u>	<u>\$ 534,529</u>	<u>\$ 6,983,800</u>	<u>\$ -</u>	<u>(43,157,939)</u>
General Revenues:					
					22,493,480
					25,070,891
					607,588
					284,031
					71,862
					<u>48,527,852</u>
					<u>5,369,913</u>
					<u>121,253,522</u>
					<u>1,197,498</u>
					<u>122,451,020</u>
					<u>\$ 127,820,933</u>

The accompanying notes are an integral part of the financial statements

ARLINGTON COMMUNITY SCHOOL SYSTEM
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	General Purpose Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 25,341,875	\$ 887,821	\$ 1,629,358	\$ 27,859,054
Accounts receivable	42,350	-	-	42,350
Due from other governments	3,142,648	1,293,544	427,182	4,863,374
Due from other funds	227,875	-	-	227,875
Inventory	-	-	37,555	37,555
Prepaid items	64,046	-	1,200	65,246
Restricted investments	446,752	-	-	446,752
	<u>\$ 29,265,546</u>	<u>\$ 2,181,365</u>	<u>\$ 2,095,295</u>	<u>\$ 33,542,206</u>
LIABILITIES				
Accounts payable	\$ 298,408	\$ 871,791	\$ 1,762	\$ 1,171,961
Accrued payroll	2,196,746	-	49,012	2,245,758
Due to other funds	-	-	227,875	227,875
Unearned revenue	-	-	51,369	51,369
Total liabilities	<u>2,495,154</u>	<u>871,791</u>	<u>330,018</u>	<u>3,696,963</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable tax revenue	967,369	1,264,451	-	2,231,820
Unavailable grant revenue	271,410	-	35	271,445
Total deferred inflows of resources	<u>1,238,779</u>	<u>1,264,451</u>	<u>35</u>	<u>2,503,265</u>
FUND BALANCES				
Nonspendable				
Inventory	-	-	37,555	37,555
Prepaid expenses	64,046	-	1,200	65,246
Restricted				
Stabilization reserve trust	446,752	-	-	446,752
Nutrition	-	-	375,458	375,458
Grants	-	-	119	119
Internal school funds	-	-	1,352,110	1,352,110
Committed				
Capital projects	-	45,123	-	45,123
Unassigned	25,020,815	-	(1,200)	25,019,615
Total fund balances	<u>25,531,613</u>	<u>45,123</u>	<u>1,765,242</u>	<u>27,341,978</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 29,265,546</u>	<u>\$ 2,181,365</u>	<u>\$ 2,095,295</u>	<u>\$ 33,542,206</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, 2021

Total fund balances, governmental funds		\$ 27,341,978
Amounts reported for governmental activities in the statement of net position are different because:		
(1) Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		98,365,858
(2) Other long-term assets are not available to pay for current-period expenditures and, therefore, are unearned or unavailable in the funds.		2,503,265
(3) Long-term debt is not due and payable in the current period and, therefore is not reported in the funds. Less: settlement obligation		(1,570,312)
(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>(274,319)</u>	(274,319)
(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 Less: net pension liability Less: net OPEB liability	4,832,675 (4,799) <u>(4,143,404)</u>	684,472
(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 Less: deferred inflows of resources related to pensions Add: deferred outflows of resources related to OPEB Less: deferred inflows of resources related to OPEB	3,988,850 (2,357,529) 1,415,392 <u>(2,276,722)</u>	<u>769,991</u>
Net position of governmental activities		<u><u>\$ 127,820,933</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, 2021

	General Purpose Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 22,456,797	\$ -	\$ -	\$ 22,456,797
Intergovernmental	23,704,819	466,586	-	24,171,405
Charges for services	425,641	-	108,888	534,529
Federal, state and other grants	56,212	-	5,033,358	5,089,570
General contributions	607,588	-	1,633,851	2,241,439
Interest	71,862	-	-	71,862
Other	258,580	-	25,451	284,031
Total revenues	<u>47,581,499</u>	<u>466,586</u>	<u>6,801,548</u>	<u>54,849,633</u>
EXPENDITURES				
Instruction and instruction support	32,440,281	-	3,608,770	36,049,051
Support services	2,268,787	-	158,378	2,427,165
Central office	3,014,643	-	-	3,014,643
Operation of plant	2,743,240	-	204,894	2,948,134
Transportation	1,257,707	-	-	1,257,707
Technology	713,905	-	-	713,905
Food services	-	-	1,133,207	1,133,207
Student activities	-	-	1,468,199	1,468,199
Debt service	485,199	-	-	485,199
Capital outlays	1,233,454	4,269,075	-	5,502,529
Total expenditures	<u>44,157,216</u>	<u>4,269,075</u>	<u>6,573,448</u>	<u>54,999,739</u>
Excess (deficiency) of revenues over (under) expenditures	3,424,283	(3,802,489)	228,100	(150,106)
OTHER FINANCING SOURCES (USES)				
Transfers in	50,083	-	-	50,083
Transfers out	-	-	(50,083)	(50,083)
Total other financing sources and uses	<u>50,083</u>	<u>-</u>	<u>(50,083)</u>	<u>-</u>
Net change in fund balances	3,474,366	(3,802,489)	178,017	(150,106)
Fund balances - beginning, as originally reported	22,057,247	3,847,612	389,727	26,294,586
Change in accounting principle	-	-	1,197,498	1,197,498
Fund balances - beginning, as restated	<u>22,057,247</u>	<u>3,847,612</u>	<u>1,587,225</u>	<u>27,492,084</u>
Fund balances - ending	<u>\$ 25,531,613</u>	<u>\$ 45,123</u>	<u>\$ 1,765,242</u>	<u>\$ 27,341,978</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, 2021

Net change in fund balance - total governmental funds		\$ (150,106)
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	6,571,210	
Less: Depreciation expense	(3,503,700)	
Less: Loss from the disposition of capital assets	<u>(152,433)</u>	2,915,077
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		1,196,548
(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		443,456
(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>(19,960)</u>	(19,960)
(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	977,023	
Difference between actual contributions and OPEB expense	<u>7,875</u>	<u>984,898</u>
Change in net position of governmental activities		<u><u>\$ 5,369,913</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 BALANCE - BUDGET AND ACTUAL
GENERAL PURPOSE FUND
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Increase (Decrease)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
TAXES				
Property tax - current	\$ 13,290,000	\$ 13,943,417	\$ 13,625,393	\$ (318,024)
Property tax - prior year	333,500	333,500	202,208	(131,292)
Payments in lieu of tax	223,000	223,000	244,034	21,034
Local option sales tax	4,270,216	4,270,216	7,150,244	2,880,028
Business tax	1,500	1,500	1,267	(233)
Mixed drink tax	14,000	14,000	19,932	5,932
Wheel tax	1,153,724	1,153,724	1,213,719	59,995
Total taxes	19,285,940	19,939,357	22,456,797	2,517,440
INTERGOVERNMENTAL				
State Education Funds				
Basic education program	23,506,000	23,198,000	23,639,757	441,757
Career ladder program	86,000	86,000	65,062	(20,938)
Total intergovernmental	23,592,000	23,284,000	23,704,819	420,819
CHARGES FOR SERVICES	574,154	574,154	425,641	(148,513)
FEDERAL AND STATE GRANTS	45,000	497,205	56,212	(440,993)
GENERAL CONTRIBUTIONS				
Town appropriations	2,720,053	4,287,506	607,588	(3,679,918)
INTEREST INCOME	-	-	71,862	71,862
OTHER	358,500	358,500	258,580	(99,920)
Total Revenues	46,575,647	48,940,722	47,581,499	(1,359,223)
EXPENDITURES				
INSTRUCTION AND INSTRUCTION SUPPORT				
Regular Education				
Salaries	15,857,970	16,794,274	16,513,259	281,015
Benefits	5,271,627	5,083,380	4,679,451	403,929
Contractual services	132,000	146,000	128,125	17,875
Materials and supplies	1,579,015	2,384,856	1,848,690	536,166
Other charges	53,150	78,150	55,012	23,138
	22,893,762	24,486,660	23,224,537	1,262,123
Alternative Education				
Salaries	241,400	241,400	178,588	62,812
Benefits	92,062	92,062	38,684	53,378
Materials and supplies	3,150	3,150	1,346	1,804
Other charges	2,150	2,150	233	1,917
	338,762	338,762	218,851	119,911

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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, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Increase (Decrease)</u>
	<u>Original</u>	<u>Final</u>		
Special Education				
Salaries	\$ 2,048,960	\$ 2,064,960	\$ 1,901,151	\$ 163,809
Benefits	725,972	651,472	553,947	97,525
Contractual services	102,000	90,000	14,220	75,780
Materials and supplies	64,400	64,400	57,271	7,129
	<u>2,941,332</u>	<u>2,870,832</u>	<u>2,526,589</u>	<u>344,243</u>
Career & Technical Instruction				
Salaries	854,825	919,225	786,953	132,272
Benefits	249,697	250,197	244,030	6,167
Contractual services	-	-	2,239	(2,239)
Materials and supplies	49,000	63,000	133,537	(70,537)
Other charges	13,000	5,000	1,550	3,450
	<u>1,166,522</u>	<u>1,237,422</u>	<u>1,168,309</u>	<u>69,113</u>
Regular Instruction Support				
Salaries	1,064,957	1,195,451	1,094,761	100,690
Benefits	313,112	304,224	283,779	20,445
Contractual services	55,000	32,000	6,475	25,525
Materials and supplies	202,400	212,401	57,253	155,148
Other charges	149,950	93,310	58,928	34,382
	<u>1,785,419</u>	<u>1,837,386</u>	<u>1,501,196</u>	<u>336,190</u>
Special Education Support				
Salaries	413,560	446,010	438,924	7,086
Benefits	125,565	124,096	115,483	8,613
Contractual services	534,758	511,348	400,642	110,706
Materials and supplies	13,000	13,000	8,349	4,651
Other charges	31,000	27,000	4,693	22,307
	<u>1,117,883</u>	<u>1,121,454</u>	<u>968,091</u>	<u>153,363</u>
Technical Education Support				
Salaries	65,348	65,348	62,683	2,665
Benefits	19,371	19,371	16,397	2,974
Materials and supplies	1,000	1,000	-	1,000
Other charges	28,000	28,000	-	28,000
	<u>113,719</u>	<u>113,719</u>	<u>79,080</u>	<u>34,639</u>
Office of Principal				
Salaries	2,132,100	2,179,580	2,147,930	31,650
Benefits	708,891	666,711	586,997	79,714
Contractual services	2,100	2,200	2,200	-
Other charges	18,600	18,600	16,501	2,099
	<u>2,861,691</u>	<u>2,867,091</u>	<u>2,753,628</u>	<u>113,463</u>
Total instruction	<u>33,219,090</u>	<u>34,873,326</u>	<u>32,440,281</u>	<u>2,433,045</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, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Increase (Decrease)</u>
	<u>Original</u>	<u>Final</u>		
SUPPORT SERVICES				
Student Services				
Salaries	\$ 448,313	\$ 454,313	\$ 449,780	\$ 4,533
Benefits	154,322	148,322	118,219	30,103
Contractual services	101,450	101,650	80,974	20,676
Materials and supplies	7,150	10,750	10,750	-
Other charges	18,850	15,050	10,783	4,267
	<u>730,085</u>	<u>730,085</u>	<u>670,506</u>	<u>59,579</u>
Health Services				
Salaries	185,033	195,788	194,987	801
Benefits	73,070	75,035	62,020	13,015
Contractual services	15,650	15,650	12,583	3,067
Materials and supplies	3,700	3,700	3,547	153
Other charges	1,200	2,740	1,640	1,100
	<u>278,653</u>	<u>292,913</u>	<u>274,777</u>	<u>18,136</u>
Guidance				
Salaries	730,200	730,200	706,715	23,485
Benefits	227,871	227,871	207,974	19,897
	<u>958,071</u>	<u>958,071</u>	<u>914,689</u>	<u>43,382</u>
Accountability				
Salaries	271,671	286,377	283,338	3,039
Benefits	143,540	134,974	109,468	25,506
Materials and supplies	4,500	6,550	6,280	270
Other charges	15,250	16,200	9,729	6,471
	<u>434,961</u>	<u>444,101</u>	<u>408,815</u>	<u>35,286</u>
Planning				
Contractual services	20,000	10,860	-	10,860
Total support services	<u>2,421,770</u>	<u>2,436,030</u>	<u>2,268,787</u>	<u>167,243</u>
Central Office				
Board of Education Services				
Salaries	50,355	50,355	50,350	5
Benefits	238,110	938,479	779,819	158,660
Contractual services	409,000	409,000	407,371	1,629
Materials and supplies	1,000	1,000	5,482	(4,482)
Other charges	260,650	184,698	33,321	151,377
	<u>959,115</u>	<u>1,583,532</u>	<u>1,276,343</u>	<u>307,189</u>
Office of Superintendent				
Salaries	551,391	564,666	564,627	39
Benefits	137,060	168,440	155,023	13,417
Contractual services	46,250	46,250	27,273	18,977
Materials and supplies	25,400	25,400	3,864	21,536
Other charges	44,100	44,100	23,179	20,921
	<u>804,201</u>	<u>848,856</u>	<u>773,966</u>	<u>74,890</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, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Increase (Decrease)</u>
	<u>Original</u>	<u>Final</u>		
Fiscal Services				
Salaries	\$ 322,812	\$ 324,812	\$ 310,075	\$ 14,737
Benefits	92,202	102,702	95,499	7,203
Contractual services	89,700	84,700	61,450	23,250
Materials and supplies	7,000	11,500	9,816	1,684
Other charges	34,000	21,100	10,686	10,414
	<u>545,714</u>	<u>544,814</u>	<u>487,526</u>	<u>57,288</u>
Human Resources				
Salaries	306,747	305,315	305,304	11
Benefits	105,079	121,643	114,700	6,943
Contractual services	21,200	21,200	20,625	575
Materials and supplies	13,150	16,515	16,302	213
Other charges	39,600	22,003	19,877	2,126
	<u>485,776</u>	<u>486,676</u>	<u>476,808</u>	<u>9,868</u>
Total central office	<u>2,794,806</u>	<u>3,463,878</u>	<u>3,014,643</u>	<u>449,235</u>
OPERATION OF PLANT				
Operation of Plant				
Salaries	298,000	298,000	268,598	29,402
Benefits	92,897	90,997	81,247	9,750
Contractual services	1,729,775	1,769,235	1,656,154	113,081
Materials and supplies	17,100	25,100	14,259	10,841
Other charges	475	475	412	63
	<u>2,138,247</u>	<u>2,183,807</u>	<u>2,020,670</u>	<u>163,137</u>
Maintenance of Plant				
Salaries	411,980	405,480	400,297	5,183
Benefits	115,435	121,935	110,855	11,080
Contractual services	222,500	187,500	171,857	15,643
Materials and supplies	45,500	45,500	36,586	8,914
Other charges	10,500	10,500	2,975	7,525
	<u>805,915</u>	<u>770,915</u>	<u>722,570</u>	<u>48,345</u>
Total operation of plant	<u>2,944,162</u>	<u>2,954,722</u>	<u>2,743,240</u>	<u>211,482</u>
TRANSPORTATION				
Student Transportation				
Contractual services	1,049,400	1,049,400	1,027,367	22,033
Materials and supplies	115,000	115,000	85,929	29,071
	<u>1,164,400</u>	<u>1,164,400</u>	<u>1,113,296</u>	<u>51,104</u>
Central and Other Transportation				
Salaries	89,740	89,740	84,767	4,973
Benefits	32,523	32,523	30,368	2,155
Contractual services	5,000	5,000	5,000	-
Materials and supplies	24,300	24,300	24,276	24
Other charges	1,000	1,000	-	1,000
	<u>152,563</u>	<u>152,563</u>	<u>144,411</u>	<u>8,152</u>
Total transportation	<u>1,316,963</u>	<u>1,316,963</u>	<u>1,257,707</u>	<u>59,256</u>

(CONTINUED ON NEXT PAGE)

The accompanying notes are an integral part of the financial statements

ARLINGTON COMMUNITY SCHOOL SYSTEM
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL PURPOSE FUND
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Increase (Decrease)</u>
	<u>Original</u>	<u>Final</u>		
TECHNOLOGY				
Salaries	\$ 223,575	\$ 223,575	\$ 223,512	\$ 63
Benefits	62,785	65,385	63,977	1,408
Contractual services	294,000	294,000	257,022	36,978
Materials and supplies	51,800	91,147	75,554	15,593
Other charges	131,120	106,120	93,840	12,280
Total technology	<u>763,280</u>	<u>780,227</u>	<u>713,905</u>	<u>66,322</u>
Total education	43,460,071	45,825,146	42,438,563	3,386,583
DEBT SERVICE				
Principal	333,333	333,333	443,456	(110,123)
Interest	-	-	41,743	(41,743)
Total debt service	<u>333,333</u>	<u>333,333</u>	<u>485,199</u>	<u>(151,866)</u>
CAPITAL OUTLAY				
Building improvements	135,000	160,000	75,050	84,950
Other capital outlay	1,920,000	1,895,000	1,158,404	736,596
Total capital outlay	<u>2,055,000</u>	<u>2,055,000</u>	<u>1,233,454</u>	<u>821,546</u>
Total expenditures	<u>45,848,404</u>	<u>48,213,479</u>	<u>44,157,216</u>	<u>4,056,263</u>
Excess of revenues over expenditures	727,243	727,243	3,424,283	2,697,040
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	50,083	50,083
Transfers out	(727,243)	(727,243)	-	727,243
Total other financing sources (uses)	<u>(727,243)</u>	<u>(727,243)</u>	<u>50,083</u>	<u>777,326</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>3,474,366</u>	<u>\$ 3,474,366</u>
Fund balances - beginning			<u>22,057,247</u>	
Fund balances - ending			<u>\$ 25,531,613</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, 2021

	OPEB Trust Fund
ASSETS	
Cash and cash equivalents	\$ 88,402
Investments	
Equity exchange traded funds	897,547
Fixed income exchange traded funds	61,588
Equity mutual funds	1,847,139
Fixed income mutual funds	1,156,436
Structured investments	31,350
Total investments	<u>3,994,060</u>
Total assets	<u>4,082,462</u>
 NET POSITION	
Restricted for OPEB	<u><u>\$ 4,082,462</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, 2021

	OPEB Trust Fund
ADDITIONS	
Employer contributions	\$ 661,843
Investment earnings (losses):	
Interest and dividends	83,355
Net appreciation in fair value of investments	717,800
Total investment earnings	<u>801,155</u>
Total additions	1,462,998
DEDUCTIONS	
Benefits	161,843
Administrative expense	15,106
Total deductions	<u>176,949</u>
Change in net position	1,286,049
Net position - beginning of the year	<u>2,796,413</u>
Net position - end of the year	<u><u>\$ 4,082,462</u></u>

The accompanying notes are an integral part of the financial statements

ARLINGTON COMMUNITY SCHOOL SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The System operates under a Board of Education form of government and provides educational services as authorized by the Town's charter. The Board consists of five members elected at-large for staggered four-year terms. Matters that may financially obligate the Town must also be approved by the Board of Mayor and Aldermen of the Town. The System consists of five special revenue funds, a capital projects fund, and an other postemployment benefit trust fund of the Town of Arlington, Tennessee (the "Town"). The financial statements presented herein relate only to the System and are not intended to present fairly the overall position of the Town.

The financial statements of the System have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As required by generally accepted accounting principles, these financial statements present all funds, which comprise the System. There are no other component units which should be included.

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)

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, Discretionary Grants Fund, and Internal School 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.

- 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.

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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% and 23% 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)

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

3. Interfund Transactions

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

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

4. Inventories and Prepaid Items

Inventory consists of food supplies held for consumption and are valued at cost. Certain payment to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The costs of inventory and prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

5. Capital Assets

Capital assets, which include buildings, improvements, and equipment, are reported in the applicable system-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$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. Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The System has qualifying items for reporting in this category. Included those related to pensions and other postemployment benefits.

7. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. *Deferred Inflows of Resources*

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. 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.

9. *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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. Pensions and Other Postemployment Benefits

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

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

11. 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.

12. 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

The System implemented GASB Statement No. 84, *Fiduciary Activities*, required for fiscal periods ending June 30, 2021. The Statement 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 implementation resulted in a reclassification to a special revenue fund for the Internal School Fund which was previously classified as an agency fund. The implementation has been accounted for as a change in accounting principle with a prior year adjustment increasing beginning fund balance in the amount of \$1,197,498.

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

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, 2021, expenditures did not exceed appropriations in any fund.

C. Deficit fund balance

As of June 30, 2021, the federal projects fund reported a deficit fund balance of \$1,200.

NOTE 3 - DEPOSITS

Legal Provisions – Deposits must be collateralized by federal depository insurance, the Tennessee Bank Collateral Pool, collateral held by the System's agent in the System's name, collateral held by the Federal Reserve Banks acting as third-party agents, or a combination of these methods. State statute requires that all uninsured deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the 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, 2021, all bank deposits were entirely insured by federal depository insurance and collateralized by the Bank Collateral Pool of the State of Tennessee.

NOTE 4 - INVESTMENTS

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

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 <http://www.comptroller.tn.gov/advance-search.html>. The following table summarizes fair value disclosures and measurements for the System’s investments held by the TRGT on its behalf June 30, 2021:

Investments at Fair Value	Level 1	Level 2	Level 3	Total
U.S. equity	\$ 138,493	\$ -	\$ -	\$ 138,493
Developed market international equity	62,545	-	-	62,545
Emerging market international equity	17,870	-	-	17,870
U.S. fixed income	-	89,350	-	89,350
Short-term securities	-	4,469	-	4,469
Real estate	-	-	44,675	44,675
	<u>218,908</u>	<u>93,819</u>	<u>44,675</u>	<u>357,402</u>
Investments at amortized cost using NAV				
Private equity and strategic lending	-	-	-	89,350
Total restricted investments	<u>\$ 218,908</u>	<u>\$ 93,819</u>	<u>\$ 44,675</u>	<u>\$ 446,752</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, 2021:

Investments at Fair Value	Level 1	Level 2	Level 3	Total
Equity exchange traded funds	\$ 897,547	\$ -	\$ -	\$ 897,547
Fixed income exchange traded funds	61,588	-	-	61,588
Equity mutual funds	1,847,139	-	-	1,847,139
Fixed income mutual funds	1,156,436	-	-	1,156,436
Structured investments	31,350	-	-	31,350
Total Investments	<u>\$ 3,994,060</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,994,060</u>

NOTE 4 – INVESTMENTS (CONTINUED)

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, 2021:

- *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, 2021.

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

NOTE 5 – INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2021 is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Purpose Fund		
Federal Projects Fund	\$ 185,846	\$ -
Discretionary Grants Fund	42,029	-
	<u>227,875</u>	<u>-</u>
Federal Projects Fund		
General Purpose Fund	-	185,846
Discretionary Grants Fund		
General Purpose Fund	-	42,029
	<u>\$ 227,875</u>	<u>\$ 227,875</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, 2021 is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Purpose Fund		
Federal Projects Fund	50,083	-
Federal Projects Fund		
General Purpose Fund	-	50,083
	<u>\$ 50,083</u>	<u>\$ 50,083</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, 2021, 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	2,746,282	5,745,550	(6,040,028)	2,451,804
Total capital assets, not being depreciated	<u>4,742,782</u>	<u>5,745,550</u>	<u>(6,040,028)</u>	<u>4,448,304</u>
Capital assets, being depreciated:				
Buildings and improvements	97,280,857	4,907,877	-	102,188,734
Machinery, furniture and equipment	8,223,193	1,867,911	(139,766)	9,951,338
Total capital assets, being depreciated	<u>105,504,050</u>	<u>6,775,788</u>	<u>(139,766)</u>	<u>112,140,072</u>
Accumulated depreciation:				
Buildings and improvements	(11,074,457)	(2,194,404)	-	(13,268,861)
Machinery, furniture and equipment	(3,721,594)	(1,309,296)	77,233	(4,953,657)
Total accumulated depreciation	<u>(14,796,051)</u>	<u>(3,503,700)</u>	<u>77,233</u>	<u>(18,222,518)</u>
Total capital assets, being depreciated, net	<u>90,707,999</u>	<u>3,272,088</u>	<u>(62,533)</u>	<u>93,917,554</u>
Total capital assets, net	<u>\$ 95,450,781</u>	<u>\$ 9,017,638</u>	<u>\$ (6,102,561)</u>	<u>\$ 98,365,858</u>

The System had outstanding commitments to contractors of \$2,250,000 at June 30, 2021 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	\$ 2,791,094
Support Services	160,357
Central office	200,854
Operation of plant	206,033
Transportation	97,487
Technology	47,875
	<u>\$ 3,503,700</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%.

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

<u>Year Ended June 30</u>	<u>Settlement Obligation</u>
2022	\$ 333,333
2023	333,333
2024	333,333
2025	333,333
2026	333,333
Total payments	1,666,665
Less amount representing interest	(96,353)
	<u>\$ 1,570,312</u>

2. Changes in Long-Term Obligations

Long-term obligation activity for the year ended June 30, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Settlement obligation	\$ 1,865,981	\$ -	\$ (295,669)	\$ 1,570,312	\$ 301,637
Capital lease payable	147,787	-	(147,787)	-	-
Total long-term debt	2,013,768	-	(443,456)	1,570,312	301,637
Compensated absences	254,359	211,871	(191,911)	274,319	172,244
	<u>\$ 254,359</u>	<u>\$ 211,871</u>	<u>\$ (191,911)</u>	<u>\$ 274,319</u>	<u>\$ 172,244</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. 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	Net Pension Liability	Deferred Inflows of Resources	Pension (Negative) Expense
Administrative Legacy Pension Plan	\$ 475,667	\$ 192,637	\$ -	\$ 254,647	\$ 110,924
Administrative Hybrid Pension Plan	-	215,468	4,799	-	(8,319)
Teacher Legacy Pension Plan	4,164,259	3,432,336	-	2,026,387	978,367
Teacher Hybrid Pension Plan	192,749	148,409	-	76,495	76,720
	<u>\$ 4,832,675</u>	<u>\$ 3,988,850</u>	<u>\$ 4,799</u>	<u>\$ 2,357,529</u>	<u>\$ 1,157,692</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, 2020, 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	13	-
Inactive employees entitled to but not yet receiving benefits	22	22
Active employees	48	56
	<u>83</u>	<u>78</u>

Contributions

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

NOTE 8 – PENSIONS (CONTINUED)

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

	Administrative		Teacher	
	Legacy Plan	Hybrid Plan	Legacy Plan	Hybrid Plan
Employer contributions	\$ 135,166	\$ 60,421	\$ 1,873,096	\$ 105,658
Covered payroll	1,826,565	2,784,347	18,234,674	5,230,459
As a percentage of covered payroll	7.40%	2.17%	10.27%	2.02%

B. Actuarial Assumptions

The total pension liability as of June 30, 2020 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.

NOTE 8 – PENSIONS (CONTINUED)

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.

C. Net Pension Liability (Asset)

The net pension liability (asset) for each TCRS administered plan was measured as of June 30, 2020. 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	\$ 223,154	\$ 117,365		
Interest	125,316	29,831		
Differences between expected and actual experience	(186,130)	124,798		
Benefit payments, including refunds	(20,326)	(2,528)		
Net change in total pension liability	142,014	269,466		
Total pension liability - beginning	1,515,499	295,357		
Total pension liability - ending	1,657,513	564,823		
Plan Fiduciary Net Position				
Contributions - employer	\$ 87,887	\$ 50,942		
Contributions - employee	60,624	146,180		
Net investment income	97,883	21,983		
Benefit payments	(20,326)	(2,528)		
Administrative expense	(4,404)	(4,899)		
Net change in plan fiduciary net position	221,664	211,678		
Plan fiduciary net position - beginning	1,911,516	348,346		
Plan fiduciary net position - ending	2,133,180	560,024		
Net pension liability (asset)	\$ (475,667)	\$ 4,799		
Plan fiduciary net position as a percentage of total pension liability	128.70%	99.15%		
Proportionate share of net pension liability (asset)			\$ (4,164,259)	\$ (192,749)
Proportionate share at June 30, 2020 measurement date			0.546080%	0.338965%
Proportionate share at June 30, 2019 measurement date			0.542495%	0.317243%

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%	\$ (215,938)	\$ (475,667)	\$ (689,652)
Administrative Hybrid Plan	7.25%	125,279	4,799	(90,822)
Proportionate share of the net pension asset				
Teacher Legacy Plan	7.25%	\$ 12,950,753	\$ (4,164,259)	\$ (18,356,624)
Teacher Hybrid Plan	7.25%	149,927	(192,749)	(445,345)

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

For the year ended June 30, 2021, 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>\$ 110,924</u>	<u>\$ (8,319)</u>	<u>\$ 978,367</u>	<u>\$ 76,720</u>
Deferred Outflows of Resources				
Differences between expected and actual experience	\$ 21,154	\$ 148,250	\$ 158,307	\$ 7,161
Net difference between projected and actual earnings on plan investments	21,549	6,797	930,045	15,702
Changes in assumptions	14,768	-	378,304	6,044
Change in proportion of net pension liability (asset)	-	-	92,584	13,844
Contributions subsequent to the measurement date of June 30, 2020	135,166	60,421	1,873,096	105,658
	<u>\$ 192,637</u>	<u>\$ 215,468</u>	<u>\$ 3,432,336</u>	<u>\$ 148,409</u>
Deferred Inflows of Resources				
Differences between expected and actual experience	\$ 254,647	\$ -	\$ 2,002,102	\$ 48,302
Net difference between projected and actual earnings on plan investments	-	-	-	-
Changes in assumptions	-	-	-	-
Change in proportion of net pension liability (asset)	-	-	24,285	28,193
	<u>\$ 254,647</u>	<u>\$ -</u>	<u>\$ 2,026,387</u>	<u>\$ 76,495</u>

The amounts shown above for “Contributions subsequent to the measurement date of June 30, 2020,” 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
2022	\$ (43,959)	\$ 17,898	\$ (955,684)	\$ (2,796)
2023	(36,795)	18,254	(153,662)	(527)
2024	(34,055)	18,574	26,111	630
2025	(33,404)	18,681	616,088	959
2026	(22,359)	16,651	-	(4,359)
Thereafter	(26,604)	64,989	-	(27,651)

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 2021, the System’s employer contribution to the defined contribution plan was \$435,049.

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, 2021, the date of the OPEB valuation, consisted of the following:

Inactive employees or beneficiaries receiving benefits	29
Active employees	289
	<u>318</u>

Contributions

The System's intent is to partially fund the annual required contribution and pay for the pay-go costs from the general purpose fund until the Trust balance is sufficient to meet future benefit payments. Employer contributions are based on an actuarially determined rate and are as follows for the year ended June 30, 2021:

Employer contributions	\$ 661,843
Covered payroll	17,635,682
As a percentage of covered payroll	<u>3.75%</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, 2021, actuarial valuation using the entry age normal level percent of pay actuarial cost method using the following assumptions:

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	SOA Pub-2010 Teacher Headcount Weighted Mortality Table fully generational using Scale MP-2020 SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2020

Changes of Assumptions

In 2021, the System OPEB changes of assumptions included changes to the mortality tables and health care cost trend rates which increased the OPEB liability.

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, 2021 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, 2021, the annual money-weighted rate of return on investment was 29.69 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 6.0% as of June 30, 2021 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, 2021, were as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Beginning of year	\$ 8,327,062	\$ 2,796,413	\$ 5,532,744
Changes for the year:			
Service cost	467,144	-	467,144
Interest	522,895	-	522,895
Changes in assumptions	475,714	-	475,714
Differences between expected and actual experience	(1,405,106)	-	(1,405,106)
Contributions - employer	-	661,843	(661,843)
Net investment income	-	801,155	(801,155)
Benefit payments	(161,843)	(161,843)	-
Administrative expenses	-	(15,106)	15,106
Net changes	(101,196)	1,286,049	(1,387,245)
End of year	<u>\$ 8,225,866</u>	<u>\$ 4,082,462</u>	<u>\$ 4,143,404</u>
Plan fiduciary net position as a percentage of total OPEB liability			<u>49.63%</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, 2021, 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%	\$ 4,764,759	\$ 4,143,404	\$ 3,559,775

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, 2021, 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)	8% to 4.5%	\$ 3,329,377	\$ 4,143,404	\$ 5,081,549

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

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

For the year ended June 30, 2021, the System recognized OPEB expense of \$653,969.

For the year ended June 30, 2021,, 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	\$ 125,741	\$ 1,746,057
Changes in assumptions	1,289,651	121,943
Net difference between projected and actual earnings on OPEB investments	-	408,722
	<u>\$ 1,415,392</u>	<u>\$ 2,276,722</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:

2022	\$ (165,407)
2023	(162,441)
2024	(176,048)
2025	(196,811)
2026	(34,486)
Thereafter	(126,137)

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

NOTE 11 – RISK MANAGEMENT

Insurance Other Than Health Insurance

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

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

Health Insurance

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

The System is only liable for their portion of plan premiums plus any outstanding capital requirements from the Interlocal Health Plan. The liability for any incurred-but-not-reported claims is borne by the Interlocal Health Plan and not by the individual members. During the year ended June 30, 2021, 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

	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service cost	\$ 223,154	\$ 228,051	\$ 240,205	\$ 258,233	\$ 268,523	\$ 403,716
Interest	125,316	101,061	83,556	63,315	42,617	30,274
Changes of benefit items	-	-	-	-	-	-
Differences between expected and actual experience	(186,130)	29,616	(54,602)	(10,817)	(13,936)	(130,756)
Changes in assumptions	-	-	-	29,540	-	-
Benefit payments	(20,326)	(18,259)	(12,842)	(15,057)	(6,812)	(127)
Net change in total pension liability	142,014	340,469	256,317	325,214	290,392	303,107
Total pension liability - beginning	1,515,499	1,175,030	918,713	593,499	303,107	-
Total pension liability - ending	1,657,513	1,515,499	1,175,030	918,713	593,499	303,107
Plan Fiduciary Net Position						
Contributions - employer	87,887	163,944	158,364	183,342	247,505	262,260
Contributions - employee	60,624	110,774	107,397	123,880	133,498	141,457
Net investment income	97,883	123,752	108,271	105,712	15,649	6,140
Benefit payments	(20,326)	(18,259)	(12,842)	(15,057)	(6,812)	(127)
Administrative expense	(4,404)	(4,931)	(5,699)	(5,694)	(6,088)	(4,842)
Other	-	-	(78)	-	-	-
Net change in plan fiduciary net position	221,664	375,280	355,413	392,183	383,752	404,888
Plan fiduciary net position - beginning	1,911,516	1,536,236	1,180,823	788,640	404,888	-
Plan fiduciary net position - ending	2,133,180	1,911,516	1,536,236	1,180,823	788,640	404,888
Net pension liability (asset)	<u>\$ (475,667)</u>	<u>\$ (396,017)</u>	<u>\$ (361,206)</u>	<u>\$ (262,110)</u>	<u>\$ (195,141)</u>	<u>\$ (101,781)</u>
Plan fiduciary net position as a percentage of the total pension liability	128.70%	126.13%	130.74%	128.53%	132.88%	133.58%
Covered payroll	\$ 1,950,784	\$ 2,191,846	\$ 2,179,151	\$ 2,477,596	\$ 2,669,956	\$ 2,829,235
Net pension liability as a percentage of covered payroll	-24.38%	-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

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 88,771	\$ 59,265	\$ 116,090	\$ 120,943	\$ 136,763	\$ 247,505	\$ 262,260
Contributions	135,166	87,887	163,944	158,364	183,342	247,505	262,260
Contribution deficiency (surplus)	<u>\$ (46,395)</u>	<u>\$ (28,622)</u>	<u>\$ (47,854)</u>	<u>\$ (37,421)</u>	<u>\$ (46,579)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,826,565	\$ 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%	4.51%	7.48%	7.27%	7.40%	9.27%	9.27%

NOTE 1 - VALUATION DATE

Actuarially determined contribution rates for fiscal year 2021 were calculated based on the June 30, 2019 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

	2020	2019	2018	2017
Total Pension Liability				
Service cost	\$ 117,365	\$ 93,687	\$ 52,779	\$ -
Interest	29,831	18,957	9,498	-
Changes of benefit items	-	-	-	80,781
Differences between expected and actual experience	124,798	16,017	30,826	-
Changes in assumptions	-	-	-	-
Benefit payments	(2,528)	(2,191)	(4,889)	(108)
Net change in total pension liability	269,466	126,470	88,214	80,673
Total pension liability - beginning	295,357	168,887	80,673	-
Total pension liability - ending	564,823	295,357	168,887	80,673
Plan Fiduciary Net Position				
Contributions - employer	50,942	32,162	51,925	42,182
Contributions - employee	146,180	82,467	64,907	52,728
Net investment income	21,983	20,382	12,664	5,271
Benefit payments	(2,528)	(2,191)	(4,889)	(108)
Administrative expense	(4,899)	(3,981)	(3,404)	(1,769)
Net change in plan fiduciary net position	211,678	128,839	121,203	98,304
Plan fiduciary net position - beginning	348,346	219,507	98,304	-
Plan fiduciary net position - ending	560,024	348,346	219,507	98,304
Net pension liability (asset)	<u>\$ 4,799</u>	<u>\$ (52,989)</u>	<u>\$ (50,620)</u>	<u>\$ (17,631)</u>
Plan fiduciary net position as a percentage of the total pension liability	99.15%	117.94%	129.97%	121.85%
Covered payroll	\$ 2,162,555	\$ 1,649,316	\$ 1,266,904	\$ 633,729
Net pension liability as a percentage of covered payroll	0.22%	-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 and 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

	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 60,420	\$ 50,942	\$ 32,162	\$ 17,592	\$ 7,161
Contributions	60,421	50,942	32,162	51,925	42,182
Contribution deficiency (surplus)	\$ (1)	\$ -	\$ -	\$ (34,333)	\$ (35,021)
Covered payroll	\$ 2,784,347	\$ 2,162,555	\$ 1,649,316	\$ 1,266,904	\$ 633,729
Contributions as a percentage of covered payroll	2.17%	2.36%	1.95%	4.10%	6.66%

In fiscal year 2021, the actuarially determined contribution rate of 2.17% of covered payroll was placed into the pension plan and 1.83% of covered payroll was placed into the Pension Stabilization Reserve Trust. In fiscal year 2020, the actuarially determined contribution rate of 2.03% of covered payroll was placed into the pension plan and 1.97% 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 2021 were calculated based on the June 30, 2019 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%; and 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

	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset)	0.546080%	0.542495%	0.517096%	0.520200%	0.507125%	0.457425%	0.010736%
Proportionate share of the net pension liability (asset)	\$ (4,164,259)	\$ (5,577,825)	\$ (1,819,616)	\$ (170,201)	\$ 3,169,249	\$ 187,377	\$ (1,744)
Covered payroll	\$ 18,176,499	\$ 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	-22.91%	-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)	103.09%	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

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required	\$ 1,873,096	\$ 1,931,996	\$ 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>1,873,096</u>	<u>1,931,996</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>	<u>\$ -</u>
Covered payroll	\$ 18,234,674	\$ 18,176,499	\$ 18,228,357	\$ 18,107,569	\$ 18,396,999	\$ 18,306,197	\$ 17,123,741	\$ 421,371
Contributions as a percentage of covered payroll	10.27%	10.63%	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

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

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

ARLINGTON COMMUNITY SCHOOL SYSTEM
SCHEDULE OF CONTRIBUTIONS
TEACHER RETIREMENT PLAN OF TCRS
Last Ten Fiscal Years June 30

	2021	2020	2019	2018	2017	2016	2015
Contractually required	\$ 105,658	\$ 86,833	\$ 65,127	\$ 38,498	\$ 82,946	\$ 40,755	\$ 18,708
Contribution in relation to the contractually required contribution	105,658	86,833	65,127	94,429	82,946	65,125	29,932
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (55,931)	\$ -	\$ (24,370)	\$ (11,224)
Covered payroll	\$ 5,230,459	\$ 4,278,815	\$ 3,319,051	\$ 2,360,717	\$ 2,065,462	\$ 1,628,121	\$ 748,310
Contributions as a percentage of covered payroll	2.02%	2.03%	1.96%	4.00%	4.02%	4.00%	4.00%

In fiscal year 2021, the actuarially determined contribution rate of 2.02% of covered payroll was placed into the pension plan and 1.98% of covered payroll was placed into the Pension Stabilization Reserve Trust. In fiscal year 2020, the actuarially determined contribution rate of 2.03% of covered payroll was placed into the pension plan and 1.97% 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

	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	\$ 467,144	\$ 342,320	\$ 338,969	\$ 288,645	\$ 574,975
Interest	522,895	511,284	491,131	466,928	833,313
Changes of benefit items	-	-	-	-	(5,817,754)
Differences between expected and actual experience	(1,405,106)	161,667	(280,153)	(220,328)	(402,643)
Changes in assumptions	475,714	896,336	(182,915)	244,396	72,575
Benefit payments	(161,843)	(116,136)	(88,184)	(146,886)	(111,651)
Net change in total OPEB liability	(101,196)	1,795,471	278,848	632,755	(4,851,185)
Total OPEB liability - beginning	8,327,062	6,531,591	6,252,743	5,619,988	10,471,173
Total OPEB liability - ending	8,225,866	8,327,062	6,531,591	6,252,743	5,619,988
Plan Fiduciary Net Position					
Contributions - employer	661,843	315,681	588,184	646,886	629,512
Net investment income	801,155	93,783	94,615	131,066	94,877
Benefit payments	(161,843)	(116,136)	(88,184)	(146,886)	(111,651)
Administrative expense	(15,106)	(10,630)	(7,909)	(16,688)	(3,188)
Net change in plan fiduciary net position	1,286,049	282,698	586,706	614,378	609,550
Plan fiduciary net position - beginning	2,796,413	2,513,715	1,927,009	1,312,631	703,081
Plan fiduciary net position -ending	4,082,462	2,796,413	2,513,715	1,927,009	1,312,631
Net OPEB liability (asset)	\$ 4,143,404	\$ 5,530,649	\$ 4,017,876	\$ 4,325,734	\$ 4,307,357
Plan fiduciary net position as a percentage of the total OPEB liability	49.63%	33.58%	38.49%	30.82%	23.36%
Covered payroll	\$ 17,635,682	\$ 19,423,688	\$ 23,825,256	\$ 22,456,759	\$ 21,802,679
Net OPEB liability as a percentage of covered payroll	23.49%	28.47%	16.86%	19.26%	19.76%

Changes of assumptions. In 2021, amounts reported as changes of assumption resulted from changes to the mortality table and healthcare cost trend rates resulting in increases to the liability. In 2020, amounts reported as changes of assumptions resulted from changes to the long-term rate of return and discount rate. In 2019, amounts reported as changes of assumptions resulted from changes to the mortality tables and health care cost trend rates. In 2018, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, payroll growth rate, and mortality tables.

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

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

	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 920,665	\$ 719,164	\$ 738,157	\$ 697,756	\$ 1,442,649
Contributions	661,843	315,681	588,184	646,886	629,512
Contribution deficiency (surplus)	<u>\$ 258,822</u>	<u>\$ 403,483</u>	<u>\$ 149,973</u>	<u>\$ 50,870</u>	<u>\$ 813,137</u>
Covered payroll	\$ 17,635,682	\$ 19,423,688	\$ 23,825,256	\$ 22,456,759	\$ 21,802,679
Contributions as a percentage of covered payroll	3.75%	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	6.0%, net of investment expenses, including inflation
Mortality	SOA RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018

Changes in Assumptions. In 2020, the following assumptions were changed; a decrease in the long term investment rate of return from 7.5% to 6.0%.

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

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

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

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

SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

**ARLINGTON COMMUNITY SCHOOL SYSTEM
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2021**

	Special Revenue Funds			Internal School Funds	Total Nonmajor Governmental Funds
	Federal Projects Fund	Nutrition Fund	Discretionary Grants Fund		
ASSETS					
Cash and cash equivalents	\$ 1,852	\$ 275,278	\$ 118	\$ 1,352,110	\$ 1,629,358
Due from other governments	224,348	160,754	42,080	-	427,182
Inventory	-	26,064	-	11,491	37,555
Prepaid items	1,200	-	-	-	1,200
Total assets	\$ 227,400	\$ 462,096	\$ 42,198	\$ 1,363,601	\$ 2,095,295
LIABILITIES					
Accounts payable	\$ 1,041	\$ 721	\$ -	\$ -	\$ 1,762
Accrued payroll	40,283	8,679	50	-	49,012
Due to other funds	185,846	-	42,029	-	227,875
Unearned revenue	230	51,139	-	-	51,369
Total liabilities	227,400	60,539	42,079	-	330,018
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue Grants	-	35	-	-	35
FUND BALANCES					
Nonspendable	1,200	26,064	-	11,491	38,755
Restricted	-	375,458	119	1,352,110	1,727,687
Unassigned	(1,200)	-	-	-	(1,200)
Total fund balances	-	401,522	119	1,363,601	1,765,242
Total liabilities and fund balances	\$ 227,400	\$ 462,096	\$ 42,198	\$ 1,363,601	\$ 2,095,295

ARLINGTON COMMUNITY SCHOOL SYSTEM
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Federal Projects Fund	Nutrition Fund	Discretionary Grants Fund	Internal School Funds	
REVENUES					
Charges for services	\$ -	\$ 108,888	\$ -	\$ -	\$ 108,888
Federal, state and other grants	3,828,450	1,030,630	174,278	-	5,033,358
Contributions	-	-	-	1,633,851	1,633,851
Other	-	-	25,000	451	25,451
Total revenues	<u>3,828,450</u>	<u>1,139,518</u>	<u>199,278</u>	<u>1,634,302</u>	<u>6,801,548</u>
EXPENDITURES					
Current					
Instruction and instruction support	3,608,770	-	-	-	3,608,770
Support services	24,560	-	133,818	-	158,378
Food services	5,484	1,127,723	-	-	1,133,207
Operation of plant	139,553	-	65,341	-	204,894
Student activities	-	-	-	1,468,199	1,468,199
Total expenditures	<u>3,778,367</u>	<u>1,127,723</u>	<u>199,159</u>	<u>1,468,199</u>	<u>6,573,448</u>
Excess of revenues over expenditures	50,083	11,795	119	166,103	228,100
OTHER FINANCING SOURCES (USES)					
Transfers out	(50,083)	-	-	-	(50,083)
Net change in fund balances	-	11,795	119	166,103	178,017
Fund balances - beginning, as originally reported	-	389,727	-	-	389,727
Change in accounting principle	-	-	-	1,197,498	1,197,498
Fund balances - beginning, as restated	<u>-</u>	<u>389,727</u>	<u>-</u>	<u>1,197,498</u>	<u>1,587,225</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 401,522</u>	<u>\$ 119</u>	<u>\$ 1,363,601</u>	<u>\$ 1,765,242</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, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Increase (Decrease)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal, state and other grants				
Title I cluster	\$ 1,045,902	\$ 1,209,810	\$ 1,054,527	\$ (155,283)
Special education cluster	931,989	1,290,969	928,229	(362,740)
ESSER	-	3,797,337	1,544,308	(2,253,029)
Other federal grants	63,516	304,644	301,386	(3,258)
Total revenues	<u>2,041,407</u>	<u>6,602,760</u>	<u>3,828,450</u>	<u>(2,774,310)</u>
EXPENDITURES				
Instruction and Instruction Support				
Consolidated Administration				
Salaries	102,547	103,047	102,943	104
Benefits	28,282	27,941	25,235	2,706
Other charges	9,585	5,000	-	5,000
	<u>140,414</u>	<u>135,988</u>	<u>128,178</u>	<u>7,810</u>
Title I, Part A				
Salaries	299,807	307,961	300,449	7,512
Benefits	92,586	101,109	91,000	10,109
Contractual services	127,000	171,443	131,181	40,262
Materials and supplies	80,000	176,488	148,041	28,447
Other charges	133,799	122,752	108,983	13,769
	<u>733,192</u>	<u>879,753</u>	<u>779,654</u>	<u>100,099</u>
Title II				
Salaries	6,000	-	-	-
Benefits	11,000	10,215	9,705	510
Materials and supplies	-	8,135	8,032	103
Other charges	55,321	83,872	80,371	3,501
	<u>72,321</u>	<u>102,222</u>	<u>98,108</u>	<u>4,114</u>
Title III, Part A				
Contractual services	3,454	4,000	3,876	124
Materials and supplies	3,453	3,014	3,013	1
	<u>6,907</u>	<u>7,014</u>	<u>6,889</u>	<u>125</u>
Title IV				
Contractual services	21,044	18,000	5,145	12,855
Materials and supplies	21,044	25,300	18,710	6,590
Other charges	21,044	24,724	6,532	18,192
	<u>63,132</u>	<u>68,024</u>	<u>30,387</u>	<u>37,637</u>
Carl Perkins				
Materials and supplies	33,463	54,269	54,269	-
Other charges	1,150	206	206	-
	<u>34,613</u>	<u>54,475</u>	<u>54,475</u>	<u>-</u>
CTE Perkins Reserve				
Materials and supplies	14,000	-	-	-

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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, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Increase (Decrease)</u>
	<u>Original</u>	<u>Final</u>		
IDEA Supplemental				
Materials and supplies	\$ 2,919	\$ -	\$ -	\$ -
Other charges	6,000	-	-	-
	<u>8,919</u>	<u>-</u>	<u>-</u>	<u>-</u>
IDEA Innovation				
Salaries	-	4,000	2,374	1,626
Benefits	-	1,069	182	887
Materials and supplies	-	14,856	14,174	682
	<u>-</u>	<u>19,925</u>	<u>16,730</u>	<u>3,195</u>
IDEA Partnership				
Materials and supplies	-	10,000	9,990	10
	<u>-</u>	<u>10,000</u>	<u>9,990</u>	<u>10</u>
IDEA, Part B				
Salaries	128,188	186,644	615,382	(428,738)
Benefits	-	-	207,274	(207,274)
Contractual services	695,548	814,000	-	814,000
Materials and supplies	25,000	143,152	26,214	116,938
Other charges	13,000	17,000	1,505	15,495
	<u>861,736</u>	<u>1,160,796</u>	<u>850,375</u>	<u>310,421</u>
IDEA, Preschool				
Materials and supplies	8,603	17,682	3,038	14,644
	<u>8,603</u>	<u>17,682</u>	<u>3,038</u>	<u>14,644</u>
ESSER 1.0				
Salaries	-	210,731	135,699	75,032
Benefits	-	64,271	18,955	45,316
Contractual services	-	70,500	45,725	24,775
Materials and supplies	-	256,319	247,365	8,954
Other charges	-	34,000	3,451	30,549
	<u>-</u>	<u>635,821</u>	<u>451,195</u>	<u>184,626</u>
LEA Learning				
Contractual services	-	6,193	6,193	-
Materials and supplies	-	87,606	84,354	3,252
Other charges	-	6,195	6,195	-
	<u>-</u>	<u>99,994</u>	<u>96,742</u>	<u>3,252</u>
Remote Learning				
Materials and supplies	-	144,283	144,283	-
Tech Connectivity				
Materials and supplies	-	3,000	3,000	-

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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, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Increase (Decrease)</u>
	<u>Original</u>	<u>Final</u>		
ESSER 2.0				
Salaries	\$ -	\$ 694,266	\$ 291,138	\$ 403,128
Benefits	-	188,795	47,998	140,797
Contractual services	-	70,000	425	69,575
Materials and supplies	-	618,644	592,687	25,957
Other charges	-	3,478	3,478	-
	-	1,575,183	935,726	639,457
Total instruction	1,943,837	4,914,160	3,608,770	1,305,390
Support Services				
Title I, Part A				
Other charges	15,000	11,152	9,325	1,827
Carl Perkins				
Other charges	14,903	2,887	2,887	-
IDEA, Preschool				
Other charges	5,137	5,137	-	5,137
Coordinated School Health				
Salaries	-	9,298	4,649	4,649
Benefits	-	1,399	699	700
Materials and supplies	-	7,000	7,000	-
	-	17,697	12,348	5,349
Total support services	35,040	36,873	24,560	12,313
Operation of Plant				
Operation of Plant				
Materials and supplies	-	214,887	139,553	75,334
Transportation				
Title I, Part A				
Contractual services	3,250	3,250	-	3,250
IDEA, Part B				
Contractual services	3,000	3,000	-	3,000
Materials and supplies	2,429	2,429	-	2,429
	5,429	5,429	-	5,429
Total transportation	8,679	8,679	-	8,679
Food Services				
Cafeteria				
Salaries	-	2,700	2,329	371
Benefits	-	215	178	37
Materials and supplies	-	25,000	2,977	22,023
Total Food Services	-	27,915	5,484	22,431

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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, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Increase (Decrease)</u>
	<u>Original</u>	<u>Final</u>		
Capital Outlay				
Building improvements	\$ -	\$ 1,325,834	\$ -	\$ 1,325,834
Total expenditures	<u>1,987,556</u>	<u>6,528,348</u>	<u>3,778,367</u>	<u>2,749,981</u>
Excess of revenues over expenditures	53,851	74,412	50,083	(24,329)
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(53,851)</u>	<u>(74,412)</u>	<u>(50,083)</u>	<u>24,329</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, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Increase (Decrease)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services				
Lunch fees - children	\$ 470,000	\$ 470,000	\$ 143	\$ (469,857)
Lunch fees - adults	28,000	28,000	12,013	(15,987)
Breakfast fees	25,000	25,000	895	(24,105)
A la carte fees	340,000	340,000	95,837	(244,163)
Total charges for services	<u>863,000</u>	<u>863,000</u>	<u>108,888</u>	<u>(754,112)</u>
Federal, state and other grants				
State assistance	10,000	10,000	-	(10,000)
Nutrition cluster	345,000	345,000	1,021,347	676,347
Other state funding	-	-	9,283	9,283
Total federal, state and other grants	<u>355,000</u>	<u>355,000</u>	<u>1,030,630</u>	<u>675,630</u>
Total revenues	<u>1,218,000</u>	<u>1,218,000</u>	<u>1,139,518</u>	<u>(78,482)</u>
EXPENDITURES				
Food Services				
Cafeteria				
Salaries	483,200	507,700	485,493	22,207
Benefits	151,043	126,543	102,592	23,951
Contractual services	18,000	18,000	1,920	16,080
Materials and supplies	772,000	772,000	535,896	236,104
Other charges	11,000	11,000	1,822	9,178
Total expenditures	<u>1,435,243</u>	<u>1,435,243</u>	<u>1,127,723</u>	<u>307,520</u>
Excess (deficiency) of revenues over (under) expenditures	(217,243)	(217,243)	11,795	229,038
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>217,243</u>	<u>217,243</u>	<u>-</u>	<u>(217,243)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>11,795</u>	<u>\$ 11,795</u>
Fund balances - beginning			<u>389,727</u>	
Fund balances - ending			<u>\$ 401,522</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, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Increase (Decrease)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal, state and other grants				
State assistance	\$ 176,760	\$ 200,835	\$ 174,278	\$ (26,557)
Other Income	-	-	25,000	25,000
Total revenues	<u>176,760</u>	<u>200,835</u>	<u>199,278</u>	<u>(1,557)</u>
EXPENDITURES				
Support Services				
Coordinated school health				
Salaries	58,115	58,116	58,115	1
Benefits	9,146	8,674	8,635	39
Materials and supplies	12,739	17,865	16,841	1,024
Other charges	5,000	345	345	-
	<u>85,000</u>	<u>85,000</u>	<u>83,936</u>	<u>1,064</u>
Safe Schools				
Contractual services	25,000	25,000	25,000	-
Materials and supplies	5,060	-	-	-
	<u>30,060</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Other Discretionary Grants				
Materials and supplies	-	25,000	24,882	118
Total support services	<u>115,060</u>	<u>135,000</u>	<u>133,818</u>	<u>1,182</u>
Operation of Plant				
Safe Schools				
Materials and supplies	61,700	65,835	65,341	494
Total operation and maintenance of plant	<u>61,700</u>	<u>65,835</u>	<u>65,341</u>	<u>494</u>
Total expenditures	<u>176,760</u>	<u>200,835</u>	<u>199,159</u>	<u>1,676</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	119	<u>\$ 119</u>
Fund balances - beginning			-	
Fund balances - ending			<u>\$ 119</u>	

ARLINGTON COMMUNITY SCHOOL SYSTEM
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Increase (Decrease)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental				
Shelby County	\$ -	\$ 1,106,251	\$ 466,586	\$ (639,665)
EXPENDITURES:				
Capital Outlay				
Building improvements	2,050,000	1,900,000	1,895,285	4,715
Other contracted services	1,700,000	2,457,848	2,373,790	84,058
Total expenditures	<u>3,750,000</u>	<u>4,357,848</u>	<u>4,269,075</u>	<u>88,773</u>
Net change in fund balances	<u>\$ (3,750,000)</u>	<u>\$ (3,251,597)</u>	(3,802,489)	<u>\$ (550,892)</u>
Fund balances - beginning			<u>3,847,612</u>	
Fund balances - ending			<u>\$ 45,123</u>	

SUPPORTING SCHEDULES

ARLINGTON COMMUNITY SCHOOL SYSTEM
SCHEDULE OF TRANSFERS
For the Year Ended June 30, 2021

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds		
General Purpose School Fund		
Federal Projects Fund	\$ 50,083	\$ -
Total major funds	<u>50,083</u>	<u>-</u>
Nonmajor Governmental Funds		
Federal Projects Fund		
General Purpose School Fund	-	50,083
Total nonmajor	<u>-</u>	<u>50,083</u>
	<u>\$ 50,083</u>	<u>\$ 50,083</u>

ARLINGTON COMMUNITY SCHOOL SYSTEM
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
For the Year Ended June 30, 2021

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding 6/30/2020	Issued During Period	Paid During Period	Refunded During Period	Outstanding 6/30/2021
Governmental Activities									
<u>Payable through General Purpose School Fund</u>									
Direct borrowings:									
Shelby County Settlement Obligation	\$ 3,999,996	2.00%	11/1/2014	11/1/2025	\$ 1,865,981	\$ -	\$ (295,669)	\$ -	\$ 1,570,312
Capital Lease	440,970	2.76%	6/1/2018	8/15/2020	147,787	-	(147,787)	-	-
					<u>\$ 2,013,768</u>	<u>\$ -</u>	<u>\$ (443,456)</u>	<u>\$ -</u>	<u>\$ 1,570,312</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, 2021

Federal Grantor/Pass-Through Grantor/Program	Assistance Number	Contract Number	Beginning Accrued	Cash Receipts	Expenditures	Ending Accrued
U.S. Department of Agriculture						
<u>Passed through TN Department of Education</u>						
<i>Child Nutrition Cluster</i>						
School Breakfast Program	10.553		\$ -	\$ 128,046	\$ 168,938	\$ 40,892
National School Lunch Program - Non-Cash Assistance	10.555		-	80,191	80,191	-
National School Lunch Program - Cash Assistance	10.555		-	639,843	759,705	119,862
USDA Rebate	10.555		-	1,447	1,447	-
Subtotal - CFDA 10.555			-	721,481	841,343	119,862
Subtotal - Child Nutrition Cluster			-	849,527	1,010,281	160,754
Child Nutrition Discretionary Grants Limited Availability	10.579		11,066	11,066	-	-
Total U.S. Department of Agriculture			11,066	860,593	1,010,281	160,754
U.S. Department of Treasury						
<u>Passed through TN Department of Education</u>						
COVID-19 - Coronavirus Relief Fund						
LEA Reopening and Programmatic Supports Grant	21.019		-	96,742	96,742	-
Remote Learning Technology Grant	21.019		-	144,283	144,283	-
Internet Connectivity	21.019		-	3,000	3,000	-
Total U.S. Department of Treasury			-	244,025	244,025	-
U.S. Department of Education						
<u>Passed through TN Department of Education</u>						
Title I Grants to Local Education Agencies	84.010	S010A190042	82,848	901,446	917,288	98,690
<i>Special Education Cluster (IDEA)</i>						
Special Education - Grants to States (IDEA, Part B)	84.027	H027A190052	80,726	943,411	925,191	62,506
Special Education - Preschool Grants (IDEA Preschool)	84.173	H173A190095	-	3,268	3,268	-
Subtotal - Special Education Cluster (IDEA)			80,726	946,679	928,459	62,506
Career and Technical Education - Basic Grants to States	84.048		25,076	84,437	57,361	(2,000)
English Language Acquisition State Grants	84.365		-	6,889	6,889	-
Supporting Effective Instruction State Grants	84.367	S367A190040	-	99,186	99,188	2
Title VII - Impact Aid	84.041		-	56,212	56,212	-
Student Support and Academic Enrichment Program	84.424	S424A190044	4,091	34,062	31,504	1,533
COVID-19 - Education Stabilization Fund Under The Coronavirus Aid, Relief, And Economic Security Act	84.425D		-	1,480,350	1,544,308	63,958
Total U.S. Department of Education			192,741	3,609,261	3,641,209	224,689

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

ARLINGTON COMMUNITY SCHOOL SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program	Assistance Number	Contract Number	Beginning Accrued	Cash Receipts	Expenditures	Ending Accrued
U.S. Department of Health and Human Services						
<u>Passed through TN Department of Education</u>						
<i>477 Cluster</i>						
Summer Learning Camp Federal	93.558		-	-	11,506	11,506
Bridge Camp Federal	93.558		-	-	5,225	5,225
STREAM Mini Camp Federal	93.558		-	-	2,268	2,268
Subtotal - 477 Cluster			-	-	18,999	18,999
Total U.S. Department of Health and Human Services			-	-	18,999	18,999
Total Federal Awards			203,807	4,713,879	4,914,514	404,442
<u>State Financial Assistance</u>						
Child Nutrition State Funding	N/A	N/A	-	9,283	9,283	-
Safe Schools	N/A	N/A	29,876	94,796	90,341	25,421
Coordinated School Health	N/A	N/A	14,815	82,094	83,937	16,658
Summer Learning Camps	N/A	N/A	-	-	152,859	152,859
Bridge Camps Grant	N/A	N/A	-	-	69,415	69,415
Stream Mili Camps Grant	N/A	N/A	-	-	30,136	30,136
Total State Financial Assistance			44,691	186,173	435,971	294,489
Total Federal Awards and State Financial Assistance			<u>\$ 248,498</u>	<u>\$ 4,900,052</u>	<u>\$ 5,350,485</u>	<u>\$ 698,931</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, 2021

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, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the System, it is not intended to and does not present the financial position, changes in net position, or cash flows of the System.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**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, the fiduciary fund, and the aggregate remaining fund information of the Arlington Community School System (the "System"), which are funds of the Town of Arlington, Tennessee (the "Town"), as of and for the year ended June 30, 2021, 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, 2021. 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, 2021, 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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, 2021

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

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

Report on Compliance for Each Major Federal Program

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, 2021. 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 each of the System's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 each 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 each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the System is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the System's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for 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, 2021

ARLINGTON COMMUNITY SCHOOL SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

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:

Assistance Listing Number: 10.553/10.555 – Child Nutrition Cluster
Assistance Listing Number: 84.425D – Education Stabilization Fund Under the Coronavirus Aid, Relief, And Economic Security Act

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, 2021

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, 2021

SECTION IV – PRIOR YEAR AUDIT FINDINGS

FINANCIAL STATEMENT AUDIT

None reported.

MAJOR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.