

**SCHOOL DISTRICT**

**OF**

**North Arlington**

**North Arlington Board of Education**

**North Arlington, New Jersey**

**Comprehensive Annual Financial Report**

**For the Fiscal Year Ended June 30, 2016**

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

of the

**North Arlington Board of Education  
North Arlington, New Jersey**

**For the Fiscal Year Ended June 30, 2016**

**Prepared by**

**North Arlington Board of Education  
Office of the School Business Administrator/Board Secretary**

NORTH ARLINGTON SCHOOL DISTRICT

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**INTRODUCTORY SECTION**

# NORTH ARLINGTON BOARD OF EDUCATION

222 Ridge Road  
No. Arlington, NJ 07031

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Telephone 201-991-6800  
Fax 201-991-8226

## **Kathleen McEwin-Marano Board Secretary/Business Administrator**

December 2, 2016

Honorable President and  
Members of the Board of Education  
North Arlington School District  
Bergen County, New Jersey

Dear Board Members:

The Comprehensive Annual financial Report of the North Arlington School District (District) for the fiscal year ended June 30, 2016, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness for the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: Introductory, Financial, Statistical and Single Audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes under the new Governmental Accounting Standards Board No. 34, the Report of independent accountants, the Management Discussion and Analysis, the basic financial statements, required supplementary information, and the combining and individual fund financial statements. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act amendments of 1996 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller



General of the United States, and 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) and New Jersey OMB Circular 15-08.

Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES: North Arlington School district is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the District are included in this report. The North Arlington Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 12. These include regular and special education services for handicapped youngsters. The District completed the 2015-2016 fiscal year with an enrollment of 1,764 students, which is slightly more than previous year's enrollment. The following details the changes in the student enrollment of the District over the last five years:

AVERAGE DAILY ENROLLMENT		
<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percentage Change</u>
2015-2016	1,764	1.70%
2014-2015	1,734	(0.8%)
2013-2014	1,748	1.90%
2012-2013	1,715	4.0%
2011-2012	1,644	2.3%

2. ECONOMIC CONDITIONS AND OUTLOOK:

Spanning 2.6 square miles in the southwestern tip of Bergen County, the Borough of North Arlington is protected by its big-city neighbors. This family-oriented community exudes small-town charm. It is a place with family-run shops where customers are known by name.

Ethnic diversity is another characteristic of the Borough. This melting pot includes Hispanics, Polish, Portuguese and Italian descendents.

Italian heritage and American history is reflected by North Arlington's monument to Christopher Columbus. The granite bust was presented to the Borough by the North Arlington Chapter of Unico National on October 12 1992, the quincentennial anniversary of the discovery of America.

Board Members  
December 2, 2016

North Arlington is a crossroads with Hudson County on one side and Essex County on the other. It is adjacent to Lyndhurst, Belleville and Kearny, in a location that affords commuters access to NJ Transit rail service in Lyndhurst, and New Jersey Turnpike and Routes 17, 21 and Route 3.

3. MAJOR INITIATIVES: North Arlington Public Schools have many exciting initiatives underway to increase student achievement. We are developing Professional Learning Communities that focus on meeting goals outlined within the district-wide and school-wide Professional Development Plans. We are increasing our knowledge and strategies to collaboratively plan for all students. We are expanding our Gifted and Talented program and making efforts to incorporate new English Language Learners into general education classrooms with higher achievement results. We want all learners in our classrooms to receive optimized instruction.

Gravity Goldberg Consulting has been supporting our Balanced Literacy Initiative and we are proud to announce that our elementary ELA PARCC scores have been consistently 13-15% above the state average for the past two years. We have a new math series in grades K-8 that we hope will facilitate a complete shift to the New Jersey Student Learning Standards. The Next Generation Science Standards have been incorporated into our newly adopted 6-12 science curriculum and K-5 will follow this school year. The class of 2017 has had an impressive PARCC track record of meeting or exceeding state averages in both ELA and Math.

4. INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets for the district are protected from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statement in conformity with generally accepted accounting principals (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of Federal and State financial assistance, the District also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations relating to those programs. This internal control structure is also subject to periodic evaluation by the District management.

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to Federal and State financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

5. BUDGETARY CONTROLS: In addition to internal accounting controls, the district maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, to the special revenue fund, and the debt service fund. Project-length Budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriation of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2016.

6. ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principals, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the district is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statement", Note 1.

7. DEBT ADMINISTRATION: At June 30, 2016, the District's outstanding debt consisted of \$1,211,000 in general obligation bonds issued in May 2012. The proceeds of this bond issue were used to finance additions and renovations to the district schools.

The District also had outstanding debt at June 30, 2016 of \$3,073,000 in general obligation bonds issued in September 2013. The proceeds of this bond issue were used to (a) currently refund and redeem the \$1,150,000 School District Bond Anticipation Notes, Series 2013, of the Board dated May 30, 2013 and maturing December 4, 2013, which were issued to temporarily finance a portion of the costs of the construction of an athletic field complex to include, without limitation, a 6 lane track, a multipurpose athletic field, and storage, restroom and concession stand buildings, including acquiring the State of New Jersey's riparian rights that run under and through the improvements to the field, any necessary improvements, upgrades, appurtenances, equipment, and site work in connection therewith (the "Project") and (b) to permanently finance the remainder of the costs of the Project.

8. CASH MANAGEMENT: The investment policy of the District is guided in large part by State Statute as detailed in "Notes to the Financial Statements", Note 2. The District has adopted a cash management plan which requires it to deposit public funds in

Board Members  
December 2, 2016

public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

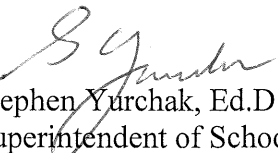
9. RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.


10. OTHER INFORMATION:

A. INDEPENDENT AUDIT: State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Donohue, Girona, Doria & Tomkins, LLC, was selected by the Board's audit committee. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the requirements of The Uniform Guidance and NJ OMB Circular 15-08. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

11. ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the North Arlington School Board for their concern in providing financial accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

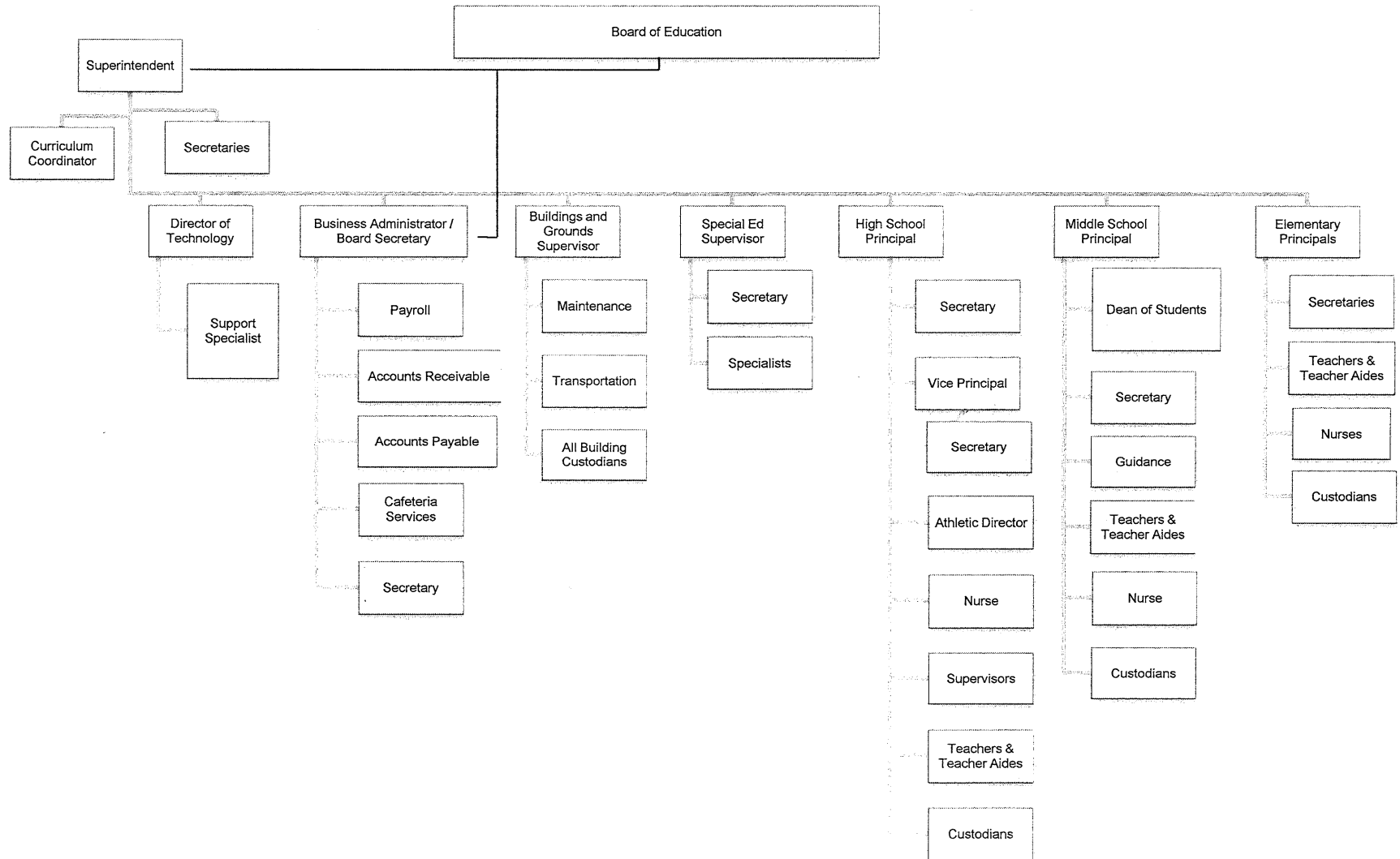
Respectfully submitted,

  
Stephen Yurchak, Ed.D.  
Superintendent of Schools

  
Kathleen McEwin-Marano  
School Business Administrator

KMM:pz

# NORTH ARLINGTON PUBLIC SCHOOLS Organization Chart



**NORTH ARLINGTON BOARD OF EDUCATION**

**NORTH ARLINGTON, NJ 07031**

**ROSTER OF OFFICIALS  
JUNE 30, 2016**

**MEMBERS OF THE BOARD OF EDUCATION**

**TERM EXPIRES**

George McDermott, Board President

December 2018

Joseph Ricciardelli, Board Vice President

December 2016

Anthony Blanco, Board Member

December 2017

Stanley Titterington, Board Member

December 2016

Mary Alice Martin, Board Member

December 2017

**OTHER OFFICIALS**

Stephen Yurchak, Ed.D., Superintendent of Schools

Kathleen McEwin-Marano, Board Secretary/School Business Administrator

Fogarty and Hara, Esqs., Board Attorney

**NORTH ARLINGTON BOARD OF EDUCATION**

**CONSULTANTS AND ADVISORS**

**ARCHITECT**

The Spiezle Architectural Group  
120 Sanhican Drive  
Trenton, NJ 08618

**AUDITOR**

Donohue, Gironda, Doria & Tomkins, LLC  
310 Broadway  
Bayonne, NJ 07002

**ATTORNEY**

Fogarty and Hara, Esqs.  
21-00 Route 208 South  
Fair Lawn, NJ 07410

**OFFICIAL DEPOSITORY**

TD Bank  
Ridge Road  
No. Arlington, NJ 07031

**FINANCIAL SECTION**



# DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

*Certified Public Accountants*

Matthew A. Donohue, CPA  
Robert A. Gironda, CPA  
Robert G. Doria, CPA (N.J. & N.Y.)  
Frederick J. Tomkins, CPA, RMA

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Linda P. Kish, CPA, RMA  
Tammy L. Zucca, CPA, RMA  
Mark W. Bednarz, CPA, RMA  
Jason R. Gironda, CPA

## **INDEPENDENT AUDITOR'S REPORT**

The Honorable President and  
Members of the Board of Education  
North Arlington School District  
County of Bergen  
North Arlington, New Jersey 07031

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Education of the North Arlington School District, in the County of Bergen, State of New Jersey (the "Board"), as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Board'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; and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or

error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Board, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis and Budgetary Comparison Information on pages 12 through 22 and 73 through 80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 Board's basic financial statements. The introductory section, and other supplementary information such as, the combining and individual fund financial statements, long-term debt schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by

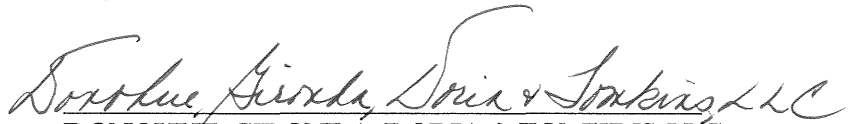
Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and New Jersey OMB Circular 15-08 respectively, and are also not a required part of the basic financial statements.

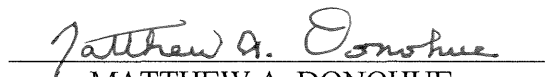
The combining and individual fund financial statements, long-term debt schedules, and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare 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 combining and individual fund financial statements, long-term debt schedules, and schedules 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 and statistical tables have 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 them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2016, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

  
DONOHUE, GIRONDA, DORIA & TOMKINS, LLC  
Certified Public Accountants

  
MATTHEW A. DONOHUE  
Certified Public Accountant  
Public School Accountant  
License No. CS 00170

Bayonne, New Jersey  
December 2, 2016

**REQUIRED SUPPLEMENTARY INFORMATION  
PART I**

**NORTH ARLINGTON SCHOOL DISTRICT  
BERGEN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**(UNAUDITED)**

The discussion and analysis of the North Arlington School District's financial performance provides an overall review of the North Arlington School District's financial activities for the fiscal years ended June 30, 2016 and 2015. The intent of this discussion and analysis is to look at the North Arlington School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the North Arlington School District's financial performance.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2016 and 2015 are as follows:

- In total, net position for fiscal years 2016 and 2015 are \$12,152,651 and \$9,048,975 respectively. Net position of governmental activities are \$11,986,237 for fiscal year 2016 and \$8,875,501 for fiscal year 2015. Net position of the business-type activities, which represent food services, are \$166,414 for fiscal year 2016 and \$173,474 for fiscal year 2015. This reflects an increase in net position in the amount of \$3,103,676 for fiscal year 2016 and an increase of \$2,984,478 for fiscal year 2015.
- General revenues accounted for \$31,633,546 in 2016 and \$30,255,034 in 2015, while the local tax contribution to General Revenue amounted to \$23,835,912 for 2016 and \$23,407,694 for 2015. Program revenues for Governmental Activities accounted for \$1,082,931 in 2016 and \$1,068,587 in 2015.
- The School District had \$29,605,741 in expenses for governmental activities in 2016 and \$28,284,969 in 2015. Only \$1,082,931 of these expenses were offset by program specific charges, grants or contributions for 2016 and \$1,068,587 for 2015. General revenues (predominately property taxes and unrestricted State aid ) of \$31,633,546 for 2016 and \$30,255,034 for 2015 were used to offset the net expenses after program revenues.

**USING THE BASIC FINANCIAL STATEMENTS**

This annual report consists of financial statements and notes to those statements. This report is organized to show the reader the North Arlington School District as a financial whole, or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

**NORTH ARLINGTON SCHOOL DISTRICT  
BERGEN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**(UNAUDITED)**

**USING THE BASIC FINANCIAL STATEMENTS (cont'd)**

The statement of net position and statement of activities provide information about the activities of the whole North Arlington School District, presenting both an aggregate view of the North Arlington School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the North Arlington School District's most significant funds. For the North Arlington School District, the General Fund is the most significant fund.

**REPORTING THE NORTH ARLINGTON SCHOOL DISTRICT AS A WHOLE**

**Statement of Net Position and Statement of Activities**

While this report contains the large number of funds used by the North Arlington School District to provide programs and activities, the view of the North Arlington School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2016?" The statement of net position and the statement of activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into consideration all of the current year's revenues and expenses regardless of when cash was received or paid.

These two statements report the North Arlington School District's net position and changes in net position. This change in net position is important because it identifies whether the financial position of the North Arlington School District has improved or diminished for the North Arlington School District as a whole. The cause of this change may be the result of many factors, some financial, some not. Non-financial factors include the North Arlington School District's property tax base, current property tax laws in New Jersey, facility conditions, required educational programs, and other factors.

In the Statement of Net Position and the Statement of Activities, the North Arlington School District is divided into two distinct kinds of activities:

**Governmental Activities** – Most of the North Arlington School District's programs and services are reported here including instruction, support services, operations and maintenance of plant, pupil transportation, and extracurricular activities.

**NORTH ARLINGTON SCHOOL DISTRICT  
BERGEN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

( UNAUDITED)

**REPORTING THE NORTH ARLINGTON SCHOOL DISTRICT AS A WHOLE (cont'd)**

**Business-Type Activity** - This service is provided on a charge for goods or services basis to recover all of the expenses of the goods or service provided. The Food Service Enterprise Fund is reported as a business activity.

**Fund Financial Statements**

Fund financial reports provide detailed information about the North Arlington School District's major funds. The North Arlington School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the North Arlington School District's most significant funds. The North Arlington School District's major governmental funds are the General Fund and Special Revenue Fund.

**Governmental Funds**

Most of the North Arlington School District's activities are reported in Governmental Funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund statements provide a detailed short-term view of the North Arlington School District's general government operations and the basic services it provides. Governmental Fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The relationship, or differences, between governmental activities reported in the Statement of Net Position, the Statement of Activities, and the Governmental Funds is reconciled in the financial statements.

**Enterprise Fund**

The Enterprise Fund uses the same basis of accounting as business-type activities; therefore, their statements are essentially the same.

**THE NORTH ARLINGTON SCHOOL DISTRICT AS A WHOLE**

The perspective of the Statement of Net Position is of the North Arlington School District as a whole. Table 1 provides a summary of the North Arlington School District's net position for 2016 and 2015.

**NORTH ARLINGTON SCHOOL DISTRICT  
BERGEN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**( UNAUDITED)**

**THE NORTH ARLINGTON SCHOOL DISTRICT AS A WHOLE (cont'd)**

Total assets as of June 30, 2016 and 2015 equal \$25,171,116 and \$21,657,249 respectively. Total assets for governmental activities are \$24,996,154 at June 30, 2016 and \$21,464,270 at June 30, 2015. Total assets for business-type activities are \$174,962 at June 30, 2016 and \$192,979 at June 30, 2015.

**TABLE 1**

**NET POSITION**

	<b>Governmental Activities 2016</b>	<b>Governmental Activities 2015</b>	<b>Business-Type Activities 2016</b>	<b>Business-Type Activities 2015</b>	<b>Total 2016</b>	<b>Total 2015</b>
<b>Assets</b>						
Current and Other Assets	\$ 12,970,716	\$ 10,160,124	\$ 69,402	\$ 59,092	\$ 13,040,118	\$ 10,219,216
Capital Assets, Net	12,025,438	11,304,146	105,560	133,887	12,130,998	11,438,033
Total Assets	<u>\$ 24,996,154</u>	<u>\$ 21,464,270</u>	<u>\$ 174,962</u>	<u>\$ 192,979</u>	<u>\$ 25,171,116</u>	<u>\$ 21,657,249</u>
Deferred Outflows of Resources	\$ 1,387,747	\$ 415,499	-	-	1,387,747	415,499
<b>Liabilities</b>						
Current and Other Liabilities	\$ 9,744,365	\$ 7,669,321	\$ 8,548	\$ 19,505	\$ 9,752,913	\$ 7,688,826
Long-Term Liabilities	4,534,087	4,982,373	-	-	4,534,087	4,982,373
Total Liabilities	<u>\$ 14,278,452</u>	<u>\$ 12,651,694</u>	<u>\$ 8,548</u>	<u>\$ 19,505</u>	<u>\$ 14,287,000</u>	<u>\$ 12,671,199</u>
Deferred Inflows of Resources	\$ 119,212	\$ 352,574	-	-	\$ 119,212	\$ 352,574
<b>Net Position</b>						
<b>Net Investment in Capital</b>						
Assets	\$ 7,637,935	\$ 6,489,804	\$ 105,560	\$ 133,887	\$ 7,743,495	\$ 6,623,691
Restricted	10,406,956	8,240,148	-	-	10,406,956	8,240,148
Committed	365,886	253,214	-	-	365,886	253,214
Assigned	-	-	-	-	-	-
Unassigned	(6,424,540)	(6,107,665)	60,854	39,587	(6,363,686)	(6,068,078)
Total Net Position	<u>\$ 11,986,237</u>	<u>\$ 8,875,501</u>	<u>\$ 166,414</u>	<u>\$ 173,474</u>	<u>\$ 12,152,651</u>	<u>\$ 9,048,975</u>



**NORTH ARLINGTON SCHOOL DISTRICT  
BERGEN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(UNAUDITED)

**THE NORTH ARLINGTON SCHOOL DISTRICT AS A WHOLE (cont'd)**

Table 2 reflects changes in net position for fiscal year 2016 and 2015.

TABLE 2

CHANGES IN NET POSITION

	Governmental		Business-Type		Total 2016	Total 2015
	Activities 2016	Activities 2015	Activities 2016	Activities 2015		
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 17,375	\$ 5,422	\$ 310,183	\$ 320,498	\$ 327,558	\$ 325,920
Operating Grants	1,065,556	1,063,165	235,795	215,666	1,301,351	1,278,831
Total Program Revenues	<u>\$ 1,082,931</u>	<u>\$ 1,068,587</u>	<u>\$ 545,978</u>	<u>\$ 536,164</u>	<u>\$ 1,628,909</u>	<u>\$ 1,604,751</u>
General Revenues:						
Property Taxes	\$ 23,835,912	\$ 23,407,694	\$ -	\$ -	\$ 23,835,912	\$ 23,407,694
Grants and Entitlements	7,549,492	6,657,791	-	-	7,549,492	6,657,791
Interest	17,592	11,340	-	-	17,592	11,340
Miscellaneous	230,550	187,039	-	-	230,550	187,039
Total General Revenues	<u>\$ 31,633,546</u>	<u>\$ 30,263,864</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,633,546</u>	<u>\$ 30,263,864</u>
<b>Total Revenues</b>	<u>\$ 32,716,477</u>	<u>\$ 31,332,451</u>	<u>\$ 545,978</u>	<u>\$ 536,164</u>	<u>\$ 33,262,455</u>	<u>\$ 31,868,615</u>
<b>Function/Program Expenses</b>						
Instruction	10,993,810	11,376,448	-	-	10,993,810	11,376,448
Support Services:						
Tuition, Student & Instructional Staff	3,650,992	3,299,523	-	-	3,650,992	3,299,523
BOE, Administrative and Fiscal	11,156,717	9,879,383	-	-	11,156,717	9,879,383
Operation and Maintenance of Plant	2,239,083	2,204,459	-	-	2,239,083	2,204,459
Pupil Transportation	428,947	435,590	-	-	428,947	435,590
Charter School	16,810	-	-	-	16,810	-
Unallocated Depreciation	998,833	931,412	-	-	998,833	931,412
Interest on Long-Term Debt	120,549	158,154	-	-	120,549	158,154
Food Service	-	-	553,038	590,338	553,038	590,338
Total Expenses	<u>\$ 29,605,741</u>	<u>\$ 28,284,969</u>	<u>\$ 553,038</u>	<u>\$ 590,338</u>	<u>\$ 30,158,779</u>	<u>\$ 28,875,307</u>
Excess before Special Items	3,110,736	3,047,482	(7,060)	(54,174)	3,103,676	2,993,308
Special Items	-	(8,830)	-	-	-	(8,830)
Change in Net Position	3,110,736	3,038,652	(7,060)	(54,174)	3,103,676	2,984,478
Net Position - July 1	8,875,501	5,836,849	173,474	227,648	9,048,975	6,064,497
Net Position - End of the Year	<u>\$ 11,986,237</u>	<u>\$ 8,875,501</u>	<u>\$ 166,414</u>	<u>\$ 173,474</u>	<u>\$ 12,152,651</u>	<u>\$ 9,048,975</u>

**NORTH ARLINGTON SCHOOL DISTRICT  
BERGEN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(UNAUDITED)

**THE NORTH ARLINGTON SCHOOL DISTRICT AS A WHOLE(cont'd)**

The total increase in net assets for Governmental Activities is \$3,110,736 for the year ended June 30, 2016 and \$3,038,652 for the year ended June 30, 2015. The total (decrease) in net assets for Business-Type activities for 2016 and 2015 is \$(7,060) and \$(54,174), respectively. The total increase in net assets as of June 30, 2016 and 2015 is \$3,103,676 and \$2,984,478 respectively.

**Governmental Activities**

The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. Table 3a, for Governmental Activities, indicates the total cost of services and the percentage cost of services. It identifies the cost of these services supported by tax revenues and unrestricted state entitlements.

**TABLE 3a**

**GOVERNMENTAL ACTIVITIES**

	<b>Total Cost of Services 2015-2016</b>	<b>Total Cost of Services 2014-2015</b>	<b>Percent of Total 2016</b>	<b>Percent of Total 2015</b>
Instruction	10,993,810	11,376,448	37.13%	40.22%
Support Services:				
Tuition, Student & Instructional Staff	3,650,992	3,299,523	12.33%	11.67%
BOE, Administrative and Fiscal	11,156,717	9,879,383	37.69%	34.93%
Operation and Maintenance of Plant	2,239,083	2,204,459	7.56%	7.79%
Pupil Transportation	428,947	435,590	1.45%	1.54%
Charter School	16,810	-	0.06%	0.00%
Unallocated Depreciation	998,833	931,412	3.37%	3.29%
Interest on Long-Term Debt	120,549	158,154	0.41%	0.56%
<b>Total Expenses</b>	<b>\$ 29,605,741</b>	<b>\$ 28,284,969</b>	<b>100.00%</b>	<b>100.00%</b>

**NORTH ARLINGTON SCHOOL DISTRICT  
BERGEN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**( UNAUDITED)**

**THE NORTH ARLINGTON SCHOOL DISTRICT AS A WHOLE(cont'd)**

**Governmental Activities (cont'd)**

The Governmental Activities in the above chart demonstrate that \$10,993,810 for fiscal year 2016 and \$11,376,448 for fiscal year 2015 are allocated to school-based budgets and are identified as Instruction. Additionally, Pupil and Instructional Staff Activities are \$3,650,992 for fiscal year 2016 and \$3,299,523 for fiscal year 2015. As of June 30, 2016 and 2015, combined resources from Instruction and Pupil and Instructional Staff Activities are \$14,644,802 and \$14,675,971 respectively.

Together the aforementioned categories account for 49.46% and 51.89% of the Governmental Activities for fiscal year 2016 and 2015, respectively.

Pupil transportation costs reflect the cost for salaries, overtime, maintenance of fleet and contracted transportation services.

**Business-Type Activities**

**TABLE 3b**

**BUSINESS ACTIVITIES**

	<b>Total Cost of Services 2015-2016</b>	<b>Total Cost of Services 2014-2015</b>	<b>Percent of Total 2016</b>	<b>Percent of Total 2015</b>
<b>Revenues</b>				
Program Revenues:				
Charges for Services	\$ 310,183	\$ 320,498	56.81%	59.78%
Operating Grants	235,795	215,666	43.19%	40.22%
<b>Total Revenues</b>	<b>\$ 545,978</b>	<b>\$ 536,164</b>	<b>100.00%</b>	<b>100.00%</b>
Special Item	\$ -	\$ -	0.00%	0.00%
<b>Total Revenues and Special Items</b>	<b>\$ 545,978</b>	<b>\$ 536,164</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Function/Program Expenses</b>				
Food Service	553,038	590,338	100.00%	100.00%
<b>Total Expenses</b>	<b>\$ 553,038</b>	<b>\$ 590,338</b>	<b>100.00%</b>	<b>100.00%</b>
Change in Net Position	\$ (7,060)	\$ (54,174)		

**NORTH ARLINGTON SCHOOL DISTRICT  
BERGEN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**( UNAUDITED)**

**THE NORTH ARLINGTON SCHOOL DISTRICT AS A WHOLE(cont'd)**

**Business-Type Activity(cont'd)**

The Business-Type Activity of the North Arlington School District is the food service operation. This program had revenues of \$545,978 and expenses of \$553,038 for fiscal year 2016 and revenues and special items of \$536,164 and expenses of \$590,338 for fiscal year 2015. For fiscal year 2016, the food service operation realized a net decrease of \$7,060 and a net decrease of \$54,174 for fiscal year 2015.

The Board of Education suggests efforts that continue to increase sales and reducing costs. The North Arlington Board of Education and school administrators are committed and have concentrated efforts to ensure that all students who are eligible for Free/Reduced lunch submit the proper forms for eligibility in a timely manner.

**Source of Revenue**

The local tax revenue has been stable for several years. For all Governmental Activities, state revenue support approximately 16.3 % for 2016 and 15.8 % for 2015. The community, as a whole, is 81.2% for 2016 and 81.7 % for 2015 of the support. Federal revenue accounts for 2.5% for 2016 and 2.5% for 2015 of the total cost of programs for the North Arlington School District students.

<u>Fiscal Year Ended June 30</u>	<u>Local Levy</u>	<u>Other Local Revenue</u>	<u>State Revenue</u>	<u>Federal Revenue</u>	<u>Total</u>
2016	\$ 23,835,912	\$ 153,523	\$4,804,195	\$ 744,400	\$ 29,538,030
2015	\$ 23,407,694	\$ 227,986	\$4,580,114	\$ 717,211	\$ 28,933,005

As of June 30, 2016 and 2015, the total revenue from all sources is \$29,538,030 and \$28,933,005 respectively.

**NORTH ARLINGTON SCHOOL DISTRICT  
BERGEN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(UNAUDITED)

**THE NORTH ARLINGTON SCHOOL DISTRICT AS A WHOLE(cont'd)**

**The North Arlington School District's Funds**

Information about the school district's major funds starts on Page 26. These funds are accounted for using standards established by the Government Accounting Standards Board Statement No. 34. As of June 30, 2016 and 2015, total Governmental Funds had revenues of \$29,538,030 and \$28,933,005, and expenditures and other financing sources of \$27,299,525 and \$26,739,019 respectively.

**General Fund Budgeting Highlights**

The North Arlington School District's budget is prepared according to New Jersey law as it pertains to North Arlington School Districts. During the 2015-2016 and 2014-2015 school years, all schools in the District operated within the boundaries of state budget guidelines.

The North Arlington School District is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significance budgeted fund is the General Fund.

During the course of fiscal year 2016, the North Arlington School District amended its General Fund budget as needed. The budgeting systems are designed to tightly control total program budgets, but provide flexibility for program management.

For the General Fund as of June 30, 2016 and 2015, actual revenues and other financing sources in the amount of \$27,981,143 and \$27,234,833 respectively were above the original budgeted revenues and other financing sources.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2016 and 2015, the North Arlington School District had \$12,025,438 and \$11,304,146, respectively, invested in capital assets, for governmental activities. This amount represents a net increase (including additions and deduction) of \$721,292 from 2015 to 2016 due to additions exceeding depreciation expense and deletions. More detailed information about the Board's capital assets and depreciation is represented in Note 5 to the financial statements.

**NORTH ARLINGTON SCHOOL DISTRICT  
BERGEN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**( UNAUDITED)**

**CAPITAL ASSETS AND DEBT ADMINISTRATION(cont'd)**

**Debt**

At June 30, 2016, the North Arlington School District had no long-term debt payable from Proprietary Fund resources. Long-term liabilities includes debt service, compensated absences and capital lease obligations. More detailed information about the Board's long-term liabilities is presented in Note 6 to the financial statements.

**Current Issues**

The North Arlington School District has been and continues to utilize sound accounting practices in the state of a declining economy and uncertainty in state funding. The North Arlington School District has been faced with modest pupil enrollment during the last few years. Rising special education populations are one area in which close monitoring should occur. Continuous efforts are being made to address classroom needs in both regular and special education programs.

The North Arlington School District has carefully monitored its needs in both the short and long term. Per pupil costs remain below the state average and capital costs have addressed the District's needs for at least the next few years. S-1701 has a propensity to negatively affect all school districts, including North Arlington. CAP restrictions, rising special education costs, under-funded and unfunded state mandates, escalating health benefit costs, and the inability to pose second questions to the public will create interesting and difficult challenges for providing a thorough and efficient education for all public school children. The North Arlington Board of Education will address the challenges and make changes in order to continue to meet the needs of the students and community.

**NORTH ARLINGTON SCHOOL DISTRICT  
BERGEN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**(UNAUDITED)**

**CONTACTING THE NORTH ARLINGTON SCHOOL DISTRICT'S FINANCIAL  
MANAGEMENT**

The Management Discussion and Analysis of this financial report is designed to provide citizens, taxpayers and investors with a snapshot of the North Arlington School District's finances. Also, to reflect the North Arlington School District's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to Kathleen McEwin-Marano, School Business Administrator/Board Secretary, North Arlington School District, 222 Ridge Road, North Arlington, New Jersey 07031.

**DISTRICT-WIDE FINANCIAL STATEMENTS**



**NORTH ARLINGTON SCHOOL DISTRICT**  
**Statement of Net Position**

**June 30, 2016**

	Governmental Activities	Business-type Activities	Totals
<b>ASSETS</b>			
Assets:			
Cash and cash equivalents	\$ 4,976,461	\$ 29,960	\$ 5,006,421
Receivables, net	\$ 262,393		262,393
Due from Governmental Funds		\$ 36,746	36,746
Due from non-governmental/business-type accounts	-	-	-
Inventories		\$ 2,696	2,696
Escrow deposit	-		-
Restricted Assets:			
Restricted cash and cash equivalents	\$ 2,289,791		2,289,791
Capital Reserve account-cash	\$ 5,442,071		5,442,071
Capital assets, net	12,025,438	\$ 105,560	12,130,998
Total assets	24,996,154	174,962	25,171,116
Deferred Outflows of Resources:			
PERS Pension	1,387,747	-	1,387,747
<b>LIABILITIES</b>			
Accounts payable	1,506,639	\$ 8,548	1,515,187
Federal			
State	85,145		85,145
Interfund payables	-		-
Federal	42,400		42,400
Due to business-type activities	36,746		36,746
Other payables	31,526		31,526
Deferred Revenues	195,908		195,908
Long term liabilities - due within one year	431,413		431,413
Long term liabilities - due beyond one year	4,534,087		4,534,087
Net Pension Liability - PERS	7,414,588		7,414,588
Total liabilities	14,278,452	8,548	14,287,000
Deferred Inflows of Resources:			
Pers Pension	119,212	-	119,212
<b>NET POSITION</b>			
Net Investment in Capital Assets	7,637,935	105,560	7,743,495
Restricted for:			
Capital projects	6,581,598		6,581,598
Other purposes	3,825,358		3,825,358
Committed: Year End Encumbrances	365,886		365,886
Assigned:			
Designated for subsequent year's expenditures	-		-
Unassigned	(6,424,540)	\$ 60,854	(6,363,686)
Total net position	\$ 11,986,237	\$ 166,414	\$ 12,152,651

See accompanying notes to financial statements.

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Statement of Activities**  
**for the Fiscal Year ended June 30, 2016**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction:				
Regular	\$ 7,707,118	\$ 17,375	\$ 861,320	
Special Education	2,087,676			
Other special instruction	588,059			
Other instruction	610,957			
Support services:				
Tuition	1,117,382			
Student & instruction related services	2,533,610		204,236	
School administrative services	1,125,000			
General and business administrative services	10,031,717			
Plant operation and maintenance	2,239,083			
Pupil transportation	428,947			
Charter school	16,810			
Unallocated depreciation	998,833			
Interest on Long Term Debt	120,549			
Total governmental activities	<u>29,605,741</u>	<u>17,375</u>	<u>1,065,556</u>	
Business-type activities:				
Food service	553,038	310,183	235,795	
Total business-type activities	<u>553,038</u>	<u>310,183</u>	<u>235,795</u>	
Total primary government	<u>\$ 30,158,779</u>	<u>\$ 327,558</u>	<u>\$ 1,301,351</u>	

General revenues:

Taxes:

Property taxes, levied for general purposes, net

Property taxes, levied for debt service

Federal and State aid not restricted

Investment earnings

Miscellaneous income

Transfer from General Fund - Other

Prior Year Payables Cancelled

Special item-loss on disposal of fixed assets

Total general revenues, special items, extraordinary items and transfers

Change in Net Position

Net Position - July 1

Net Position - June 30

Net (Expense) Revenue and  
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (6,828,423)		\$ (6,828,423)
(2,087,676)		(2,087,676)
(588,059)		(588,059)
(610,957)		(610,957)
(1,117,382)		(1,117,382)
(2,329,374)		(2,329,374)
(1,125,000)		(1,125,000)
(10,031,717)		(10,031,717)
(2,239,083)		(2,239,083)
(428,947)		(428,947)
(16,810)		(16,810)
(998,833)		(998,833)
(120,549)		(120,549)
(28,522,810)		(28,522,810)
	(7,060)	(7,060)
	(7,060)	(7,060)
\$ (28,522,810)	\$ (7,060)	\$ (28,529,870)
23,344,581		23,344,581
491,331		491,331
7,549,492		7,549,492
17,592		17,592
99,998		99,998
29,900		29,900
100,652		100,652
-		-
31,633,546	-	31,633,546
3,110,736	(7,060)	3,103,676
8,875,501	173,474	9,048,975
\$ 11,986,237	\$ 166,414	\$ 12,152,651

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**FUND FINANCIAL STATEMENTS**

**GOVERNMENTAL FUNDS**

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2016**

	Governmental Fund Types				Total Governmental Funds
	General	Special Revenue	Capital Projects	Debt Service	
<b>ASSETS</b>					
Assets:					
Cash and cash equivalents	\$ 4,976,460	\$ 138,175	\$ 2,151,616	\$ 1	\$ 7,266,252
Accounts receivable:					
Federal	35,715	-			35,715
State	224,757	1,921			226,678
Interfund	17,592				17,592
Miscellaneous	-				-
Capital reserve account - restricted cash	5,442,071				5,442,071
<b>Total Assets</b>	<u>\$ 10,696,595</u>	<u>\$ 140,096</u>	<u>\$ 2,151,616</u>	<u>\$ 1</u>	<u>\$ 12,988,308</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable - General	\$ 508,314	\$ -	\$ -	\$ -	\$ 508,314
Accounts payable -Special Revenue		3,828			3,828
Accounts payable -Capital Projects			994,497		994,497
Intergovernmental payable:					
State		85,145			85,145
Federal		42,400			42,400
Interfund payable	36,746		17,592		54,338
Other payables	31,526				31,526
Deferred revenue	187,185	8,723			195,908
<b>Total Liabilities</b>	<u>763,771</u>	<u>140,096</u>	<u>1,012,089</u>	<u>-</u>	<u>1,915,956</u>
Fund balances:					
Restricted					
Reserved Excess Surplus- Designated for Subsequent Year's Expenditures	1,329,680				1,329,680
Reserve for Excess Surplus	2,495,678				2,495,678
Capital Reserve	5,442,071				5,442,071
Committed:					
Year-End Encumbrances	365,886		34,014		399,900
Assigned-					
Designated for subsequent year's expenditures	-				-
Unassigned	299,509		1,105,513	1	1,405,023
<b>Total Fund Balances</b>	<u>9,932,824</u>	<u>-</u>	<u>1,139,527</u>	<u>1</u>	<u>11,072,352</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 10,696,595</u>	<u>\$ 140,096</u>	<u>\$ 2,151,616</u>	<u>\$ 1</u>	

Amounts reported for governmental activities in the statement of net position (A-1) are different because:

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds. The cost of the assets is \$31,393,273 and the accumulated depreciation is \$19,367,835 (See Note 5)

12,025,438

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

(4,965,500)

Net Pension Liability - PERS

(7,414,588)

Deferred Outflows of Resources - PERS

1,387,747

Deferred Inflows of Resources - PERS

(119,212)

Net position of governmental activities (Exhibit A-1)

\$ 11,986,237

See accompanying notes to financial statements.

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**for the Fiscal Year ended June 30, 2016**

	Governmental Fund Types				Governmental Funds
	General	Special Revenue	Capital Projects	Debt Service	
<b>REVENUES</b>					
Local sources:					
Local tax levy	\$ 23,344,581	\$ -	\$ -	\$ 491,331	\$ 23,835,912
Summer Program	17,375				17,375
Interest on investments	17,592				17,592
Miscellaneous	99,998				99,998
Total revenues-local sources	<u>23,479,546</u>	<u>-</u>	<u>-</u>	<u>491,331</u>	<u>23,970,877</u>
Local sources		18,558			18,558
State sources	4,501,597	302,598	-		4,804,195
Federal sources	-	744,400			744,400
Total revenues	<u>27,981,143</u>	<u>1,065,556</u>	<u>-</u>	<u>491,331</u>	<u>29,538,030</u>
<b>EXPENDITURES</b>					
Current expense:					
Instruction	10,132,490	861,320			10,993,810
Undistributed expenditures	13,981,547	204,236			14,185,783
Capital outlay	409,631	-	1,310,494		1,720,125
Debt service				513,549	513,549
Charter School	16,810				16,810
Total expenditures	<u>24,540,478</u>	<u>1,065,556</u>	<u>1,310,494</u>	<u>513,549</u>	<u>27,430,077</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,440,665</u>	<u>-</u>	<u>(1,310,494)</u>	<u>(22,218)</u>	<u>-</u> <u>2,107,953</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer to Debt Service	-				-
Transfer from General Fund - Other	-		29,900		29,900
Capital outlay transfer to capital projects	(493,333)		493,333		-
Capital Reserve transfer to Cap. Projects	-		-		-
Capital leases (non budgeted)	-				-
Prior Year Payables Cancelled			100,652		100,652
Refunding of Bonds			-		-
Bond Proceeds			-		-
Total other financing sources (uses)	<u>(493,333)</u>		<u>623,885</u>	<u>-</u>	<u>130,552</u>
Net changes in fund balance	<u>2,947,332</u>	<u>-</u>	<u>(686,609)</u>	<u>(22,218)</u>	<u>2,238,505</u>
Fund balances, July 1	<u>6,985,492</u>	<u>-</u>	<u>1,826,136</u>	<u>22,219</u>	<u>6,015,722</u>
Fund balances, June 30	<u>\$ 9,932,824</u>	<u>\$ -</u>	<u>\$ 1,139,527</u>	<u>\$ 1</u>	<u>\$ 11,072,352</u>

See accompanying notes to financial statements.



**NORTH ARLINGTON SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**for the Fiscal Year ended June 30, 2016**

Total net change in fund balances - governmental funds (from B-2) \$ 2,238,505

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the period.

	Depreciation Expense	\$ (998,833)	
	Capital Outlays	<u>1,720,125</u>	721,292

Repayments of bond principal and capital leases payable are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position and is not reported in the statement of activities.

	Repayment of Bond Principal	393,000	
	Capital Leases	-	
	Payments of Capital Leases Payable	<u>33,839</u>	426,839

Special item-loss on disposal of fixed asset -

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) and pension liabilities are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).

	Change in compensated absences	16,872	
	Additional PERS pension expense recognized	<u>(292,772)</u>	<u>(275,900)</u>

Change in net position of governmental activities \$ 3,110,736

See accompanying notes to financial statements.

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PROPRIETARY FUNDS

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2016**

	Business-Type Activities <u>Enterprise Funds</u>
	<u>Food Service</u>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 29,960
Interfund receivable	36,746
Inventories	2,696
Total Current Assets	<u>69,402</u>
Fixed Assets:	
Equipment	268,694
Accumulated depreciation	(163,134)
Total Fixed Assets	<u>105,560</u>
Total Assets	<u>\$ 174,962</u>
 <b>LIABILITIES AND NET POSITION</b>	
Liabilities:	
Due to Management Company	\$ 8,548
Total Current Liabilities	<u>8,548</u>
Net Position:	
Restricted	105,560
Unrestricted	60,854
Total Net Position	<u>166,414</u>
Total Liabilities and Net Position	<u>\$ 174,962</u>

See accompanying notes to financial statements.

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**for the Fiscal Year ended June 30, 2016**

	Business-Type Activities Enterprise Fund
	Food Service
<b>OPERATING REVENUES:</b>	
Charges for services	
Daily sales - reimbursable programs	\$ 310,183
Daily sales - non-reimbursable programs	-
Total Operating Revenues	310,183
<b>OPERATING EXPENSES:</b>	
Labor costs	187,150
Costs of sales	267,740
Supplies and materials	15,698
Insurance	21,993
Management fee	32,130
Depreciation	28,327
Total Operating Expenses	553,038
Operating income (loss)	(242,855)
<b>NONOPERATING REVENUES:</b>	
State sources:	
State school lunch program	5,656
Federal sources:	
Nutrition reimbursements	193,556
Food distribution program	36,583
Total Nonoperating Revenues	235,795
Net (loss) before operating transfers and other special items	(7,060)
Operating transfers:	
Special item-appraisal of capital assets adjustment	-
Net loss before special items	(7,060)
Special item:	
Loss on disposal of fixed assets	-
Change in net position	(7,060)
Total Net Position, July 1	173,474
Total Net Position, June 30	\$ 166,414

See accompanying notes to financial statements.

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**for the Fiscal Year ended June 30, 2016**

	Business-Type Activities Enterprise Fund
	Food Service
Cash flows from operating activities:	
Receipts from customers	\$ 310,183
Payments to employees	(187,150)
Payments to suppliers	(346,822)
Net cash (used for) operating activities	(223,789)
Cash flows from non-capital financing activities:	
State sources	4,988
Federal sources	169,340
Food distribution program	36,583
Net cash provided by non-capital financing activities	210,911
Cash flows from investing activities:	
Purchase of Equipment	-
Net cash (used for) investing activities	-
Net decrease in cash and cash equivalents	(12,878)
Cash and cash equivalents, July 1	42,838
Cash and cash equivalents, June 30	\$ 29,960
Reconciliation of operating loss to net cash (used for) provided by operating activities:	
Operating (loss)	\$ (242,855)
Adjustment to reconcile operating (loss) to net cash (used for) provided by operating activities:	
Decrease in inventories	1,696
Increase in due to Management Company	(10,957)
Depreciation	28,327
Total adjustments	19,066
Net cash (used for) operating activities	\$ (223,789)

See accompanying notes to financial statements.

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**FIDUCIARY FUNDS**



**NORTH ARLINGTON SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2016**

	Private Purpose Scholarship Funds	Agency	
		Student Activity	Payroll
<b>ASSETS</b>			
Cash and cash equivalents	\$ 15,776	\$ 380,612	\$ 127,199
Total Assets	<u>\$ 15,776</u>	<u>\$ 380,612</u>	<u>\$ 127,199</u>
<b>LIABILITIES AND NET POSITION</b>			
Liabilities:			
Payroll deductions & withholdings	\$ -	\$ -	\$ 127,199
Due to student groups	<u>                    </u>	<u>380,612</u>	<u>                    </u>
Total Liabilities	<u>                    </u>	<u>380,612</u>	<u>127,199</u>
Net Position:			
Reserved for scholarships	<u>15,776</u>	<u>                    </u>	<u>                    </u>
Total Net Position	<u>15,776</u>	<u>                    </u>	<u>                    </u>
Total Liabilities and Net Position	<u>\$ 15,776</u>	<u>\$ 380,612</u>	<u>\$ 127,199</u>

See accompanying notes to financial statements.

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**for the Fiscal Year ended June 30, 2016**

	<u>Private Purpose Scholarship Funds</u>
<b>ADDITIONS</b>	
Local Sources: Contributions	\$ 25,830
Total additions	<u>25,830</u>
<b>DEDUCTIONS</b>	
Scholarships awarded	<u>44,683</u>
Total deductions	<u>44,683</u>
Changes in Net Position	(18,853)
Net Position-beginning of year	34,629
Net Position-end of year	<u><u>\$ 15,776</u></u>

See accompanying notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

The financial statements of the Board of Education (Board) of the North Arlington School District (District) 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.

In its accounting and financial reporting, the District follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

The financial statements include:

A Management Discussion and Analysis (MD&A) section providing an analysis of the Board's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of the Board's activities.

A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including Notes to the Financial Statements). The Board has continued to implement the general provisions of the Statement in the current year. Internal activity is eliminated in the statement of activities.

The more significant of the Board's accounting policies are described below:

**A. Reporting Entity:**

The North Arlington School District is a Type II District located in the County of Bergen, State of New Jersey. As a Type II District, the School District functions independently through a Board of Education. The Board is comprised of five members appointed to three-year terms. The purpose of the District is to educate students in grades K-12. The

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**A. Reporting Entity: (cont'd)**

North Arlington School District had an approximate enrollment at June 30, 2016, of 1,764 students.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the *GASB Codification of Governmental Accounting and Financial Reporting Standards*, is whether:

- the primary government is financially accountable for the organization.
- the organization is legally separate (can sue or be sued in their own name).
- the District holds the corporate powers of the organization.
- the District appoints a voting majority of the organization's Board
- the District is able to impose its will on the organization.
- the organization has the potential to impose a financial benefit/burden on the District.
- there is a fiscal dependency by the organization on the District.

Based on the aforementioned criteria, the District has no component units.

**B. Basic Financial Statements - District-Wide Statements:**

The Board's basic financial statements include both district-wide (reporting the Board as a whole) and fund financial statements (reporting the Board's major funds). Both the district-wide and fund financial statements categorize primary activities as either governmental or business type. The Board's general operating services, special revenue, capital projects, debt service and nonexpendable trust funds are classified as governmental activities. The Board's food service is classified as a business-type activity.

The Statement of Net Position and Statement of Activities display information about the reporting district as a whole. They include all funds of the reporting entity except for fiduciary funds.

In the District-Wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Board's net position is reported in three parts - invested in capital assets, net of related debt; restricted net

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**B. Basic Financial Statements - District-Wide Statements: (cont'd)**

position; and unrestricted net position. The Board first utilizes restricted resources to finance qualifying activities.

The District-Wide Statement of Activities reports both the gross and net cost of each of the Board's functions and business-type activities. The functions are also supported by general government revenues (property and certain intergovernmental revenues). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, taxes, intergovernmental revenues, interest income, etc.)

The district-wide focus is more on the sustainability of the Board as an entity and the change in the Board's net position resulting from the current year's activities.

**C. Basic Financial Statements - Fund Financial Statements:**

The financial transactions of the Board are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Board:

**1. Governmental Funds**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Board:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the Capital Outlay sub-fund.

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**C. Basic Financial Statements - Fund Financial Statements: (cont'd)**

**1. Governmental Funds (cont'd)**

As required by the New Jersey State Department of Education, the District includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance Capital Outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted Capital Outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

**2. Proprietary Funds**

The focus of Proprietary Fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Funds of the District:

Enterprise Funds - The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises - where

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**C. Basic Financial Statements - Fund Financial Statements: (cont'd)**

**2. Proprietary Funds (cont'd)**

the intent of the District is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The District's Enterprise Funds are comprised of the Food Service Fund.

Internal Service Funds - Internal service funds are used to account for the financing of goods or services provided by an activity to other departments or funds on a cost-reimbursement basis. The District does not have internal service funds.

All Proprietary Funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported net position (net total position) is segregated into invested in capital assets, net of related debt, restricted for capital projects or unrestricted, if applicable. Proprietary Fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

Depreciation of all exhaustive fixed assets used by Proprietary Funds is charged as an expense against their operations. Accumulated depreciation is reported on Proprietary Funds balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

Food Service Fund:	
Equipment	5 Years

**3. Fiduciary Funds**

Fiduciary Funds are used to report assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds and therefore are not available to support district programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds.



**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**C. Basic Financial Statements - Fund Financial Statements: (cont'd)**

**3. Fiduciary Funds (cont'd)**

Expendable Trust Funds - An Expendable Trust Fund is accounted for in essentially the same manner as the Governmental Fund types, using the same measurement focus and basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent. The District does not have Expendable Trust Funds.

Private Purpose Scholarship Funds - A Trust Fund is used to account for assets held under the terms of a formal trust agreement, whereby the District is under obligation to maintain the trust principal. The District maintains one scholarship fund.

Non-expendable Trust Fund - A Non-expendable Trust Fund is used to account for assets held under the terms of a formal trust agreement, whereby the District is under obligation to maintain the trust principal. The district does not have non-expendable trust funds.

Agency Funds - Agency Funds are used to account for the assets that the District holds on behalf of others as their agent. Agency Funds are custodial in nature and do not involve measurement of results of operations. Agency Funds include payroll and student activities funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Board considers all governmental and business-type activities to be major.

The Board's fiduciary funds are presented in the fiduciary fund financial statements by type (agency and expendable trust). Since by definition these assets are being held for the benefit of a third party (other local governments, students, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the district-wide statements.

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**D. Basis of Measurement and Accounting Focus:**

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 District-Wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds and expendable trust funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.
- c. Agency funds are not involved in the measurement of results of operation; therefore, measurement focus is not applicable to them.

**Basis of Accounting**

In the District-Wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**D. Basis of Measurement and Accounting Focus: (cont'd)**

**Basis of Accounting (cont'd)**

In the fund financial statements, governmental funds, expendable trust funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for principal and interest on long-term debt which are reported when due.

Ad Valorem (Property) Taxes are susceptible to accrual and under New Jersey State Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable."

All proprietary funds and non-expendable trust funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

**E. Budgets/Budgetary Control:**

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for approval. Budgets are prepared using the modified accrual basis of accounting, except for the Special Revenue Fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item units are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Line-item transfers from an advertised appropriation account as defined under N.J.A.C. 6A:23A-2.3, which on a cumulative basis exceed ten percent of the amount included in the original budget, require county superintendent approval. Effective December 2004, line-item transfers to an advertised appropriation account identified as either general administration, school administration, central services and administrative information technology or other support services that, on a cumulative basis, exceed 10% of the amount included in the original budget require county superintendent approval.

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**E. Budgets/Budgetary Control: (cont'd)**

Pursuant to N.J.S.A. 18A:22-8 and N.J.A.C. 6A:23A-2.3 appropriation of surplus or other unbudgeted or underbudgeted revenue is allowed only between April 1 and June 30 and requires Regional Assistant Commissioner approval. Six revenue categories identified under N.J.A.C. 6A:23A-2.3(c) are excluded from this requirement.

Prior to April 1, a school board may petition the Commissioner for appropriation of surplus or other unbudgeted or underbudgeted revenue (except for those exempted under N.J.A.C. 6A:23A-2.3(c)) an "emergent circumstance". Such petition must be submitted by a two-thirds affirmative vote of the authorized membership of the Board and include the items listed and demonstrate the need pursuant to N.J.A.C. 6A:23A-2.3(b). During the fiscal year, the Board of Education made supplemental budgetary appropriations totaling \$19,093 which was for custodial overtime.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For Governmental Funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of one or more June state aid payments for budgetary purposes only and the Special Revenue Fund as noted in Exhibit C-3. Encumbrance accounting is also employed as an extension of formal budgetary integration in the Governmental Fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the Special Revenue Fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The following presents a reconciliation of the Special Revenue Funds from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - Special Revenue Fund to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**D. Basis of Measurement and Accounting Focus: (cont'd)**

**Budgets/Budgetary Control (cont'd)**

	2015 – 2016
Total Revenues (Budgetary Basis)	\$ 1,074,279
Adjustments:	
State Aid Payment Recognized for GAAP Statements in the Current Year, Previously Recognized for Budgetary Purposes	-0-
Less: Current Year Encumbrances	( 8,723)
State Aid Payment Recognized for Budgetary Purposes Not Recognized for GAAP Statements	
Total Revenues (GAAP Basis)	\$ 1,065,556
	2015 – 2016
Total Expenditures (Budgetary Basis)	\$ 1,074,279
Adjustments:	
Less: Current Year Encumbrances	( 8,723)
Total Expenditures (GAAP Basis)	\$ 1,065,556

**F. Encumbrances:**

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in Governmental Funds, other than the Special Revenue Fund, are reported as reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services. Open encumbrances in the Special Revenue Fund, for which the District has received advances, are reflected in the balance sheet as deferred revenues at fiscal year end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**G. Cash, Cash Equivalents and Investments:**

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey School Districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey School Districts.

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et.seq. establishes the requirements for the security of deposits of governmental units. The Statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

**H. Tuition Receivable:**

For the year ending June 30, 2016 there were no tuition charges established by the Board of Education. The Board is not a receiving district.

**I. Tuition Payable:**

Tuition charges for the fiscal years 2015-2016 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**J. Inventories and Prepaid Expenses:**

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the Enterprise Fund are recorded as an expenditure during the year of purchase.

Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2016.

**K. Short-Term Interfund Receivables/Payables:**

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year. For the purpose of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

**L. Fixed Assets:**

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the district-wide or fund financial statements.

**District-Wide Statements**

In the District-Wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2002.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	50	years
Improvements	20	years
Machinery and Equipment	5-20	years

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**L. Fixed Assets: (cont'd)**

**Fund Financial Statements (cont'd)**

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the district-wide statements.

**M. Restricted Assets:**

Restricted assets include cash for the capital reserve account.

**N. Compensated Absences:**

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the District and its employees is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

The liability for these compensated absences is recorded as long-term debt in the district-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

**O. Deferred Revenue:**

Deferred revenue in the Special Revenue Fund represents cash that has been received but not yet earned.

**P. Long-Term Debt:**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the district-wide or fund financial statements.

All long-term debt to be paid from governmental and business-type resources are reported as liabilities in the district-wide statement. The long-term debt consists primarily



**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**P. Long-Term Debt: (cont'd)**

of accrued compensated absences, bonds payable and obligations under capital leases.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The accounting for proprietary fund is the same in the fund statements as it is in the district-wide statements.

**Q. Equity Classifications:**

**District-Wide Statements**

Equity is classified as net position and displayed in three components:

- a) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) Unassigned net position - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**Fund Statements**

Governmental fund equity is classified as fund balance. Under GASB No. 54, fund balance is further categorized as restricted, committed, assigned, or unassigned fund balance. Restrictions are created to either (1) satisfy legal covenants that require a portion of the fund balance to be segregated or (2) identify the portion of the fund balance that is appropriated for future expenditures. The categories used are detailed below.

Restricted – Excess Surplus – Designated for Subsequent Year's Tax Relief – This reserve was created to represent the June 30, 2015 audited excess surplus that will be appropriated in the 2016-2017 original budget certified for taxes.

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Q. Equity Classifications: (cont'd)**

**District-Wide Statements (cont'd)**

*Restricted – Reserve for Excess Surplus* – This reserve was created to represent the June 30, 2016 audited excess surplus that is required to be appropriated in the 2017-2018 original budget certified for taxes.

*Restricted – Capital Reserve* – This reserve was created by the District to fund future capital expenditures (See Note 3).

*Committed – Year-End Encumbrances* – This reserve was created to represent encumbrances outstanding at the end of the year based on purchase orders and contracts awarded for which the goods or services have not yet been received at June 30.

*Assigned – Designated for Subsequent Year's Expenditures* – This reserve was created to reflect management's intended use of fund balance in the subsequent year's budget certified for taxes.

*Unassigned* – this classification is used for all other fund balance.

Proprietary fund equity is classified the same as in the district-wide statements.

**R. Operating and Nonoperating Revenue:**

Operating revenues for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue not related to capital and related financing, noncapital financing, or investing activities. Nonoperating revenues include reimbursements by the State for school breakfast, lunch and food distribution programs.

**S. Expenditures/Expenses:**

In the district-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay
Proprietary Fund - By Operating and Nonoperating	

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**S. Expenditures/Expenses (Cont'd)**

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

**T. Pension Plans:**

For purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher's Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS) and additions to/deductions from the TPAF's and PERS' fiduciary net position have been determined on the same basis as they are reported by TPAF and PERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported as fair value.

**NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

It is the District's policy to only deposit and invest funds with financial institutions located in the State of New Jersey which are insured as a part of the Government Unit Deposit Protection Act (GUDPA).

Custodial Credit Risk is the risk that, in the event of a bank failure, the District will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. Deposits are exposed to custodial risk if they are not covered by depository insurance and the deposits are:

- a. Uncollateralized
- b. Collateralized with securities held by the pledging financial institution.
- c. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Foreign currency risk is the risk that changes in exchange rates will adversely affect deposits. The district does not invest in foreign currency.

As of June 30, 2016, the District's deposits and investments are summarized as follows:

Insured - FDIC	\$ 270,273
Insured - GUDPA	<u>12,991,597</u>
	<u>\$13,261,870</u>

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (cont'd)**

Reconciliation to District-Wide Statement of  
Net Assets:

Unrestricted Cash		\$ 5,006,421
Restricted Cash		2,289,791
Restricted Cash-Capital Reserve Account		5,442,071
Trust and Agency Fund (Not Included In District-Wide Statement)		523,587
		<u>\$ 13,261,870</u>

**NOTE 3. DEPOSIT AND INVESTMENT RISK**

New Jersey Statutes permit the District to purchase the following types of securities:

- Bonds or other obligations of the United States or obligations guaranteed by the United States of America.
- Government money market mutual funds.
- Any federal agency or instrumentality obligation authorized by congress that matures within 397 days from the date of purchase, and has fixed rate of interest not dependent on any index or external factors.
- Any other obligations with maturities not exceeding 397 days, as permitted by the Division of Investments.
- Local government investment pools, such as New Jersey CLASS, and the New Jersey Arbitrage Management Program.
- New Jersey Cash Management Fund.
- Repurchase agreements of fully collateralized securities, subject to the following conditions: 1) the underlying securities are permitted investments, 2) the custody of the collateral is transferred to a third party, 3) the maturity of the agreement is not more than 30 days, 4) the underlying securities are purchased through GUDPA approved bank or through a securities broker-dealer which is registered with the New Jersey Bureau of Securities.
- Obligations issued by the state and its agencies.

As of June 30, 2016, the District had no investments.

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 3. DEPOSIT AND INVESTMENT RISK (cont'd)**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments securities are exposed to custodial credit risk if they are uninsured, are not registered in the District's name, and are held by either:

- a. the counterparty, or
- b. the counterparty's trust department or agent but not in the District's name.

Foreign currency is the risk that changes in exchange rates will adversely affect investments.

The District does not have investments denominated in foreign currency.

At June 30, 2016, the District's deposits were not exposed to custodial credit risk or foreign currency risk.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District does not have an investment policy regarding the management of credit risk. GASB Statement No. 40 requires that the District disclose the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The District is exempt from this requirement because it has no investments at June 30, 2016.

Concentration of Credit Risk - The District places no formal limits on the amount they may invest in any one issue. At June 30, 2016, the District had no investments.

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. At June 30, 2016, the District did not have any investments which would expose it to interest rate risk.

**NOTE 4. CAPITAL RESERVE ACCOUNT**

A capital reserve account was established by the North Arlington Board of Education by inclusion of \$1.00 on October 11, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP) and updated annually in the Quality Assurance Annual Report (QAAR). Upon submission of the LRFP to the

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 4. CAPITAL RESERVE ACCOUNT (cont'd)**

department, a district may deposit funds into the capital reserve at any time upon Board resolution through the transfer of undesignated, unreserved general fund balance or of excess undesignated, unreserved general fund balance that is anticipated in the budget certified for taxes. Post-April 2004 transfers must be in compliance with P.L. 2004,C.73 (S1701). Pursuant to N.J.A.C. 6:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for July 1, 2015 to June 30, 2016 fiscal year is as follows:

Beginning Balance, July 1, 2015	\$ 4,242,071
Interest Earnings	-
Deposits	1,200,000
Withdrawals	-
Ending Balance, June 30, 2016	\$ 5,442,071

The June 30, 2016 LRFP balance of local support costs of uncompleted capital projects at June 30, 2016 is \$5,442,071.

**NOTE 5. CAPITAL ASSETS AND DEPRECIATION**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the Board as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The valuation bases for general capital assets are historical cost, or where historical cost is not available, estimated historical cost.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the general capital assets.

Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; improvements, 20 years; equipment, 5 to 20 years.

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 5. CAPITAL ASSETS AND DEPRECIATION (cont'd)**

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance at <u>June 30, 2015</u>	<u>Additions</u>	<u>Disposals</u>	Balance at <u>June 30, 2016</u>
<b>Government Activities:</b>				
Land	\$ 648,206	\$ -	\$ -	\$ 648,206
Land Improvements	174,800	-	-	174,800
Buildings	2,425,905	-	-	2,425,905
Improvements	25,215,228	1,715,727	-	26,930,955
Machinery and Equipment	1,209,009	4,398	-	1,213,407
Totals at Historical Cost	<u>29,673,148</u>	<u>1,720,125</u>	<u>-</u>	<u>31,393,273</u>
<b>Less Accumulated Depreciation:</b>				
Land Improvements	(174,800)	-	-	(174,800)
Buildings	(2,427,880)	-	-	(2,427,880)
Improvements	(15,714,833)	(875,194)	-	(16,590,027)
Machinery and Equipment	(51,489)	(123,639)	-	(175,128)
Total Accumulated Depreciation	<u>(18,369,002)</u>	<u>(998,833)</u>	<u>-</u>	<u>(19,367,835)</u>
<b>Government Activities Capital Assets,</b>				
Net	<u>11,304,146</u>	<u>721,292</u>	<u>-</u>	<u>12,025,438</u>
<b>Business-type Activities:</b>				
Machinery and Equipment	268,694	-	-	268,694
Totals at Historical Cost	<u>268,694</u>	<u>-</u>	<u>-</u>	<u>268,694</u>
<b>Less Accumulated Depreciation:</b>				
Machinery and Equipment	(134,807)	(28,327)	-	(163,134)
Total Accumulated Depreciation	<u>(134,807)</u>	<u>(28,327)</u>	<u>-</u>	<u>(163,134)</u>
<b>Business-type Activities Capital Assets,</b>				
Net	<u>\$ 133,887</u>	<u>\$ (28,327)</u>	<u>\$ -</u>	<u>\$ 105,560</u>

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 5. CAPITAL ASSETS AND DEPRECIATION (cont'd)**

\* Depreciation expense was charged to Governmental Activities as follows:

Instruction:	
Regular	\$ 998,833
Total Instruction	\$ 998,833
Total Depreciation Expense	\$ 998,833

**NOTE 6. LONG-TERM DEBT**

The Board's long-term debt is summarized as follows:

Governmental Activities

	Balance at June 30, 2015	Additions	Reductions	Balance at June 30, 2016	Accounts Due within One Year	Long - Term Portion
Compensated Absences Payable	\$ 594,869	\$ 40,916	\$ 57,788	\$ 577,997	\$ -	\$ 577,997
Bonds Payable	4,677,000	-	393,000	4,284,000	396,000	3,888,000
Obligation under Capital Leases	137,342	-	33,839	103,503	35,413	68,090
Total Government Activities Debt	\$ 5,409,211	\$ 40,916	\$ 484,627	\$ 4,965,500	\$ 431,413	\$ 4,534,087

**A. Bonds Payable:**

Bonds are authorized in accordance with State law by the voters of the District through referendums. All Bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the District are General Obligation Bonds.



**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 6. LONG-TERM DEBT (cont'd)**

**A. Bonds Payable: (cont'd)**

On May 17, 2012, the Board issued School District Refunding Bonds in the amount of \$1,926,000. The proceeds of these bonds were used to refund a portion of the District's Series 2003 bonds.

On September 12, 2013, the School District issued 3,388,000 of School District Bonds, Series 2013. The purpose of the Bonds is (a) to currently refund and redeem the \$1,150,000 School District Bond Anticipation Notes, Series 2013, of the Board dated May 30, 2013 and maturing December 4, 2013, which were issued to temporarily finance a portion of the costs of the construction of an athletic field complex to include, without limitation, a 6-lane track, a multipurpose athletic field, and storage, restroom and concession stand buildings, including acquiring the State of New Jersey's riparian rights that run under and through the improvements to the field, any necessary improvements, upgrades, appurtenances, equipment, and site work in connection therewith (the "Project") and (b) to permanently finance the remainder of the costs of the Project.

Principal and interest due on these Serial Bonds outstanding are as follows:

School Bonds Series 2012			Year Ending June 30,	School Bonds Series 2013		
Principal	Interest	Total		Principal	Interest	Total
231,000	28,579	259,579	2017	165,000	85,850	250,850
236,000	24,797	260,797	2018	170,000	82,288	252,288
241,000	19,823	260,823	2019	175,000	78,406	253,406
248,000	14,140	262,140	2020	180,000	74,187	254,187
255,000	7,545	262,545	2021	185,000	69,625	254,625
<u>\$ 1,211,000</u>	<u>\$ 94,884</u>	<u>\$ 1,305,884</u>	2022	275,000	63,187	338,187
			2023	275,000	54,937	329,937
			2024	275,000	46,688	321,688
			2025	275,000	38,438	313,438
			2026	275,000	30,016	305,016
			2027	275,000	21,422	296,422
			2028	275,000	12,828	287,828
			2029	273,000	4,266	277,266
				<u>\$ 3,073,000</u>	<u>\$ 662,138</u>	<u>\$ 3,735,138</u>

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 6. LONG-TERM DEBT (cont'd)**

**B. Capital Leases:**

The District is leasing copy equipment totaling \$174,403 under capital leases. All capital leases are for terms of five years. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2016.

Year	Amount
2017	39,046
2018	32,781
2019	24,606
2020	13,922
Total minimum lease payments	\$ 110,355
Less: Amount representing interest	(6,852)
Present value of net minimum lease payments	\$ 103,503

**NOTE 7. PENSION PLAN – TEACHERS’ PENSION AND ANNUITY FUND  
(TPAF)**

**A. Plan Description:**

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF) is a cost sharing multiple-employer defined benefit pension plan with a special-funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. TPAF is administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about TPAF, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrprts.shtml](http://www.state.nj.us/treasury/pensions/annrprts.shtml).

**B. Benefits Provided:**

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 7. PENSION PLANS TEACHERS' PENSION AND ANNUITY FUND  
(TPAF) (cont'd)**

**B. Benefits Provided (cont'd)**

contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

The following represents the membership tiers for TPAF:

<b>Tier</b>	<b>Definition</b>
1.	Members who were enrolled prior to July 1, 2007
2.	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3.	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4.	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5.	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of  $1/55^{\text{th}}$  of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of  $1/60^{\text{th}}$  of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit, and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**C. Contributions:**

The contribution policy for TPAF is set by N.J.S.A 18A:66 and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For Fiscal year 2015 the State's pension contribution was less than the actuarial determined amount.

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 7. PENSION PLANS (cont'd)**

**D. Special Funding Situation:**

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

**E. Proportionate Share of the TPAF Net Pension Liability, Pension Expense (and Related Revenue) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to TPAF:**

At June 30, 2016, the District's Proportionate Share of the Net Pension Liability is as follows:

	<b>June 30, 2016</b>
Proportionate Share of Net Pension Liability	\$63,780,669

For the Year Ended June 30, 2016 the District's Proportionate Share of Pension Expense (and Related Revenue) was as follows:

	<b>For the Year Ended June 30, 2016</b>
Proportionate Share of Pension Expense (and Related Revenue)	\$3,894,384

The proportionate share of the net pension liability as of June 30, 2016 was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015 in the State of New Jersey TPAF Audit. This actuarial valuation used the following actuarial assumptions:

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 7. PENSION PLANS (cont'd)**

**E. Proportionate Share of the TPAF Net Pension Liability, Pension Expense (and Related Revenue) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to TPAF (cont'd)**

Inflation rate	2.50%
Salary Increases: 2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.90%

Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

For the year ended June 30, 2015, The District's proportionate share of deferred outflow of resources and deferred inflows of resources was as follows:

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 7. PENSION PLANS (cont'd)**

**E. Proportionate Share of the TPAF Net Pension Liability, Pension Expense (and Related Revenue) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to TPAF (cont'd)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 324,268	\$ 19,101
Changes of assumption	7,223,121	-
Net difference between projected and actual earnings on pension plan investments	-	537,067
Changes in proportion and differences between District contributions and proportionate share of contributions	46,126	72,883
Total	<u>\$ 7,593,515</u>	<u>\$ 629,051</u>

**F. Long-Term Expected Rate of Return:**

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best- estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges 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. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2015 are summarized in the following table:

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 7. PENSION PLANS (cont'd)**

**F. Long-Term Expected Rate of Return (cont'd)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long - Term Expected Real Rate of Return</u>
US Cash	5.00%	0.53%
US Government Bonds	1.75%	1.39%
US Credit Bonds	13.50%	2.72%
US Mortgages	2.10%	2.54%
US Inflation-Indexed Bonds	1.50%	1.47%
US High Yield Bonds	2.00%	4.57%
US Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Market Equities	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - MultiStrategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%
	<u>100.00%</u>	

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 7. PENSION PLANS (cont'd)**

**G. Discount Rate:**

The discount rate used to measure the total pension liability was 4.13% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**H. Sensitivity of the Net Pension Liability to Changes in the Discount Rate:**

The following presents the net pension liability of the State as of June 30, 2015 calculated using the discount rate as disclosed above as well as what the State's net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

<b>At 1% decrease (3.13%)</b>	<b>At current discount rate (4.13%)</b>	<b>At 1% increase (5.13%)</b>
\$ 75,559,915,440	63,577,864,440	53,254,610,440

**NOTE 8. PENSION PLAN - PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
(PERS)**

**A. Plan Description:**

The State of New Jersey Public Employees' Retirement System (PERS) is cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrprts.shtml](http://www.state.nj.us/treasury/pensions/annrprts.shtml).



**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 8. PENSION PLAN - PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
(PERS) (cont'd)**

**B. Benefits Provided:**

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1.	Members who were enrolled prior to July 1, 2007
2.	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3.	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4.	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5.	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tiers I and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers I and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier I members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**C. Contributions:**

The contribution policy for PERS is set by NJ.SA 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For Fiscal year 2015, the State's pension contribution was less than the actuarial determined amount.

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 8. PENSION PLAN - PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
(PERS) (cont'd)**

**C. Contributions (cont'd)**

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. The unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

**D. Proportionate Share of the PERS Net Pension Liability, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to PERS:**

At June 30, 2016, the District's Proportionate Share of the Net Pension Liability is as follows:

	<b>June 30, 2016</b>
Proportionate Share of Net Pension Liability	<b>\$7,414,588</b>

For the Year Ended June 30, 2016, the District's Proportionate Share of Pension Expense (and Related Revenue) was as follows:

	<b>For the Year Ended June 30, 2016</b>
Proportionate Share of Pension Expense	<b>\$576,736</b>

The proportionate share of the net pension liability as of June 30, 2016 was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015 in the State of New Jersey PERS Audit. This actuarial valuation used the following actuarial assumptions:

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 8. PENSION PLAN - PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
(PERS) (cont'd)**

**D. Proportionate Share of the PERS Net Pension Liability, Pension Expense and Related Revenue and Deferred Outflows of Resources and Deferred Inflows of Resources Related to PERS (cont'd)**

Inflation rate	3.04%
Salary	2.15 - 4.40%
Increases: 2012-2021	based on age
Thereafter	3.15 - 5.40% based on age
Investment rate of return	7.90%

Mortality rates were based on RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements for the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements. For the year ended June 30, 2016, The District's proportionate share of deferred outflow of resources and deferred inflows of resources was as follows:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumption	\$ 796,268	\$ -
Net difference between projected and actual earnings on pension plan investments	176,886	119,212
Changes in proportion and differences between District contributions and proportionate share of contributions	414,593	-
<b>Total</b>	<b>\$ 1,387,747</b>	<b>\$ 119,212</b>

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 8. PENSION PLAN - PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
(PERS) (cont'd)**

**E. Long-Term Expected Rate of Return:**

In accordance with State statute, the long-term expected rate of return on plan investments (7.9% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long – term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS' target allocation as of June 30, 2015 are summarized in the following table:

**E. Long-Term Expected Rate of Return: (cont'd)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long - Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds / Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%
	<u>100.00%</u>	

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 8. PENSION PLAN - PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
(PERS) (cont'd)**

**F. Discount Rate:**

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.8% as of June 30, 2015 based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**G. Sensitivity of the Collective Net Pension Liability to Charges in the Discount Rate:**

The following presents the collective net pension liability of the participating employers as of June 30, 2015 calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	<u>At 1% decrease (3.90%)</u>	<u>At current discount rate (4.90%)</u>	<u>At 1% increase (5.90%)</u>
State	\$ 27,802,122,942	23,722,135,537	20,314,768,782
Local	27,900,112,533	22,447,996,119	17,876,981,108
	<u>\$ 55,702,235,475</u>	<u>\$ 46,170,131,656</u>	<u>\$ 38,191,749,890</u>

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 9. PENSION PLAN – DEFINED CONTRIBUTION RETIREMENT PROGRAM (DCRP)**

The Defined Contribution Retirement Program (“DCRP”) is a single-employer defined contribution pension fund which was established on July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103 P.L. 2007, (N.J.S.A. 43:15C-1 et.seq.), and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The Defined Contribution Retirement Program Board oversees the DCRP, which is administered for the Division of Pensions and Benefits by Prudential Financial. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the School District’s contribution amounts for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

**NOTE 10. POST-RETIREMENT BENEFITS**

The District contributes to the New Jersey State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pension and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq. to provide health benefits to State employees, retirees and their dependents. Rules governing the operation and maintenance of the Program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursements to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP.

P.L.1987,c. 384and P.L. 1990 c.6 required Teachers’ Pensions and Annuity Fund (TPAF) and the Public Employees’ Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 10. POST-RETIREMENT BENEFITS (cont'd)**

years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2015 there were 107,314 retirees receiving post-retirement medical benefits, and the state contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the state in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The state is also responsible for the cost attributable to P.L. 1992 c. 126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid 214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

**NOTE 11. COMPENSATED ABSENCES**

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No.16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

District employees who are employed for ten months are entitled up to 13 paid sick leave days per fiscal school year. District employees who are employed for twelve months are entitled to 15 paid sick leave days per fiscal school year. A maximum of 15 unused sick leave days may be accumulated and carried forward to the subsequent years. Upon retirement, the District shall pay the employee for unused sick leave in accordance with the District agreement. Vacation days not used during the year may only be carried forward with approval from the Superintendent.

In the District-Wide Statement of Net Position, the liability for vested compensated absences of the governmental fund types is recorded in long-term liabilities. The current portion of the compensated absences balance of the governmental funds is not considered material to the applicable funds total liabilities, and therefore is not shown separately from the long-term liability balance of compensated absences.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2016 no liability existed for compensated absences in the Food Service Fund.

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 12. DEFERRED COMPENSATION**

The Board offers its employees a choice of various deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

The plan administrators are as follows:

Great American Life Insurance Co.  
Security Benefit Life Insurance Co.  
Lincoln National Life Insurance Co.  
Equitable Life  
Metropolitan Life Insurance Co.  
VALIC (Variable Annuity Life Insurance Co.)  
First Investors Corp.  
Oppenheimer

**NOTE 13. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster.

**A. Property and Liability Insurance:**

The District maintains commercial insurance coverage for property, liability and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

**B. New Jersey Unemployment Compensation Insurance:**

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the normal State of New Jersey plan. The District files quarterly unemployment and disability payroll tax returns. These returns include employees' withholding tax for unemployment and disability and the District's share based upon the total tax rate determined by the State.



**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 14. INTERFUND RECEIVABLES AND PAYABLES**

The following interfund balances remained on the balance sheet of the governmental fund financial statement at June 30, 2016:

	<b>Interfund Receivable</b>	<b>Interfund Payable</b>
General	\$ 17,592	\$ 36,746
Capital Projects	-	17,592
Enterprise Fund	\$ 36,746	\$ -
	\$ 54,338	\$ 54,338

There were no significant interfund transfers during the year ended June 30, 2016.

**NOTE 15. INVENTORY**

Inventory in the Food Service Fund at June 30, 2016, consisted of the following:

Food	\$ 1,764
Supplies	932
	<u>\$ 2,696</u>

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1984) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of nonoperating revenue in the financial statements.

**NOTE 16. FUND BALANCE APPROPRIATED**

General Fund - Of the \$9,932,824 General Fund balance at June 30, 2016, \$3,825,358 is restricted as excess surplus in accordance with N.J.S.A. 18A:7F-7 (\$1,329,680 of the total restricted excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2016); \$5,442,071 has been restricted in the capital reserve; \$365,886 is committed for year-end encumbrances, \$0 is assigned and designated for subsequent year's expenditures and \$299,509 is unassigned.

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 16. FUND BALANCE APPROPRIATED (cont'd)**

Capital Projects Fund - The \$1,139,527 Capital Projects Fund fund balance at June 30, 2016 is restricted for capital projects.

Debt Service Fund - The Debt Service Fund fund balance at June 30, 2016 of \$1 is unassigned.

**NOTE 17. CALCULATION OF EXCESS SURPLUS**

In accordance with N.J.S.A. 18A:7F-7, the designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey School Districts are required to reserve General Fund fund balance at the fiscal year end of June 30, if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2016, is \$2,495,678.

**NOTE 18. CONTINGENT LIABILITIES**

The Board is not involved in any claims or lawsuits incidental to its operations. In the opinion of the administration and legal counsel, there are no other matters which will have a material adverse effect on the financial position of the District.

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**REQUIRED SUPPLEMENTARY INFORMATION  
PART II**

**BUDGETARY COMPARISON SCHEDULES**

NORTH ARLINGTON SCHOOL DISTRICT  
Budgetary Comparison Schedule  
General Fund  
for the Fiscal Year ended June 30, 2016

	Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>					
Local sources:					
Local tax levy	\$ 23,344,581	\$ -	\$ 23,344,581	\$ 23,344,581	\$ -
Tuition	-	-	-	-	-
Summer Program	-	-	-	17,375	17,375
Interest on investments	100	-	100	17,592	17,492
Miscellaneous	55,000	19,093	74,093	99,998	25,905
Total revenues - local sources	23,399,681	19,093	23,418,774	23,479,546	60,772
State sources:					
Extraordinary Aid	-	-	-	156,089	156,089
Special education Aid	983,678	-	983,678	983,678	-
Equalization Aid	690,197	-	690,197	690,197	-
Transportation Aid	31,715	-	31,715	31,715	-
Security Aid	41,109	-	41,109	41,109	-
Consolidated Aid	35,220	-	35,220	35,220	-
On-Behalf TPAF pension contributions (non budgeted)	-	-	-	1,854,421	1,854,421
Reimbursed TPAF Social Security contributions (non budgeted)	-	-	-	715,460	715,460
	1,781,919	-	1,781,919	4,507,889	2,725,970
Total revenues	\$ 25,181,600	\$ 19,093	\$ 25,200,693	\$ 27,987,435	\$ 2,786,742
<b>EXPENDITURES - CURRENT EXPENSE:</b>					
Instruction - regular programs:					
Salaries of teachers:					
Preschool	\$ -	-	\$ -	\$ -	\$ -
Kindergarten	473,181	5,000	478,181	466,648	11,533
Grades 1-5	2,243,990	(49,535)	2,194,455	1,980,227	214,228
Grades 6-8	1,490,779	1,000	1,491,779	1,372,463	119,316
Grades 9-12	2,621,417	(69,429)	2,551,988	2,395,013	156,975
Total regular programs - instruction	6,829,367	(112,964)	6,716,403	6,214,351	502,052
Regular programs - undistributed instruction:					
Other salaries for instruction	289,875	(75,000)	214,875	201,211	13,664
Purchases professional - education services	-	-	-	-	-
Purchases technical services	213,410	32,731	246,141	152,300	93,841
Other purchased services	15,109	(1,368)	13,741	13,741	-
General supplies	217,427	17,417	234,844	177,311	57,533
Textbooks	91,000	(2,192)	88,808	86,884	1,924
Other objects	850	(850)	-	-	-
Total regular programs - undistributed instruction	827,671	(29,262)	798,409	631,447	166,962
Total regular programs	7,657,038	(142,226)	7,514,812	6,845,798	669,014
Learning & language disability:					
Salaries of teachers	-	-	-	-	-
Other salaries for instruction	-	-	-	-	-
General supplies	-	-	-	-	-
Textbooks	-	-	-	-	-
Total learning & language disabilities	-	-	-	-	-

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**General Fund**  
**for the Fiscal Year ended June 30, 2016**

	Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
(Continued from prior page)					
<b>Multiple disabilities:</b>					
Salaries of teachers	461,972	-	461,972	366,485	95,487
Other salaries for instruction	337,086	175,000	512,086	433,475	78,611
General supplies	8,100	1,623	9,723	5,101	4,622
Textbooks	8,200	(1,623)	6,577	1,402	5,175
<b>Total multiple disabilities</b>	<b>815,358</b>	<b>175,000</b>	<b>990,358</b>	<b>806,463</b>	<b>183,895</b>
<b>Resource room/Resource Center</b>					
Salaries of teachers	977,601	-	977,601	896,414	81,187
Other salaries for instruction	294,520	(200,000)	94,520	48,649	45,871
General supplies	4,000	1,154	5,154	122	5,032
Textbooks	3,300	(2,382)	918	918	-
<b>Total resource room/resource center</b>	<b>1,279,421</b>	<b>(201,228)</b>	<b>1,078,193</b>	<b>946,103</b>	<b>132,090</b>
<b>Pre Handicapped Full Time</b>					
Salaries of teachers	150,599	52,535	203,134	161,322	41,812
Other salaries for instruction	102,114	100,000	202,114	129,475	72,639
General supplies	6,000	1,549	7,549	3,796	3,753
<b>Total Autism</b>	<b>258,713</b>	<b>154,084</b>	<b>412,797</b>	<b>294,593</b>	<b>118,204</b>
<b>Home Instruction:</b>					
Salaries of teachers	36,000	-	36,000	36,000	-
Purchased Professional - Education Services	20,000	-	20,000	4,517	15,483
<b>Total Home Instruction</b>	<b>56,000</b>	<b>-</b>	<b>56,000</b>	<b>40,517</b>	<b>15,483</b>
<b>Total special education</b>	<b>2,409,492</b>	<b>127,856</b>	<b>2,537,348</b>	<b>2,087,676</b>	<b>449,672</b>
<b>Basic skills/remedial:</b>					
Salaries of teachers	460,789	(30,796)	429,993	290,896	139,097
General supplies	2,000	4,176	6,176	2,109	4,067
<b>Total basic skills/remedial</b>	<b>462,789</b>	<b>(26,620)</b>	<b>436,169</b>	<b>293,005</b>	<b>143,164</b>
<b>Bilingual education:</b>					
Salaries of teachers	308,143	-	308,143	294,054	14,089
General supplies	1,000	-	1,000	1,000	-
<b>Total bilingual education</b>	<b>309,143</b>	<b>-</b>	<b>309,143</b>	<b>295,054</b>	<b>14,089</b>
<b>Other instructional:</b>					
<b>School sponsored co-curricular activities:</b>					
Salaries	88,655	-	88,655	67,534	21,121
General supplies	5,000	-	5,000	2,873	2,127
Other objects	9,100	-	9,100	2,600	6,500
<b>Total school sponsored co-curricular activities</b>	<b>102,755</b>	<b>-</b>	<b>102,755</b>	<b>73,007</b>	<b>29,748</b>
<b>School sponsored athletics:</b>					
Salaries	346,684	(8,605)	338,079	316,370	21,709
Purchased services	133,714	2,600	136,314	127,542	8,772
General supplies	86,831	(8,855)	77,976	65,630	12,346
Other expenditures	12,000	(967)	11,033	11,033	-
<b>Total school sponsored athletics:</b>	<b>579,229</b>	<b>(15,827)</b>	<b>563,402</b>	<b>520,575</b>	<b>42,827</b>
<b>Community services program:</b>					
Salaries	31,000	16,093	47,093	17,375	29,718
<b>Total community services program</b>	<b>31,000</b>	<b>16,093</b>	<b>47,093</b>	<b>17,375</b>	<b>29,718</b>
<b>Total - instruction</b>	<b>11,551,446</b>	<b>(40,724)</b>	<b>11,510,722</b>	<b>10,132,490</b>	<b>1,378,232</b>

NORTH ARLINGTON SCHOOL DISTRICT  
Budgetary Comparison Schedule  
General Fund  
for the Fiscal Year ended June 30, 2016

	Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
(Continued from prior page)					
Undistributed expenditures:					
Instruction:					
Tuition - other LEA's w/in State-Special	956,831	(16,810)	940,021	248,787	691,234
Tuition - County voc. reg.	122,220	8,730	130,950	130,950	-
Tuition - County voc. sp.	79,200	-	79,200	61,440	17,760
Tuition to private schools for the handicapped and other Leas - special, within the State	292,780	-	292,780	288,780	4,000
Tuition - CSSD & reg. day schools	521,623	(8,730)	512,893	381,445	131,448
	100,000	(94,020)	5,980	5,980	-
Total undistributed expenditures - instruction	2,072,654	(110,830)	1,961,824	1,117,382	844,442
Health services:					
Salaries	281,975	489	282,464	278,356	4,108
Purchased professional and technical services	47,000	-	47,000	42,123	4,877
General supplies	3,100	217	3,317	1,923	1,394
Total health services	332,075	706	332,781	322,402	10,379
Related services:					
Salaries of professional staff	211,193	(489)	210,704	177,501	33,203
Purchased professional-educational services	2,000	45,510	47,510	-	47,510
General supplies	1,200	-	1,200	1,200	-
Total related services	214,393	45,021	259,414	178,701	80,713
Extraordinary services:					
Purchased professional- educational services	350,000	48,510	398,510	318,695	79,815
Total extraordinary services	350,000	48,510	398,510	318,695	79,815
Other support services - guidance					
Salaries of other professional staff	327,582	19,000	346,582	319,606	26,976
Secretarial salaries	88,970	-	88,970	88,254	716
Purchased professional services	35,000	-	35,000	29,577	5,423
Other purchased services	1,400	-	1,400	1,261	139
Supplies	4,500	333	4,833	2,305	2,528
Total other support services - guidance	457,452	19,333	476,785	441,003	35,782
Other support services - child study team					
Salaries of other professional staff	363,010	(24,602)	338,408	304,116	34,292
Secretarial salaries	66,398	(37,398)	29,000	25,575	3,425
General supplies	7,000	2,387	9,387	9,381	6
Other Support and Objects	1,600	40,000	41,600	9,975	31,625
Total other support services - child study team	438,008	(19,613)	418,395	349,047	69,348
Improvement of instruction services/ other support services-instructional staff:					
Purchased professional services	438,371	124,306	562,677	529,960	32,717
General supplies	16,600	-	16,600	9,843	6,757
Total improvement of instruction services/ other support services-instructional staff	454,971	124,306	579,277	539,803	39,474
Educational media services/school library:					
Salaries	90,443	-	90,443	88,800	1,643
Purchased professional services	8,900	1,020	9,920	8,916	1,004
Supplies and materials	11,500	2,041	13,541	6,649	6,892
Total educational media services/school library	110,843	3,061	113,904	104,365	9,539



NORTH ARLINGTON SCHOOL DISTRICT  
Budgetary Comparison Schedule  
General Fund  
for the Fiscal Year ended June 30, 2016

	Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
(Continued from prior page)					
Instruction staff training:					
Salaries of other professional staff	19,000	(1,581)	17,419	5,000	12,419
Purchased professional services	79,500	(6,219)	73,281	69,866	3,415
General supplies	500	-	500	492	8
Other expenses	800	-	800	-	800
<b>Total instruction staff training</b>	<b>99,800</b>	<b>(7,800)</b>	<b>92,000</b>	<b>75,358</b>	<b>16,642</b>
Support services general administration:					
Salaries	313,743	24,584	338,327	338,312	15
Legal services	80,000	106,081	186,081	148,002	38,079
Audit fees	34,000	3,000	37,000	37,000	-
Architectural/ Engineering services	40,000	-	40,000	31,858	8,142
Communications/telephone	103,000	(24,586)	78,414	76,570	1,844
Other purchased services	14,000	(6,262)	7,738	7,612	126
General supplies	7,065	10,306	17,371	14,808	2,563
Miscellaneous expenditures	24,986	10,954	35,940	30,782	5,158
<b>Total support services general administration</b>	<b>616,794</b>	<b>124,077</b>	<b>740,871</b>	<b>684,944</b>	<b>55,927</b>
Support services school administration:					
Salaries of principals/asst. principals	787,356	-	787,356	778,474	8,882
Salaries of secretarial assistants	315,274	23,024	338,298	324,839	13,459
Other purchased services	900	-	900	15	885
Supplies and materials	16,280	(205)	16,075	9,630	6,445
Other Objects	19,400	(1,056)	18,344	12,042	6,302
<b>Total support services school administration</b>	<b>1,139,210</b>	<b>21,763</b>	<b>1,160,973</b>	<b>1,125,000</b>	<b>35,973</b>
Central services:					
Salaries	560,627	(321)	560,306	540,553	19,753
Purchased professional services	45,000	13,800	58,800	52,363	6,437
Purchased technical services	27,800	1,740	29,540	20,312	9,228
Miscellaneous purchased services	16,640	-	16,640	9,051	7,589
Supplies and materials	7,000	-	7,000	3,545	3,455
Miscellaneous expenditures	6,000	-	6,000	2,173	3,827
<b>Total central services</b>	<b>663,067</b>	<b>15,219</b>	<b>678,286</b>	<b>627,997</b>	<b>50,289</b>
Required maintenance for school facilities:					
Salaries	93,636	-	93,636	93,636	-
Other Purchased Services	-	-	-	-	-
Cleaning, repair and maintenance services	513,000	79,520	592,520	437,131	155,389
General Supplies	31,500	4,492	35,992	22,603	13,389
<b>Total required maintenance for school facilities</b>	<b>638,136</b>	<b>84,012</b>	<b>722,148</b>	<b>553,370</b>	<b>168,778</b>
Other operation and maintenance of plant:					
Salaries	981,204	-	981,204	931,605	49,599
Other purchased property services	166,394	4,004	170,398	159,418	10,980
Insurance	187,000	8,246	195,246	195,246	-
General Supplies	87,000	41,304	128,304	83,908	44,396
Energy (Electricity)	375,000	(9,000)	366,000	247,259	118,741
Other Objects	8,500	282	8,782	6,526	2,256
Energy (Natural Gas)	170,000	-	170,000	95,590	74,410
<b>Total other operation and maintenance of plant</b>	<b>1,975,098</b>	<b>44,836</b>	<b>2,019,934</b>	<b>1,719,552</b>	<b>300,382</b>

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**General Fund**  
**for the Fiscal Year ended June 30, 2016**

	Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
(Continued from prior page)					
<b>Student transportation services:</b>					
Salary for pupil transportation (between home & school)- regular	76,225	-	76,225	75,151	1,074
Salary for pupil transportation (between home & school)- special	101,000	1,872	102,872	73,363	29,509
Cleaning, repair and maintenance services	55,000	-	55,000	32,656	22,344
Contracted services (between home and school) - joint agreements	40,000	-	40,000	25,852	14,148
Contracted services spec. ed - joint agreement	325,000	-	325,000	218,424	106,576
Supplies and materials	28,300	-	28,300	612	27,688
Other Objects	1,500	1,400	2,900	2,889	11
<b>Total student transportation services</b>	<b>627,025</b>	<b>3,272</b>	<b>630,297</b>	<b>428,947</b>	<b>201,350</b>
<b>Employee benefits:</b>					
Social Security contribution	359,236	-	359,236	323,568	35,668
Other Retirement Contributions - Regular	352,819	-	352,819	300,630	52,189
Unemployment compensation	69,004	-	69,004	55,231	13,773
Workmen's Compensation	140,000	-	140,000	120,435	19,565
Health Benefits	2,369,163	(100,000)	2,269,163	1,972,166	296,997
Tuition Reimbursement	20,000	-	20,000	19,290	710
Other employee benefits	64,000	-	64,000	33,780	30,220
<b>Total employee benefits</b>	<b>3,374,222</b>	<b>(100,000)</b>	<b>3,274,222</b>	<b>2,825,100</b>	<b>449,122</b>
<b>On-Behalf TPAF pension contributions (non budgeted)</b>					
	-	-	-	1,854,421	(1,854,421)
<b>Reimbursed TPAF Social Security contributions (non budgeted)</b>					
	-	-	-	715,460	(715,460)
<b>Total undistributed expenditures</b>	<b>13,563,748</b>	<b>295,873</b>	<b>13,859,621</b>	<b>13,981,547</b>	<b>(121,926)</b>
<b>TOTAL EXPENDITURES - CURRENT EXPENSE</b>	<b>25,115,194</b>	<b>255,149</b>	<b>25,370,343</b>	<b>24,114,037</b>	<b>1,256,306</b>
<b>CAPITAL OUTLAY:</b>					
<b>Grades 9-12</b>					
<b>Undistributed expenditures:</b>					
Operation and maintenance of plant services	-	4,398	4,398	4,398	-
<b>Total equipment</b>	<b>-</b>	<b>4,398</b>	<b>4,398</b>	<b>4,398</b>	<b>-</b>
<b>Facilities acquisition and construction services:</b>					
Construction Services	356,667	6,400	363,067	363,066	1
Transportation Equipment and Rental	50,000	(10,450)	39,550	33,600	5,950
Other Objects	8,567	-	8,567	8,567	-
<b>Total facilities acquisition and construction services</b>	<b>415,234</b>	<b>(4,050)</b>	<b>411,184</b>	<b>405,233</b>	<b>5,951</b>
<b>Assets acquired under capital leases (non budgeted)</b>					
	-	-	-	-	-
<b>TOTAL CAPITAL OUTLAY</b>	<b>415,234</b>	<b>348</b>	<b>415,582</b>	<b>409,631</b>	<b>5,951</b>
Charter School	-	16,810	16,810	16,810	-
<b>Total expenditures</b>	<b>\$ 25,530,428</b>	<b>\$ 272,307</b>	<b>\$ 25,802,735</b>	<b>\$ 24,540,478</b>	<b>\$ 1,262,257</b>

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**General Fund**  
**for the Fiscal Year ended June 30, 2016**

	<u>Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
(Continued from prior page)					
Excess (deficiency) of revenues over (under) expenditures	\$ (348,828)	\$ (253,214)	\$ (602,042)	\$ 3,446,957	\$ 4,048,999
Other financial sources (uses):					
Operating transfers out:					
Transfers from General Fund - Other	-	-	-	-	-
Capital outlay transfer to capital projects	(493,333)	-	(493,333)	(493,333)	-
Capital reserve transfer to capital projects	-	-	-	-	-
Capital leases (non budgeted)	-	-	-	-	-
Excess (deficiency) of revenues and other financial sources over (under) expenditures and other financing uses	(842,161)	(253,214)	(1,095,375)	2,953,624	4,048,999
Fund balances, July 1	<u>7,128,970</u>		<u>7,128,970</u>	<u>7,128,970</u>	<u>-</u>
Fund balances, June 30	<u>\$ 6,286,809</u>	<u>\$ (253,214)</u>	<u>\$ 6,033,595</u>	<u>\$ 10,082,594</u>	<u>\$ 4,048,999</u>
<b>Recapitulation:</b>					
Restricted Fund Balance:					
Reserved Excess Surplus-Designated for Subsequent Year's Expenditures				\$ 1,329,680	
Reserve for Excess Surplus				2,495,678	
Capital Reserve				5,442,071	
Committed Fund Balance:					
Year- End Encumbrances				365,886	
Assigned Fund Balance					
Designated for Subsequent Year's Expenditures				-	
Unassigned Fund Balance				<u>449,279</u>	
				10,082,594	
Reconciliation to Government Fund Statements (GAAP):					
Last State Aid Payment Not Recognized on GAAP Basis				<u>(149,770)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 9,932,824</u>	

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**Special Revenue Fund**  
**for the Fiscal Year ended June 30, 2016**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>					
State sources	\$ 371,437	\$ 16,939	\$ 388,376	\$ 303,231	\$ (85,145)
Federal sources	756,364	38,526	794,890	\$ 752,490	(42,400)
Local sources	-	18,558	18,558	\$ 18,558	-
<b>Total revenues</b>	<u>\$ 1,127,801</u>	<u>\$ 74,023</u>	<u>\$ 1,201,824</u>	<u>\$ 1,074,279</u>	<u>\$ (127,545)</u>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of teachers	\$ 182,950	\$ 5,608	\$ 188,558	\$ 188,558	\$ -
Other salaries for instruction	-	-	-	-	-
Purchased prof. & tech. services	2,236	14,009	16,245	575,056	(558,811)
Other Purchased Services	694,060	(8,949)	685,111	9,267	675,844
General supplies and equipment	34,348	(4,977)	29,371	50,509	(21,138)
Textbooks	35,331	2,599	37,930	37,930	-
Other	-	-	-	-	-
<b>Total instruction</b>	<u>948,925</u>	<u>8,290</u>	<u>957,215</u>	<u>861,320</u>	<u>95,895</u>
Support services:					
Salaries of supervisor of instruction	-	-	-	-	-
Personal services-employee benefits	47,568	18,436	66,004	1,931	64,073
Purchased prof. & educational services	-	-	-	-	-
Other purchased services	129,460	47,114	176,574	192,882	(16,308)
General supplies	-	362	362	16,478	(16,116)
Travel	-	-	-	-	-
Other objects	1,848	(179)	1,669	-	1,669
Indirect costs	-	-	-	1,668	(1,668)
<b>Total support services</b>	<u>178,876</u>	<u>65,733</u>	<u>244,609</u>	<u>212,959</u>	<u>31,650</u>
Facilities acquisition:					
Instructional equipment	-	-	-	-	-
<b>Total facilities acquisition</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total expenditures</b>	<u>1,127,801</u>	<u>74,023</u>	<u>1,201,824</u>	<u>1,074,279</u>	<u>127,545</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Budget to GAAP Reconciliation**  
**Note to RSI**  
**for the Fiscal Year ended June 30, 2016**

**Note A - Explanation of Differences between Budgetary  
Inflows and Outflows and GAAP Revenues and Expenditures**

		General Fund		Special Revenue Fund
		<hr/>		<hr/>
<b>Sources /Inflows of Resources</b>				
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1]	\$27,987,435	[C-2]	\$ 1,074,279
Difference - Budget to GAAP:				
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized				(8,723)
State-Aid Payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes		143,478		
State Aid Payment recognized for budgetary purposes, not recognized for GAAP statements		<hr/> (149,770)		<hr/> -
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	[B-2]	<hr/> \$27,981,143	[B-2]	<hr/> \$ 1,065,556
<b>Uses/Outflows of Resources</b>				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]	\$24,540,478	[C-2]	1,074,279
Difference - Budget to GAAP:				
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes				<hr/> (8,723)
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	[B-2]	<hr/> \$24,540,478	[B-2]	<hr/> \$ 1,065,556

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REQUIRED SUPPLEMENTARY INFORMATION  
PART III

**EXHIBIT L-1**

**NORTH ARLINGTON SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET  
PENSION LIABILITY - PERS  
LAST 2 FISCAL YEARS**

	<u>2016</u>	<u>2015</u>
Districts' proportionate share of the net pension liability	\$ 7,414,588	\$ 5,916,206
District's covered-employee payroll	2,332,563	2,340,849
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	317.87%	252.74%
Plan fiduciary net position as a percentage of the total pension liability	38.21%	42.74%

**EXHIBIT L-2**

**NORTH ARLINGTON SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS - PERS  
LAST 2 FISCAL YEARS**

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 283,970	\$ 260,498
Contributions in relation to the contractually required contribution	283,970	260,498
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
District's covered employee payroll	\$ 2,332,563	\$ 2,340,849
Contributions as a percentage of covered-employee payroll	12.17%	11.13%

**EXHIBIT L-3**

**NORTH ARLINGTON SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET  
PENSION LIABILITY - TPAF  
LAST 2 FISCAL YEARS**

	<u>2016</u>	<u>2015</u>
State's proportionate share of the net pension liability associated with the District	\$ 63,780,669	\$ 54,657,425
District's covered-employee payroll	10,139,772	10,342,668
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	629.01%	528.47%
Plan fiduciary net position as a percentage of the total pension liability	28.71%	33.64%

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
LAST 2 FISCAL YEARS**

*Changes in benefit terms:* None

*Changes in assumptions:* The discount rate changed from the rate as of June 30, 2014 to the rate as of June 30, 2015, in accordance with GASB Statement No. 67.

*Method and assumptions used in calculations of employer's actuarially determined contributions* The actuarially determined contributions are calculated as of July 1 preceding the fiscal year in which the contributions are reported. Unless otherwise noted above, the following actuarial methods and assumptions were used to determine rates in the schedule of employer contributions.

	<u>PERS</u>	<u>TPAF</u>
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar, open	Level Dollar, open
Remaining amortization period	30 years	30 years
Asset valuation method	Five-year average of market values	20% of the difference between the expected Actuarial Value and market value is recognized each year
Inflation	3.04%	2.50%
Projected salary increase		
2012-2021	2.15-4.40% based on age	Varies based on experience
Thereafter	3.15 - 5.40% based on age	Varies based on experience
Projected COLAs	N/A*	N/A*
Investment rate of return	7.90%	7.90%

\*Pursuant to the provisions of Chapter 78, P.L. 2011, cost of living adjustment (COLA) increases were suspended for all current and future retirees of all retirement systems.

**OTHER SUPPLEMENTARY INFORMATION**

SPECIAL REVENUE FUND

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NORTH ARLINGTON SCHOOL DISTRICT  
Special Revenue Fund  
Combining Schedules of Program Revenues and Expenditures - Budgetary Basis  
for the Fiscal Year ended June 30, 2016

	<u>Nonpublic Home Instruction</u>	<u>Nonpublic Exam and Class</u>	<u>Nonpublic Textbooks 15-16 &amp; C/O</u>	<u>Nonpublic Hand. Correct. Speech</u>	<u>Nonpublic Handicapped Suppl. Instr.</u>	<u>Nonpublic Technology Aid &amp; C/O</u>	<u>English As A Second Language</u>
<b>REVENUES:</b>							
State sources	\$ 1,921	\$ 34,602	\$ 37,930	\$ 49,077	\$ 27,921	\$ 16,116	\$ 2,157
Federal sources							
Local sources							
<b>Total revenues</b>	<u>\$ 1,921</u>	<u>\$ 34,602</u>	<u>\$ 37,930</u>	<u>\$ 49,077</u>	<u>\$ 27,921</u>	<u>\$ 16,116</u>	<u>\$ 2,157</u>
<b>EXPENDITURES:</b>							
<b>Instruction:</b>							
Salaries of teachers	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -
Other salaries of instruction							
Purchased prof. & tech. services	1,921	34,602		49,077	27,921		2,157
Other purchased services							
General supplies and equipment							
Textbooks			37,930				
<b>Total instruction</b>	<u>1,921</u>	<u>34,602</u>	<u>37,930</u>	<u>49,077</u>	<u>27,921</u>	<u>-</u>	<u>2,157</u>
<b>Support services:</b>							
Salaries of supervisor of instruction							
Personal services-employee benefits							
Purchased prof. & educational services							
Other purchased services							
General supplies						16,116	
Travel							
Other objects							
Indirect Costs							
<b>Total support services</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,116</u>	<u>-</u>
<b>Facilities acquisition and construction services:</b>							
Buildings							
<b>Total facilities acquisition and construction services</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total expenditures</b>	<u>\$ 1,921</u>	<u>\$ 34,602</u>	<u>\$ 37,930</u>	<u>\$ 49,077</u>	<u>\$ 27,921</u>	<u>\$ 16,116</u>	<u>\$ 2,157</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Nonpublic Nursing Services	Nonpublic Compens. Education	Nonpublic Security Aid	Title I Part A 15-16	Title II Part A 15-16 & C/O	Title III Part A 15-16 & C/O	IDEA-Part B - Basic 15-16 & C/O	IDEA-Part Pre- School	Title III Immigrant Aid (C/O)	Local Grants	2016
\$ 55,620	\$ 62,437	\$ 15,450	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 303,231
			159,791	41,509	21,804	512,717	16,307	362	-	752,490
									18,558	18,558
<u>\$ 55,620</u>	<u>\$ 62,437</u>	<u>\$ 15,450</u>	<u>\$ 159,791</u>	<u>\$ 41,509</u>	<u>\$ 21,804</u>	<u>\$ 512,717</u>	<u>\$ 16,307</u>	<u>\$ 362</u>	<u>\$ 18,558</u>	<u>\$ 1,074,279</u>
\$ -	\$ -		\$ 145,000	\$ 25,000		\$ -	\$ -	\$ -	\$ 18,558	\$ 188,558
	62,437			16,114		380,827				575,056
9,267										9,267
		15,450	13,255		21,804					50,509
										37,930
<u>9,267</u>	<u>62,437</u>	<u>15,450</u>	<u>158,255</u>	<u>41,114</u>	<u>21,804</u>	<u>380,827</u>	<u>-</u>	<u>-</u>	<u>18,558</u>	<u>861,320</u>
										-
			1,536	395						1,931
44,685						131,890	16,307			192,882
								362		16,478
										-
1,668										1,668
<u>46,353</u>	<u>-</u>	<u>-</u>	<u>1,536</u>	<u>395</u>	<u>-</u>	<u>131,890</u>	<u>16,307</u>	<u>362</u>	<u>-</u>	<u>212,959</u>
										-
										-
<u>\$ 55,620</u>	<u>\$ 62,437</u>	<u>\$ 15,450</u>	<u>\$ 159,791</u>	<u>\$ 41,509</u>	<u>\$ 21,804</u>	<u>\$ 512,717</u>	<u>\$ 16,307</u>	<u>\$ 362</u>	<u>\$ 18,558</u>	<u>\$ 1,074,279</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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CAPITAL PROJECTS FUND

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Capital Projects Fund**  
**Summary Schedule of Project Expenditures**  
**for the Fiscal Year ended June 30, 2016**

<u>Issue/Project Title</u>	<u>Original Date</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance</u>
			<u>Prior Years</u>	<u>Current Year</u>	
Improvements, Renovations and Additions to the School District Facilities and the Acquisition of Equipment		<u>\$ 19,540,413</u>	<u>\$ 17,090,392</u>	<u>\$ 1,310,494</u>	<u>\$ 1,139,527</u>

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Capital Projects Fund**  
**Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budgetary Basis**  
**for the Fiscal Year ended June 30, 2016**

Revenues and Other Financing Sources	
State Sources - SCC Grant	\$ -
Bond Proceeds and transfers	-
Prior Year Payables cancelled	100,652
Transfer from general fund - Other	29,900
Transfer from capital reserve - general fund	-
Transfer from capital outlay - general fund	493,333
Total revenues	<u>623,885</u>
Expenditures and Other Financing Uses	
Purchased professional and technical services	21,220
Construction Services	<u>1,289,274</u>
Total Expenditures	<u>1,310,494</u>
Excess (deficiency) of revenues over (under) expenditures	(686,609)
Fund balance - beginning	<u>1,826,136</u>
Fund balance - ending	<u><u>\$ 1,139,527</u></u>

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Capital Projects Fund**  
**Schedule of Project Revenues, Expenditures, Project Balance and Project Status-Budgetary Basis**  
**Improvements, Renovations and Additions to the School District Facilities and Acquisition of Equipment**  
**from inception and for the Fiscal Year ended June 30, 2016**

	Prior Periods	Current Year	Totals	Revised Authorized Cost
<b>Revenues and Other Financing Sources</b>				
State Sources - SCC Grant	\$ 1,143,127	\$ -	\$ 1,143,127	\$ 1,143,127
Bond Proceeds and transfers	7,700,000	-	7,700,000	7,700,000
Contribution from private source	10,000	-	10,000	10,000
Prior Year Payables cancelled	48,443	-	48,443	48,443
Transfer from general fund - Other	357,974	29,900	387,874	387,874
Transfer from capital reserve - general fund	3,990,858	-	3,990,858	3,990,858
Transfer from capital outlay - general fund	1,762,126	493,333	2,255,459	2,255,459
<b>Total Revenues</b>	<b>15,012,528</b>	<b>523,233</b>	<b>15,535,761</b>	<b>15,535,761</b>
<b>Expenditures and Other Financing Uses</b>				
Purchased professional and technical services	267,235	21,200	288,435	288,435
Land and Improvements	-	-	-	-
Construction Services	13,642,083	1,097,603	14,739,686	14,739,686
Equipment Purchases	-	-	-	-
<b>Total Expenditures</b>	<b>13,909,318</b>	<b>1,118,803</b>	<b>15,028,121</b>	<b>15,028,121</b>
<b>Excess (deficiency) of revenues over (under)</b> Expenditures	<b>\$ 1,103,210</b>	<b>\$ (595,570)</b>	<b>\$ 507,640</b>	<b>\$ 507,640</b>
<b>Additional project information:</b>				
Project Number	N/A			
Grant Date	N/A			
Bond Authorization Date	5/1/1993			
Bonds Authorized	\$ 7,700,000			
Bonds Issued	7,700,000			
Original Authorized Cost	7,700,000			
Additional Authorized Cost	7,835,761			
Revised Authorized Cost	15,535,761			
Percentage Increase over Original Authorized Cost	101.76%			
Percentage Completion	96.73%			
Original target completion date				
Revised target completion date				

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Capital Projects Fund**  
**Schedule of Project Revenues, Expenditures, Project Balance and Project Status-Budgetary Basis**  
**Construction of Edwin "RIP" Collins Athletic Field**  
**from inception and for the Fiscal Year ended June 30, 2016**

	Prior Periods	Current Year	Totals	Revised Authorized Cost
<b>Revenues and Other Financing Sources</b>				
State Sources - SCC Grant	\$ -	\$ -	\$ -	\$ -
Bond Proceeds and transfers	3,388,000	-	3,388,000	3,388,000
Contribution from private source	-	-	-	-
Prior Year Payables cancelled	-	100,652	100,652	100,652
Transfer from general fund - Other	141,000	-	141,000	141,000
Transfer from capital reserve - general fund	-	-	-	-
Transfer from capital outlay - general fund	375,000	-	375,000	375,000
<b>Total Revenues</b>	<u>3,904,000</u>	<u>100,652</u>	<u>4,004,652</u>	<u>4,004,652</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased professional and technical services	164,450	20	164,470	164,470
Land and Improvements	-	-	-	-
Construction Services	3,016,624	191,671	3,208,295	3,208,295
Equipment Purchases	-	-	-	-
<b>Total Expenditures</b>	<u>3,181,074</u>	<u>191,691</u>	<u>3,372,765</u>	<u>3,372,765</u>
<b>Excess (deficiency) of revenues over (under)</b>				
Expenditures	<u>\$ 722,926</u>	<u>\$ (91,039)</u>	<u>\$ 631,887</u>	<u>\$ 631,887</u>
<b>Additional project information:</b>				
Project Number	N/A			
Grant Date	N/A			
Bond Authorization Date	9/12/2013			
Bonds Authorized	\$ 3,388,000			
Bonds Issued	3,388,000			
Original Authorized Cost	3,388,000			
Additional Authorized Cost	616,652			
Revised Authorized Cost	4,004,652			
<b>Percentage Increase over Original</b>				
Authorized Cost	18.20%			
Percentage Completion	84.22%			
Original target completion date				
Revised target completion date				



PROPRIETARY FUNDS

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Enterprise Fund**  
**Statement of Net Position**  
**June 30, 2016**

	<u>Food Service Fund</u>
Current assets:	
Cash and cash equivalents	\$ 29,960
Interfund Receivable	36,746
Inventory	2,696
Total current assets	<u>69,402</u>
Fixed assets:	
Equipment	268,694
Accumulated depreciation	(163,134)
Total fixed assets	<u>105,560</u>
Total Assets	<u><u>\$ 174,962</u></u>
<b>LIABILITIES AND NET POSITION</b>	
Current liabilities:	
Due to Management Company	8,548
Total current liabilities	<u>8,548</u>
Net Position:	
Restricted	105,560
Unrestricted	60,854
Total Net Position	<u>166,414</u>
Total Liabilities and Net Position	<u><u>\$ 174,962</u></u>

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Enterprise Fund**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**for the Fiscal Year ended June 30, 2016**

	<u>Food Service Fund</u>
OPERATING REVENUES:	
Local sources:	
Daily sales-reimbursable programs:	
School lunch program and adult sales	\$ 310,183
Total daily sales - reimbursable programs	<u>310,183</u>
Daily sales non-reimbursable programs:	
Special functions	-
Total operating revenue	<u>310,183</u>
OPERATING EXPENSES:	
Labor costs	187,150
Cost of sales	267,740
Supplies and materials	15,698
Insurance	21,993
Management fee	32,130
Depreciation	28,327
Total operating expenses	<u>553,038</u>
Operating loss	<u>(242,855)</u>
Nonoperating revenues:	
State sources:	
State school lunch program	5,656
Federal sources:	
National school lunch program	184,624
National school breakfast program	8,932
Food distribution program	36,583
Total nonoperating revenues	<u>235,795</u>
Net loss before special items	(7,060)
Special item:	
Loss on disposal of fixed assets	<u>-</u>
Change in net position	(7,060)
Net Position - July 1	<u>173,474</u>
Net Position - June 30	<u>\$ 166,414</u>

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Enterprise Fund**  
**Statement of Cash Flows**  
**for the Fiscal Year ended June 30, 2016**

	Food Service Fund
Cash flows from operating activities:	
Receipts from customers	\$ 310,183
Payments to employees	(187,150)
Payments to suppliers	(346,822)
Net cash (used for) operating activities	(223,789)
Cash flows from noncapital financing activities:	
State sources	4,988
Federal sources	169,340
Food distribution program	36,583
Net cash provided by non-capital financing activities	210,911
Cash flows from investing activities:	
Purchase of Equipment	-
Net cash (used for) investing activities	-
Net decrease in cash and cash equivalents	(12,878)
Balances - July 1	42,838
Balances - June 30	\$ 29,960
Reconciliation of operating loss to net cash (used for) provided by operating activities:	
Operating (loss)	\$ (242,855)
Adjustment to reconcile operating (loss) to net cash (used for) provided by operating activities:	
Adjustments:	
Decrease in Inventory	1,696
Decrease in due to Management Company	(10,957)
Depreciation	28,327
Total adjustments	19,066
Net cash (used for) operating activities	\$ (223,789)

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FIDUCIARY FUNDS

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Fiduciary Fund**  
**Combining Statement of Fiduciary Net Position**  
**June 30, 2016**

	Private Purpose Scholarship Funds	Agency		Total June 30, 2016
		Student Activity	Payroll	
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 15,776	\$ 380,612	\$ 127,199	\$ 523,587
Total Assets	<u>\$ 15,776</u>	<u>\$ 380,612</u>	<u>\$ 127,199</u>	<u>\$ 523,587</u>
<b>LIABILITIES AND NET POSITION:</b>				
<b>Liabilities:</b>				
Payroll deductions & withholdings	\$ -	\$ -	\$ 127,199	\$ 127,199
Due to student groups	<u>-</u>	<u>380,612</u>	<u>-</u>	<u>380,612</u>
Total Liabilities	<u>-</u>	<u>380,612</u>	<u>127,199</u>	<u>507,811</u>
<b>Net Position:</b>				
Reserved for scholarships	<u>15,776</u>	<u>-</u>	<u>-</u>	<u>15,776</u>
Total Liabilities and Net Position	<u>\$ 15,776</u>	<u>\$ 380,612</u>	<u>\$ 127,199</u>	<u>\$ 523,587</u>

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Fiduciary Fund**  
**Combining Statement of Changes in Fiduciary Net Position**  
**for the Fiscal Year ended June 30, 2016**

	<b>Scholarship Funds</b>	
	Estelle and William Murphy Scholarship Fund	Total
<b>Additions:</b>		
Local sources:		
Contributions	\$ 25,830	\$ 25,830
Total Additions	25,830	25,830
<b>Deductions:</b>		
Scholarships Awarded	44,683	44,683
Total Deductions	44,683	44,683
Changes in net position	(18,853)	(18,853)
Net Position-beginning of year	34,629	34,629
Net Position-end of year	\$ 15,776	\$ 15,776



**NORTH ARLINGTON SCHOOL DISTRICT**  
**Fiduciary Fund**  
**Student Activity Agency Fund Schedule of Receipts and Disbursements**  
**for the Fiscal Year ended June 30, 2016**

	<u>Balance, July 1, 2015</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2016</u>
<b>ELEMENTARY SCHOOLS:</b>				
Jefferson	\$ 14,845	\$ 27,177	\$ (32,798)	\$ 9,224
Roosevelt	21,931	13,179	(19,781)	15,329
Washington	4,726	12,133	(9,357)	7,502
Total elementary schools	<u>\$ 41,502</u>	<u>\$ 52,489</u>	<u>\$ (61,936)</u>	<u>\$ 32,055</u>
<b>MIDDLE SCHOOL:</b>				
Middle School	\$ 15,806	\$ 82,582	\$ (78,115)	\$ 20,273
Total middle school	<u>\$ 15,806</u>	<u>\$ 82,582</u>	<u>\$ (78,115)</u>	<u>\$ 20,273</u>
<b>SENIOR HIGH SCHOOL:</b>				
Organization Fund	\$ 73,988	\$ 235,229	\$ (246,460)	\$ 62,757
Athletic Fund	228,083	106,293	(68,849)	265,527
Total senior high school	<u>\$ 302,071</u>	<u>\$ 341,522</u>	<u>\$ (315,309)</u>	<u>\$ 328,284</u>
<b>TOTAL ALL SCHOOLS</b>	<u>\$ 359,379</u>	<u>\$ 476,593</u>	<u>\$ (455,360)</u>	<u>\$ 380,612</u>

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Fiduciary Fund**  
**Payroll Agency Fund Schedule of Receipts and Disbursements**  
**for the Fiscal Year ended June 30, 2016**

	<u>Balance,</u> <u>June 30, 2015</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance,</u> <u>June 30, 2016</u>
PAYROLL AGENCY FUND:				
Gross payroll, deductions and withholdings (Payroll Agency Account)	\$ 118,623	\$ 7,514,519	\$ 7,505,972	\$ 127,170
Accrued salaries and wages (Net Payroll Account)	323	8,048,301	8,048,595	29
Total Payroll Agency Fund	<u>\$ 118,946</u>	<u>\$ 15,562,820</u>	<u>\$ 15,554,567</u>	<u>\$ 127,199</u>

LONG-TERM DEBT

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**NORTH ARLINGTON SCHOOL DISTRICT**  
**Long Term Debt**  
**Schedule of Serial Bonds**  
**June 30, 2016**

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate (%)
			Date	Amount	
Refunding School Bonds,	5/17/2012	\$ 1,926,000	3/13/2016	228,000	1.237
			3/13/2017	231,000	1.637
			3/13/2018	236,000	2.108
			3/13/2019	241,000	2.358
			3/13/2020	248,000	2.659
			3/13/2021	255,000	2.959
School Bonds,	9/12/2013	\$ 3,388,000	8/1/2015	165,000	2.000
			8/1/2016	165,000	2.000
			8/1/2017	170,000	2.250
			8/1/2018	175,000	2.250
			8/1/2019	180,000	2.500
			8/1/2020	185,000	2.500
			8/1/2021	275,000	3.000
			8/1/2022	275,000	3.000
			8/1/2023	275,000	3.000
			8/1/2024	275,000	3.000
			8/1/2025	275,000	3.125
			8/1/2026	275,000	3.125
			8/1/2027	275,000	3.125
8/1/2028	273,000	3.125			

Exhibit I-1

	Balance, July 1, 2015	Issued	Retired/ Refunded	Balance, June 30, 2016
\$	228,000		(228,000)	-
	231,000			231,000
	236,000			236,000
	241,000			241,000
	248,000			248,000
	255,000			255,000
	<u>1,439,000</u>	<u>-</u>	<u>(228,000)</u>	<u>1,211,000</u>
	165,000		(165,000)	-
	165,000			165,000
	170,000			170,000
	175,000			175,000
	180,000			180,000
	185,000			185,000
	275,000			275,000
	275,000			275,000
	275,000			275,000
	275,000			275,000
	275,000			275,000
	275,000			275,000
	275,000			275,000
	273,000			273,000
	<u>3,238,000</u>	<u>-</u>	<u>(165,000)</u>	<u>3,073,000</u>
\$	<u>4,677,000</u>	<u>\$ -</u>	<u>\$ (393,000)</u>	<u>\$ 4,284,000</u>

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Long Term Debt**  
**Schedule of Obligations Under Capital Leases**  
**for the Fiscal Year ended June 30, 2016**

Series	Amount of Original Issue	Amount Outstanding June 30, 2015	Issued Current Year	Retired Current Year	Amount Outstanding June 30, 2016
Savin Copiers	46,674	24,203	-	9,617	14,586
Savin Copiers	18,992	12,712	-	3,744	8,968
Savin Copiers	108,737	100,427	-	20,478	79,949
		<u>\$ 137,342</u>	<u>\$ -</u>	<u>\$ 33,839</u>	<u>\$ 103,503</u>

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**Debt Service Fund**  
**for the Fiscal Year ended June 30, 2016**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance
REVENUES:					
Local sources:					
Local tax levy	\$ 491,331	\$ -	\$ 491,331	\$ 491,331	\$ -
Total revenues	<u>\$ 491,331</u>	<u>\$ -</u>	<u>\$ 491,331</u>	<u>\$ 491,331</u>	<u>\$ -</u>
EXPENDITURES:					
Regular debt service:					
Interest	\$ 120,550	\$ -	\$ 120,550	\$ 120,549	\$ (1)
Redemption of principal	393,000	-	393,000	393,000	-
Total regular debt service	<u>513,550</u>	<u>-</u>	<u>513,550</u>	<u>513,549</u>	<u>(1)</u>
Total expenditures	<u>513,550</u>	<u>-</u>	<u>513,550</u>	<u>513,549</u>	<u>(1)</u>
Excess (deficiency) of revenues over (under) expenditures	(22,219)	-	(22,219)	(22,218)	1
Other financing sources (uses)					
Refunding of Bonds	-	-	-	-	-
Bond Proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenue & other financing sources over (under) expenditures and other financing sources	<u>(22,219)</u>	<u>-</u>	<u>(22,219)</u>	<u>(22,218)</u>	<u>1</u>
Fund balances, July 1	<u>22,219</u>	<u>-</u>	<u>22,219</u>	<u>22,219</u>	<u>-</u>
Fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>
Recapitulation of Excess (Deficiency) of Revenue Over (Under) Expenditure					
Budgeted Fund Balance	<u>\$ (22,219)</u>	<u>\$ -</u>	<u>\$ (22,219)</u>	<u>\$ (22,218)</u>	<u>\$ 1</u>



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**STATISTICAL SECTION**  
**(Unaudited)**

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Net Position by Component**  
**Last Ten Fiscal Years**

	2007	2008	2009	2010	2011	2012	2013	2014	2014	2015	2016
<b>Governmental Activities:</b>											
Net Investment in Capital Assets	\$ 2,497,225	\$ 3,087,911	\$ 4,094,009	\$ 4,452,180	\$ 4,603,399	\$ 4,748,914	\$ 4,225,593	\$ 5,558,289	\$ 5,558,289	\$ 6,489,804	\$ 7,637,935
Restricted	3,045,620	3,177,608	2,644,550	2,521,568	2,128,075	2,821,911	5,003,956	5,805,767	5,805,767	8,240,148	10,406,956
Committed					40,439	71,336	335,185	490,250	490,250	253,214	365,886
Assigned					623,272	664,398	300,000	-	-	-	-
Unassigned	169,929	244,372	(73,164)	(396,870)	(169,339)	(101,808)	(244,919)	(249,894)	(249,894)	(6,107,665)	(6,424,540)
<b>Total Governmental activities net position</b>	<b>\$ 5,712,774</b>	<b>\$ 6,509,891</b>	<b>\$ 6,665,395</b>	<b>\$ 6,576,878</b>	<b>\$ 7,225,846</b>	<b>\$ 8,204,751</b>	<b>\$ 9,619,815</b>	<b>\$ 11,604,412</b>	<b>\$ 11,604,412</b>	<b>\$ 8,875,501</b>	<b>\$ 11,986,237</b>
<b>Business-type Activities:</b>											
Invested in capital assets, net of related debt	\$ 77,757	\$ 67,017	\$ 68,967	\$ 54,390	\$ 35,127	\$ 65,123	\$ 54,827	\$ 46,332	\$ 46,332	\$ 133,887	\$ 105,560
Restricted											
Unassigned	82,448	105,400	105,487	128,316	158,085	136,208	163,421	181,316	181,316	39,587	60,854
<b>Total Business -type activities net position</b>	<b>\$ 160,205</b>	<b>\$ 172,417</b>	<b>\$ 174,454</b>	<b>\$ 182,706</b>	<b>\$ 193,212</b>	<b>\$ 201,331</b>	<b>\$ 218,248</b>	<b>\$ 227,648</b>	<b>\$ 227,648</b>	<b>\$ 173,474</b>	<b>\$ 166,414</b>
<b>District-wide:</b>											
Net Investment in Capital Assets	\$ 2,574,982	\$ 3,154,928	\$ 4,162,976	\$ 4,506,570	\$ 4,638,526	\$ 4,814,037	\$ 4,280,420	\$ 5,604,621	\$ 5,604,621	\$ 6,623,691	\$ 7,743,495
Restricted & committed	3,045,620	3,177,608	2,644,550	2,521,568	2,791,786	3,557,645	5,639,141	6,296,017	6,296,017	8,493,362	10,772,842
Unassigned	252,377	349,772	32,323	(268,554)	(11,254)	34,400	(81,498)	(68,578)	(68,578)	(6,068,078)	(6,363,686)
<b>Total District-wide activities net position</b>	<b>\$ 5,872,979</b>	<b>\$ 6,682,308</b>	<b>\$ 6,839,849</b>	<b>\$ 6,759,584</b>	<b>\$ 7,419,058</b>	<b>\$ 8,406,082</b>	<b>\$ 9,838,063</b>	<b>\$ 11,832,060</b>	<b>\$ 11,832,060</b>	<b>\$ 9,048,975</b>	<b>\$ 12,152,651</b>

Source: District Records, CAFR Schedule A-1

NORTH ARLINGTON SCHOOL DISTRICT  
Changes in Net Position  
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
<b>Governmental Activities</b>										
Instruction										
Regular	\$ 6,975,761	\$ 6,778,373	\$ 7,661,062	\$ 7,659,244	\$ 8,016,304	\$ 7,830,971	\$ 7,832,957	\$ 8,137,148	\$ 8,144,720	\$ 7,707,118
Special Education	1,173,917	1,205,225	1,616,151	1,721,828	1,810,007	1,989,319	1,954,254	2,125,927	2,030,437	2,087,676
Other Special Education	475,603	531,680	558,676	560,966	555,016	555,132	638,030	615,017	577,696	588,059
Other instruction	383,816	428,820	437,747	414,466	428,081	443,665	427,481	444,908	623,595	610,957
Support Services:										
Tuition	2,199,629	2,188,489	2,529,217	2,760,603	2,550,178	1,957,613	1,919,789	1,471,542	1,116,382	1,117,382
Student & instruction related services	1,908,864	2,298,803	2,250,887	1,929,262	1,974,732	2,132,596	2,121,588	1,948,821	2,183,141	2,533,610
School administrative services	1,016,157	1,060,374	1,130,805	1,243,270	978,619	1,079,440	1,110,717	1,110,678	1,086,513	1,125,000
General and business administrative services	5,127,342	5,055,602	5,111,176	5,280,721	5,269,490	6,031,199	6,433,079	6,076,278	8,792,870	10,031,717
Plant operation and maintenance	2,148,014	1,911,017	2,276,418	1,967,639	2,523,264	2,283,446	2,277,546	2,613,962	2,204,459	2,239,083
Pupil transportation	705,754	850,239	728,017	628,640	603,967	513,259	560,769	485,894	435,590	428,947
Charter School	-	-	-	-	-	17,872	11,458	9,521	-	16,810
Food Service Operations	-	-	-	-	-	-	-	-	-	-
Unallocated depreciation	924,236	957,052	946,505	1,018,722	1,033,316	1,063,191	1,116,392	1,173,628	931,412	998,833
Interest on Long Term Debt	376,798	344,271	308,453	269,316	229,466	189,216	174,259	54,067	158,154	120,549
<b>Total Governmental Activities expenses</b>	<b>23,417,891</b>	<b>23,710,045</b>	<b>25,555,114</b>	<b>25,454,679</b>	<b>25,872,440</b>	<b>26,086,919</b>	<b>26,578,319</b>	<b>26,267,391</b>	<b>28,284,969</b>	<b>29,603,741</b>
Business-type activities:										
Food Service	387,704	403,758	437,407	460,444	467,468	491,495	497,395	543,508	590,338	553,038
<b>Total Business-type activities expense</b>	<b>387,704</b>	<b>403,758</b>	<b>437,407</b>	<b>460,444</b>	<b>467,468</b>	<b>491,495</b>	<b>497,395</b>	<b>543,508</b>	<b>590,338</b>	<b>553,038</b>
<b>Total District Expenses</b>	<b>\$ 23,805,595</b>	<b>\$ 24,113,803</b>	<b>\$ 25,992,521</b>	<b>\$ 25,915,123</b>	<b>\$ 26,339,908</b>	<b>\$ 26,578,414</b>	<b>\$ 27,075,714</b>	<b>\$ 26,810,899</b>	<b>\$ 28,875,307</b>	<b>\$ 30,156,779</b>
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
Charges for Services:										
Operating grants and contributions	1,016,533	1,146,166	1,333,541	1,503,513	1,399,488	1,158,935	1,089,813	1,054,037	1,063,165	1,065,556
<b>Total Governmental Activities Program Revenues</b>	<b>1,016,533</b>	<b>1,146,166</b>	<b>1,333,541</b>	<b>1,503,513</b>	<b>1,399,488</b>	<b>1,170,415</b>	<b>1,115,885</b>	<b>1,082,848</b>	<b>1,068,587</b>	<b>1,082,931</b>
Business-type activities:										
Charges for Services:										
Food Service	313,130	317,550	303,761	311,532	327,425	314,743	324,048	335,816	330,498	310,183
Operating grants and contributions	72,203	98,420	112,383	157,164	169,533	187,077	190,264	217,092	215,666	235,795
<b>Total Business-type activities program revenues</b>	<b>385,333</b>	<b>415,970</b>	<b>416,144</b>	<b>468,696</b>	<b>487,958</b>	<b>501,820</b>	<b>514,312</b>	<b>552,908</b>	<b>546,164</b>	<b>545,978</b>
<b>Total District Program Revenues</b>	<b>\$ 1,401,866</b>	<b>\$ 1,562,136</b>	<b>\$ 1,749,685</b>	<b>\$ 1,972,209</b>	<b>\$ 1,887,446</b>	<b>\$ 1,672,235</b>	<b>\$ 1,630,197</b>	<b>\$ 1,635,756</b>	<b>\$ 1,604,751</b>	<b>\$ 1,628,909</b>
<b>Net Expense (Revenues)</b>										
Governmental Activities	\$ (22,401,358)	\$ (22,563,879)	\$ (24,221,573)	\$ (23,951,166)	\$ (24,472,952)	\$ (24,916,504)	\$ (25,462,434)	\$ (25,184,543)	\$ (27,216,382)	\$ (28,532,810)
Business-type activities	(2,371)	12,212	(21,263)	8,252	20,490	10,325	16,917	9,400	(54,174)	(7,060)
<b>Total District-wide Net Expense</b>	<b>\$ (22,403,729)</b>	<b>\$ (22,551,667)</b>	<b>\$ (24,242,836)</b>	<b>\$ (23,942,914)</b>	<b>\$ (24,452,462)</b>	<b>\$ (24,906,179)</b>	<b>\$ (25,445,517)</b>	<b>\$ (25,175,143)</b>	<b>\$ (27,270,556)</b>	<b>\$ (28,539,870)</b>
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental Activities:</b>										
Property taxes levied for general purposes- Net	\$ 17,526,121	\$ 18,197,710	\$ 19,413,368	\$ 19,413,368	\$ 20,914,546	\$ 21,332,837	\$ 21,759,494	\$ 22,426,020	\$ 22,874,540	\$ 23,344,581
Taxes levied for debt service	1,009,797	983,270	1,053,453	1,021,217	989,466	958,216	926,091	805,957	533,154	491,331
Federal and State aid not restricted	3,924,499	3,799,680	3,769,064	3,263,293	2,708,750	3,494,764	3,990,061	3,913,837	6,657,791	7,549,492
Investment earnings	261,147	238,582	73,248	51,654	53,093	26,351	32,471	33,409	11,340	17,592
Miscellaneous income	53,561	141,764	70,044	132,777	514,890	142,180	177,970	55,456	183,139	99,998
Prior Year Payables Cancelled	-	-	-	-	-	-	-	33,665	3,900	100,652
Special Items	-	-	(2,100)	(19,790)	(58,825)	(118,939)	(6,589)	(129,353)	(8,830)	-
Transfers	(8,767)	-	-	-	-	60,000	-	30,149	-	29,900
<b>Total Governmental Activities</b>	<b>22,766,358</b>	<b>23,361,006</b>	<b>24,377,077</b>	<b>23,862,649</b>	<b>25,121,920</b>	<b>25,893,409</b>	<b>26,877,498</b>	<b>27,169,140</b>	<b>30,255,034</b>	<b>31,633,546</b>
<b>Expenses</b>										
<b>Business-type activities:</b>										
Special Item	34,522	-	23,300	-	(9,984)	(2,206)	-	-	-	-
Transfers	8,767	-	-	-	-	-	-	-	-	-
<b>Total Business-type activities</b>	<b>43,289</b>	<b>-</b>	<b>23,300</b>	<b>-</b>	<b>(9,984)</b>	<b>(2,206)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total District-wide</b>	<b>\$ 22,809,647</b>	<b>\$ 23,361,006</b>	<b>\$ 24,400,377</b>	<b>\$ 23,862,649</b>	<b>\$ 25,111,936</b>	<b>\$ 25,891,203</b>	<b>\$ 26,877,498</b>	<b>\$ 27,169,140</b>	<b>\$ 30,255,034</b>	<b>\$ 31,633,546</b>
<b>Changes in Net Position</b>										
Governmental Activities	\$ 365,000	\$ 797,127	\$ 155,504	\$ (88,517)	\$ 648,268	\$ 978,905	\$ 1,415,064	\$ 1,984,597	\$ 3,038,652	\$ 3,110,736
Business-type activities	40,918	12,212	2,037	8,252	10,506	8,119	16,917	9,400	(54,174)	(7,060)
<b>Total District</b>	<b>\$ 405,918</b>	<b>\$ 809,339</b>	<b>\$ 157,541</b>	<b>\$ (80,265)</b>	<b>\$ 658,774</b>	<b>\$ 987,024</b>	<b>\$ 1,431,981</b>	<b>\$ 1,993,997</b>	<b>\$ 2,984,478</b>	<b>\$ 3,103,676</b>

Source: District Records, CAFR Schedule A-2

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Fund Balances-Governmental Funds**  
**For the Last Ten Years**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General Fund</b>										
Restricted	\$ 3,250,990	\$ 2,849,592	\$ 2,149,074	\$ 1,962,792	\$ 1,508,617	\$ 1,748,795	\$ 2,393,344	\$ 4,172,524	\$ 6,414,012	\$ 9,267,429
Committed					40,439	71,336	335,185	490,250	253,214	365,886
Assigned					623,272	664,398	300,000	-	-	-
Unassigned	303,143	336,249	352,050	245,151	385,295	399,829	353,418	321,595	318,266	299,509
<b>Total General Fund</b>	<u>\$ 3,554,133</u>	<u>\$ 3,185,841</u>	<u>\$ 2,501,124</u>	<u>\$ 2,207,943</u>	<u>\$ 2,557,623</u>	<u>\$ 2,884,358</u>	<u>\$ 3,381,947</u>	<u>\$ 4,984,369</u>	<u>\$ 6,985,492</u>	<u>\$ 9,932,824</u>
<b>All Other Governmental Funds</b>										
Reserved	\$ 81,682	\$ 529,677	\$ 172,698	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unassigned, reported in:										
Special Revenue Fund	(2,046)	(2,046)	-	-	-	-	-	-	-	-
Capital Projects Fund	261,707	337,477	585,826	622,058	619,458	1,073,116	2,610,612	1,633,243	1,826,136	1,139,527
Debt Service Fund	2	1	1	2	2	88,331	23,163	22,219	22,219	1
<b>Total All Other Governmental Funds</b>	<u>\$ 341,345</u>	<u>\$ 865,109</u>	<u>\$ 758,525</u>	<u>\$ 622,060</u>	<u>\$ 619,460</u>	<u>\$ 1,161,447</u>	<u>\$ 2,633,775</u>	<u>\$ 1,655,462</u>	<u>\$ 1,848,355</u>	<u>\$ 1,139,528</u>

Source: District Records, CAFR Schedule B-1

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Changes in Fund Balances- Governmental Funds**  
**For the Last Ten Fiscal Years**  
**Unaudited**

	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Revenues</b>			
Tax Levy	\$ 18,535,918	\$ 19,180,980	\$ 20,466,821
Tuition Charges			
Interest Earnings	261,147	238,582	73,248
Miscellaneous	62,419	170,736	92,972
Local Sources			
State Sources	4,330,964	4,277,995	4,193,351
Federal Sources	601,210	638,879	677,264
<b>Total Revenue</b>	<u>23,791,658</u>	<u>24,507,172</u>	<u>25,503,656</u>
 <b>Expenditures</b>			
Instruction:	8,443,215	8,612,644	9,507,268
Undistributed:	12,626,130	12,745,462	13,439,101
Food Service operations			
Capital outlay	328,749	898,643	1,180,542
Special schools			
Special revenue:	1,016,533	1,146,166	1,114,593
Debt service:	1,009,798	983,271	1,053,453
Charter School			
<b>Total expenditures</b>	<u>23,424,425</u>	<u>24,386,186</u>	<u>26,294,957</u>
 <b>Excess (deficiency) of revenues</b>			
over (under) expenditures	367,233	120,986	(791,301)
 <b>Other Financing Sources (Uses)</b>			
Refunding of Bonds			
Proceeds from borrowing			
Capital leases (non-budgeted)	115,333	34,486	
Transfers in and prior year payables cancelled			
Transfers out	(8,767)		
<b>Total other financing sources (uses)</b>	<u>106,566</u>	<u>34,486</u>	<u>-</u>
 <b>Net change in fund balances</b>	<u>\$ 473,799</u>	<u>\$ 155,472</u>	<u>\$ (791,301)</u>
 Debt Service as a percentage of noncapital expenditures	4.37%	4.19%	4.19%

**Note:** Noncapital expenditures are total expenditures less capital outlay.

**Source:** District records, CAFR Schedule B-2

2010	2011	2012	2013	2014	2015	2016
\$ 20,434,685	\$ 21,904,012	\$ 22,291,053	\$ 22,685,585	\$ 23,231,977	\$ 23,407,694	\$ 23,835,912
		11,480	26,072	28,811	5,422	17,375
51,654	53,093	26,351	32,471	33,409	11,340	17,592
144,887	523,825	142,180	177,970	55,456	183,139	99,998
		29,484	24,762	25,800	28,085	18,558
3,464,875	3,054,791	3,714,127	4,299,727	4,246,952	4,580,144	4,804,195
1,289,821	1,044,512	910,088	755,385	695,122	717,211	744,400
<u>25,385,922</u>	<u>26,580,233</u>	<u>27,124,763</u>	<u>28,001,972</u>	<u>28,317,527</u>	<u>28,933,035</u>	<u>29,538,030</u>
9,436,061	9,867,156	9,918,078	9,989,620	10,452,901	10,487,777	10,132,490
13,496,606	13,709,441	13,730,942	14,195,779	13,585,234	13,234,101	13,981,547
			-	-	-	-
612,923	267,602	735,241	950,800	4,040,464	1,533,459	1,720,125
			-	-	-	-
1248662	1399488	1,158,935	1,089,813	1,054,037	1,063,165	1,065,556
1,021,316	989,466	958,216	991,259	872,067	533,154	513,549
		17,872	11,458	9,521	-	16,810
<u>25,815,568</u>	<u>26,233,153</u>	<u>26,519,284</u>	<u>27,228,729</u>	<u>30,014,224</u>	<u>26,851,656</u>	<u>27,430,077</u>
(429,646)	347,080	605,479	773,243	(1,696,697)	2,081,379	2,107,953
				(1,150,000)	-	-
		88,329	1,150,000	3,388,000	-	-
		114,914	46,674	18,992	108,737	
		60,000		63,814	3,900	130,552
<u>-</u>	<u>-</u>	<u>263,243</u>	<u>1,196,674</u>	<u>2,320,806</u>	<u>112,637</u>	<u>130,552</u>
<u>\$ (429,646)</u>	<u>\$ 347,080</u>	<u>\$ 868,722</u>	<u>\$ 1,969,917</u>	<u>\$ 624,109</u>	<u>\$ 2,194,016</u>	<u>\$ 2,238,505</u>
4.05%	3.81%	3.72%	3.77%	3.36%	2.11%	2.00%

**NORTH ARLINGTON SCHOOL DISTRICT**  
**General Fund - Other Local Revenue by Source**  
**Last Ten Fiscal Years**

Description	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>General Fund:</b>					
Interest on investments	\$ 17,592	\$ 11,340	\$ 33,409	\$ 32,471	\$ 26,351
Insurance refunds	7,326	34,805	9,474	1,061	
Accounts payable cancelled	40,722	64,224	17,701	16,424	-
Prior year refunds	6,189	11,560	9,366	26,262	26,231
Health Benefits	-	-	-	-	-
Gate Receipts	8,319	7,117	6,530	6,218	5,044
Miscellaneous	18,349	2,382	-	99,723	84,924
Custodial Overtime	19,093	20,051	12,385	28,282	25,981
Local Grant	-	-	-	-	-
<b>Total Miscellaneous</b>	<u>117,590</u>	<u>151,479</u>	<u>88,865</u>	<u>210,441</u>	<u>168,531</u>
Tuition	<u>17,375</u>	<u>48,422</u>	<u>28,811</u>	<u>26,072</u>	<u>11,480</u>
<b>Total General Fund</b>	<u>\$ 134,965</u>	<u>\$ 199,901</u>	<u>\$ 117,676</u>	<u>\$ 236,513</u>	<u>\$ 180,011</u>

Source: District Records



<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 53,093	\$ 51,654	\$ 73,248	\$ 238,582	\$ 261,147
			12,583	
2,301	22,360		56,168	43,339
43,813		10,067	5,280	
393,688				
56,736	78,280	31,379	67,733	10,222
18,352	12,340	28,598		
8,935	22,110	22,928	28,972	8,858
<u>576,918</u>	<u>186,744</u>	<u>166,220</u>	<u>409,318</u>	<u>323,566</u>
-	9,797			
<u>\$ 576,918</u>	<u>\$ 196,541</u>	<u>\$ 166,220</u>	<u>\$ 409,318</u>	<u>\$ 323,566</u>

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Assessed and Estimated Actual Value of Taxable Property**  
**For the Last Ten Fiscal Years**  
**Unaudited**

<u>Year Ended, December 31,</u>	<u>Net Valuations Taxable</u>	<u>Estimated Full Cash Valuations</u>	<u>Total Direct School Tax Rate</u>
2007	812,629,529	1,720,997,978	2.320
2008	819,976,328	1,830,045,494	2.424
2009	819,167,785	1,808,663,827	2.496
2010	818,276,651	1,762,686,879	2.586
2011 *	1,508,037,889	1,573,385,021	1.511
2012	1,503,208,307	1,586,564,192	1.450
2013	1,477,053,100	1,455,654,972	1.554
2014	1,481,585,175	1,479,070,755	1.554
2015	1,474,919,975	1,472,416,866	1.600
2016	1,475,277,675	1,540,759,974	1.637

\* Borough undertook a revaluation of property in 2011.

Source: Abstract of Ratables, County Board of Taxation.

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Direct and Overlapping Property Tax Rates**  
**Per \$100.00 of Assessed Valuation**  
**Last Ten Fiscal Years**

Assessment Year	North Arlington School District	North Arlington Borough	North Arlington Library	Bergen County	Total
2007	2.320	1.576	-	0.364	4.26
2008	2.424	1.542	-	0.414	4.38
2009	2.496	1.563	-	0.424	4.48
2010	2.586	1.733	-	0.423	4.74
2011	* 1.511	0.923	0.036	0.218	2.69
2012	1.450	0.987	0.035	0.233	2.71
2013	1.450	1.022	0.035	0.233	2.74
2014	1.554	1.052	0.033	0.229	2.87
2015	1.600	1.139	0.033	0.241	3.01
2016	1.637	1.170	0.035	0.257	3.10

Source: Tax Collector.

\* Borough undertook a revaluation of property in 2011.

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Principal Property Taxpayers**  
**Current Year and Ten Years Ago**

<u>Taxpayers</u>	<u>2016</u>		<u>Taxpayers</u>	<u>2006</u>	
	<u>Taxable Assessed Value</u>	<u>As a % of District's Net Assessed Valuation</u>		<u>Taxable Assessed Value</u>	<u>As a % of District's Net Assessed Valuation</u>
1			1		
2			2		
3			3		
4			4		
5			5		
6			6		
7			7		
8			8		
9			9		
10			10		
	<u>\$ -</u>	<u>0</u>		<u>\$ -</u>	<u>0</u>

Note: This information was unavailable for the year's 2016 and 2006.

**NORTH ARLINGTON SCHOOL DISTRICT  
Municipal Property Tax Levies and Collections  
Last Ten Fiscal Years**

<u>Year Ended, December 31,</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy (a)</u>		<u>Collected in Subsequent years</u>
		<u>Amount</u>	<u>Percent of Tax Levy Collected</u>	
2007	18,535,918	18,535,918	100.00%	-
2008	19,180,980	19,180,980	100.00%	-
2009	20,466,821	20,466,821	100.00%	-
2010	20,434,685	20,434,685	100.00%	-
2011	21,904,012	21,904,012	100.00%	-
2012	22,291,053	22,291,053	100.00%	-
2013	22,685,585	22,685,585	100.00%	-
2014	23,231,977	23,231,977	100.00%	-
2015	23,407,694	23,407,694	100.00%	-
2016	23,835,912	23,835,912	100.00%	-

Source: District Records including the Certificate and Report of School Taxes (A4F form)

(a) School Taxes are collected by the Municipal tax Collector. Under New Jersey State Statute, a Municipality is required to remit to the school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year.

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Ratio of Outstanding Debt by Type**  
**For General Bonded Debt to Total Governmental Fund Expenditures**  
**Last Ten Fiscal Years**

Fiscal Year Ended, June 30,	Governmental			Business-Type Activities		Total District	Percentage of Personal Income (a)	Per Capita (a)
	General Obligation Bonds	Early Retirement Program	Activities Capital Leases	Bond Anticipation Notes	Capital Leases			
2007	6,838,000	-	116,966	-	-	6,954,966	UA	461
2008	6,199,000	-	106,870	-	-	6,305,870	UA	450
2009	5,454,000	-	77,710	-	-	5,531,710	UA	361
2010	4,702,000	-	45,980	-	-	4,747,980	UA	323
2011	3,942,000	-	11,446	-	-	3,953,446	UA	276
2012	3,299,000	-	99,713	-	-	3,398,713	UA	219
2013	2,482,000	-	115,853	1,150,000	-	3,747,853	0.37%	243
2014	5,052,000	-	100,640	-	-	5,152,640	0.47%	330
2015	4,677,000	-	137,342	-	-	4,814,342	0.44%	306
2016	4,284,000	-	103,503	-	-	4,387,503	0.38%	276

NOTE: Details regarding the District's outstanding debt can be found in the notes to financial statements.

UA - Information Unavailable

(a) See Exhibit J-14 for personal income and population data. These ratios are calculated using personal income and population data from the prior calendar year.

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

Fiscal Year Ended, June 30,	General Obligation Bonds & BANS	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
2007	6,838,000		6,838,000	0.85%	453
2008	6,199,000		6,199,000	0.99%	452
2009	5,454,000		5,454,000	0.69%	356
2010	4,702,000		4,702,000	0.57%	320
2011	3,942,000		3,942,000	0.26% *	320
2012	3,299,000		3,299,000	0.22%	212
2013	3,632,000		3,632,000	0.25%	235
2014	5,052,000		5,052,000	0.34%	323
2015	4,677,000		4,677,000	0.32%	297
2016	4,284,000		4,284,000	0.29%	269

Note: Data regarding the District's outstanding debt can be found in the notes to the financial statements.

\* Borough undertook a revaluation of property in 2011.

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2016**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Net Debt</u>
Debt repaid with property taxes			
North Arlington Municipality (1)	\$ 17,916,018	100.00%	\$ 17,916,018
County of Bergen (2)	999,623,536	0.92%	<u>9,196,537</u>
Subtotal, overlapping debt			27,112,555
North Arlington School District, Direct Debt			<u>4,284,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 31,396,555</u></u>

## Sources:

- (1) North Arlington Municipality's Chief Financial Officer and Annual Debt Statement - December 31, 2015.
- (2) Bergen County Treasurer's Office. The County Debt was apportioned to North Arlington Municipality by dividing the Municipality's 2016 equalized value by the total 2016 equalized value for Bergen County, which results in an apportionment rate of 0.92%.

\* The source for this computation was the 2016 Table of Equalized Value, which is supplied by the New Jersey Division of Taxation.



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**NORTH ARLINGTON SCHOOL DISTRICT**  
**Computation of Legal Debt Margin**  
**Last Ten Fiscal Years**

**J-13**  
1/2

**Legal Debt Margin Calculation for 2016**

	<u>Year</u>		<u>Equalized Valuation Basis</u>	
	2016		\$ 1,475,277,675	
	2015		1,474,919,975	
	2014		1,481,123,536	
			<u>\$ 4,431,321,186</u>	
Average equalized valuation of taxable property				<u>\$ 1,477,107,062</u>
School borrowing margin ( 4% of \$ 1,477,107,062 )			\$ 59,084,282	
Net bonded school debt as of June 30, 2016			<u>4,284,000</u>	
School borrowing margin available			<u>\$ 54,800,282</u>	
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt Limit	\$ 60,747,677	\$ 63,565,542	\$ 70,884,706	\$ 71,507,033
Total net debt applicable to limit	<u>6,838,000</u>	<u>6,199,000</u>	<u>5,454,000</u>	<u>4,702,000</u>
Legal Debt Limit	<u>\$ 53,909,677</u>	<u>\$ 57,366,542</u>	<u>\$ 65,430,706</u>	<u>\$ 66,805,033</u>
Total net debt applicable to the limit as a percentage of debt limit	11.26%	9.75%	7.69%	6.58%

Source: Equalized valuation bases were provided by the Annual Report of the State of New Jersey, Department of the Treasury, Division of Taxation

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$69,077,560	\$62,689,889	\$60,483,730	\$59,088,162	\$58,852,093	\$59,084,282
<u>3,942,000</u>	<u>3,299,000</u>	<u>3,632,000</u>	<u>5,052,000</u>	<u>4,677,000</u>	<u>4,284,000</u>
<u>\$65,135,560</u>	<u>\$59,390,889</u>	<u>\$56,851,730</u>	<u>\$54,036,162</u>	<u>\$54,175,093</u>	<u>\$54,800,282</u>
5.71%	5.26%	6.00%	8.55%	7.95%	7.25%

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

<u>Year Ended, December 31,</u>	<u>Population**</u>	<u>Personal Income *** (1)</u>	<u>Per Capita Personal Income **** (1)</u>	<u>Unemployment Rate****</u>
2007	15,181	UA	UA	4.0%
2008	15,290	UA	UA	4.7%
2009	14,713	UA	UA	4.0%
2010	14,322	966,591,780	67,490	7.9%
2011	15,494	UA	UA	7.9%
2012	UA	UA	UA	UA
2013	15,392	1,017,423,168	66,096	8.6%
2014	15,632	1,092,973,808	69,919	5.6%
2015	15,723	1,092,669,885	69,495	4.6%
2016	15,904	1,169,516,544	73,536	5.8%

Source: \*\* Information provided by US Bureau of the Census, Population Division.  
\*\*\* Personal income has been estimated based upon the municipal population and per capita personal income presented.  
\*\*\*\* Information provided by NJ Department of Labor and Workforce Development.

(1) County information

UA Information Unavailable

**NORTH ARLINGTON SCHOOL DISTRICT  
Principal Employers  
Current Year and Ten Years Ago**

2016			2006		
Employer	Employees	Percentage of Total Municipal Employment	Employer	Employees	Percentage of Total Municipal Employment

Note: This information was unavailable for the year's 2016 and 2006.

NORTH ARLINGTON SCHOOL DISTRICT  
Full-Time Equivalent District Employees by Function/Program  
Last Ten Fiscal Years

FUNCTION/ PROGRAM	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Instruction:				
Regular	85	105	92	108
Special Education	19	22	28	23
Other Special Education	-	-	-	-
Vocational- Business/ Technical Office	6	43	5	50
Other Instruction - (Supervisors)	-	-	-	-
Nonpublic School programs	-	-	-	-
Supporting Services:				
Student & Instruction Related Services	10	20	20	21
General administration	8	3	0	3
School administrative services	6	12	12	12
Other administrative services	5	0	0	0
Central services	17	5	0	5
Administrative Information Technology	-	-	-	-
Plant operations and maintenance	17	16	16	16
Student transportation	1	1	1	0
Other support services	46	0	0	0
Special Schools	-	-	-	-
Food Service	-	-	-	-
Child Care	-	-	-	-
Total	<u>220</u>	<u>227</u>	<u>174</u>	<u>238</u>

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
96	95	101	98	100	107
32	31	33	37	34	39
0	3	2	2	40	42
50	0	0	0	0	0
0	6	6	6	5	7
0	0	0	0	0	0
17	8	6	6	20	20
3	8	8	8	4	4
12	7	0	0	12	12
0	6	6	6	2	2
5	12	11	11	6	6
0	1	1	1	2	2
16	16	16	17	17	17
1	1	1	1	1	1
0	31	36	36	0	0
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>232</u>	<u>225</u>	<u>227</u>	<u>229</u>	<u>243</u>	<u>259</u>

NORTH ARLINGTON SCHOOL DISTRICT  
Operating Statistics  
Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Enrollment</u>	<u>Operating Expenditures (a)</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff</u>	<u>Elementary School</u>
2007	1,567	22,095,878	14,101	11.77%	141	13.1:1
2008	1,597	22,504,272	14,092	-0.06%	121	14.6:1
2009	1,615	24,060,962	14,898	5.73%	UA	UA
2010	1,603	24,181,229	15,085	1.25%	UA	13.9:1
2011	1,607	24,976,085	15,542	3.03%	119	UA
2012	1,644	24,825,827	15,101	-2.84%	143	UA
2013	1,715	25,286,670	14,744	-2.36%	135	16.4:1
2014	1,748	25,101,693	14,360	-2.61%	156	15.1:1
2015	1,734	24,785,043	14,294	-0.46%	158	14.6:1
2016	1,764	25,196,403	14,284	-0.01%	143	13.7:1

Source:

District Records  
District Summary ADE/ADA

UA  
(a)

Information Unavailable  
Exhibit B-2 operating expenditures equal total expenditures less debt service and capital outlay.



<u>Middle School</u>	<u>High School</u>	<u>Average Daily Enrollment (ADE)</u>	<u>Average Daily Attendance (ADA)</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance %</u>
14.0:1	10.3:1	1,571	1,484	-0.53%	94.46%
11.9:1	10.02:1	1,595	1,510	1.53%	94.67%
UA	UA	UA	UA	UA	UA
11.3:1	9.9:1	UA	UA	UA	UA
UA	UA	1,618	1,535	UA	94.90%
11.5:1	9.5:1	1,645	1,566	2.02%	95.20%
13.7:1	10.3:1	1,709	1,625	3.89%	95.08%
11.0:1	7.8:1	1,737	1,660	1.64%	95.56%
11.2:1	7.5:1	1,718	1,645	-1.09%	95.75%
13.0:1	10.1:1	1,768	1,685	2.90%	95.31%

**NORTH ARLINGTON SCHOOL DISTRICT  
SCHOOL BUILDING INFORMATION  
LAST TEN FISCAL YEARS**

J-18  
1/2

	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b><u>District Buildings:</u></b>			
<b><u>Elementary:</u></b>			
Washington School			
Square Feet	34,274	34,274	34,274
Capacity (Students)	236	236	236
Enrollment	248	253	253
Roosevelt School			
Square Feet	25,024	25,024	25,024
Capacity (Students)	189	189	189
Enrollment	169	186	186
Jefferson School			
Square Feet	24,836	24,836	24,836
Capacity (Students)	250	250	250
Enrollment	282	299	299
<b><u>Middle School:</u></b>			
North Arlington Middle School			
Square Feet	52,039	52,039	52,039
Capacity (Students)	260	260	260
Enrollment	331	337	337
<b><u>High School:</u></b>			
North Arlington High School			
Square Feet	89,623	89,623	89,623
Capacity (Students)	510	510	510
Enrollment	540	522	522

Number of Schools at June 30, 2014:

Elementary=3  
Middle School=1  
High School=1

**Source: District Records**

**NORTH ARLINGTON SCHOOL DISTRICT  
SCHOOL BUILDING INFORMATON  
LAST TEN FISCAL YEARS**

J-18  
2/2

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
34,274	34,274	34,274	34,274	34,274	34,274	34,274
236	236	236	236	236	236	236
253	253	253	253	339	316	326
25,024	25,024	25,024	25,024	25,024	25,024	25,024
189	189	189	189	189	189	189
186	186	186	186	256	251	238
24,836	24,836	24,836	24,836	24,836	24,836	24,836
250	250	250	250	250	250	250
299	299	299	299	306	305	311
52,039	52,039	52,039	52,039	52,039	52,039	52,039
260	260	260	260	260	260	260
337	337	337	337	364	382	404
89,623	89,623	89,623	89,623	89,623	89,623	89,623
510	510	510	510	510	510	510
522	522	522	522	483	480	485

**NORTH ARLINGTON SCHOOL DISTRICT**  
**General Fund**  
**Schedule of Required Maintenance for School Facilities**  
**Last Ten Fiscal Years**

UNDISTRIBUTED EXPENDITURES - REQUIRED  
MAINTENANCE FOR SCHOOL FACILITIES  
11-000-261-xxx

* School Facilities	Project # (s)	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Jefferson	N/A	\$ 54,059	\$ 57,628	\$ 146,010	\$ 206,100	\$ 120,715	\$ 72,364	\$ 52,257	\$ 58,480	\$ 104,786	\$ 87,648
Roosevelt	N/A	92,784	272,220	105,610	77,372	101,396	102,220	71,734	162,097	59,476	121,926
Washington	N/A	107,893	184,159	127,805	159,166	86,506	128,001	90,405	259,200	54,292	152,446
Middle School	N/A	129,703	171,771	168,398	66,665	163,966	163,462	117,227	187,598	231,699	198,298
High School	N/A	168,931	156,012	460,416	254,311	313,644	355,676	214,282	132,247	124,985	351,969
Total School Facilities		553,370	841,790	1,008,239	763,614	786,227	821,723	545,905	799,622	575,238	912,287
Other Facilities											
Grand Total		\$ 553,370	\$ 841,790	\$ 1,008,239	\$ 763,614	\$ 786,227	\$ 821,723	\$ 545,905	\$ 799,622	\$ 575,238	\$ 912,287

\* School facilities as defined under EFCFA.  
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6:24-1.3)

SOURCE: District Records

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Insurance Schedule**  
**June 30, 2016**

	<u>Coverage</u>	<u>Deductible</u>
Package Policy		
School Alliance Insurance Fund		
Effective: 7/1/15 - 7/1/16		
PROPERTY		
Building & Contents Blanket Limit	\$ 54,362,422	\$ 2,500
Extra Expense Replacement Cost	50,000,000	
CRIME		
Blanket Dishonesty Bond	100,000	each person
Including Faithful Performance	500,000	per loss
Forgery & Alteration	50,000	1,000
Money & Securities- Inside & Out	50,000	1,000
Computer Fraud	50,000	1,000
FLOOD/ EARTHQUAKE		
	Flood	10,000,000
	Quake	25,000,000
BOILER AND MACHINERY		
Equipment Breakdown	100,000,000	2,500
GENERAL LIABILITY		
Commercial General Liability:		
Each Occurrence	5,000,000	N/A
General Aggregate	50,000,000	N/A
Products - Completed Operations	50,000,000	N/A
Personal Injury	100,000	N/A
Fire Damage	2,500,000	N/A
Medical Expense Limit	5,000	N/A
General Aggregate Limit	50,000,000	N/A
EMPLOYEE BENEFITS LIABILITY	5,000,000	1,000
BUSINESS AUTO		
Combined Single Limit	5,000,000	N/A
Hired/ Non Owned	5,000,000	N/A
Personal Injury Protection	100,000	N/A
Uninsured/ Underinsured Motorists	5,000,000	N/A
Medical Payments	N/A	N/A
Collision	Actual Cash Value	1,000
Comprehensive	Actual Cash Value	N/A
Garage Keepers Legal Liability		1,000
School Leaders Liability & Employment Practices		
Ace American Insurance		
Effective: 7/1/15 - 7/1/16		
Each Claim/ Each Insured	5,000,000	5,000
Aggregate/ Each Insured	5,000,000	35,000
Each Claim/ All Insured	10,000,000	
Maximum Policy Aggregate	150,000,000	
EXCESS LIABILITY & EXCESS SCHOOL LEADERS ERRORS & OMISSIONS		
School Alliance Insurance Fund		
Effective: 7/1/15 - 7/1/16		
Each Loss	5,000,000	N/A
Aggregate	5,000,000	N/A

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Insurance Schedule**  
**June 30, 2016**

	<u>Coverage</u>	<u>Deductible</u>
Environmental Impairment Liability Policy		
Ace Insurance Co.		
Effective: 7/1/15 - 7/1/16		
Pollution Liability is Site Specific		
Per Accident	1,000,000	10,000
Policy Aggregate Limit	25,000,000	
Public Officials Bonds		
Hartford Fire Insurance Company		
Effective: 7/1/15 - 7/1/16		
Bus. Admin. / Bd. Secretary - Kathleen McEwin-Marano	220,000	

SOURCE: District Records

**SINGLE AUDIT SECTION**

# DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

*Certified Public Accountants*

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## EXHIBIT K-1

### 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

The Honorable President and  
Members of the Board of Education  
North Arlington School District  
County of Bergen  
North Arlington, New Jersey 07031

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 and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the North Arlington School District, in the County of Bergen, State of New Jersey, (the "Board") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated December 2, 2016.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's



financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

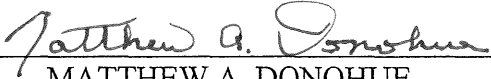
### **Compliance and Other Matters**

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

### **Purpose of this Report**

This 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 and opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
DONOHUE, GIRONDA, DORIA & TOMKINS, LLC  
Certified Public Accounts

  
MATTHEW A. DONOHUE  
Certified Public Accountant  
Public School Accountant  
License No. CS 00170

Bayonne, New Jersey  
December 2, 2016

# DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

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## EXHIBIT K-2

### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR 15-08

The Honorable President and  
Members of the Board of Education  
North Arlington School District  
County of Bergen  
North Arlington, New Jersey 07031

#### **Report on Compliance for Each Major Federal and State Program**

We have audited the Board of Education of the North Arlington School District, in the County of Bergen, State of New Jersey's (the "Board") compliance with the types of compliance requirements described in the OMB *Compliance Supplement and New Jersey OMB Circular 15-08* that could have a direct and material effect on each of the Board's major federal and state programs for the year ended June 30, 2016. The Board's major federal and state programs are identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Board's major federal and state 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; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; 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) and *New Jersey OMB Circular 15-08*. Those

standards, The Uniform Guidance and New Jersey OMB Circular 15-08, 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 or state program occurred. An audit includes examining, on a test basis, evidence about the Board'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 and state program. However, our audit does not provide a legal determination of the Board's compliance.

### ***Opinion on Each Major Federal and State Program***

In our opinion, the Board 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 and state programs for the year ended June 30, 2016.

### **Report on Internal Control Over Compliance**

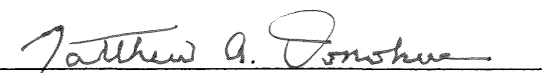
Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with The Uniform Guidance and New Jersey OMB Circular 15-08, 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 Board'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 or state 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 or state 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 or state 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 and New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

  
DONOHUE, GIRONDA, DORIA & TOMKINS, LLC  
Certified Public Accountants

  
MATTHEW A. DONOHUE  
Certified Public Accountant  
Public School Accountant  
License No. CS 00170

Bayonne, New Jersey  
December 2, 2016

NORTH ARLINGTON SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
Schedule A  
For the Fiscal Year Ended June 30, 2016

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Award Amount	Grant Period		Balance at June 30, 2015		
					From	To	Accounts Receivable	Deferred Revenue	Due to Grantor
United States Department of Education									
Pass-Through State Department of Education									
Special Revenue Fund:									
Title I Part A Grants to Local Educational Agencies	84.010A	SO10A150030	NCLB-16	\$ 195,955	07/01/15	06/30/16	\$ -	\$ -	\$ -
Title I Part A Grants to Local Educational Agencies	84.010A	SO10A150030	NCLB-15	154,186	07/01/14	06/30/15	(31,817)	-	26,431
Total Title I Part A Grants to Local Educational Agencies							(31,817)	-	26,431
Title II - Part A Improving Teacher Quality State Grants	84.367A	S367A150029	NCLB-16	47,745	07/01/15	06/30/16	-	-	-
Title II - Part A Improving Teacher Quality State Grants	84.367A	S367A150029	NCLB-15	47,893	07/01/14	06/30/15	-	-	7,827
Total Title II - Part A Improving Teacher Quality State Grants							-	-	7,827
Title III - Part A	84.365A	S365A150030	NCLB-16	21,804	07/01/15	06/30/16	-	-	-
Title III - Part A	84.365A	S365A150030	NCLB-15	46,047	07/01/14	06/30/15	-	-	5,259
Title III - Immigrant Aid	84.365	S365A150030	NCLB-15	362	07/01/14	06/30/15	-	-	-
Total Title III - Part A							-	-	5,259
Special Education Cluster (IDEA)									
I.D.E.A. - Part B - Regular	84.027	H027A150100	IDEA-16	505,662	07/01/15	06/30/16	-	-	-
I.D.E.A. - Part B - Carryover	84.027	H027A150100	IDEA-15	7,055	07/01/14	06/30/15	-	-	-
I.D.E.A. - Part B - Pre-School	84.173	H027A150100	IDEA-16	16,307	07/01/15	06/30/16	-	-	-
Total Special Education Cluster (IDEA)							-	-	-
Total Special Revenue Fund							(31,817)	-	39,517
United States Department of Agriculture									
Pass-Through State Department of Agriculture									
Enterprise Fund:									
U.S.D.A. Commodities Program	10.550	N/A	N/A	36,583	07/01/15	06/30/16	-	-	-
Child Nutrition Cluster									
National School Breakfast Program	10.553	16161NJ304N1099	N/A	8,932	07/01/15	06/30/16	-	-	-
National School Breakfast Program	10.553	16161NJ304N1099	N/A	3,348	07/01/14	06/30/15	(197)	-	-
National School Lunch Program	10.555	16161NJ304N1099	N/A	184,624	07/01/15	06/30/16	-	-	-
National School Lunch Program	10.555	16161NJ304N1099	N/A	175,718	07/01/14	06/30/15	(11,302)	-	-
Total Child Nutrition Cluster							(11,499)	-	-
Total Enterprise Fund							(11,499)	-	-
Total Federal Financial Awards							\$ (43,316)	\$ -	\$ 39,517

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule

Carryover/ Walkover Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Year's Balances	Balance at June 30, 2016		
					Accounts Receivable	Deferred Revenue	Due to Grantor
\$ -	\$ 195,955	\$ (159,791)	\$ -	\$ -		\$ -	36,164
-	31,817	-	-	(26,431)	-	-	-
-	227,772	(159,791)	-	(26,431)	-	-	36,164
-	47,745	(41,509)	-	-	-	-	6,236
-	-	-	-	(7,827)	-	-	-
-	47,745	(41,509)	-	(7,827)	-	-	6,236
-	21,804	(21,804)	-	-	-	-	-
-	-	-	-	(5,259)	-	-	-
-	362	(362)	-	-	-	-	-
-	22,166	(22,166)	-	(5,259)	-	-	-
-	505,662	(505,662)	-	-	-	-	-
-	7,055	(7,055)	-	-	-	-	-
-	16,307	(16,307)	-	-	-	-	-
-	529,024	(529,024)	-	-	-	-	-
-	826,707	(752,490)	-	(39,517)	-	-	42,400
-	36,583	(36,583)	-	-	-	-	-
-	7,218	(8,932)	-	-	(1,714)	-	-
-	197	-	-	-	-	-	-
-	150,623	(184,624)	-	-	(34,001)	-	-
-	11,302	-	-	-	-	-	-
-	169,340	(193,556)	-	-	(35,715)	-	-
-	205,923	(230,139)	-	-	(35,715)	-	-
\$ -	\$ 1,032,630	\$ (982,629)	\$ -	\$ (39,517)	\$ (35,715)	\$ -	\$ 42,400

NORTH ARLINGTON SCHOOL DISTRICT  
Schedule of Expenditures of State Financial Assistance  
Schedule B  
For the Fiscal Year Ended June 30, 2016

State Grant Or/Pass Through Program Title	Grant or State Project Number	Award Amount	Grant Period		Balance at June 30, 2015				Carryover/ (Walkover) Amount	Cash Received
			From	To	Budgetary Receivable	Accounts Receivable	Deferred Revenue	Due to Grantor		
<b>STATE DEPARTMENT OF EDUCATION</b>										
<b>General Fund:</b>										
Equalization Aid	16-495-034-5120-078	\$ 690,197	07/01/15	06/30/16	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 632,186
Equalization Aid	15-495-034-5120-078	690,197	07/01/14	06/30/15	(55,574)	-	-	-	-	55,574
* Special Education Aid	16-495-034-5120-089	983,678	07/01/15	06/30/16	-	-	-	-	-	901,000
Special Education Aid	15-495-034-5120-089	983,678	07/01/14	06/30/15	(79,204)	-	-	-	-	79,204
Extraordinary Aid	16-495-034-5120-044	187,185	07/01/15	06/30/16	-	-	-	-	-	-
Extraordinary Aid	15-495-034-5120-044	156,089	07/01/14	06/30/15	-	(156,089)	156,089	-	-	156,089
Transportation Aid	16-495-034-5120-014	31,715	07/01/15	06/30/16	-	-	-	-	-	29,049
Transportation Aid	15-495-034-5120-014	31,715	07/01/14	06/30/15	(2,554)	-	-	-	-	2,554
Security Aid	16-495-034-5120-084	41,109	07/01/15	06/30/16	-	-	-	-	-	37,654
Security Aid	15-495-034-5120-084	41,109	07/01/14	06/30/15	(3,310)	-	-	-	-	3,310
Per Pupil Growth Aid	16-495-034-5120-097	17,610	07/01/15	06/30/16	-	-	-	-	-	16,130
Per Pupil Growth Aid	15-495-034-5120-097	17,610	07/01/14	06/30/15	(1,418)	-	-	-	-	1,418
PARCC Readiness Aid	16-495-034-5120-097	17,610	07/01/15	06/30/16	-	-	-	-	-	16,130
PARCC Readiness Aid	15-495-034-5120-098	17,610	07/01/14	06/30/15	(1,418)	-	-	-	-	1,418
On-Behalf TPAF Pension Contributions	16-495-034-5094-001	1,854,421	07/01/15	06/30/16	-	-	-	-	-	1,854,421
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	715,460	07/01/15	06/30/16	-	-	-	-	-	678,920
Reimbursed TPAF Social Security Contributions	15-495-034-5094-003	734,848	07/01/14	06/30/15	-	(37,086)	-	-	-	37,086
<b>Total General Fund</b>		<b>7,211,841</b>			<b>(143,478)</b>	<b>(193,175)</b>	<b>156,089</b>	<b>-</b>	<b>-</b>	<b>4,502,143</b>
<b>Special Revenue Fund:</b>										
<b>New Jersey Nonpublic Aid:</b>										
Textbook Aid	16-100-034-5120-064	35,288	07/01/15	06/30/16	-	-	-	-	-	35,288
Textbook Aid	15-100-034-5120-064	35,331	07/01/14	06/30/15	-	-	-	-	-	2,642
Nursing Aid	16-100-034-5120-070	55,620	07/01/15	06/30/16	-	-	-	-	-	55,620
Technology Initiative Aid	16-100-034-5120-373	16,116	07/01/15	06/30/16	-	-	-	-	-	16,116
<b>Auxiliary Services: (Chapter 192)</b>										
Compensatory Education	16-100-034-5120-067	86,295	07/01/15	06/30/16	-	-	-	-	-	86,295
Compensatory Education	15-100-034-5120-067	96,746	07/01/14	06/30/15	-	-	-	17,199	-	-
English as a Second Language	16-100-034-5120-067	46,589	07/01/15	06/30/16	-	-	-	-	-	46,589
English as a Second Language	15-100-034-5120-067	30,146	07/01/14	06/30/15	-	-	-	27,406	-	-
Home Instruction	16-100-034-5120-067	1,921	07/01/15	06/30/16	-	-	-	-	-	2,071
Home Instruction	15-100-034-5120-067	2,071	07/01/14	06/30/15	-	(2,071)	-	-	-	-
<b>Handicapped Services: (Chapter 193)</b>										
Security Aid	16-100-034-5120-066	15,450	07/01/15	06/30/16	-	-	-	-	-	15,450
Supplemental Instruction	16-100-034-5120-066	28,960	07/01/15	06/30/16	-	-	-	-	-	28,960
Supplemental Instruction	15-100-034-5120-066	25,110	07/01/14	06/30/15	-	-	-	2,432	-	-
Examination and Classification	16-100-034-5120-066	44,314	07/01/15	06/30/16	-	-	-	-	-	44,314
Examination and Classification	15-100-034-5120-066	50,246	07/01/14	06/30/15	-	-	-	8,641	-	-
Corrective Speech	16-100-034-5120-066	55,181	07/01/15	06/30/16	-	-	-	-	-	55,181
Corrective Speech	15-100-034-5120-066	56,986	07/01/14	06/30/15	-	-	-	3,623	-	-
<b>Total Special Revenue Fund</b>		<b>647,082</b>			<b>-</b>	<b>(2,071)</b>	<b>-</b>	<b>59,301</b>	<b>-</b>	<b>388,526</b>
<b>Enterprise Fund:</b>										
National School Lunch Program (State Share)	16-100-010-3350-023	5,656	07/01/15	06/30/16	-	-	-	-	-	4,625
National School Lunch Program (State Share)	15-100-010-3350-023	5,520	07/01/14	06/30/15	-	(363)	-	-	-	363
<b>Total Enterprise Fund</b>		<b>11,176</b>			<b>-</b>	<b>(363)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,988</b>
<b>Total State Financial Assistance</b>		<b>\$ 7,870,099</b>			<b>\$ (143,478)</b>	<b>\$ (195,609)</b>	<b>\$ 156,089</b>	<b>\$ 59,301</b>	<b>\$ -</b>	<b>\$ 4,895,657</b>

Less:  
On Behalf T.P.A.F. Pension Contributions  
Total State Financial Assistance Subject to Single Audit

\* Denotes a Major Program

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule

Budgetary Expenditures	Adjustments/ Repayment of Prior Year's Balances	Balance at June 30, 2016			Memo	
		(Accounts Receivable)	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditure
\$ (690,197)	\$ -	\$ -	\$ -	\$ -	(58,011)	690,197
-	-	-	-	-	-	690,197
(983,678)	-	-	-	-	(82,678)	983,678
-	-	-	-	-	-	983,678
(156,089)	-	(187,185)	187,185	-	-	187,185
(31,715)	-	-	-	-	(2,666)	156,089
-	-	-	-	-	-	31,715
(41,109)	-	-	-	-	(3,455)	41,109
-	-	-	-	-	-	41,109
(17,610)	-	-	-	-	(1,480)	17,610
-	-	-	-	-	-	17,610
(17,610)	-	-	-	-	(1,480)	17,610
-	-	-	-	-	-	17,610
(1,854,421)	-	-	-	-	-	1,854,421
(715,460)	-	(36,540)	-	-	-	715,460
-	-	-	-	-	-	734,848
<u>(4,507,889)</u>	<u>-</u>	<u>(223,725)</u>	<u>187,185</u>	<u>-</u>	<u>(149,770)</u>	<u>7,211,841</u>
(35,288)	-	-	-	-	-	35,288
(2,642)	-	-	-	-	-	35,331
(55,620)	-	-	-	-	-	55,620
(16,116)	-	-	-	-	-	16,116
-	-	-	-	-	-	-
(62,437)	-	-	-	23,858	-	62,437
-	(17,199)	-	-	-	-	96,746
(2,157)	-	-	-	44,432	-	2,157
-	(27,406)	-	-	-	-	30,146
(1,921)	-	(1,921)	-	-	-	1,921
-	-	-	-	-	-	2,071
-	-	-	-	-	-	-
(15,450)	-	-	-	-	-	15,450
(27,921)	-	-	-	1,039	-	27,921
-	(2,432)	-	-	-	-	25,110
(34,602)	-	-	-	9,712	-	34,602
-	(8,641)	-	-	-	-	50,246
(49,077)	-	-	-	6,104	-	49,077
-	(3,623)	-	-	-	-	56,986
<u>(303,231)</u>	<u>(59,301)</u>	<u>(1,921)</u>	<u>-</u>	<u>85,145</u>	<u>-</u>	<u>597,225</u>
(5,656)	-	(1,031)	-	-	-	5,656
-	-	-	-	-	-	5,520
<u>(5,656)</u>	<u>-</u>	<u>(1,031)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,176</u>
<u>\$ (4,816,776)</u>	<u>\$ (59,301)</u>	<u>\$ (226,677)</u>	<u>\$ 187,185</u>	<u>\$ 85,145</u>	<u>\$ (149,770)</u>	<u>\$ 7,820,242</u>
<u>\$ 1,854,421</u>						
<u>\$ (2,962,355)</u>						



**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE SCHEDULES OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 1 - GENERAL**

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Board of Education of the North Arlington School District. The Board of Education is defined in Note 1 to the Board's basic financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies are included on the schedules of expenditures of federal awards and state financial assistance.

**NOTE 2 - BASIS OF ACCOUNTING**

The accompanying Schedules of expenditures of federal awards and state financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of *The Uniform Guidance and New Jersey OMB Circular 15-08*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

**NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes, payments are not recognized until the subsequent budget year due to the state deferral and recording of one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more state aid June payments in the current budget year, consistent with NJSA 18A: 22-4.2.

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE SCHEDULES OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Continued)**

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$6,292) for the general fund and \$(8,723) for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board’s basic financial statements on a GAAP basis as follows:

	Federal	State	Total
General Fund	\$ -	\$4,501,597	\$4,501,597
Special Revenue Fund	744,400	302,598	1,046,998
Food Service Fund	230,139	5,656	235,795
Total Financial Fund	\$ 974,539	\$4,809,851	\$5,784,390

**NOTE 4 - RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

**NOTE 5 - OTHER**

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions, respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the State on behalf of the District for the year ended June 30, 2016. TPAF Social Security Contributions represent the amount reimbursed by the State for the employer’s share of Social Security Contributions for TPAF members for the year ended June 30, 2016.

**NOTE 6 – SCHOOL WIDE PROGRAM FUNDS**

School wide programs are not separate Federal Programs as defined in The Uniform Guidance; amounts used in school wide programs are included in the total expenditures of the program contributing the funds in the Schedule of Expenditures of Federal Awards. The following funds by program are included in the district:

**NORTH ARLINGTON SCHOOL DISTRICT  
 NOTES TO THE SCHEDULES OF EXPENDITURES OF  
 FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 6 – SCHOOL WIDE PROGRAM FUNDS (Continued)**

Programs	Total
Title I -Part A - Basic Skills	\$ 159,791
Title II - Part A - Teacher and Principal Training and Recruiting	41,509
Title III - Part A	22,166
	\$ 223,466

**NORTH ARLINGTON SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

*Section I - Summary of Auditors' Results*

**Financial Statement Section**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- 1) Material weakness(as) identified?      yes   X   no
- 2) Significant deficiencies identified?      yes   X   none reported

Noncompliance material to basic financial statements noted?      yes   X   no

**Federal Awards Section**

Internal control over major programs:

- 1) Material weakness(as) identified?      yes   X   no
- 2) Significant deficiencies identified?      yes   X   none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Part 200 Uniform Administrative Requirements      yes   X   no

Identification of major programs:

CFDA Number(s)	FEIN Number(s)	Name of Federal Program or Cluster
NONE	NONE	NONE

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

Auditee qualified as low-risk auditee?   X   yes      no

**NORTH ARLINGTON SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

*Section I - Summary of Auditors' Results (Continued)*

**State Awards Section**

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

Auditee qualified as low-risk auditee? X yes      no

Internal control over major programs:

1) Material weakness(es) identified?      yes X no

2) Significant deficiencies identified that are not considered to be material weaknesses?      yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 15-08 as applicable?      yes X no

Identification of major programs:

GMIS Number(s)  
16-495-034-5120-089

Name of State Program  
Special Education Aid

**NORTH ARLINGTON SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

***Section II - Financial Statement Findings***

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* requires reporting in a Uniform Guidance and Circular 15-08 Audit.

**NO MATTERS WERE REPORTED**

**NORTH ARLINGTON SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

*Section III - Federal Awards and State Financial Assistance  
Findings and Questioned Costs*

This section identifies audit findings required to be reported by The Uniform Guidance and NJOMB Circular 15-08.

**NO MATTERS WERE REPORTED**

**NORTH ARLINGTON SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR –YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, The Uniform Guidance and NJOMB's Circular 15-08.

**STATUS OF PRIOR YEAR FINDINGS:**

**NONE**



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