

**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, 2018**

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

of the

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

**For the Fiscal Year Ended June 30, 2018**

**Prepared by**

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

NORTH ARLINGTON SCHOOL DISTRICT

TABLE OF CONTENTS

June 30, 2018

Exhibit No.		Page No.
<b>INTRODUCTORY SECTION</b>		
	Letter of Transmittal	1-5
	Organizational Chart	6
	Roster of Officials	7
	Consultants and Advisors	8
<b>FINANCIAL SECTION</b>		
	Independent Auditor's Report	9-11
<b>REQUIRED SUPPLEMENTARY INFORMATION - PART I</b>		
	Management's Discussion and Analysis	12-22
<b>BASIC FINANCIAL STATEMENTS</b>		
<b>District-wide Financial Statements:</b>		
A-1	Statement of Net Position	23
A-2	Statement of Activities	24-25
<b>Fund Financial Statements:</b>		
Governmental Funds:		
B-1	Balance Sheet	26
B-2	Statement of Revenues, Expenditures, and Changes in Fund Balance	27
B-3	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28
Proprietary Funds:		
B-4	Statement of Net Position	29
B-5	Statement of Revenues, Expenses, and Changes in Net Position	30
B-6	Statement of Cash Flows	31
Fiduciary Funds:		
B-7	Statement of Fiduciary Net Position	32
B-8	Statement of Changes in Fiduciary Net Position	33

<u>Exhibit No.</u>		<u>Page No.</u>
	<b>NOTES TO FINANCIAL STATEMENTS</b>	34-78
	<b>REQUIRED SUPPLEMENTARY INFORMATION - PART II</b>	
	<b>Budgetary Comparison Schedules:</b>	
C-1	Budgetary Comparison Schedule - General Fund	79-84
C-1a	Combining Budgetary Comparison Schedule - General Fund	n/a
C-1b	Budgetary Comparison Schedule - Education Jobs Fund	n/a
C-2	Budgetary Comparison Schedule - Special Revenue Fund	85
	<b>Notes to Required Supplementary Information: Part II</b>	
C-3	Budget to GAAP Reconciliation	86
	<b>REQUIRED SUPPLEMENTARY INFORMATION - PART III</b>	
L	<b>Schedules Related to Accounting and Reporting for Pensions (GASB 68)</b>	
L-1	Schedule of the District's Proportionate Share of the Net Pension Liability - PERS	87
L-2	Schedule of District Contributions - PERS	88
L-3	Schedule of the Districts Proportionate Share of the Net Pension Liability - TPAF	89
L-4	Schedule of Changes in District Share of OPEB Liability	90
L-5	Notes to the Required Supplementary Information - Part III	91
	<b>OTHER SUPPLEMENTARY INFORMATION</b>	
	<b>School-Level Schedules:</b>	
D-1	Combining Balance Sheet	n/a
D-2	Blended Resource Fund - Schedule of Expenditures Allocated by Resource Type - Actual	n/a
D-3	Blended Resource Fund - Schedule of Blended Expenditures - Budget and Actual	n/a
	<b>Special Revenue Fund:</b>	
E-1	Combining Schedules of Program Revenues and Expenditures Special Revenue Fund - Budgetary Basis	92-93
E-2	Preschool Education Aid Schedule of Expenditures- Budgetary Basis	n/a

<u>Exhibit No.</u>		<u>Page No.</u>
<b>OTHER SUPPLEMENTARY INFORMATION (cont'd)</b>		
<b>Capital Projects Fund:</b>		
F-1	Summary Schedule of Project Expenditures	94
F-2	Summary Schedule of Revenues, Expenditures and Changes in Fund Balance - Budgetary Basis	95
F-2 a	Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis - School Facilities	96
F-2 b	Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis - Athletic Field	97
<b>Proprietary Funds:</b>		
Enterprise Fund:		
G-1	Statement of Net Position	98
G-2	Statement of Revenues, Expenses, and Changes in Net Position	99
Enterprise Fund (Continued):		
G-3	Statement of Cash Flows	100
Internal Service Fund:		
G-4	Combining Statement of Net Position	n/a
G-5	Combining Statement of Revenues, Expenses, and Changes in Net Position	n/a
G-6	Combining Statement of Cash Flows	n/a
<b>Fiduciary Funds:</b>		
H-1	Combining Statement of Fiduciary Net Position	101
H-2	Combining Statement of Changes in Fiduciary Net Position	102
H-3	Student Activity Agency Fund Schedule of Receipts and Disbursements	103
H-4	Payroll Agency Fund Schedule of Receipts and Disbursements	104
<b>Long-Term Debt:</b>		
I-1	Schedule of Serial Bonds	105-106
I-2	Schedule of Obligations Under Capital Leases	107
I-3	Budgetary Comparison Schedule - Debt Service Fund	108
<b>STATISTICAL SECTION (Unaudited)</b>		
<b>Financial Trends</b>		
J-1	Net Position by Component	109
J-2	Changes in Net Position	110
J-3	Fund Balances-Governmental Funds	111
J-4	Changes in Fund Balances-Governmental Funds	112-113
J-5	General Fund - Other Local Revenue by Source	114-115
<b>Revenue Capacity</b>		
J-6	Assessed and Estimated Actual Value of Taxable Property	116
J-7	Direct and Overlapping Property Tax Rates	117
J-8	Principal Property Taxpayers	118
J-9	Property Tax Levies and Collections	119

<u>Exhibit No.</u>		<u>Page No.</u>
<b>STATISTICAL SECTION (Unaudited) (cont'd)</b>		
	<b>Debt Capacity</b>	
J-10	Ratio of Outstanding Debt by Type	120
J-11	Ratio of General Bonded Debt Outstanding	121
J-12	Direct and Overlapping Governmental Activities Debt	122
J-13	Legal Debt Margin Information	123-124
	<b>Demographic and Economic Information</b>	
J-14	Demographic and Economic Statistics	125
J-15	Principal Employers	126
	<b>Operating Information</b>	
J-16	Full-Time Equivalent District Employees by Function/Program	127-128
J-17	Operating Statistics	129-130
J-18	School Building Information	131-132
J-19	Schedule of Required Maintenance for School Facilities	133
J-20	Insurance Schedule	134-135
<b>SINGLE AUDIT SECTION</b>		
K-1	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	136-137
K-2	Report on Compliance with Requirements That Could Have a Direct And Material Effect On Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04	138-140
K-3	Schedule of Expenditures of Federal Awards, Schedule A	141-142
K-4	Schedule of Expenditures of State Financial Assistance, Schedule B	143-144
K-5	Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	145-147
K-6	Schedule of Findings and Questioned Costs - Section I	148-149
K-7	Schedule of Findings and Questioned Costs - Section II	150-151
K-8	Summary Schedule of Prior Audit Findings and Questioned Costs as Prepared by Management	152

## INTRODUCTORY SECTION

# NORTH ARLINGTON Board of Education

222 Ridge Road  
North Arlington, NJ 07031  
(201) 991-6800  
Fax (201) 991-8226



---

**Kathleen McEwin-Marano**  
School Business Administrator /Board Secretary  
Ext. 3064

**Samantha Dembowski**  
Assistant School Business Administrator  
/Assistant Board Secretary  
Ext. 2032

February 22, 2019

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, 2018, 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



Board Members  
February 22, 2019

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 2017-2018 fiscal year with an enrollment of 1,775 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:

<b>AVERAGE DAILY ENROLLMENT</b>		
<b><u>Fiscal Year</u></b>	<b><u>Student Enrollment</u></b>	<b><u>Percentage Change</u></b>
2017-2018	1,775	0.8%
2016-2017	1,761	(0.2%)
2015-2016	1,764	1.70%
2014-2015	1,734	(0.8%)
2013-2014	1,748	1.90%

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 descendants.

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 quincennial anniversary of the discovery of America. 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.

Board Members  
February 22, 2019

3. MAJOR INITIATIVES: For the 2018-2019 school year, we are entering our second year of implementing a fully revised, district-wide curriculum. All curricular documents encompass student learning objectives that align to the New Jersey Student Learning Standards and include interdisciplinary connections. Additionally, all unit maps contain modifications and accommodations for the Gifted and Talented, English Language Learner, Special Education, and At-Risk populations. These areas are currently being refined to offer more specific modifications and accommodations to our students.

We have recently implemented extended Mondays for staff members, which will allow for Professional Learning Communities (PLCs) to take place weekly and include grade-level meetings, department meetings, horizontal and vertical articulation, as well as other professional development opportunities.

Our three elementary schools and North Arlington Middle School have implemented a new program called, “Heroes and Cool Kids” for grades 4 and 8. This program is designed to empower 8<sup>th</sup> graders to be kind and respectful to others, while acting as role models for our 4<sup>th</sup> grade students. Additionally, North Arlington Middle School has implemented a 1:1 Chromebook/G-Suite Pilot for grade 7.

North Arlington High School’s Early College Program has entered its second year. Currently, there are almost two dozen students on pace to graduate with a high school diploma and an associate degree from Bergen County Community College (BCC). Another program was also formed this year with BCC, called the Early Career Program, which allows students the opportunity to receive several certificates and internship opportunities, preparing them for a career immediately after high school.

Overall, chronic absenteeism has decreased in all schools, students in grades 3-12 have been issued district-based email addresses to improve communication, and our district launched a brand new website, [www.navikings](http://www.navikings), along with our very own app to increase communication with parents and the community.

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 principles (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

Board Members  
February 22, 2019

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 re-appropriated are reported as reservations of fund balance at June 30, 2018.

6. ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, 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, 2018, the District's outstanding debt consisted of \$744,000 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 has outstanding debt at June 30, 2018 of \$2,738,000 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.

Board Members  
February 22, 2019

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 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.

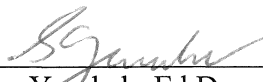
9. RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

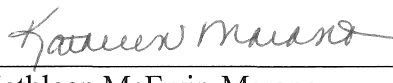
10. OTHER INFORMATION:

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

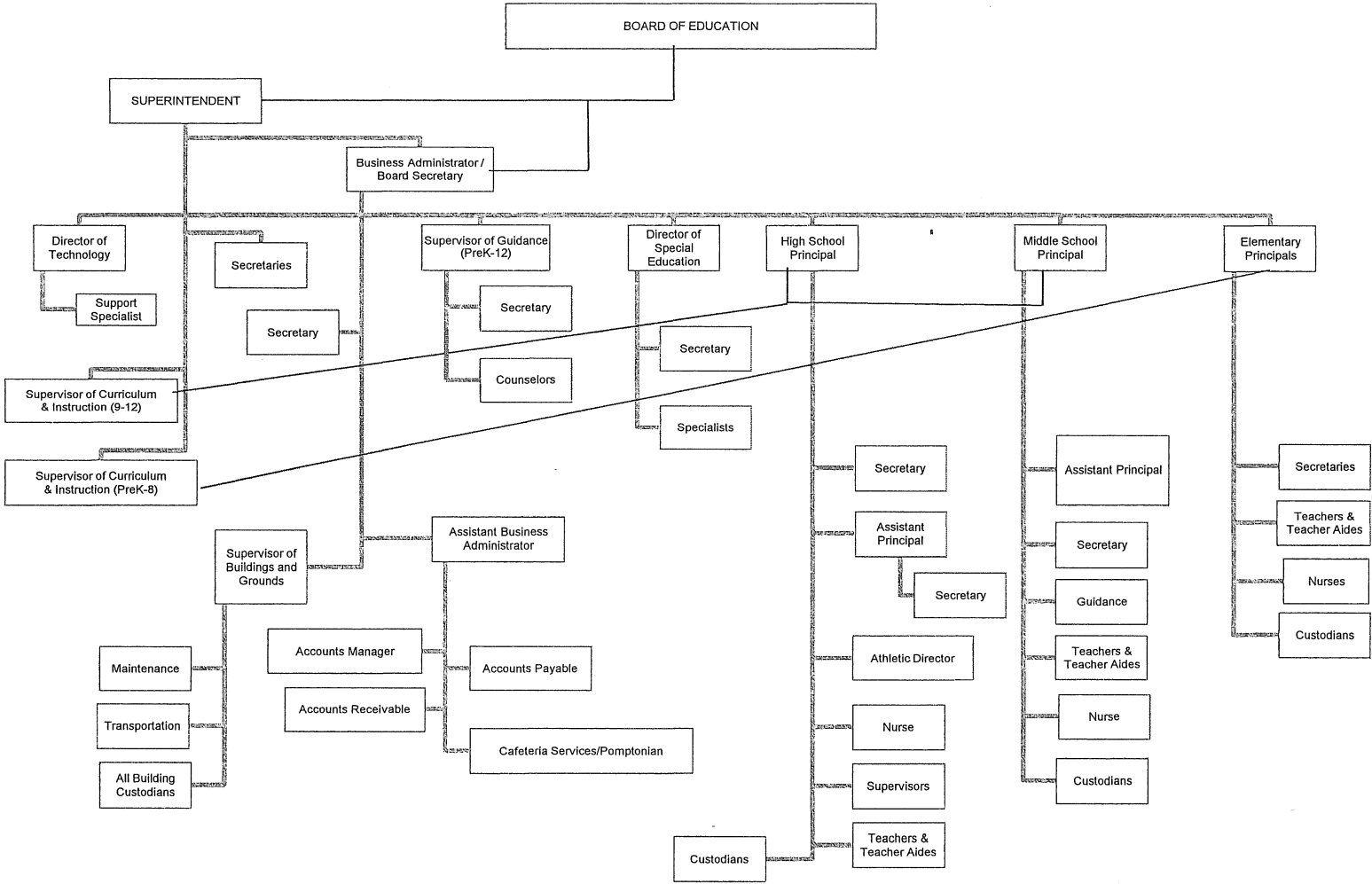
  
\_\_\_\_\_  
Kathleen McEwin-Marano  
School Business Administrator

KMM:at

# NORTH ARLINGTON PUBLIC SCHOOLS

## Organization Chart 2017-2018

9



**NORTH ARLINGTON BOARD OF EDUCATION**

**NORTH ARLINGTON, NJ 07031**

**ROSTER OF OFFICIALS**

**JUNE 30, 2018**

**MEMBERS OF THE BOARD OF EDUCATION**

**TERM EXPIRES**

George McDermott, Board President	December 2018
Michele Higgins, Board Vice President	December 2019
Heather Gilgallon, Board Member	December 2019
Robert Dorsett, Board Member	December 2020
Edward Smith, Board Member	December 2020

**OTHER OFFICIALS**

Stephen Yurchak, Ed.D., Superintendent of Schools

Kathleen McEwin-Marano, Board Secretary/School Business Administrator

Samantha Dembowski, Assistant Board Secretary/Assistant School Business Administrator

Fogarty and Hara, Esqs., Board Attorney

# **NORTH ARLINGTON BOARD OF EDUCATION**

## **CONSULTANTS AND ADVISORS**

### **ARCHITECT**

The Spiezle Architectural Group  
1395 Yardville-Hamilton Square Road  
Suite 2A  
Hamilton, NJ 08691

### **AUDITOR**

Donohue, Girona, 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*

---

---

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

310 Broadway  
Bayonne, NJ 07002  
(201) 437-9000  
Fax: (201) 437-1432  
E-Mail: [dgd@dgdcpas.com](mailto:dgd@dgdcpas.com)

Linda P. Kish, CPA, RMA  
Mark W. Bednarz, CPA, RMA  
Jason R. Gironda, CPA  
Mauricio Canto, CPA, RMA

## 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, 2018, 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

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, 2018, 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 79 through 86 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*

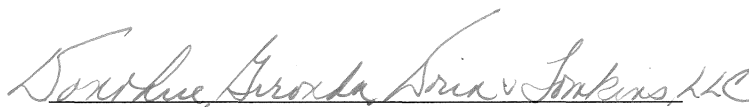
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The introductory section, and other supplementary information such as, the combining and individual fund financial statements, long-term debt schedules 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 February 22, 2019, 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  
February 22, 2019

**REQUIRED SUPPLEMENTARY INFORMATION  
PART I**

**NORTH ARLINGTON SCHOOL DISTRICT  
BERGEN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**( 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, 2018 and 2017. 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 2018 and 2017 are as follows:

- In total, net position for fiscal years 2018 and 2017 are \$16,470,595 and \$13,927,036 respectively. Net position of governmental activities are \$16,298,441 for fiscal year 2018 and \$13,756,159 for fiscal year 2017. Net position of the business-type activities, which represent food services, are \$172,154 for fiscal year 2018 and \$170,877 for fiscal year 2017. This reflects an increase in net position in the amount of \$2,543,559 for fiscal year 2018 and an increase of \$1,774,385 for fiscal year 2017.
- General revenues accounted for \$36,256,222 in 2018 and \$34,907,755 in 2017, while the local tax contribution to General Revenue amounted to \$25,597,968 for 2018 and \$24,438,749 for 2017. Program revenues for Governmental Activities accounted for \$880,100 in 2018 and \$966,632 in 2017.
- The School District had \$34,594,040 in expenses for governmental activities in 2018 and \$34,104,465 in 2017. Only \$880,100 of these expenses were offset by program specific charges, grants or contributions for 2018 and \$966,632 for 2017. General revenues (predominately property taxes and unrestricted State aid ) of \$36,256,222 for 2018 and \$34,907,755 for 2017 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, 2018**

**( 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 2018?" 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, 2018**

**( 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 2018 and 2017.

**NORTH ARLINGTON SCHOOL DISTRICT  
BERGEN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**( UNAUDITED)**

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

Total assets as of June 30, 2018 and 2017 equal \$29,434,082 and \$26,122,381 respectively. Total assets for governmental activities are \$29,251,347 at June 30, 2018 and \$25,949,621 at June 30, 2017. Total assets for business-type activities are \$182,735 at June 30, 2018 and \$172,760 at June 30, 2017.

TABLE 1

NET POSITION

	<u>Governmental Activities 2018</u>	<u>Governmental Activities 2017</u>	<u>Business-Type Activities 2018</u>	<u>Business-Type Activities 2017</u>	<u>Total 2018</u>	<u>Total 2017</u>
<u>Assets</u>						
Current and Other Assets	\$ 17,914,222	\$ 14,515,891	\$ 122,307	\$ 83,738	\$ 18,036,529	\$ 14,599,629
Capital Assets, Net	11,337,125	11,433,730	60,428	89,022	11,397,553	11,522,752
Total Assets	<u>\$ 29,251,347</u>	<u>\$ 25,949,621</u>	<u>\$ 182,735</u>	<u>\$ 172,760</u>	<u>\$ 29,434,082</u>	<u>\$ 26,122,381</u>
Deferred Outflows of Resources	<u>\$ 2,209,203</u>	<u>\$ 3,212,386</u>	-	-	2,209,203	3,212,386
<u>Liabilities</u>						
Current and Other Liabilities	\$ 9,778,258	\$ 11,308,549	\$ 10,581	\$ 1,883	\$ 9,788,839	\$ 11,310,432
Long-Term Liabilities	3,688,973	4,097,299	-	-	3,688,973	4,097,299
Total Liabilities	<u>\$ 13,467,231</u>	<u>\$ 15,405,848</u>	<u>\$ 10,581</u>	<u>\$ 1,883</u>	<u>\$ 13,477,812</u>	<u>\$ 15,407,731</u>
Deferred Inflows of Resources	<u>\$ 1,694,878</u>	-	-	-	\$ 1,694,878	-
<u>Net Position</u>						
<u>Net Investment in Capital</u>						
Assets	\$ 7,771,222	\$ 7,477,640	\$ 60,428	\$ 89,022	\$ 7,831,650	\$ 7,566,662
Restricted	15,458,328	13,158,375	-	-	15,458,328	13,158,375
Committed	640,289	338,675	-	-	640,289	338,675
Assigned	-	-	-	-	-	-
Unassigned	(7,571,398)	(7,218,531)	111,726	81,855	(7,459,672)	(7,136,676)
Total Net Position	<u>\$ 16,298,441</u>	<u>\$ 13,756,159</u>	<u>\$ 172,154</u>	<u>\$ 170,877</u>	<u>\$ 16,470,595</u>	<u>\$ 13,927,036</u>



**NORTH ARLINGTON SCHOOL DISTRICT  
BERGEN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**( UNAUDITED)**

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

Table 2 reflects changes in net position for fiscal year 2018 and 2017.

TABLE 2

**CHANGES IN NET POSITION**

	Governmental		Business-Type		Total 2018	Total 2017
	Activities 2018	Activities 2017	Activities 2018	Activities 2017		
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 8,784	\$ 12,701	\$ 328,435	\$ 312,361	\$ 337,219	\$ 325,062
Operating Grants	871,316	953,931	222,939	234,548	1,094,255	1,188,479
<b>Total Program Revenues</b>	<b>\$ 880,100</b>	<b>\$ 966,632</b>	<b>\$ 551,374</b>	<b>\$ 546,909</b>	<b>\$ 1,431,474</b>	<b>\$ 1,513,541</b>
General Revenues:						
Property Taxes	\$ 25,597,968	\$ 24,438,749	\$ -	\$ -	\$ 25,597,968	\$ 24,438,749
Grants and Entitlements	10,343,307	9,988,004	-	-	10,343,307	9,988,004
Interest	85,424	26,686	-	-	85,424	26,686
Miscellaneous	33,503	263,601	-	-	33,503	263,601
<b>Total General Revenues</b>	<b>\$ 36,060,202</b>	<b>\$ 34,717,040</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 36,060,202</b>	<b>\$ 34,717,040</b>
<b>Total Revenues</b>	<b>\$ 36,940,302</b>	<b>\$ 35,683,672</b>	<b>\$ 551,374</b>	<b>\$ 546,909</b>	<b>\$ 37,491,676</b>	<b>\$ 36,230,581</b>
<b>Function/Program Expenses</b>						
Instruction	11,698,254	11,437,235	-	-	11,698,254	11,437,235
Support Services:						
Tuition, Student & Instructional Staff	4,554,665	3,966,585	-	-	4,554,665	3,966,585
BOE, Administrative and Fiscal	13,959,547	14,187,581	-	-	13,959,547	14,187,581
Operation and Maintenance of Plant	2,566,275	2,891,272	-	-	2,566,275	2,891,272
Pupil Transportation	730,209	530,894	-	-	730,209	530,894
Charter School	74,557	61,554	-	-	74,557	61,554
Unallocated Depreciation	903,206	914,915	-	-	903,206	914,915
Interest on Long-Term Debt	107,327	114,429	-	-	107,327	114,429
Food Service	-	-	550,097	542,446	550,097	542,446
<b>Total Expenses</b>	<b>\$ 34,594,040</b>	<b>\$ 34,104,465</b>	<b>\$ 550,097</b>	<b>\$ 542,446</b>	<b>\$ 35,144,137</b>	<b>\$ 34,646,911</b>
Excess before Special Items	2,346,262	1,579,207	1,277	4,463	2,347,539	1,583,670
Special Items	196,020	190,715	-	-	196,020	190,715
Change in Net Position	2,542,282	1,769,922	1,277	4,463	2,543,559	1,774,385
Net Position - July 1	13,756,159	11,986,237	170,877	166,414	13,927,036	12,152,651
Net Position - End of the Year	<b>\$ 16,298,441</b>	<b>\$ 13,756,159</b>	<b>\$ 172,154</b>	<b>\$ 170,877</b>	<b>\$ 16,470,595</b>	<b>\$ 13,927,036</b>

**NORTH ARLINGTON SCHOOL DISTRICT  
BERGEN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**( UNAUDITED)**

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

The total increase in net assets for Governmental Activities is \$2,542,282 for the year ended June 30, 2018 and \$1,769,922 for the year ended June 30, 2017. The total increase (decrease) in net assets for Business-Type activities for 2018 and 2017 is \$1,277 and \$4,463, respectively. The total increase in net assets as of June 30, 2018 and 2017 is \$2,543,559 and \$1,774,385 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.

**GOVERNMENTAL ACTIVITIES**

	<b>Total Cost of Services 2017-2018</b>	<b>Total Cost of Services 2016-2017</b>	<b>Percent of Total 2018</b>	<b>Percent of Total 2017</b>
Instruction	11,698,254	11,437,235	33.82%	33.54%
Support Services:				
Tuition, Student & Instructional Staff	4,554,665	3,966,585	13.17%	11.63%
BOE, Administrative and Fiscal	13,959,547	14,187,581	40.35%	41.60%
Operation and Maintenance of Plant	2,566,275	2,891,272	7.42%	8.48%
Pupil Transportation	730,209	530,894	2.11%	1.56%
Charter School	74,557	61,554	0.22%	0.18%
Unallocated Depreciation	903,206	914,915	2.61%	2.68%
Interest on Long-Term Debt	107,327	114,429	0.31%	0.34%
<b>Total Expenses</b>	<b>\$ 34,594,040</b>	<b>\$ 34,104,465</b>	<b>100%</b>	<b>100.00%</b>

**NORTH ARLINGTON SCHOOL DISTRICT  
BERGEN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

( UNAUDITED)

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

**Governmental Activities (cont'd)**

The Governmental Activities in the above chart demonstrate that \$11,698,254 for fiscal year 2018 and \$11,437,235 for fiscal year 2017 are allocated to school-based budgets and are identified as Instruction. Additionally, Pupil and Instructional Staff Activities are \$4,554,665 for fiscal year 2018 and \$3,966,585 for fiscal year 2017. As of June 30, 2018 and 2017, combined resources from Instruction and Pupil and Instructional Staff Activities are \$16,252,919 and \$15,403,820 respectively.

Together the aforementioned categories account for 46.98% and 45.16% of the Governmental Activities for fiscal year 2018 and 2017, respectively.

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

**Business-Type Activities**

**BUSINESS ACTIVITIES**

	<b>Total Cost of Services 2017-2018</b>	<b>Total Cost of Services 2016-2017</b>	<b>Percent of Total 2018</b>	<b>Percent of Total 2017</b>
<b>Revenues</b>				
Program Revenues:				
Charges for Services	\$ 328,435	\$ 312,361	59.57%	57.11%
Operating Grants	222,939	234,548	40.43%	42.89%
<b>Total Revenues</b>	<b>\$ 551,374</b>	<b>\$ 546,909</b>	<b>100.00%</b>	<b>100.00%</b>
Special Item	\$ -	\$ -	-	0.00%
<b>Total Revenues and Special Items</b>	<b>\$ 551,374</b>	<b>\$ 546,909</b>	<b>100%</b>	<b>100.00%</b>
<b>Function/Program Expenses</b>				
Food Service	550,097	542,446	100.00%	100.00%
<b>Total Expenses</b>	<b>\$ 550,097</b>	<b>\$ 542,446</b>	<b>100.00%</b>	<b>100.00%</b>
Change in Net Position	\$ 1,277	\$ 4,463		

**NORTH ARLINGTON SCHOOL DISTRICT  
BERGEN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

( 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 \$551,374 and expenses of \$550,097 for fiscal year 2018 and revenues of \$546,909 and expenses of \$542,446 for fiscal year 2017. For fiscal year 2018, the food service operation realized a net increase of \$1,277 and a net increase of \$4,463 for fiscal year 2017.

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 17.9 % for 2018 and 17.0 % for 2017. The community, as a whole, is 78.9% for 2018 and 80.9 % for 2017 of the support. Federal revenue accounts for 2.2% for 2018 and 2.1% for 2017 of the total cost of programs for the North Arlington School District students.

Fiscal Year Ended June 30	Local Levy	Other Local Revenue	State Revenue	Federal Revenue	Total
2018	\$ 25,597,968	\$ 307,636	\$ 5,815,127	\$ 725,678	\$ 32,446,409
2017	\$ 24,438,749	\$ 232,569	\$ 5,176,211	\$ 648,381	\$ 30,495,910

As of June 30, 2018 and 2017, the total revenue from all sources is \$32,446,409 and \$30,495,910 respectively.

**NORTH ARLINGTON SCHOOL DISTRICT  
BERGEN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(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, 2018 and 2017, total Governmental Funds had revenues of \$32,446,409 and \$30,495,910 and expenditures and other financing sources of \$29,842,725 and \$27,764,839 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 2017-2018 and 2016-2017 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 2018, 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, 2018 and 2017, actual revenues and other financing sources in the amount of \$31,015,687 and \$29,131,550 respectively were above the original budgeted revenues and other financing sources.

**NORTH ARLINGTON SCHOOL DISTRICT  
BERGEN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

( UNAUDITED)

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2018 and 2017, the North Arlington School District had \$11,337,125 and \$11,433,730 respectively, invested in capital assets, for governmental activities. This amount represents a net decrease (including additions and deductions) of \$96,605 from 2017 to 2018 due to depreciation expense exceeding additions. More detailed information about the Board's capital assets and depreciation is represented in Note 5 to the financial statements.

**Debt**

At June 30, 2018, 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

**NORTH ARLINGTON SCHOOL DISTRICT  
BERGEN COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**( UNAUDITED)**

Education will address the challenges and make changes in order to continue to meet the needs of the students and community.

**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, 2018**

	Governmental Activities	Business-type Activities	Totals
<b>ASSETS</b>			
Assets:			
Cash and cash equivalents	\$ 8,302,495	\$ 76,726	\$ 8,379,221
Receivables, net	\$ 377,557		377,557
Due from Governmental Funds		\$ 40,832	40,832
Due from Payroll Agency Trust Fund	159,340	-	159,340
Inventories		\$ 4,749	4,749
Escrow deposit	-		-
Restricted Assets:			
Restricted cash and cash equivalents	\$ 1,572,759		1,572,759
Capital Reserve account-cash	\$ 7,502,071		7,502,071
Capital assets, net	11,337,125	\$ 60,428	11,397,553
Total assets	29,251,347	182,735	29,434,082
Deferred Outflows of Resources:			
PERS Pension	2,209,203	-	2,209,203
<b>LIABILITIES</b>			
Accounts payable	1,110,718	\$ 10,581	1,121,299
Federal			
State	57,597		57,597
Interfund payables	-		-
Federal	50,120		50,120
Due to business-type activities	40,832		40,832
Other payables	-		-
Deferred Revenues	247,848		247,848
Long term liabilities - due within one year	449,075		449,075
Long term liabilities - due beyond one year	3,688,973		3,688,973
Net Pension Liability - PERS	7,822,068		7,822,068
Total liabilities	13,467,231	10,581	13,477,812
Deferred Inflows of Resources:			
Pers Pension	1,694,878	-	1,694,878
<b>NET POSITION</b>			
Net Investment in Capital Assets	7,771,222	60,428	7,831,650
Restricted for:			
Capital projects	8,947,403		8,947,403
Other purposes	6,510,925		6,510,925
Committed: Year End Encumbrances	640,289		640,289
Assigned:			
Designated for subsequent year's expenditures	-		-
Unassigned	(7,571,398)	\$ 111,726	(7,459,672)
Total net position	\$ 16,298,441	\$ 172,154	\$ 16,470,595

See accompanying notes to financial statements.

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Statement of Activities**  
**for the Fiscal Year ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction:				
Regular	\$ 8,134,638	\$ 8,784	\$ 706,098	
Special Education	2,555,923			
Other special instruction	510,821			
Other instruction	496,872			
Support services:				
Tuition	2,060,032			
Student & instruction related services	2,494,633		165,218	
School administrative services	1,248,889			
General and business administrative services	12,710,658			
Plant operation and maintenance	2,566,275			
Pupil transportation	730,209			
Charter school	74,557			
Unallocated depreciation	903,206			
Interest on Long Term Debt	107,327			
Total governmental activities	<u>34,594,040</u>	<u>8,784</u>	<u>871,316</u>	
Business-type activities:				
Food service	550,097	328,435	222,939	
Total business-type activities	<u>550,097</u>	<u>328,435</u>	<u>222,939</u>	
Total primary government	<u>\$ 35,144,137</u>	<u>\$ 337,219</u>	<u>\$ 1,094,255</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

FEMA Storm Damage Reimbursement

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
\$ (7,419,756)		\$ (7,419,756)
(2,555,923)		(2,555,923)
(510,821)		(510,821)
(496,872)		(496,872)
(2,060,032)		(2,060,032)
(2,329,415)		(2,329,415)
(1,248,889)		(1,248,889)
(12,710,658)		(12,710,658)
(2,566,275)		(2,566,275)
(730,209)		(730,209)
(74,557)		(74,557)
(903,206)		(903,206)
(107,327)		(107,327)
(33,713,940)		(33,713,940)
	1,277	1,277
	1,277	1,277
\$ (33,713,940)	\$ 1,277	\$ (33,712,663)
25,234,582		25,234,582
363,386		363,386
10,343,307		10,343,307
85,424		85,424
17,408		17,408
-		-
16,095		16,095
196,020	-	196,020
36,256,222	-	36,256,222
2,542,282	1,277	2,543,559
13,756,159	170,877	13,927,036
\$ 16,298,441	\$ 172,154	\$ 16,470,595

**FUND FINANCIAL STATEMENTS**

**GOVERNMENTAL FUNDS**

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	Governmental Fund Types				Total Governmental Funds
	General	Special Revenue	Capital Projects	Debt Service	
<b>ASSETS</b>					
Assets:					
Cash and cash equivalents	\$ 8,302,435	\$ 127,427	\$ 1,445,332	\$ 60	\$ 9,875,254
Accounts receivable:					
Federal	54,727	74,709			129,436
State	234,893	-			234,893
Interfund	159,340				159,340
Miscellaneous	13,228				13,228
Capital reserve account - restricted cash	7,502,071				7,502,071
<b>Total Assets</b>	<u>\$ 16,266,694</u>	<u>\$ 202,136</u>	<u>\$ 1,445,332</u>	<u>\$ 60</u>	<u>\$ 17,914,222</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable - General	\$ 1,030,484	\$ -	\$ -	\$ -	\$ 1,030,484
Accounts payable -Special Revenue		80,234			80,234
Accounts payable -Capital Projects			-		-
Intergovernmental payable:					
State		57,597			57,597
Federal		50,120			50,120
Interfund payable	40,832		-		40,832
Other payables	-				-
Deferred revenue	233,663	14,185			247,848
<b>Total Liabilities</b>	<u>1,304,979</u>	<u>202,136</u>	<u>-</u>	<u>-</u>	<u>1,507,115</u>
Fund balances:					
Restricted					
Reserved Excess Surplus- Designated for Subsequent Year's Expenditures	3,009,927				3,009,927
Reserve for Excess Surplus	3,500,998				3,500,998
Capital Reserve	7,502,071				7,502,071
Committed:					
Year-End Encumbrances	640,289		14,745		655,034
Assigned-					
Designated for subsequent year's expenditures	-				-
Unassigned	308,430		1,430,587	60	1,739,077
<b>Total Fund Balances</b>	<u>14,961,715</u>	<u>-</u>	<u>1,445,332</u>	<u>60</u>	<u>16,407,107</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 16,266,694</u>	<u>\$ 202,136</u>	<u>\$ 1,445,332</u>	<u>\$ 60</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 \$32,293,259 and the accumulated depreciation is \$20,956,134 (See Note 5)

11,337,125

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.

(4,138,048)

Net Pension Liability - PERS

(7,822,068)

Deferred Outflows of Resources - PERS

2,209,203

Deferred Inflows of Resources - PERS

(1,694,878)

Net position of governmental activities (Exhibit A-1)

\$ 16,298,441

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, 2018**

	Governmental Fund Types				
	General	Special Revenue	Capital Projects	Debt Service	Governmental Funds
<b>REVENUES</b>					
Local sources:					
Local tax levy	\$ 25,234,582	\$ -	\$ -	\$ 363,386	\$ 25,597,968
Tuition	\$ 8,784				\$ 8,784
FEMA Storm Damage Reimbursement			196,020		196,020
Interest on investments	85,424				85,424
Miscellaneous	17,408				17,408
Total revenues-local sources	<u>25,346,198</u>	<u>-</u>	<u>196,020</u>	<u>363,386</u>	<u>25,905,604</u>
Local sources		-			-
State sources	5,651,430	163,697	-		5,815,127
Federal sources	18,059	707,619			725,678
Total revenues	<u>31,015,687</u>	<u>871,316</u>	<u>196,020</u>	<u>363,386</u>	<u>32,446,409</u>
<b>EXPENDITURES</b>					
Current expense:					
Instruction	10,992,156	706,098			11,698,254
Undistributed expenditures	16,655,451	165,218	175		16,820,844
Capital outlay	769,294	-	37,307		806,601
Debt service				513,327	513,327
Charter School	74,557				74,557
Total expenditures	<u>28,491,458</u>	<u>871,316</u>	<u>37,482</u>	<u>513,327</u>	<u>29,913,583</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,524,229</u>	<u>-</u>	<u>158,538</u>	<u>(149,941)</u>	<u>2,532,826</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer to Debt Service	-		(150,000)	150,000	-
Transfer from General Fund - Other	-		-		-
Capital outlay transfer to capital projects	(410,000)		410,000		-
Capital Reserve transfer to Cap. Projects	-		-		-
Capital leases (non budgeted)	54,763				54,763
Prior Year Payables Cancelled			16,095		16,095
Refunding of Bonds			-		-
Bond Proceeds			-		-
Total other financing sources (uses)	<u>(355,237)</u>		<u>276,095</u>	<u>150,000</u>	<u>70,858</u>
Net changes in fund balance	<u>2,168,992</u>	<u>-</u>	<u>434,633</u>	<u>59</u>	<u>2,603,684</u>
Fund balances, July 1	<u>12,792,723</u>	<u>-</u>	<u>1,010,699</u>	<u>1</u>	<u>6,015,722</u>
Fund balances, June 30	<u>\$ 14,961,715</u>	<u>\$ -</u>	<u>\$ 1,445,332</u>	<u>\$ 60</u>	<u>\$ 16,407,107</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, 2018**

Total net change in fund balances - governmental funds (from B-2) \$ 2,603,684

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	\$ (903,206)	
Capital Outlays	<u>806,601</u>	(96,605)

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	406,000	
Capital Leases	(54,763)	
Payments of Capital Leases Payable	<u>38,950</u>	390,187

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	5,779	
Additional PERS pension expense recognized	<u>(360,763)</u>	<u>(354,984)</u>

Change in net position of governmental activities \$ 2,542,282

See accompanying notes to financial statements.



PROPRIETARY FUNDS

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2018**

	<u>Business-Type Activities Enterprise Funds</u>
	<u>Food Service</u>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 76,726
Interfund receivable	40,832
Inventories	4,749
Total Current Assets	<u>122,307</u>
Fixed Assets:	
Equipment	284,820
Accumulated depreciation	(224,392)
Total Fixed Assets	<u>60,428</u>
Total Assets	<u>\$ 182,735</u>
 <b>LIABILITIES AND NET POSITION</b>	
Liabilities:	
Due to Management Company	\$ 10,581
Total Current Liabilities	<u>10,581</u>
Net Position:	
Restricted	60,428
Unrestricted	111,726
Total Net Position	<u>172,154</u>
Total Liabilities and Net Position	<u>\$ 182,735</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, 2018**

	Business-Type Activities Enterprise Fund
	<u>Food Service</u>
OPERATING REVENUES:	
Charges for services	
Daily sales - reimbursable programs	\$ 190,153
Daily sales - non-reimbursable programs	138,282
Total Operating Revenues	<u>328,435</u>
OPERATING EXPENSES:	
Cost of sales - reimbursable programs	169,734
Cost of sales - non-reimbursable programs	48,639
Commodities	33,386
Labor costs	149,348
Fringe Benefits	13,108
Payroll Taxes	21,969
Supplies and materials	31,456
Insurance	18,727
Management fee	32,600
Depreciation	31,130
Total Operating Expenses	<u>550,097</u>
Operating income (loss)	<u>(221,662)</u>
NONOPERATING REVENUES:	
State sources:	
State school lunch program	5,928
Federal sources:	
Nutrition reimbursements	183,625
Food distribution program	33,386
Total Nonoperating Revenues	<u>222,939</u>
Net (loss) before operating transfers and other special items	1,277
Operating transfers:	
Special item-appraisal of capital assets adjustment	<u>-</u>
Net loss before special items	1,277
Special item:	
Loss on disposal of fixed assets	<u>-</u>
Change in net position	1,277
Total Net Position, July 1	<u>170,877</u>
Total Net Position, June 30	<u>\$ 172,154</u>

See accompanying notes to financial statements.

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**for the Fiscal Year ended June 30, 2018**

	Business-Type Activities <u>Enterprise Fund</u>
	<u>Food Service</u>
Cash flows from operating activities:	
Receipts from customers	\$ 328,435
Payments to employees	(184,425)
Payments to suppliers	(326,535)
Net cash (used for) operating activities	<u>(182,525)</u>
Cash flows from non-capital financing activities:	
State sources	5,021
Federal sources	155,043
Food distribution program	33,386
Net cash provided by non-capital financing activities	<u>193,450</u>
Cash flows from investing activities:	
Purchase of Equipment	<u>(2,536)</u>
Net cash (used for) investing activities	<u>(2,536)</u>
Net increase in cash and cash equivalents	8,389
Cash and cash equivalents, July 1	<u>68,337</u>
Cash and cash equivalents, June 30	<u>\$ 76,726</u>
Reconciliation of operating loss to net cash (used for) provided by operating activities:	
Operating (loss)	<u>\$ (221,662)</u>
Adjustment to reconcile operating (loss) to net cash (used for) provided by operating activities:	
Decrease in inventories	(691)
Increase in due to Management Company	8,698
Depreciation	31,130
Total adjustments	<u>39,137</u>
Net cash (used for) operating activities	<u>\$ (182,525)</u>

See accompanying notes to financial statements.

FIDUCIARY FUNDS

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2018**

	Private Purpose Scholarship Funds	Agency	
		Student Activity	Payroll
<b>ASSETS</b>			
Cash and cash equivalents	\$ 17,062	\$ 392,277	\$ 310,532
<b>Total Assets</b>	<b>\$ 17,062</b>	<b>\$ 392,277</b>	<b>\$ 310,532</b>
 <b>LIABILITIES AND NET POSITION</b>			
<b>Liabilities:</b>			
Payroll deductions & withholdings	\$ -	\$ -	\$ 310,532
Due to student groups	-	392,277	-
<b>Total Liabilities</b>	-	392,277	310,532
<b>Net Position:</b>			
Reserved for scholarships	17,062	-	-
<b>Total Net Position</b>	<b>17,062</b>	<b>-</b>	<b>-</b>
 <b>Total Liabilities and Net Position</b>	 <b>\$ 17,062</b>	 <b>\$ 392,277</b>	 <b>\$ 310,532</b>

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, 2018**

	Private Purpose Scholarship Funds
<b>ADDITIONS</b>	
Local Sources:	
Contributions	\$ 900
Total additions	900
 <b>DEDUCTIONS</b>	
Scholarships awarded	11,371
Total deductions	11,371
Changes in Net Position	(10,471)
Net Position-beginning of year	27,533
Net Position-end of year	\$ 17,062

See accompanying notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**



**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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, 2018**

**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, 2018, of 1,775 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, 2018**

**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, 2018

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, 2018**

**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, 2018**

**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, 2018**

**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, 2018**

**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, 2018**

**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 \$370,860 which was for increased equalization aid.

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, 2018**

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

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

	<u>2017 - 2018</u>
Total Revenues (Budgetary Basis)	
Adjustments:	\$ 920,496
State Aid Payment Recognized for GAAP Statements in the Current Year, Previously Recognized for Budgetary Purposes	-
Less: Current Year Encumbrances	(14,185)
State Aid Payment Recognized for Budgetary Purposes Not Recognized for GAAP Statements	-
Total Revenues (GAAP Basis)	\$ 906,311
	<u>2017 - 2018</u>
Total Expenditures (Budgetary Basis)	
Adjustments:	\$ 920,496
Less: Current Year Encumbrances	(14,185)
Total Expenditures (GAAP Basis)	\$ 906,311

**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.

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**F. Encumbrances: (cont'd)**

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.

**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, 2018 there were no tuition charges established by the Board of Education. The Board is not a receiving district.

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**I. Tuition Payable:**

Tuition charges for the fiscal years 2017-2018 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

**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, 2018.

**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.

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

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

**District-Wide Statements: (Cont'd)**

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

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.

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**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 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."

NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

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

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

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

**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, 2017 audited excess surplus that will be appropriated in the 2018-2019 original budget certified for taxes.

*Restricted – Reserve for Excess Surplus* – This reserve was created to represent the June 30, 2018 audited excess surplus that is required to be appropriated in the 2019-2020 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.

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**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	

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

**T. Pension**

In the government-wide financial statements, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the retirement systems sponsored and administered by the State of New Jersey and additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In the governmental fund financial statements, net pension liabilities represent amounts normally expected to be liquidated with expendable available financial resources for required pension contributions that are due and payable at year end. Pension expenditures are recognized based on contractual pension contributions that are required to be made to the pension plan during the fiscal year.

**U. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows and/or Inflows of resources. These separate financial statement elements, deferred outflows and/or inflows of resources, represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) and/or outflow of resources (revenue) until then. The Board has one item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the government-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in



**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**U. Deferred Outflows/Inflows of Resources (cont'd)**

assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

**V. On-Behalf Payments**

Revenues and expenditures of the general fund include payments made by the State of New Jersey for social security contributions and pension benefits for members of the New Jersey Teachers Pension and Annuity Fund. Additionally, revenues and expenses related to on-behalf pension contributions in the government-wide financial statements have been increased \$4,749,089 to adjust to the full accrual basis expense incurred by the State of New Jersey during the most recent measurement period. The amounts are not required to be included in the District's annual budget.

**W. Estimates**

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, the use and recoverability of inventory, and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

**X. GASB Pronouncements**

**GASB Pronouncements Implemented in the 2018 Fiscal Year**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local government employers about financial support for OPEB that is provided by other entities.

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**X. GASB Pronouncements (cont'd)**

**GASB Pronouncements Implemented in the 2018 Fiscal Year (cont'd)**

GASB No. 85, Omnibus 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other post-employment benefits (OPEB)).

GASB No. 86, Certain Debt Extinguishment Issues. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

**Recently Issued Accounting Pronouncements to be implemented in future years**

GASB No. 84, Fiduciary Activities, will be effective with the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.

GASB No. 87, Leases, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

GASB No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements, will be effective beginning with the year ending June 30, 2019. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**X. GASB Pronouncements (cont'd)**

**Recently Issued Accounting Pronouncements to be Implemented in Future Years**

consistency provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms association with debt will be disclosed.

GASB No. 89, Accounting for Interest Costs Incurred Before the End of a Construction Period, will be effective beginning with the year ending June 30, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

**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.

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

As of June 30, 2018, the District's deposits and investments are summarized as follows:

Insured - FDIC	\$ 265,974
Insured - GUDPA	17,907,948
	<u>\$ 18,173,922</u>

Reconciliation to District-Wide Statement of  
Net Position:

Unrestricted Cash	\$ 8,379,221
Restricted Cash	1,572,759
Restricted Cash-Capital Reserve Account	7,502,071
Trust and Agency Fund (Not Included In District-Wide Statement)	719,871
	<u>\$ 18,173,922</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.

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

- 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, 2018, the District had no investments.

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, 2018, 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, 2018.

Concentration of Credit Risk - The District places no formal limits on the amount they may invest in any one issue. At June 30, 2018, 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, 2018, the District did not have any investments which would expose it to interest rate risk.

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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 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, 2017 to June 30, 2018 fiscal year is as follows:

Beginning Balance, July 1, 2017	\$6,642,071
Interest Earnings	-
Deposits	860,000
Withdrawals	-
Ending Balance, June 30, 2018	\$7,502,071

The June 30, 2018 LRFP balance of local support costs of uncompleted capital projects at June 30, 2018 is \$7,502,071.

**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.

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

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.

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance at June 30, 2017	Additions	Disposals	Balance at June 30, 2018
<b>Government Activities:</b>				
Land	\$ 648,206	\$ -	\$ -	\$ 648,206
Land Improvements	174,800	-	-	174,800
Buildings	2,425,905	-	-	2,425,905
Improvements	27,050,613	716,734	-	27,767,347
Machinery and Equipment	1,195,884	89,867	(8,750)	1,277,001
<b>Totals at Historical Cost</b>	<b>31,495,408</b>	<b>806,601</b>	<b>(8,750)</b>	<b>32,293,259</b>
<b>Less Accumulated Depreciation:</b>				
Land Improvements	(174,800)	-	-	(174,800)
Buildings	(2,425,905)	-	-	(2,425,905)
Improvements	(17,358,905)	(793,549)	-	(18,152,454)
Machinery and Equipment	(102,068)	(109,657)	8,750	(202,975)
<b>Total Accumulated Depreciation</b>	<b>(20,061,678)</b>	<b>(903,206)*</b>	<b>8,750</b>	<b>(20,956,134)</b>
<b>Government Activities Capital Assets, Net</b>	<b>11,433,730</b>	<b>(96,605)</b>	<b>-</b>	<b>11,337,125</b>
<b>Business-type Activities:</b>				
Machinery and Equipment	282,284	2,536	-	284,820
<b>Totals at Historical Cost</b>	<b>282,284</b>	<b>2,536</b>	<b>-</b>	<b>284,820</b>
<b>Less Accumulated Depreciation:</b>				
Machinery and Equipment	(193,262)	(31,130)	-	(224,392)
<b>Total Accumulated Depreciation</b>	<b>(193,262)</b>	<b>(31,130)</b>	<b>-</b>	<b>(224,392)</b>
<b>Business-type Activities Capital Assets, Net</b>	<b>\$ 89,022</b>	<b>\$ (28,594)</b>	<b>\$ -</b>	<b>\$ 60,428</b>

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

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

Instruction:	
Regular	\$ 903,206
Total Instruction	\$ 903,206
Total Depreciation Expense	\$ 903,206

**NOTE 6. LONG-TERM DEBT**

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

Governmental Activities

	Balance at June 30, 2017	Additions	Reductions	Balance at June 30, 2018	Accounts Due within One Year	Long - Term Portion
Compensated Absences Payable	\$ 577,924	\$ 54,484	\$ (60,263)	\$ 572,145	\$ -	\$ 572,145
Bonds Payable	3,888,000	-	(406,000)	3,482,000	416,000	3,066,000
Obligation under Capital Leases	68,090	54,763	(38,950)	83,903	33,075	50,828
Total Government Activities Debt	\$ 4,534,014	\$ 109,247	\$ (505,213)	\$ 4,138,048	\$ 449,075	\$ 3,688,973

**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.

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.



**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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
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>\$ 744,000</u>	<u>\$ 41,508</u>	<u>\$ 785,508</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>\$ 2,738,000</u>	<u>\$ 494,000</u>	<u>\$ 3,232,000</u>

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**B. Capital Leases:**

The District is leasing copy equipment totaling \$229,166 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, 2018.

Year	Amount
2019	36,466
2020	26,522
2021	12,600
2022	12,600
2023	2,870
Total minimum lease payments	\$ 91,058
Less: Amount representing interest	(7,155)
Present value of net minimum lease payments	\$ 83,903

**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/financial-reports.shtml](http://www.state.nj.us/treasury/pensions/financial-reports.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, 2018**

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

**D. 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:

<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 1 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 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 2017 the State's pension contribution was less than the actuarial determined amount.

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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, 2018, the District's Proportionate Share of the Net Pension Liability is as follows:

	<b>June 30, 2018</b>
Proportionate Share of Net Pension Liability	\$68,554,220

For the Year Ended June 30, 2018 the District's Proportionate Share of Pension Expense (and Related Revenue) was as follows:

	<b>For the Year Ended June 30, 2018</b>
Proportionate Share of Net Pension Expense (and Related Revenue)	\$4,749,089

The proportionate share of the net pension liability as of June 30, 2018 was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017 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, 2018**

**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	2.25%
Salary Increases: 2012-2021	Varies based on experience
Thereafter Investment rate of return	Varies based on experience 7.00%

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

For the year ended June 30, 2018, The District recognized pension expense of \$4,749,089 and revenue of \$4,749,089 for support provided by the state. At June 30, 2018, the District's proportionate share of deferred outflow of resources and deferred inflows of resources was as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 446,879	\$ 116,888
Changes of assumption	13,553,022	11,837,504
Net difference between projected and actual earnings on pension plan investments	345,969	-
Changes in proportion and differences between District contributions and proportionate share of contributions	144,972	50,840
Total	\$ 14,490,842	\$ 12,005,232

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

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

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) 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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long - Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**G. Discount Rate:**

The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, 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 contribution rate in the most recent fiscal year. 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 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036, 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, 2017 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 (3.25%)</b>	<b>At current discount rate (4.25%)</b>	<b>At 1% increase (5.25%)</b>
\$ 80,394,331,171	67,670,209,171	57,188,022,171

**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

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**A. Plan Description: (cont'd)**

PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/financial-reports.shtml](http://www.state.nj.us/treasury/pensions/financial-reports.shtml).

**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 1 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 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 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 1 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.



**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**C. Contributions:**

The contribution policy for PERS is set by NJ.SA 43:15A 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 2017, the State's pension contribution was less than the actuarial determined amount.

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, 2018, the District's Proportionate Share of the Net Pension Liability is as follows:

	<b>June 30, 2018</b>
Proportionate Share of Net Pension Liability	<b>\$7,822,068</b>

For the Year Ended June 30, 2018, the District's Proportionate Share of Pension Expense (and Related Revenue) was as follows:

	<b>For the Year Ended June 30, 2018</b>
Proportionate Share of Pension Expense	<b>\$675,824</b>

**NORTH ARLINGTON SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2018**

**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)**

The proportionate share of the net pension liability as of June 30, 2018 was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017 in the State of New Jersey PERS Audit. This actuarial valuation used the following actuarial assumptions:

Inflation rate	2.25%
Salary	1.65% - 4.15%
Increases: Through 2026	Based on Age
	2.65% - 5.15%
Thereafter	Based on Age
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one year static projection based on mortality Improvements Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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)**

the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. 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, 2018, The District recognized pension expenses of \$360,763. At June 30, 2018, 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	\$ 1,575,877	\$ 1,570,100
Net difference between projected and actual earnings on pension plan investments	237,446	-
Changes in proportion and differences between District contributions and proportionate share of contributions	395,880	124,778
Total	\$ 2,209,203	\$ 1,694,878

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) 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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long - Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017 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 contribution rate in the most recent fiscal year. 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, 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, 2017 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 (4.00%)</u>	<u>At current discount rate (5.00%)</u>	<u>At 1% increase (6.00%)</u>
State	\$29,818,581,732	25,645,622,797	22,179,578,513
Local	28,878,437,027	23,278,401,588	18,612,878,069
Total	<u>\$58,697,018,759</u>	<u>\$48,924,024,385</u>	<u>\$40,792,456,582</u>

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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. For the year ended June 30, 2018, the total wages subject to the DCRP were \$754,260. The total employee contributions were \$41,484. The total employer contributions were \$30,441.

**NOTE 10. POST-RETIREMENT BENEFITS**

**A. Plan Description**

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 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. 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 School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of New Jersey administrative code.

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**A. Plan Description (cont'd)**

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASBS No. 75.

Employees covered by benefit terms. At June 30, 2017 the following employees were covered by the benefit terms:

TPAF participant retirees

As of June 30, 2017, there was 112,966 retirees receiving post-retirement medical benefits, and the State contributed \$1.39 billion on their behalf

PERS participant retirees

The State paid \$238.9 million toward Chapter 126 benefits for 20,913 eligible retired members in Fiscal Year 2017.

**B. Total OPEB Liability**

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions OPEB for qualified retired PERS and TPAF participants. The District's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No.75 is zero percent. Accordingly, the North Arlington School District did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Therefore, in addition, The North Arlington School District does not recognize any portion of the collective deferred outflows and inflows of resources related to the plan.

**C. Actuarial Assumptions and Other Imputes**

The total OPEB liability in the June 30, 2017 actuarial valuation reported by the State in the States most recently issued CAFR was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary Increases	1.55 - 4.15 percent, average, including inflation
Discount rate	3.58 percent
Healthcare cost trend rates	4.5 percent
Retirees' share of benefit related Costs	0.0 percent of projected health insurance premiums for retirees

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**C. Actuarial Assumptions and Other Imputes (cont'd)**

The discount rate was based on The Bond Buyer General Obligation 20 – Bond Municipal Bond Index.

Mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/ Female Mortality Table, as appropriate, with adjustments for mortality improvements based on Scale MP – 2017.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2016 – June 30, 2017.

**D. Changes in the Total OPEB Liability**

The change in the State's proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2018 (measurement date June 30, 2017) is as follows:

	<b>Total OPEB Liability (State Share 100%)</b>
Balance as of June 30, 2016	\$ 23,942,829
Changes Recognized for the Fiscal Year	
Services Cost	\$ 1,040,839
Interest on the Total OPEB Liability	\$ 705,023
Changes of Assumptions	\$ (2,982,702)
Gross Benefit Payments	\$ (514,442)
Contributions From the Member	\$ 18,943
Net Changes	\$ (1,732,339)
Balance as of June 30, 2017	\$ 22,210,490



**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**E. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the State's proportionate share of the OPEB liability attributable to the District as of June 30, 2017, calculated using the discount rate disclosed above, as well as the State's proportionate share of the OPEB liability attributable to the District that would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	<u>At 1% Decrease (2.58%)</u>	<u>At Current Discount Rate (3.58%)</u>	<u>At 1% Increase (4.58%)</u>
State's Proportionate Share of the OPEB Liability Attributable to the District	\$ 26,365,454	\$ 22,210,490	\$ 18,914,733

**F. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the State's proportionate share of the OPEB liability attributable to the District as of June 30, 2017, calculated using the healthcare trend rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a healthcare trend rate that is 1% point lower or 1% point higher than the current rate:

	<u>1% Decrease</u>	<u>Health Cost Trend Rate</u>	<u>1% Increase</u>
State's Proportionate Share of the OPEB Liability Attributable to the District	\$ 18,265,981	\$ 22,210,490	\$ 27,465,536

**G. OPEB Expense**

For the fiscal year ended June 30, 2018 the District recognized in the government-wide statement of activities (accrual basis) OPEB expense of \$1,437,255. This amount has been included in the government-wide statement of activities (accrual basis) as revenue and expense in accordance with GASB No. 85.

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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, 2018 no liability existed for compensated absences in the Food Service Fund.

**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.

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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.

**NOTE 14. INTERFUND RECEIVABLES AND PAYABLES**

The following interfund balances remained on the balance sheet of the governmental fund financial statement at June 30, 2018:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 159,340	\$ 40,832
Capital Projects	-	-
Enterprise Fund	\$ 40,832	\$ -
Payroll Agency	\$ -	\$ 159,340
	<u>\$ 200,172</u>	<u>\$ 200,172</u>

There were no significant interfund transfers during the year ended June 30, 2018.

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 15. INVENTORY**

Inventory in the Food Service Fund at June 30, 2018, consisted of the following:

Food	\$ 3,525
Supplies	<u>1,224</u>
	<u>\$ 4,749</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 \$14,961,715 General Fund balance at June 30, 2018, \$6,510,925 is restricted as excess surplus in accordance with N.J.S.A. 18A:7F-7 (\$3,009,927 of the total restricted excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2019): \$7,502,071 has been restricted in the capital reserve: \$640,289 is committed for year-end encumbrances, \$0 is assigned and designated for subsequent year's expenditures and \$308,430 is unassigned.

Capital Projects Fund - The \$1,445,332 Capital Projects Fund fund balance at June 30, 2018 is restricted for capital projects.

Debt Service Fund - The Debt Service Fund fund balance at June 30, 2018 of \$60 is unassigned.

**NOTE 17. CALCULATION OF EXCESS SURPLUS**

The designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to N.J.S.A.18A:7F-7. 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, 2018, is \$3,500,998.

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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.

**REQUIRED SUPPLEMENTARY INFORMATION  
PART II**

**BUDGETARY COMPARISON SCHEDULES**

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**General Fund**  
**for the Fiscal Year ended June 30, 2018**

	<u>Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES:</b>					
Local sources:					
Local tax levy	\$ 25,234,582	\$ -	\$ 25,234,582	\$ 25,234,582	\$ -
Tuition	-	-	-	8,784	\$ 8,784
Summer Program	-	-	-	-	-
Interest on investments	50	-	50	85,424	85,374
Miscellaneous	30,000	-	30,000	17,408	(12,592)
Total revenues - local sources	<u>25,264,632</u>	<u>-</u>	<u>25,264,632</u>	<u>25,346,198</u>	<u>81,566</u>
Federal sources:					
Special Education Medicaid Initiative	20,495	-	20,495	18,059	(2,436)
Total Federal Sources	<u>20,495</u>	<u>-</u>	<u>20,495</u>	<u>18,059</u>	<u>(2,436)</u>
State sources:					
Extraordinary Aid	-	203,488	203,488	203,488	-
Special Education Aid	1,003,779	-	1,003,779	1,003,779	-
Equalization Aid	674,022	370,860	1,044,882	1,044,882	-
Transportation Aid	34,472	-	34,472	34,472	-
Security Aid	48,132	-	48,132	48,132	-
PARCC Readiness Aid	17,610	-	17,610	17,610	-
Per Pupil Growth Aid	17,610	-	17,610	17,610	-
Professional Learning Community Aid	18,290	-	18,290	18,290	-
Host District Support Aid	2,919	-	2,919	2,919	-
On-Behalf TPAF pension contributions (non budgeted)	-	-	-	2,491,768	2,491,768
Reimbursed TPAF Social Security contributions (non budgeted)	-	-	-	801,701	801,701
Total State Sources	<u>1,816,834</u>	<u>574,348</u>	<u>2,391,182</u>	<u>5,684,651</u>	<u>3,293,469</u>
Total revenues	<u>\$ 27,101,961</u>	<u>\$ 574,348</u>	<u>\$ 27,676,309</u>	<u>\$ 31,048,908</u>	<u>\$ 3,372,599</u>
<b>EXPENDITURES - CURRENT EXPENSE:</b>					
Instruction - regular programs:					
Salaries of teachers:					
Preschool	\$ -	-	\$ -	\$ -	\$ -
Kindergarten	488,925	(65,094)	423,831	411,165	12,666
Grades 1-5	2,287,945	147,455	2,435,400	2,311,284	124,116
Grades 6-8	1,651,702	(186,023)	1,465,679	1,308,101	157,578
Grades 9-12	2,725,791	(145,953)	2,579,838	2,486,925	92,913
Total regular programs - instruction	<u>7,154,363</u>	<u>(249,615)</u>	<u>6,904,748</u>	<u>6,517,475</u>	<u>387,273</u>
Regular programs - undistributed instruction:					
Other salaries for instruction	242,658	(1,815)	240,843	232,361	8,482
Purchases professional - education services	-	-	-	-	-
Purchases technical services	303,311	226,947	530,258	289,203	241,055
Other purchased services	15,110	2,089	17,199	16,018	1,181
General supplies	226,877	136,163	363,040	277,800	85,240
Textbooks	74,000	25,144	99,144	95,683	3,461
Other objects	-	-	-	-	-
Total regular programs - undistributed instruction	<u>861,956</u>	<u>388,528</u>	<u>1,250,484</u>	<u>911,065</u>	<u>339,419</u>
Total regular programs	<u>8,016,319</u>	<u>138,913</u>	<u>8,155,232</u>	<u>7,428,540</u>	<u>726,692</u>
Learning & language disability:					
Salaries of teachers	-	-	-	-	-
Other salaries for instruction	-	-	-	-	-
General supplies	-	-	-	-	-
Textbooks	-	-	-	-	-
Total learning & language disabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



NORTH ARLINGTON SCHOOL DISTRICT  
Budgetary Comparison Schedule  
General Fund  
for the Fiscal Year ended June 30, 2018

	Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
(Continued from prior page)					
Multiple disabilities:					
Salaries of teachers	441,220	-	441,220	431,862	9,358
Other salaries for instruction	604,632	1,815	606,447	606,447	-
General supplies	8,100	6,063	14,163	4,194	9,969
Textbooks	8,200	(6,063)	2,137	2,112	25
Total multiple disabilities	1,062,152	1,815	1,063,967	1,044,615	19,352
Resource room/Resource Center			-		
Salaries of teachers	1,044,865	130,800	1,175,665	1,174,009	1,656
Other salaries for instruction	85,278	-	85,278	77,995	7,283
General supplies	4,000	3,300	7,300	558	6,742
Textbooks	3,300	(2,145)	1,155	1,155	-
Total resource room/resource center	1,137,443	131,955	1,269,398	1,253,717	15,681
Pre Handicapped Full Time					
Salaries of teachers	205,835	(56,150)	149,685	85,730	63,955
Other salaries for instruction	172,792	-	172,792	116,782	56,010
General supplies	6,000	-	6,000	528	5,472
Total Autism	384,627	(56,150)	328,477	203,040	125,437
Home Instruction:					
Salaries of teachers	70,000	-	70,000	45,620	24,380
Purchased Professional - Education Services	25,000	-	25,000	8,931	16,069
Total Home Instruction	95,000	-	95,000	54,551	40,449
Total special education	2,679,222	77,620	2,756,842	2,555,923	200,919
Basic skills/remedial:					
Salaries of teachers	324,375	(20,000)	304,375	242,646	61,729
General supplies	2,000	(366)	1,634	-	1,634
Total basic skills/remedial	326,375	(20,366)	306,009	242,646	63,363
Bilingual education:					
Salaries of teachers	282,875	-	282,875	268,175	14,700
General supplies	1,000	-	1,000	-	1,000
Total bilingual education	283,875	-	283,875	268,175	15,700
Other instructional:					
School sponsored co-curricular activities:					
Salaries	86,890	-	86,890	79,726	7,164
General supplies	5,000	-	5,000	3,904	1,096
Other objects	9,100	-	9,100	4,355	4,745
Total school sponsored co-curricular activities	100,990	-	100,990	87,985	13,005
School sponsored athletics:					
Salaries	279,336	2,500	281,836	259,777	22,059
Purchased services	137,530	(31,873)	105,657	79,924	25,733
General supplies	71,163	1,824	72,987	61,677	11,310
Other expenditures	12,000	-	12,000	7,509	4,491
Total school sponsored athletics:	500,029	(27,549)	472,480	408,887	63,593
Community services program:					
Salaries	31,000	-	31,000	-	31,000
Total community services program	31,000	-	31,000	-	31,000
Total - instruction	11,937,810	168,618	12,106,428	10,992,156	1,114,272

NORTH ARLINGTON SCHOOL DISTRICT  
Budgetary Comparison Schedule  
General Fund  
for the Fiscal Year ended June 30, 2018

	Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
(Continued from prior page)					
Undistributed expenditures:					
Instruction:					
Tuition - other LEA's w/in State-Special	662,865	(117,992)	544,873	237,990	306,883
Tuition - County voc. reg.	200,772	-	200,772	182,520	18,252
Tuition - County voc. sp.	232,080	-	232,080	215,219	16,861
Tuition - County Special Services	402,100	-	402,100	186,765	215,335
Tuition - private schools (handicap) in State	1,812,032	-	1,812,032	1,237,538	574,494
Tuition - CSSD & reg. day schools	-	-	-	-	-
Total undistributed expenditures - instruction	3,309,849	(117,992)	3,191,857	2,060,032	1,131,825
Health services:					
Salaries	307,740	(13,431)	294,309	293,772	537
Purchased professional and technical services	47,000	2,767	49,767	49,767	-
General supplies	7,100	1,698	8,798	8,792	6
Total health services	361,840	(8,966)	352,874	352,331	543
Related services:					
Salaries of professional staff	205,735	(6,086)	199,649	170,138	29,511
Purchased professional- educational services	8,000	(2,000)	6,000	-	6,000
General supplies	1,400	-	1,400	486	914
Total related services	215,135	(8,086)	207,049	170,624	36,425
Extraordinary services:					
Purchased professional- educational services	425,910	(30,000)	395,910	311,557	84,353
Total extraordinary services	425,910	(30,000)	395,910	311,557	84,353
Other support services - guidance					
Salaries of other professional staff	296,958	46,940	343,898	309,499	34,399
Secretarial salaries	69,156	51,233	120,389	119,642	747
Purchased professional services	40,000	-	40,000	36,279	3,721
Other purchased services	1,400	-	1,400	1,400	-
Supplies	4,500	-	4,500	1,893	2,607
Other Objects	-	-	-	-	-
Total other support services - guidance	412,014	98,173	510,187	468,713	41,474
Other support services - child study team					
Salaries of other professional staff	436,400	(42,087)	394,313	388,326	5,987
Secretarial salaries	29,915	-	29,915	28,490	1,425
General supplies	8,000	-	8,000	6,452	1,548
Other Objects	1,600	-	1,600	794	806
Total other support services - child study team	475,915	(42,087)	433,828	424,062	9,766
Improvement of instruction services/ other support services-instructional staff:					
Salaries	761,386	(308,325)	453,061	452,067	994
Purchased professional services	-	105,000	105,000	-	105,000
General supplies	20,000	(880)	19,120	14,327	4,793
Other Objects	2,400	880	3,280	3,280	-
Total improvement of instruction services/ other support services-instructional staff	783,786	(203,325)	580,461	469,674	110,787
Educational media services/school library:					
Salaries	91,100	-	91,100	42,795	48,305
Purchased professional services	8,900	(1,544)	7,356	2,866	4,490
Supplies and materials	11,500	1,544	13,044	13,043	1
Total educational media services/school library	111,500	-	111,500	58,704	52,796

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**General Fund**  
**for the Fiscal Year ended June 30, 2018**

	Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
(Continued from prior page)					
<b>Instruction staff training:</b>					
Salaries of other professional staff	19,000	-	19,000	3,750	15,250
Purchased professional services	105,500	2,900	108,400	68,577	39,823
General supplies	500	749	1,249	1,249	-
Other expenses	800	(353)	447	-	447
<b>Total instruction staff training</b>	<b>125,800</b>	<b>3,296</b>	<b>129,096</b>	<b>73,576</b>	<b>55,520</b>
<b>Support services general administration:</b>					
Salaries	312,587	-	312,587	307,779	4,808
Legal services	136,000	(10,118)	125,882	85,339	40,543
Audit fees	40,000	2,000	42,000	42,000	-
Architectural/ Engineering services	-	72,600	72,600	64,143	8,457
Communications/telephone	104,000	(2,089)	101,911	32,817	69,094
Other purchased services	14,000	-	14,000	9,292	4,708
General supplies	7,065	-	7,065	3,736	3,329
Miscellaneous expenditures	27,636	1,400	29,036	20,394	8,642
<b>Total support services general administration</b>	<b>641,288</b>	<b>63,793</b>	<b>705,081</b>	<b>565,500</b>	<b>139,581</b>
<b>Support services school administration:</b>					
Salaries of principals/asst. principals	825,040	140,118	965,158	935,502	29,656
Salaries of secretarial assistants	363,729	(58,326)	305,403	278,993	26,410
Unused vacation pay to term/retired	-	10,422	10,422	10,422	-
Travel	900	-	900	24	876
Other purchased services	-	-	-	-	-
Supplies and materials	16,280	418	16,698	11,225	5,473
Other Objects	19,400	(2,096)	17,304	12,723	4,581
<b>Total support services school administration</b>	<b>1,225,349</b>	<b>90,536</b>	<b>1,315,885</b>	<b>1,248,889</b>	<b>66,996</b>
<b>Central services:</b>					
Salaries	685,729	-	685,729	639,996	45,733
Purchased professional services	54,000	(6,000)	48,000	38,565	9,435
Purchased technical services	31,800	6,100	37,900	23,660	14,240
Miscellaneous purchased services	16,640	6,000	22,640	19,309	3,331
Supplies and materials	12,000	-	12,000	10,192	1,808
Miscellaneous expenditures	10,500	-	10,500	5,924	4,576
<b>Total central services</b>	<b>810,669</b>	<b>6,100</b>	<b>816,769</b>	<b>737,646</b>	<b>79,123</b>
<b>Required maintenance for school facilities:</b>					
Salaries	97,410	-	97,410	97,410	-
Other Purchased Services	-	-	-	-	-
Cleaning, repair and maintenance services	743,112	139,552	882,664	671,228	211,436
General Supplies	37,500	7,734	45,234	41,600	3,634
<b>Total required maintenance for school facilities</b>	<b>878,022</b>	<b>147,286</b>	<b>1,025,308</b>	<b>810,238</b>	<b>215,070</b>
<b>Other operation and maintenance of plant:</b>					
Salaries	1,045,767	1	1,045,768	997,767	48,001
Purchased professional & technical services	155,000	(38,944)	116,056	71,994	44,062
Other purchased property services	127,000	8,943	135,943	131,046	4,897
Insurance	214,058	-	214,058	205,176	8,882
General Supplies	87,000	27,393	114,393	75,152	39,241
Energy (Electricity)	350,000	-	350,000	186,966	163,034
Other Objects	8,782	70	8,852	7,201	1,651
Energy (Natural Gas)	150,000	-	150,000	119,685	30,315
	<u>2,137,607</u>	<u>(2,537)</u>	<u>2,135,070</u>	<u>1,794,987</u>	<u>340,083</u>

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**General Fund**  
**for the Fiscal Year ended June 30, 2018**

Exhibit C-1  
5/6

	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	101,000	-	101,000	69,287	31,713
Salary for pupil transportation (between home & school)- special	80,456	-	80,456	67,331	13,125
Cleaning, repair and maintenance services	70,000	-	70,000	40,680	29,320
Contracted services (between home and school) - joint agreements	70,000	-	70,000	67,263	2,737
Contracted services spec. ed - joint agreement	375,000	135,000	510,000	482,347	27,653
Supplies and materials	28,300	-	28,300	184	28,116
Other Objects	4,000	-	4,000	3,117	883
<b>Total student transportation services</b>	<b>728,756</b>	<b>135,000</b>	<b>863,756</b>	<b>730,209</b>	<b>133,547</b>
<b>Employee benefits:</b>					
Social Security contribution	402,863	-	402,863	322,072	80,791
Other Retirement Contributions - Regular	415,000	-	415,000	350,860	64,140
Unemployment compensation	82,549	-	82,549	59,944	22,605
Workmen's Compensation	140,000	-	140,000	120,435	19,565
Health Benefits	2,619,360	-	2,619,360	2,150,546	468,814
Tuition Reimbursement	20,000	-	20,000	17,383	2,617
Other employee benefits	64,000	-	64,000	64,000	-
<b>Total employee benefits</b>	<b>3,743,772</b>	<b>-</b>	<b>3,743,772</b>	<b>3,085,240</b>	<b>658,532</b>
On-Behalf TPAF pension contributions (non budgeted)	-	-	-	2,491,768	(2,491,768)
Reimbursed TPAF Social Security contributions (non budgeted)	-	-	-	801,701	(801,701)
<b>Total undistributed expenditures</b>	<b>16,387,212</b>	<b>131,191</b>	<b>16,518,403</b>	<b>16,655,451</b>	<b>(137,048)</b>
<b>TOTAL EXPENDITURES - CURRENT EXPENSE</b>	<b>28,325,022</b>	<b>299,809</b>	<b>28,624,831</b>	<b>27,647,607</b>	<b>977,224</b>
<b>CAPITAL OUTLAY:</b>					
Equipment	-	38,866	38,866	35,104	3,762
Grades 9-12 Undistributed expenditures: Operation and maintenance of plant services	-	-	-	-	-
<b>Total equipment</b>	<b>-</b>	<b>38,866</b>	<b>38,866</b>	<b>35,104</b>	<b>3,762</b>
<b>Facilities acquisition and construction services:</b>					
Construction Services	660,000	370,860	1,030,860	670,860	360,000
Instructional and Transportation Equipment	-	-	-	-	-
Other Professional/Technical Services	8,567	-	8,567	8,567	-
<b>Total facilities acquisition and construction services</b>	<b>668,567</b>	<b>370,860</b>	<b>1,039,427</b>	<b>679,427</b>	<b>360,000</b>
Assets acquired under capital leases (non budgeted)	-	-	-	54,763	(54,763)
<b>TOTAL CAPITAL OUTLAY</b>	<b>668,567</b>	<b>409,726</b>	<b>1,078,293</b>	<b>769,294</b>	<b>305,237</b>
Charter School	194,000	-	194,000	74,557	119,443
<b>Total expenditures</b>	<b>\$ 29,187,589</b>	<b>\$ 709,535</b>	<b>\$ 29,897,124</b>	<b>\$ 28,491,458</b>	<b>\$ 1,401,904</b>

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**General Fund**  
**for the Fiscal Year ended June 30, 2018**

	<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	\$ 27,101,961	\$ (135,187)	\$ (2,220,815)	\$ 2,557,450	\$ 4,778,265
Other financial sources (uses):					
Operating transfers out:					
Transfers from General Fund - Other	-	-	-	-	-
Capital outlay transfer to capital projects	(410,000)	-	(410,000)	(410,000)	-
Capital reserve transfer to capital projects	-	-	-	-	-
Capital leases (non budgeted)	-	-	-	54,763	54,763
Excess (deficiency) of revenues and other financial sources over (under) expenditures and other financing uses	26,691,961	(135,187)	(2,630,815)	2,202,213	4,833,028
Fund balances, July 1	<u>12,953,937</u>	<u>-</u>	<u>12,953,937</u>	<u>12,953,937</u>	<u>-</u>
Fund balances, June 30	<u>\$ 39,645,898</u>	<u>\$ (135,187)</u>	<u>\$ 10,323,122</u>	<u>\$ 15,156,150</u>	<u>\$ 4,833,028</u>

**Recapitulation:**

Restricted Fund Balance:

  Reserved Excess Surplus-Designated for Subsequent Year's  
  Expenditures

\$ 3,009,927

  Reserve for Excess Surplus

3,500,998

  Capital Reserve

7,502,071

Committed Fund Balance:

  Year- End Encumbrances

640,289

Assigned Fund Balance

  Designated for Subsequent Year's Expenditures

502,865

Unassigned Fund Balance

15,156,150

Reconciliation to Government Fund Statements (GAAP):

  Last State Aid Payment Not Recognized on GAAP Basis

(194,435)

Fund Balance per Governmental Funds (GAAP)

\$ 14,961,715

NORTH ARLINGTON SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 Special Revenue Fund  
 for the Fiscal Year ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>					
State sources	\$ 340,472	\$ (106,687)	\$ 233,785	\$ 176,188	\$ (57,597)
Federal sources	593,422	150,886	744,308	\$ 709,313	(34,995)
Local sources	-	-	-	\$ -	-
<b>Total revenues</b>	<u>\$ 933,894</u>	<u>\$ 44,199</u>	<u>\$ 978,093</u>	<u>\$ 885,501</u>	<u>\$ (92,592)</u>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of teachers	\$ 145,435	\$ 33,565	\$ 179,000	\$ 179,000	\$ -
Other salaries for instruction	-	-	-	\$ -	-
Purchased prof. & tech. services	383,318	(83,036)	300,282	\$ 483,265	(182,983)
Other Purchased Services	271,761	103,037	374,798	\$ 16,255	358,543
General supplies and equipment	13,780	4,668	18,448	\$ 18,448	-
Textbooks	30,549	(17,910)	12,639	\$ 12,639	-
Other	-	-	-	\$ -	-
<b>Total instruction</b>	<u>844,843</u>	<u>40,324</u>	<u>885,167</u>	<u>709,607</u>	<u>175,560</u>
Support services:					
Salaries of supervisor of instruction	-	-	-	-	-
Personal services-employee benefits	31,797	18,323	50,120	-	50,120
Purchased prof. & educational services	-	-	-	150,980	(150,980)
Other purchased services	36,564	(1,147)	35,417	2,400	33,017
General supplies	-	-	-	21,868	(21,868)
General supplies	19,312	(12,569)	6,743	-	6,743
Travel	-	-	-	-	-
Other objects	1,378	(1,378)	-	646	(646)
Indirect costs	-	646	646	-	646
<b>Total support services</b>	<u>89,051</u>	<u>3,875</u>	<u>92,926</u>	<u>175,894</u>	<u>(82,968)</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>933,894</u>	<u>44,199</u>	<u>978,093</u>	<u>885,501</u>	<u>92,592</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2018**

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

		General Fund		Special Revenue Fund
<b>Sources /Inflows of Resources</b>				
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1]	\$31,048,908	[C-2]	\$ 885,501
Difference - Budget to GAAP:				
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized				(14,185)
State-Aid Payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes		161,214		
State Aid Payment recognized for budgetary purposes, not recognized for GAAP statements		<u>(194,435)</u>		<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	[B-2]	<u>\$31,015,687</u>	[B-2]	<u>\$ 871,316</u>
<b>Uses/Outflows of Resources</b>				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]	\$28,491,458	[C-2]	885,501
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				<u>(14,185)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	[B-2]	<u>\$28,491,458</u>	[B-2]	<u>\$ 871,316</u>



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>2018</u>	<u>2017</u>
Districts' proportionate share of the net pension liability	\$ 7,822,068	\$ 10,159,366
District's covered-employee payroll	2,348,753	2,383,988
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	333.03%	426.15%
Plan fiduciary net position as a percentage of the total pension liability	36.78%	31.20%

**EXHIBIT L-2**

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

	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 315,713	\$ 306,352
Contributions in relation to the contractually required contribution	315,713	306,352
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
District's covered employee payroll	\$ 2,348,753	\$ 2,383,988
Contributions as a percentage of covered- employee payroll	13.44%	12.85%

**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>2018</u>	<u>2017</u>
State's proportionate share of the net pension liability associated with the District	\$ 68,554,220	\$ 83,171,272
District's covered-employee payroll	11,042,997	11,013,764
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	620.79%	755.16%
Plan fiduciary net position as a percentage of the total pension liability	25.41%	22.33%

North Arlington School District  
 SCHEDULE OF CHANGES IN THE STATE PROPORTIONATE SHARE ATTRIBUTABLE TO THE DISTRICT  
 OF OPEB LIABILITY AND RELATED RATIOS  
 STATE HEALTH BENEFITS LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN  
 LAST FISCAL YEAR\*

	<u>June 30, 2018</u>
OPEB liability, July 1	\$ 23,942,829
Changes reconized for the fiscal year:	
Service cost	1,040,839
Interest on the total OPEB liability	705,023
Changes in assumptions	(2,982,702)
Gross benefit payments	(514,442)
Contributions from the member	18,943
Net changes	<u>(1,732,339)</u>
OPEB liability, June 30	<u>\$ 22,210,490</u>
District's proportionate share of OPEB liability	\$ -
State's proportionate share of OPEB liability	<u>22,210,490</u>
Total OPEB liability	<u>\$ 22,210,490</u>
District's covered employee payroll	\$ 13,391,750
Total OPEB Liability as a percentage of covered employee payroll	0.000%

**North Arlington School District**  
**Notes to the Required Supplementary Information**  
**for the Fiscal Year Ended June 30, 2018**

	<b>Public Employees' Retirement System (PERS)</b>	<b>Teachers Pension and Annuity Fund (TPAF)</b>	<b>State Health Benefit Local Education Retired Employees OPEB Plan</b>
Change in benefits	None	None	None
Changes in assumptions:			
Discount rate:			
As of June 30, 2017	5.00%	4.25%	2.85%
As of June 30, 2016	3.98%	3.22%	3.58%
Municipal bond rate:			
As of June 30, 2017	3.58%	3.58%	3.58%
As of June 30, 2016	2.85%	2.85%	2.85%
Inflation rate:			
As of June 30, 2017	2.25%	2.25%	2.50%
As of June 30, 2016	3.08%	2.50%	
Long-term expected rate of return on pension plan investments:			
As of June 30, 2017	7.00%	7.00%	Not Applicable
As of June 30, 2016	7.65%	7.65%	Not Applicable

**OTHER SUPPLEMENTARY INFORMATION**

SPECIAL REVENUE FUND



**NORTH ARLINGTON SCHOOL DISTRICT**  
**Special Revenue Fund**  
**Combining Schedules of Program Revenues and Expenditures - Budgetary Basis**  
**for the Fiscal Year ended June 30, 2018**

	Nonpublic Security Aid	Nonpublic Exam and Class	Nonpublic Textbooks	Nonpublic Hand. Correct. Speech	Nonpublic Handicapped Suppl. Instr.	Nonpublic Technology Aid	English As A Second Language
<b>REVENUES:</b>							
State sources	\$ 16,650	\$ 16,029	\$ 12,639	\$ 13,124	\$ 20,617	\$ 9,143	\$ 723
Federal sources							
Local sources							
<b>Total revenues</b>	<u>\$ 16,650</u>	<u>\$ 16,029</u>	<u>\$ 12,639</u>	<u>\$ 13,124</u>	<u>\$ 20,617</u>	<u>\$ 9,143</u>	<u>\$ 723</u>
<b>EXPENDITURES:</b>							
<b>Instruction:</b>							
Salaries of teachers	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -
Other salaries of instruction							
Purchased prof. & tech. services	-	16,029		13,124	20,617		723
Other purchased services							
General supplies and equipment	6021						
Textbooks			12,639				
<b>Total instruction</b>	<u>6,021</u>	<u>16,029</u>	<u>12,639</u>	<u>13,124</u>	<u>20,617</u>	<u>-</u>	<u>723</u>
<b>Support services:</b>							
Salaries of supervisor of instruction							
Personal services-employee benefits							
Purchased prof. & educational services	10629						
Other purchased services						2,400	
General supplies						6,743	
Travel							
Other objects							
Indirect Costs							
<b>Total support services</b>	<u>10629</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,143</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>\$ 16,650</u>	<u>\$ 16,029</u>	<u>\$ 12,639</u>	<u>\$ 13,124</u>	<u>\$ 20,617</u>	<u>\$ 9,143</u>	<u>\$ 723</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	Title I Part A 16-17 & C/O	Title II Part A 16-17	Title III Part A 16-17	IDEA-Part B-Basic 16-17 & C/O	IDEA-Part Pre- School	Title III Immigrant Aid	Title IV	Emergency Impact Aid	2018
\$ 21,534	\$ 65,729	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 176,188
		145,927	34,309	16,633	467,197	16,255	3,867	10,000	15,125	709,313
<u>\$ 21,534</u>	<u>\$ 65,729</u>	<u>\$ 145,927</u>	<u>\$ 34,309</u>	<u>\$ 16,633</u>	<u>\$ 467,197</u>	<u>\$ 16,255</u>	<u>\$ 3,867</u>	<u>\$ 10,000</u>	<u>\$ 15,125</u>	<u>\$ 885,501</u>
\$ -	\$ -	\$ 140,000	\$ 25,000	\$ 14,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 179,000
	65,729		9,309		349,234			8,500		483,265
		5,927		2,633		16,255				16,255
							3,867			18,448
										12,639
<u>-</u>	<u>65,729</u>	<u>145,927</u>	<u>34,309</u>	<u>16,633</u>	<u>349,234</u>	<u>16,255</u>	<u>3,867</u>	<u>8,500</u>	<u>-</u>	<u>709,607</u>
										-
										-
20,888					117,963			1,500		150,980
										2,400
									15,125	21,868
										-
										-
<u>646</u>										<u>646</u>
<u>21,534</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>117,963</u>	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>15,125</u>	<u>175,894</u>
										-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 21,534</u>	<u>\$ 65,729</u>	<u>\$ 145,927</u>	<u>\$ 34,309</u>	<u>\$ 16,633</u>	<u>\$ 467,197</u>	<u>\$ 16,255</u>	<u>\$ 3,867</u>	<u>\$ 10,000</u>	<u>\$ 15,125</u>	<u>\$ 885,501</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CAPITAL PROJECTS FUND

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Capital Projects Fund**  
**Summary Schedule of Project Expenditures**  
**for the Fiscal Year ended June 30, 2018**

<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>\$ 20,244,792</u>	<u>\$ 18,611,978</u>	<u>\$ 187,482</u>	<u>\$ 1,445,332</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, 2018**

Revenues and Other Financing Sources	
FEMA Storm Damage Reimbursement	\$ 196,020
Bond Proceeds and transfers	-
Prior Year Payables cancelled	16,095
Transfer from general fund - Other	-
Transfer from capital reserve - general fund	-
Transfer from capital outlay - general fund	410,000
Total revenues	<u>622,115</u>
Expenditures and Other Financing Uses	
Purchased professional and technical services	175
Construction Services	37,307
Transfer to Debt Service Fund	150,000
Total Expenditures	<u>187,482</u>
Excess (deficiency) of revenues over (under) expenditures	434,633
Fund balance - beginning	<u>1,010,699</u>
Fund balance - ending	<u>\$ 1,445,332</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, 2018**

	Prior Periods	Current Year	Totals	Revised Authorized Cost
<b>Revenues and Other Financing Sources</b>				
State & Federal Sources - SCC Grant & FEMA	\$ 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	130,707	16,095	146,802	146,802
Transfer from general fund - Other	387,874	-	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	2,255,459	410,000	2,665,459	2,665,459
Total Revenues	<u>15,618,025</u>	<u>426,095</u>	<u>16,044,120</u>	<u>16,044,120</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased professional and technical services	297,447		297,447	297,447
Land and Improvements	-	-	-	-
Construction Services	14,566,823	7,496	14,574,319	14,574,319
Equipment Purchases	-	-	-	-
Total Expenditures	<u>14,864,270</u>	<u>7,496</u>	<u>14,871,766</u>	<u>14,871,766</u>
Excess (deficiency) of revenues over (under) Expenditures	<u>\$ 753,755</u>	<u>\$ 418,599</u>	<u>\$ 1,172,354</u>	<u>\$ 1,172,354</u>
<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			
Additonal Authorized Cost	8,344,120			
Revised Authorized Cost	16,044,120			
Percentage Increase over Original Authorized Cost	108.37%			
Percentage Completion	92.69%			
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, 2018**

	Prior Periods	Current Year	Totals	Revised Authorized Cost
<b>Revenues and Other Financing Sources</b>				
State & Federal Sources - SCC Grant & FEMA	\$ -	\$ 196,020	\$ 196,020	\$ 196,020
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
Total Revenues	<u>4,004,652</u>	<u>196,020</u>	<u>4,200,672</u>	<u>4,200,672</u>
<b>Expenditures and Other Financing Uses</b>				
Purchased professional and technical services	164,470	175	164,645	164,645
Land and Improvements	-	-	-	-
Construction Services	3,483,238	29,811	3,513,049	3,513,049
Equipment Purchases	-	-	-	-
Transfer to Debt Service Fund	100,000	150,000	250,000	250,000
Total Expenditures	<u>3,747,708</u>	<u>179,986</u>	<u>3,927,694</u>	<u>3,927,694</u>
Excess (deficiency) of revenues over (under) Expenditures	<u>\$ 256,944</u>	<u>\$ 16,034</u>	<u>\$ 272,978</u>	<u>\$ 272,978</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	812,672			
Revised Authorized Cost	4,200,672			
Percentage Increase over Original Authorized Cost	23.98%			
Percentage Completion	93.50%			
Original target completion date				
Revised target completion date				

PROPRIETARY FUNDS



**NORTH ARLINGTON SCHOOL DISTRICT**  
**Enterprise Fund**  
**Statement of Net Position**  
**June 30, 2018**

	<u>Food Service Fund</u>
Current assets:	
Cash and cash equivalents	\$ 76,726
Interfund Receivable	40,832
Inventory	4,749
Total current assets	<u>122,307</u>
Fixed assets:	
Equipment	284,820
Accumulated depreciation	(224,392)
Total fixed assets	<u>60,428</u>
Total Assets	<u><u>\$ 182,735</u></u>
<b>LIABILITIES AND NET POSITION</b>	
Current liabilities:	
Due to Management Company	<u>10,581</u>
Total current liabilities	<u>10,581</u>
Net Position:	
Restricted	60,428
Unrestricted	111,726
Total Net Position	<u>172,154</u>
Total Liabilities and Net Position	<u><u>\$ 182,735</u></u>

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Enterprise Fund**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**for the Fiscal Year ended June 30, 2018**

	<u>Food Service Fund</u>
<b>OPERATING REVENUES:</b>	
Local sources:	
Daily sales-reimbursable programs:	
School lunch program and adult sales	\$ 190,153
Total daily sales - reimbursable programs	<u>190,153</u>
Daily sales non-reimbursable programs:	
Special functions	138,282
Total operating revenue	<u>328,435</u>
<b>OPERATING EXPENSES:</b>	
Cost of sales - reimbursable programs	169,734
Cost of sales - non-reimbursable programs	48,639
Commodities	33,386
Labor costs	149,348
Fringe Benefits	13,108
Payroll Taxes	21,969
Supplies and materials	31,456
Insurance	18,727
Management fee	32,600
Depreciation	31,130
Total operating expenses	<u>550,097</u>
Operating loss	<u>(221,662)</u>
Nonoperating revenues:	
State sources:	
State school lunch program	5,928
Federal sources:	
National school lunch program	178,537
National school breakfast program	5,088
Food distribution program	33,386
Net (loss) before operating transfers and other special items	<u>1,277</u>
Special Item-appraisal of capital assets adjustment	
Net Income	<u>1,277</u>
Special item:	
Loss on disposal of fixed assets	<u>-</u>
Change in net position	1,277
Net Position - July 1	<u>170,877</u>
Net Position - June 30	<u>\$ 172,154</u>

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Enterprise Fund**  
**Statement of Cash Flows**  
**for the Fiscal Year ended June 30, 2018**

	Food Service Fund
Cash flows from operating activities:	
Receipts from customers	\$ 328,435
Payments to employees	(184,425)
Payments to suppliers	(326,535)
Net cash (used for) operating activities	<u>(182,525)</u>
Cash flows from noncapital financing activities:	
State sources	5,021
Federal sources	155,043
Food distribution program	33,386
Net cash provided by non-capital financing activities	<u>193,450</u>
Cash flows from investing activities:	
Purchase of Equipment	<u>(2,536)</u>
Net cash (used for) investing activities	<u>(2,536)</u>
Net increase in cash and cash equivalents	8,389
Balances - July 1	<u>68,337</u>
Balances - June 30	<u>\$ 76,726</u>
Reconciliation of operating loss to net cash (used for) provided by operating activities:	
Operating (loss)	<u>\$ (221,662)</u>
Adjustment to reconcile operating (loss) to net cash (used for) provided by operating activities:	
Adjustments:	
Increase in Inventory	(691)
Increase in due to Management Company	8,698
Depreciation	31,130
Total adjustments	<u>39,137</u>
Net cash (used for) operating activities	<u>\$ (182,525)</u>

FIDUCIARY FUNDS

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Fiduciary Fund**  
**Combining Statement of Fiduciary Net Position**  
**June 30, 2018**

	Private Purpose Scholarship Funds	Agency		Total June 30, 2018
		Student Activity	Payroll	
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 17,062	\$ 392,277	\$ 310,532	\$ 719,871
Total Assets	\$ 17,062	\$ 392,277	\$ 310,532	\$ 719,871
 <b>LIABILITIES AND NET POSITION:</b>				
<b>Liabilities:</b>				
Payroll deductions & withholdings	\$ -	\$ -	\$ 310,532	\$ 310,532
Due to student groups		392,277		392,277
Total Liabilities	-	392,277	310,532	702,809
 <b>Net Position:</b>				
Reserved for scholarships	17,062			17,062
Total Liabilities and Net Position	\$ 17,062	\$ 392,277	\$ 310,532	\$ 719,871

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Fiduciary Fund**  
**Combining Statement of Changes in Fiduciary Net Position**  
**for the Fiscal Year ended June 30, 2018**

	<b>Scholarship Funds</b>	
	Estelle and William Murphy Scholarship Fund	Total
<b>Additions:</b>		
Local sources:		
Contributions	\$ 900	\$ 900
Total Additions	900	900
<b>Deductions:</b>		
Scholarships Awarded	11,371	11,371
Total Deductions	11,371	11,371
Changes in net position	(10,471)	(10,471)
Net Position-beginning of year	27,533	27,533
Net Position-end of year	\$ 17,062	\$ 17,062

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Fiduciary Fund**  
**Student Activity Agency Fund Schedule of Receipts and Disbursements**  
**for the Fiscal Year ended June 30, 2018**

	<u>Balance, July 1, 2017</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2018</u>
<b>ELEMENTARY SCHOOLS:</b>				
Jefferson	\$ 1,942	\$ 15,979	\$ (16,452)	\$ 1,469
Roosevelt	14,403	10,883	(9,760)	15,526
Washington	10,285	12,216	(11,342)	11,159
Total elementary schools	<u>\$ 26,630</u>	<u>\$ 39,078</u>	<u>\$ (37,554)</u>	<u>\$ 28,154</u>
<b>MIDDLE SCHOOL:</b>				
Middle School	\$ 17,441	\$ 40,264	\$ (41,731)	\$ 15,974
Total middle school	<u>\$ 17,441</u>	<u>\$ 40,264</u>	<u>\$ (41,731)</u>	<u>\$ 15,974</u>
<b>SENIOR HIGH SCHOOL:</b>				
Organization Fund	\$ 93,735	\$ 219,058	\$ (206,880)	\$ 105,913
Athletic Fund	297,932	2,717	(58,413)	242,236
Total senior high school	<u>\$ 391,667</u>	<u>\$ 221,775</u>	<u>\$ (265,293)</u>	<u>\$ 348,149</u>
<b>TOTAL ALL SCHOOLS</b>	<u>\$ 435,738</u>	<u>\$ 301,117</u>	<u>\$ (344,578)</u>	<u>\$ 392,277</u>

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Fiduciary Fund**  
**Payroll Agency Fund Schedule of Receipts and Disbursements**  
**for the Fiscal Year ended June 30, 2018**

	<u>Balance,</u> <u>June 30, 2017</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance,</u> <u>June 30, 2018</u>
<b>PAYROLL AGENCY FUND:</b>				
Gross payroll, deductions and withholdings (Payroll Agency Account)	\$ 154,236	\$ 8,421,286	\$ 8,268,751	\$ 306,771
Accrued salaries and wages (Net Payroll Account)	4,291	8,887,017	8,887,547	3,761
Total Payroll Agency Fund	<u>\$ 158,527</u>	<u>\$ 17,308,303</u>	<u>\$ 17,156,298</u>	<u>\$ 310,532</u>



LONG-TERM DEBT

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Long Term Debt**  
**Schedule of Serial Bonds**  
**June 30, 2018**

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate (%)
			Date	Amount	
Refunding School Bonds	5/17/2012	\$ 1,926,000	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	8/1/2017	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, 2017	Issued	Retired/ Refunded	Balance, June 30, 2018
236,000		(236,000)	-
241,000			241,000
248,000			248,000
255,000			255,000
<u>980,000</u>	<u>-</u>	<u>(236,000)</u>	<u>744,000</u>
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>2,908,000</u>	<u>-</u>	<u>(170,000)</u>	<u>2,738,000</u>
<u>\$ 3,888,000</u>	<u>\$ -</u>	<u>\$ (406,000)</u>	<u>\$ 3,482,000</u>

NORTH ARLINGTON SCHOOL DISTRICT  
 Long Term Debt  
 Schedule of Obligations Under Capital Leases  
 for the Fiscal Year ended June 30, 2018

Series	Amount of Original Issue	Amount Outstanding June 30, 2017	Issued Current Year	Retired Current Year	Amount Outstanding June 30, 2018
Savin Copiers	\$ 46,674	\$ 4,412	\$ -	\$ 4,412	\$ -
Savin Copiers	18,992	4,981	-	4,981	-
Savin Copiers	108,737	58,697	-	22,056	36,641
Savin Copiers	35,001	-	35,001	5,212	29,789
Savin Copiers	19,762	-	19,762	2,289	17,473
		<u>\$ 68,090</u>	<u>\$ 54,763</u>	<u>\$ 38,950</u>	<u>\$ 83,903</u>

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**Debt Service Fund**  
**for the Fiscal Year ended June 30, 2018**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance
<b>REVENUES:</b>					
Local sources:					
Local tax levy	\$ 363,386	\$ -	\$ 363,386	\$ 363,386	\$ -
Interfund Transfer - Capital Projects Fund	\$ 150,000	\$ -	\$ 150,000	\$ 150,000	-
Total revenues	<u>\$ 513,386</u>	<u>\$ -</u>	<u>\$ 513,386</u>	<u>\$ 513,386</u>	<u>\$ -</u>
<b>EXPENDITURES:</b>					
Regular debt service:					
Interest	\$ 107,386	\$ -	\$ 107,386	\$ 107,327	\$ (59)
Redemption of principal	406,000	-	406,000	406,000	-
Total regular debt service	<u>513,386</u>	<u>-</u>	<u>513,386</u>	<u>513,327</u>	<u>(59)</u>
Total expenditures	<u>513,386</u>	<u>-</u>	<u>513,386</u>	<u>513,327</u>	<u>(59)</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	59	59
Other financing sources (uses)					
Refunding of Bonds	-	-	-	-	-
Bond Proceeds	-	-	-	-	-
Excess (deficiency) of revenue & other financing sources over (under) expenditures and other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>59</u>	<u>59</u>
Fund balances, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
Fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60</u>	<u>\$ 60</u>
Recapitulation of Excess (Deficiency) of Revenue Over (Under) Expenditure					
Budgeted Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

J-1

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Governmental Activities:</b>										
Net Investment in Capital Assets	\$ 4,094,009	\$ 4,452,180	\$ 4,603,399	\$ 4,748,914	\$ 4,225,593	\$ 5,558,289	\$ 6,489,804	\$ 7,637,935	\$ 7,477,640	\$ 7,771,222
Restricted	2,644,550	2,521,568	2,128,075	2,821,911	5,003,956	5,805,767	8,240,148	10,406,956	13,158,375	15,458,328
Committed	-	-	40,439	71,336	335,185	490,250	253,214	365,886	338,675	640,289
Assigned	-	-	623,272	664,398	300,000	-	-	-	-	-
Unassigned	(73,164)	(396,870)	(169,339)	(101,808)	(244,919)	(249,894)	(6,107,665)	(6,424,540)	(7,218,531)	(7,571,398)
<b>Total Governmental activities net position</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>\$ 8,875,501</b>	<b>\$ 11,986,237</b>	<b>\$ 13,756,159</b>	<b>\$ 16,298,441</b>
<b>Business-type Activities:</b>										
Invested in capital assets, net of related debt	\$ 68,967	\$ 54,390	\$ 35,127	\$ 65,123	\$ 54,827	\$ 46,332	\$ 133,887	\$ 105,560	\$ 89,022	\$ 60,428
Restricted	-	-	-	-	-	-	-	-	-	-
Unassigned	105,487	128,316	158,085	136,208	163,421	181,316	39,587	60,854	81,855	111,726
<b>Total Business -type activities net position</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>\$ 173,474</b>	<b>\$ 166,414</b>	<b>\$ 170,877</b>	<b>\$ 172,154</b>
<b>District-wide:</b>										
Net Investment in Capital Assets	\$ 4,162,976	\$ 4,506,570	\$ 4,638,526	\$ 4,814,037	\$ 4,280,420	\$ 5,604,621	\$ 6,623,691	\$ 7,743,495	\$ 7,566,662	\$ 7,831,650
Restricted & committed	2,644,550	2,521,568	2,791,786	3,557,645	5,639,141	6,296,017	8,493,362	10,772,842	13,497,050	16,098,617
Unassigned	32,323	(268,554)	(11,254)	34,400	(81,498)	(68,578)	(6,068,078)	(6,363,686)	(7,136,676)	(7,459,672)
<b>Total District-wide activities net position</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>\$ 9,048,975</b>	<b>\$ 12,152,651</b>	<b>\$ 13,927,036</b>	<b>\$ 16,470,595</b>

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
<b>Governmental Activities</b>										
<b>Instruction</b>										
Regular	\$ 7,661,062	\$ 7,659,244	\$ 8,016,304	\$ 7,830,971	\$ 7,832,957	\$ 8,137,148	\$ 8,144,720	\$ 7,707,118	\$ 7,916,139	\$ 8,134,638
Special Education	1,616,151	1,721,828	1,810,007	1,969,319	1,954,254	2,125,927	2,030,437	2,087,676	2,280,091	2,555,923
Other Special Education	558,676	560,966	555,016	555,132	638,030	615,017	577,696	588,059	609,695	510,821
Other instruction	437,747	414,466	428,081	443,665	427,481	444,908	623,595	610,957	631,310	496,872
<b>Support Services:</b>										
Tuition	2,529,217	2,760,605	2,550,178	1,957,613	1,919,789	1,471,542	1,116,382	1,117,382	1,399,033	2,060,032
Student & instruction related services	2,250,887	1,929,262	1,974,732	2,132,596	2,121,588	1,948,821	2,183,141	2,533,610	2,567,552	2,494,633
School administrative services	1,130,805	1,243,270	978,619	1,079,440	1,110,717	1,110,678	1,086,513	1,125,000	1,126,157	1,248,889
General and business administrative services	5,111,176	5,280,721	5,369,490	6,031,199	6,433,079	6,076,278	8,792,870	10,031,717	13,061,424	12,710,658
Plant operation and maintenance	2,276,418	1,967,639	2,323,264	2,283,446	2,277,546	2,613,962	2,204,459	2,239,083	2,891,272	2,566,275
Pupil transportation	720,017	628,640	603,967	513,259	560,769	485,894	435,590	428,947	530,894	730,209
Charter School	-	-	-	17,872	11,458	9,521	-	16,810	61,534	74,557
Food Service Operations	-	-	-	-	-	-	-	-	-	-
Unallocated depreciation	946,505	1,018,722	1,033,316	1,063,191	1,116,392	1,173,628	931,412	998,833	914,915	903,206
Interest on Long Term Debt	308,453	269,316	229,466	189,216	174,259	54,067	158,154	120,549	114,429	107,327
<b>Total Governmental Activities expenses</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>29,605,741</b>	<b>34,104,465</b>	<b>34,594,040</b>
<b>Business-type activities:</b>										
Food Service	437,407	460,444	467,468	491,495	497,395	543,508	590,338	553,038	542,446	550,097
<b>Total Business-type activities expense</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>542,446</b>	<b>550,097</b>
<b>Total District Expenses</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>\$ 30,158,779</b>	<b>\$ 34,646,911</b>	<b>\$ 35,144,137</b>
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
<b>Charges for Services:</b>										
Operating grants and contributions	1,333,541	1,503,513	1,399,488	1,158,935	1,089,813	1,054,037	1,063,165	1,065,556	953,931	871,316
<b>Total Governmental Activities Program Revenues</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>	<b>966,632</b>	<b>880,100</b>
<b>Business-type activities:</b>										
<b>Charges for Services:</b>										
Food Service	303,761	311,532	327,425	314,743	324,048	335,816	320,498	310,183	312,361	328,435
Operating grants and contributions	112,383	157,164	160,533	187,077	190,264	217,092	215,666	235,795	234,548	222,939
<b>Total Business-type activities program revenues</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>536,164</b>	<b>545,978</b>	<b>546,909</b>	<b>551,374</b>
<b>Total District Program Revenues</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>\$ 1,513,541</b>	<b>\$ 1,431,474</b>
<b>Net Expense (Revenues)</b>										
Governmental Activities	\$ (24,221,573)	\$ (23,951,166)	\$ (24,472,952)	\$ (24,916,504)	\$ (25,462,434)	\$ (25,184,543)	\$ (27,216,382)	\$ (28,522,810)	\$ (33,137,833)	\$ (33,713,940)
Business-type activities	(21,265)	8,252	20,490	10,325	16,917	9,400	(54,174)	(7,060)	4,463	1,277
<b>Total District-wide Net Expense</b>	<b>\$ (24,242,838)</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>\$ (28,529,870)</b>	<b>\$ (33,133,370)</b>	<b>\$ (33,712,663)</b>
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental Activities:</b>										
Property taxes levied for general purposes- Net	\$ 19,413,368	\$ 19,413,368	\$ 20,914,546	\$ 21,332,837	\$ 21,759,494	\$ 22,426,020	\$ 22,874,540	\$ 23,344,581	\$ 24,028,320	\$ 25,234,582
Taxes levied for debt service	1,053,453	1,021,317	989,466	958,216	926,091	805,957	533,154	491,331	410,429	363,386
Federal and State aid not restricted	3,769,064	3,263,293	2,708,750	3,494,764	3,990,061	3,913,837	6,657,791	7,549,492	9,988,004	10,343,307
Investment earnings	73,248	51,654	53,093	26,351	32,471	33,409	11,340	17,592	26,686	85,424
Miscellaneous income	70,044	132,777	514,890	142,180	177,970	55,456	183,139	99,998	181,337	17,408
Prior Year Payables Cancelled	-	-	-	-	-	33,665	3,900	100,652	82,264	16,095
Special Items	(2,100)	(19,760)	(58,825)	(118,939)	(8,589)	(129,353)	(8,830)	-	190,715	196,020
Transfers	-	-	-	60,000	-	30,149	-	29,900	-	-
<b>Total Governmental Activities</b>	<b>24,377,077</b>	<b>23,862,649</b>	<b>25,121,920</b>	<b>25,895,409</b>	<b>26,877,498</b>	<b>27,169,140</b>	<b>30,255,034</b>	<b>31,633,546</b>	<b>34,907,755</b>	<b>36,256,222</b>
<b>Expenses</b>										
<b>Business-type activities:</b>										
Special Item	23,300	-	(9,984)	(2,206)	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
<b>Total Business-type activities</b>	<b>23,300</b>	<b>-</b>	<b>(9,984)</b>	<b>(2,206)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total district-wide</b>	<b>\$ 24,400,377</b>	<b>\$ 23,862,649</b>	<b>\$ 25,111,936</b>	<b>\$ 25,893,203</b>	<b>\$ 26,877,498</b>	<b>\$ 27,169,140</b>	<b>\$ 30,255,034</b>	<b>\$ 31,633,546</b>	<b>\$ 34,907,755</b>	<b>\$ 36,256,222</b>
<b>Changes in Net Position</b>										
Governmental Activities	\$ 155,504	\$ (88,517)	\$ 648,968	\$ 978,905	\$ 1,415,064	\$ 1,984,597	\$ 3,038,652	\$ 3,110,736	\$ 1,769,922	\$ 2,542,282
Business-type activities	2,037	8,252	10,506	8,119	16,917	9,400	(54,174)	(7,060)	4,463	1,277
<b>Total District</b>	<b>\$ 157,541</b>	<b>\$ (80,265)</b>	<b>\$ 659,474</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>	<b>\$ 1,774,385</b>	<b>\$ 2,543,559</b>

Source: District Records, CAFR Schedule A-2



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

J-3

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>General Fund</b>										
Restricted	\$ 2,149,074	\$ 1,962,792	\$ 1,508,617	\$ 1,748,795	\$ 2,393,344	\$ 4,172,524	\$ 6,414,012	\$ 9,267,429	\$ 12,147,676	\$ 13,997,569
Committed			40,439	71,336	335,185	490,250	253,214	365,886	338,675	640,289
Assigned			623,272	664,398	300,000	-	-	-	-	-
Unassigned	352,050	245,151	385,295	399,829	353,418	321,595	318,266	299,509	306,372	308,732
<b>Total General Fund</b>	<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>	<u>\$ 12,792,723</u>	<u>\$ 14,946,590</u>
<b>All Other Governmental Funds</b>										
Reserved	\$ 172,698	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unassigned, reported in:										
Special Revenue Fund	-	-	-	-	-	-	-	-	-	-
Capital Projects Fund	585,826	622,058	619,458	1,073,116	2,610,612	1,633,243	1,826,136	1,139,527	1,010,699	1,445,332
Debt Service Fund	1	2	2	88,331	23,163	22,219	22,219	1	1	60
<b>Total All Other Governmental Funds</b>	<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>	<u>\$ 1,010,700</u>	<u>\$ 1,445,392</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>2009</u>	<u>2010</u>	<u>2011</u>
<b>Revenues</b>			
Tax Levy	\$ 20,466,821	\$ 20,434,685	\$ 21,904,012
Tuition Charges			
Interest Earnings	73,248	51,654	53,093
Miscellaneous	92,972	144,887	523,825
Local Sources			
State Sources	4,193,351	3,464,875	3,054,791
Federal Sources	677,264	1,289,821	1,044,512
<b>Total Revenue</b>	<u>25,503,656</u>	<u>25,385,922</u>	<u>26,580,233</u>
<b>Expenditures</b>			
Instruction:	9,507,268	9,436,061	9,867,156
Undistributed:	13,439,101	13,496,606	13,709,441
Food Service operations			
Capital outlay	1,180,542	612,923	267,602
Special schools			
Special revenue:	1,114,593	1,248,662	1,399,488
Debt service:	1,053,453	1,021,316	989,466
Charter School			
<b>Total expenditures</b>	<u>26,294,957</u>	<u>25,815,568</u>	<u>26,233,153</u>
<b>Excess (deficiency) of revenues</b> over (under) expenditures	(791,301)	(429,646)	347,080
<b>Other Financing Sources (Uses)</b>			
Refunding of Bonds			
Proceeds from borrowing			
Capital leases (non-budgeted)			
Transfers in and prior year payables cancelled			
Transfers out			
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>\$ (791,301)</u>	<u>\$ (429,646)</u>	<u>\$ 347,080</u>
<b>Debt Service as a percentage of</b> noncapital expenditures	4.19%	4.05%	3.81%

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

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

2012	2013	2014	2015	2016	2017	2018
\$ 22,291,053	\$ 22,685,585	\$ 23,231,977	\$ 23,407,694	\$ 23,835,912	\$ 24,438,749	\$ 25,597,968
11,480	26,072	28,811	5,422	17,375	12,701	8,784
26,351	32,471	33,409	11,340	17,592	26,686	85,424
142,180	177,970	55,456	183,139	99,998	181,337	213,428
29,484	24,762	25,800	28,085	18,558	11,845	-
3,714,127	4,299,727	4,246,952	4,580,144	4,804,195	5,176,211	5,815,127
910,088	755,385	695,122	717,211	744,400	648,381	760,673
<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>	<u>30,495,910</u>	<u>32,481,404</u>
9,918,078	9,989,620	10,452,901	10,487,777	10,132,490	10,662,799	11,007,281
13,730,942	14,195,779	13,585,234	13,234,101	13,981,547	15,525,897	16,655,626
-	-	-	-	-	-	-
735,241	950,800	4,040,464	1,533,459	1,720,125	132,493	806,601
-	-	-	-	-	-	-
1,158,935	1,089,813	1,054,037	1,063,165	1,065,556	953,931	906,311
958,216	991,259	872,067	533,154	513,549	510,429	513,327
17,872	11,458	9,521	-	16,810	61,554	74,557
<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>	<u>27,847,103</u>	<u>29,963,703</u>
605,479	773,243	(1,696,697)	2,081,379	2,107,953	2,648,807	2,517,701
-	-	(1,150,000)	-	-	-	-
88,329	1,150,000	3,388,000	-	-	-	-
114,914	46,674	18,992	108,737	-	-	54,763
60,000	-	63,814	3,900	130,552	182,264	576,095
-	-	-	-	-	(100,000)	(560,000)
<u>263,243</u>	<u>1,196,674</u>	<u>2,320,806</u>	<u>112,637</u>	<u>130,552</u>	<u>82,264</u>	<u>70,858</u>
\$ 868,722	\$ 1,969,917	\$ 624,109	\$ 2,194,016	\$ 2,238,505	\$ 2,731,071	\$ 2,588,559
3.72%	3.77%	3.36%	2.11%	2.00%	1.84%	1.76%

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

Description	2018	2017	2016	2015	2014
<b>General Fund:</b>					
Interest on investments	\$ 85,424	\$ 26,686	\$ 17,592	\$ 11,340	\$ 33,409
Insurance refunds	-	68,137	7,326	34,805	9,474
Accounts payable cancelled	-	46,483	40,722	64,224	17,701
Prior year refunds	8,109	6,038	6,189	11,560	9,366
Health Benefits	-	-	-	-	-
Gate Receipts	6,389	8,155	8,319	7,117	6,530
Miscellaneous	2,910	38,473	18,349	2,382	-
Custodial Overtime	-	14,051	19,093	20,051	12,385
Local Grant	-	-	-	-	-
<b>Total Miscellaneous</b>	<u>102,832</u>	<u>208,023</u>	<u>117,590</u>	<u>151,479</u>	<u>88,865</u>
Tuition	<u>8,784</u>	<u>12,701</u>	<u>17,375</u>	<u>48,422</u>	<u>28,811</u>
<b>Total General Fund</b>	<u>\$ 111,616</u>	<u>\$ 220,724</u>	<u>\$ 134,965</u>	<u>\$ 199,901</u>	<u>\$ 117,676</u>

Source: District Records

Source: District Records, CAFR Schedule C-1

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 32,471	\$ 26,351	\$ 53,093	\$ 51,654	\$ 73,248
1,061				
16,424	-	2,301	22,360	
26,262	26,231	43,813		10,067
-	-	393,688		
6,218	5,044			
99,723	84,924	56,736	78,280	31,379
28,282	25,981	18,352	12,340	28,598
-	-	8,935	22,110	22,928
<u>210,441</u>	<u>168,531</u>	<u>576,918</u>	<u>186,744</u>	<u>166,220</u>
<u>26,072</u>	<u>11,480</u>	<u>-</u>	<u>9,797</u>	
<u>\$ 236,513</u>	<u>\$ 180,011</u>	<u>\$ 576,918</u>	<u>\$ 196,541</u>	<u>\$ 166,220</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>
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
2017	1,605,684,400	1,583,983,822	1.558
2018	1,643,069,600	1,639,953,688	1.572

\* 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
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	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
2017	1.558	1.085	0.032	0.249	2.924
2018	1.572	1.064	0.033	0.236	2.905

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>2018</u>		<u>Taxpayers</u>	<u>2008</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 2018 and 2008.



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

<u>Year Ended,</u> <u>December 31,</u>	<u>Taxes Levied</u> <u>for the</u> <u>Fiscal Year</u>	<u>Collected within the Fiscal Year</u> <u>of the Levy (a)</u>		<u>Collected</u> <u>in Subsequent</u> <u>years</u>
		<u>Amount</u>	<u>Percent of</u> <u>Tax Levy</u> <u>Collected</u>	
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%	-
2017	24,438,749	24,438,749	100.00%	-
2018	25,597,968	25,597,968	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		Total District	Percentage of Personal Income (a)	Per Capita (a)
	General Obligation Bonds	Early Retirement Program	Activities Capital Leases	Bond Anticipation Notes	Capital Leases			
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
2017	3,888,000	-	68,090	-	-	3,956,090	0.33%	249
2018	3,482,000	-	83,903	-	-	3,565,903	0.29%	223

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**

<u>Fiscal Year</u> <u>Ended, June 30,</u>	<u>General</u> <u>Obligation</u> <u>Bonds &amp; BANS</u>	<u>Deductions</u>	<u>Net General</u> <u>Bonded Debt</u> <u>Outstanding</u>	<u>Percentage of</u> <u>Actual Taxable</u> <u>Value of</u> <u>Property</u>	<u>Per Capita</u>
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
2017	3,888,000		3,888,000	0.24%	245
2018	3,482,000		3,482,000	0.21%	218

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, 2018**

	Debt Outstanding	Estimated Percentage Applicable	Net Debt
Debt repaid with property taxes			
North Arlington Municipality (1)	\$ 16,621,873	100.00%	\$ 16,621,873
County of Bergen (2)	876,045,844	1.03%	9,023,272
Subtotal, overlapping debt			25,645,145
North Arlington School District, Direct Debt			3,482,000
Total Direct and Overlapping Debt			\$ 29,127,145

Sources:

- (1) North Arlington Municipality's Chief Financial Officer and Annual Debt Statement - December 31, 2017
- (2) Bergen County Treasurer's Office. The County Debt was apportioned to North Arlington Municipality by dividing the Municipality's 2018 equalized value by the total 2018 equalized value for Bergen County, which results in an apportionment rate of 1.03%.

\* The source for this computation was the 2018 Table of Equalized Value, which is supplied by the New Jersey Division of Taxation.

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

**Legal Debt Margin Calculation for 2018**

	<u>Year</u>		<u>Equalized Valuation Basis</u>	
	2018		\$ 1,643,069,600	
	2017		\$ 1,605,684,400	
	2016		1,475,277,675	
			<u>\$ 4,724,031,675</u>	
 Average equalized valuation of taxable property				 <u>\$ 1,574,677,225</u>
 School borrowing margin ( 4% of \$ 1,574,677,225 )			 \$ 62,987,089	
 Net bonded school debt as of June 30, 2018			 <u>3,482,000</u>	
 School borrowing margin available			 <u>\$ 59,505,089</u>	
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt Limit	\$ 70,884,706	\$ 71,507,033	\$ 69,077,560	\$ 62,689,889
Total net debt applicable to limit	<u>5,454,000</u>	<u>4,702,000</u>	<u>3,942,000</u>	<u>3,299,000</u>
Legal Debt Limit	<u>\$ 65,430,706</u>	<u>\$ 66,805,033</u>	<u>\$ 65,135,560</u>	<u>\$ 59,390,889</u>
 Total net debt applicable to the limit as a percentage of debt limit	 7.69%	 6.58%	 5.71%	 5.26%

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

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 60,483,730	\$ 59,088,162	\$ 58,852,093	\$ 59,084,282	\$ 60,745,094	\$ 62,987,089
<u>3,632,000</u>	<u>5,052,000</u>	<u>4,677,000</u>	<u>4,284,000</u>	<u>3,888,000</u>	<u>3,482,000</u>
<u>\$ 56,851,730</u>	<u>\$ 54,036,162</u>	<u>\$ 54,175,093</u>	<u>\$ 54,800,282</u>	<u>\$ 56,857,094</u>	<u>\$ 59,505,089</u>
6.00%	8.55%	7.95%	7.25%	6.40%	5.52%

**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>
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%
2017	15,868	1,203,571,932	75,849	4.1%
2018	16,009	1,235,686,683	77,187	3.3%

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**

<u>2018</u>			<u>2008</u>		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>

Note: This information was unavailable for the year's 2018 and 2008.



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

FUNCTION/ PROGRAM	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Instruction:</b>				
Regular	92	108	96	95
Special Education	28	23	32	31
Other Special Education	-	-	-	3
Vocational- Business/ Technical Office	5	50	50	-
Other Instruction - (Supervisors)	-	-	-	6
Nonpublic School programs	-	-	-	-
<b>Supporting Services:</b>				
Student & Instruction Related Services	20	21	17	8
General administration	0	3	3	8
School administrative services	12	12	12	7
Other administrative services	-	-	-	6
Central services	0	5	5	12
Administrative Information Technology	-	-	0	1
Plant operations and maintenance	16	16	16	16
Student transportation	1	-	1	1
Other support services	-	-	-	31
Special Schools	-	-	-	-
Food Service	-	-	-	-
Child Care	-	-	-	-
<b>Total</b>	<u><u>174</u></u>	<u><u>238</u></u>	<u><u>232</u></u>	<u><u>225</u></u>

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
101	98	100	107	101	130
33	37	34	39	37	23
2	2	40	42	61	66
-	-	-	-	-	-
6	6	5	7	6	4
-	-	-	-	-	-
6	6	20	20	16	22
8	8	4	4	3	3
0	0	12	12	13	17
6	6	2	2	1	1
11	11	6	6	6	6
1	1	2	2	2	2
16	17	17	17	17	16
1	1	1	1	1	1
36	36	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>227</u>	<u>229</u>	<u>243</u>	<u>259</u>	<u>264</u>	<u>291</u>

**NORTH ARLINGTON SCHOOL DISTRICT**  
**Operating Statistics**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Enrollment</u>	<u>Operating</u> <u>Expenditures (a)</u>	<u>Cost Per</u> <u>Pupil</u>	<u>Percentage</u> <u>Change</u>	<u>Teaching</u> <u>Staff</u>	<u>Elementary</u> <u>School</u>
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
2017	1,761	27,204,181	15,511	0.08%	142	UA
2018	1,775	28,643,775	16,137	0.04%	148	UA

Source:

District Records  
District Summary ADE/ADA

UA

Information Unavailable

(a)

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>
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%
UA	UA	1,770	1,790	0.01%	95.46%
UA	UA	1,770	1,697	0.00%	95.74%

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

J-18  
1/2

	<u>2009</u>	<u>2010</u>	<u>2011</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	253	253	253
Roosevelt School			
Square Feet	25,024	25,024	25,024
Capacity (Students)	189	189	189
Enrollment	186	186	186
Jefferson School			
Square Feet	24,836	24,836	24,836
Capacity (Students)	250	250	250
Enrollment	299	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	337	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	522	522	522

Number of Schools at June 30, 2018:

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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
34,274	34,274	34,274	34,274	34,274	34,274	34,274
236	236	236	236	236	236	236
253	253	339	316	326	355	354
25,024	25,024	25,024	25,024	25,024	25,024	25,024
189	189	189	189	189	189	189
186	186	256	251	238	239	221
24,836	24,836	24,836	24,836	24,836	24,836	24,836
250	250	250	250	250	250	250
299	299	306	305	311	299	293
52,039	52,039	52,039	52,039	52,039	52,039	52,039
260	260	260	260	260	260	260
337	337	364	382	404	406	402
89,623	89,623	89,623	89,623	89,623	89,623	89,623
510	510	510	510	510	510	510
522	522	483	480	485	462	505

NORTHARLINGTON 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)	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Jefferson	N/A	\$ 85,057	\$ 147,372	\$ 54,059	\$ 57,628	\$ 146,010	\$ 206,100	\$ 120,715	\$ 72,364	\$ 52,257	\$ 58,480
Roosevelt	N/A	80,997	80,057	92,784	272,220	105,610	77,372	101,396	102,220	71,734	162,097
Washington	N/A	194,596	109,782	107,893	184,159	127,805	159,166	86,506	128,001	90,405	259,200
Middle School	N/A	255,372	161,122	129,703	171,771	168,398	66,665	163,966	163,462	117,227	187,598
High School	N/A	194,216	571,410	168,931	156,012	460,416	254,311	313,644	355,676	214,282	132,247
Total School Facilities		810,238	1,069,743	553,370	841,790	1,008,239	763,614	786,227	821,723	545,905	799,622
Other Facilities											
Grand Total		<u>\$ 810,238</u>	<u>\$ 1,069,743</u>	<u>\$ 553,370</u>	<u>\$ 841,790</u>	<u>\$ 1,008,239</u>	<u>\$ 763,614</u>	<u>\$ 786,227</u>	<u>\$ 821,723</u>	<u>\$ 545,905</u>	<u>\$ 799,622</u>

\* 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, 2018**

	<u>Coverage</u>	<u>Deductible</u>
PACKAGE POLICY		
SCHOOL ALLIANCE INSURANCE FUND SAIF		
Effective 7/1/17 - 7/1/18		
PROPERTY AND CASUALTY		
Building & Contents	\$ 59,603,735	\$ 2,500
Extra Expense	50,000,000	
Replacement Cost		
CRIME		
Blanket Dishonesty Bond	\$100,000 each person	
Including Faithful Performance	\$500,000 per loss	1,000
Forgery & Alteration	50,000	1,000
Money & Securities	50,000	1,000
Computer Fraud	50,000	1,000
Flood	10,000,000	excl zones A&V
	25,000,000	zones A&V
Earthquake	25,000,000	
BOILER AND MACHINERY		
Limit of Liability	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	1,000
Garagekeepers Legal Liability		



**NORTH ARLINGTON SCHOOL DISTRICT  
INSURANCE SCHEDULE  
June 30, 2018**

SCHOOL LEADERS LIABILITY/EMPLOYMENT PRACTICES LIABILITY		
Effective 7-1-2017 - 7-1-2018		
Per Claim Limit of Liability	5,000,000	5,000
Per Third Party Event Sublimit of Liability	5,000,000	
Per Member Sublimit of Liability	5,000,000	
IEP Hearing Limit of Liability for Defense Costs Subject to a \$100,000	100,000	
Aggregate Limit of Liability for Defense Costs		
Crisis Fund	25,000	
Deductible applies to Each Wrongful Act, Each Employment Practices Violation, Each IEP Hearing NO deductible applicable to Crisis Fund		
<hr/>		
EXCESS LIABILITY & EXCESS SCHOOL LEADERS ERRORS & OMISSIONS		
School Alliance Insurance Fund	5,000,000	5,000
Effective 7/1/2017 - 7/1/2018		
Each Loss	5,000,000	N/A
Aggregate	5,000,000	N/A
ENVIRONMENTAL IMPAIRMENT LIABILITY POLICY		
CHUBB ILLINOIS UNION INSURANCE COMPANY		
Effective 7/1/2017 - 7/1/2018		
Pollution Liability - Site Specific		
Per Pollution Condition	1,000,000	10,000
Policy Aggregate Limit	25,000,000	
Public Official Bond - Hartford		
HARTFORD FIRE INSURANCE COMPANY		
Effective 7/1/2017 - 7/1/2018		
Bus. Adm./Bd. Secretary - Kathleen Marano	220,000	

**SINGLE AUDIT SECTION**

# DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

*Certified Public Accountants*

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

310 Broadway  
Bayonne, NJ 07002  
(201) 437-9000  
Fax: (201) 437-1432  
E-Mail: [dgd@dgdcpas.com](mailto:dgd@dgdcpas.com)

Linda P. Kish, CPA, RMA  
Mark W. Bednarz, CPA, RMA  
Jason R. Gironda, CPA  
Mauricio Canto, CPA, RMA

## 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, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated February 22, 2019.

#### 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  
February 22, 2019

# DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

*Certified Public Accountants*

---

---

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

310 Broadway  
Bayonne, NJ 07002  
(201) 437-9000  
Fax: (201) 437-1432  
E-Mail: [dgd@dgdcpas.com](mailto:dgd@dgdcpas.com)

Linda P. Kish, CPA, RMA  
Mark W. Bednarz, CPA, RMA  
Jason R. Gironda, CPA  
Mauricio Canto, CPA, RMA

## 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, 2018. 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, 2018.


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

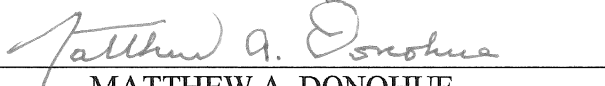
Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the types 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  
February 22, 2019

NORTH ARLINGTON SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
Schedule A  
For the Fiscal Year Ended June 30, 2018

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, 2017		
					From	To	Accounts Receivable	Deferred Revenue	Due to Grantor
<b>General Fund</b>									
U.S. Department of Health and Human Services									
Passed-Through State Department of Human Services									
Special Education Medicaid Initiative (SEMI)	93.778	1605NJ5MAP		\$ 18,059	07/01/17	06/30/18	\$ -	\$ -	\$ -
Total U.S. Department Health and Human Services							-	-	-
Total General Fund							-	-	-
<b>Special Revenue Fund</b>									
U.S. Department of Education									
Passed-Through State Department of Education									
Title I Part A Grants to Local Educational Agencies									
Title I Part A Grants to Local Educational Agencies	84.010	SO10A160030	NCLB-18	\$ 185,127	07/01/17	06/30/18	\$ -	\$ -	-
Total Title I Part A Grants to Local Educational Agencies	84.010	SO10A160030	NCLB-17	Fund	07/01/16	06/30/17	-	-	35,194
Title II - Part A Improving Teacher Quality State Grants	84.367A	S367A160029	NCLB-18	41,309	07/01/17	06/30/18	-	-	-
Title II - Part A Improving Teacher Quality State Grants	84.367A	S367A160029	NCLB-17	44,384	07/01/16	06/30/17	-	-	7,606
Total Title II - Part A Improving Teacher Quality State Grants							-	-	7,606
Title III - Part A	84.365A	S365A160030	NCLB-18	20,553	07/01/17	06/30/18	-	-	-
Title III - Part A	84.365A	S365A160030	NCLB-17	22,720	07/01/16	06/30/17	-	-	2,040
Title III - Immigrant Aid	84.365	S365A160030	NCLB-18	3,867	07/01/17	06/30/18	-	-	-
Total Title III - Part A							-	-	2,040
Title IV - Student Support and Academic Enrichment	84.424	S424A170031	NCLB-18	10,000	07/01/17	06/30/18	-	-	-
Special Education Cluster (IDEA)									
I.D.E.A. - Part B - Regular	84.027	H027A160100	IDEA-18	467,197	07/01/17	06/30/18	-	-	-
I.D.E.A. - Part B - Regular	84.027	H027A160100	IDEA-17	442,049	07/01/16	06/30/17	(44,567)	-	-
I.D.E.A. - Part B - Pre-School	84.173	H027A160100	IDEA-18	16,255	07/01/17	06/30/18	-	-	-
Total Special Education Cluster (IDEA)							(44,567)	-	-
Emergency Impact Aid	84.938C	-	-	15,125	07/01/17	06/30/18	-	-	-
Total U.S. Department of Education							44,567	-	44,840
Total Special Revenue Fund							(44,567)	-	44,840
<b>Enterprise Fund</b>									
United States Department of Agriculture									
Passed-Through State Department of Agriculture									
U.S.D.A. Commodities Program									
Child Nutrition Cluster	10.550	N/A	N/A	33,386	07/01/17	06/30/18	-	-	-
National School Breakfast Program	10.553	171NJ304N1099	N/A	5,088	07/01/17	06/30/18	-	-	-
National School Breakfast Program	10.553	16161NJ304N1099	N/A	8,932	07/01/16	06/30/17	(455)	-	-
National School Lunch Program	10.555	171NJ304N1099	N/A	178,537	07/01/17	06/30/18	-	-	-
National School Lunch Program	10.555	16161NJ304N1099	N/A	184,624	07/01/16	06/30/17	(10,565)	-	-
Total Child Nutrition Cluster							(11,020)	-	-
Total U.S. Department of Agriculture							(11,020)	-	-
Total Enterprise Fund							(11,020)	-	-
Total Federal Financial Awards							\$ (55,587)	\$ -	\$ 44,840

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, 2018		
					Accounts Receivable	Deferred Revenue	Due to Grantor
\$ -	\$ 18,059	\$ (18,059)	\$ -	\$ -	\$ -	\$ -	\$ -
-	18,059	(18,059)	-	-	-	-	-
-	18,059	(18,059)	-	-	-	-	-
\$ -	\$ 185,127	\$ (145,927)	\$ -	\$ -	\$ -	\$ -	39,200
-	-	-	-	(35,194)	-	-	-
-	185,127	(145,927)	-	(35,194)	-	-	39,200
-	41,309	(34,309)	-	-	-	-	7,000
-	-	-	-	(7,606)	-	-	-
-	41,309	(34,309)	-	(7,606)	-	-	7,000
-	20,472	(16,633)	-	-	(81)	-	3,920
-	-	-	-	(2,040)	-	-	-
-	3,867	(3,867)	-	-	-	-	-
-	24,339	(20,500)	-	(2,040)	(81)	-	3,920
-	10,000	(10,000)	-	-	-	-	-
-	392,569	(467,197)	-	-	(74,628)	-	-
-	44,567	-	-	-	-	-	-
-	16,255	(16,255)	-	-	-	-	-
-	453,391	(483,452)	-	-	(74,628)	-	-
-	15,125	(15,125)	-	-	-	-	-
-	44,840	(15,125)	-	(44,840)	(74,709)	-	-
-	714,166	(709,313)	-	(44,840)	(74,709)	-	50,120
-	33,386	(33,386)	-	-	-	-	-
-	3,787	(5,088)	-	-	(1,301)	-	-
-	455	-	-	-	-	-	-
-	140,236	(178,537)	-	-	(38,301)	-	-
-	10,565	-	-	-	-	-	-
-	155,043	(183,625)	-	-	(39,602)	-	-
-	188,429	(217,011)	-	-	(39,602)	-	-
-	188,429	(217,011)	-	-	(39,602)	-	-
\$ -	\$ 935,779	\$ (944,383)	\$ -	\$ (44,840)	\$ (114,311)	\$ -	\$ 50,120

NORTH ARLINGTON SCHOOL DISTRICT  
Schedule of Expenditures of State Financial Assistance  
Schedule B  
For the Fiscal Year Ended June 30, 2018

State Grant Or/Pass Through Program Title	Grant or State Project Number	Award Amount	Grant Period		Balance at June 30, 2017				Carryover/ (Walkover) Amount	Cash Received
			From	To	Budgetary Receivable	Accounts Receivable	Deferred Revenue	Due to Grantor		
<b>General Fund</b>										
State Department of Education										
General State Aid Cluster:										
Equalization Aid	18-495-034-5120-078	\$ 1,044,882	07/01/17	06/30/18	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 952,020
Equalization Aid	17-495-034-5120-078	674,022	07/01/16	06/30/17	(59,888)	-	-	-	-	59,888
Special Education Aid	18-495-034-5120-089	1,003,779	07/01/17	06/30/18	-	-	-	-	-	914,572
Special Education Aid	17-495-034-5120-089	1,003,779	07/01/16	06/30/17	(89,226)	-	-	-	-	89,226
Transportation Aid	18-495-034-5120-014	34,472	07/01/17	06/30/18	-	-	-	-	-	31,419
Transportation Aid	17-495-034-5120-014	34,472	07/01/16	06/30/17	(3,063)	-	-	-	-	3,063
Security Aid	18-495-034-5120-084	48,132	07/01/17	06/30/18	-	-	-	-	-	43,854
Security Aid	17-495-034-5120-084	48,132	07/01/16	06/30/17	(4,277)	-	-	-	-	4,277
Per Pupil Growth Aid	18-495-034-5120-097	17,610	07/01/17	06/30/18	-	-	-	-	-	16,055
Per Pupil Growth Aid	17-495-034-5120-097	17,610	07/01/16	06/30/17	(1,565)	-	-	-	-	1,565
PARCC Readiness Aid	18-495-034-5120-098	17,610	07/01/17	06/30/18	-	-	-	-	-	16,055
PARCC Readiness Aid	17-495-034-5120-098	17,610	07/01/16	06/30/17	(1,565)	-	-	-	-	1,565
Professional Learning Community Aid	18-495-034-5120-101	18,290	07/01/17	06/30/18	-	-	-	-	-	16,618
Professional Learning Community Aid	17-495-034-5120-101	18,290	07/01/16	06/30/17	(1,625)	-	-	-	-	1,625
Host District Support Aid	18-495-034-5120-102	2,919	07/01/17	07/30/18	-	-	-	-	-	2,666
Host District Support Aid	17-495-034-5120-102	517	07/01/16	06/30/17	(5)	-	-	-	-	5
Total General State Aid Cluster					(161,214)	-	-	-	-	2,154,473
Extraordinary Aid	18-495-034-5120-044	233,663	07/01/17	06/30/18	-	-	-	-	-	-
Extraordinary Aid	17-495-034-5120-044	203,488	07/01/16	06/30/17	-	(203,488)	203,488	-	-	203,488
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	1,512,525	07/01/17	06/30/18	-	-	-	-	-	1,512,525
On-Behalf TPAF Post-Retirement Medical Contributions	18-495-034-5094-001	976,907	07/01/17	06/30/18	-	-	-	-	-	976,907
On-Behalf TPAF Long-Term Disability Insurance	18-495-034-5094-004	2,336	07/01/17	06/30/18	-	-	-	-	-	2,336
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	801,701	07/01/17	06/30/18	-	-	-	-	-	801,701
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	793,265	07/01/16	06/30/17	-	(78,071)	-	-	-	78,071
Total State Department of Education					(161,214)	(281,559)	203,488	-	-	5,729,501
Total General Fund					(161,214)	(281,559)	203,488	-	-	5,729,501
<b>Special Revenue Fund</b>										
State Department of Education										
New Jersey Nonpublic Aid:										
Textbook Aid	18-100-034-5120-064	12,639	07/01/17	06/30/18	-	-	-	-	-	12,639
Textbook Aid	17-100-034-5120-064	30,549	07/01/16	06/30/17	-	-	-	46	-	-
Nursing Aid	18-100-034-5120-070	21,534	07/01/17	06/30/18	-	-	-	-	-	21,534
Technology Initiative Aid	18-100-034-5120-373	9,143	07/01/17	06/30/18	-	-	-	-	-	9,143
Technology Initiative Aid	17-100-034-5120-373	13,936	07/01/16	06/30/17	-	-	-	156	-	-
Nonpublic Auxiliary Services (Chapter 192) Cluster:										
Compensatory Education	18-100-034-5120-067	68,564	07/01/17	06/30/18	-	-	-	-	-	68,564
Compensatory Education	17-100-034-5120-067	81,518	07/01/16	06/30/17	-	-	-	15,856	-	-
English as a Second Language	18-100-034-5120-067	2,710	07/01/17	06/30/18	-	-	-	-	-	2,710
English as a Second Language	17-100-034-5120-067	2,741	07/01/16	06/30/17	-	-	-	2,741	-	-
Total Nonpublic Auxiliary Services (Chapter 192) Cluster:					-	-	-	18,597	-	71,274
Nonpublic Handicapped Services (Chapter 193) Cluster:										
Supplemental Instruction	18-100-034-5120-066	24,185	07/01/17	06/30/18	-	-	-	-	-	24,185
Supplemental Instruction	17-100-034-5120-066	38,293	07/01/16	06/30/17	-	-	-	3,295	-	-
Examination and Classification	18-100-034-5120-066	26,578	07/01/17	06/30/18	-	-	-	-	-	26,578
Examination and Classification	17-100-034-5120-066	45,745	07/01/16	06/30/17	-	-	-	4,502	-	-
Corrective Speech	18-100-034-5120-066	51,782	07/01/17	06/30/18	-	-	-	-	-	51,782
Corrective Speech	17-100-034-5120-066	55,395	07/01/16	06/30/17	-	-	-	7,421	-	-
Total Nonpublic Handicapped Services (Chapter 193) Cluster:					-	-	-	15,218	-	102,545
Security Aid	18-100-034-5120-509	16,650	07/01/17	06/30/18	-	-	-	-	-	16,650
Security Aid	17-100-034-5120-509	26,500	07/01/16	06/30/17	-	-	-	13,725	-	-
Total State Department of Education					-	-	-	47,742	-	233,785
Total Special Revenue Fund					-	-	-	47,742	-	233,785
<b>Enterprise Fund</b>										
State Department of Agriculture										
National School Lunch Program (State Share)	18-100-010-3350-023	5,928	07/01/17	06/30/18	-	-	-	-	-	4,698
National School Lunch Program (State Share)	17-100-010-3350-023	5,503	07/01/16	06/30/17	-	(323)	-	-	-	323
Total State Department of Agriculture					-	(323)	-	-	-	5,021
Total Enterprise Fund					-	(323)	-	-	-	5,021
Total State Financial Assistance					\$ (161,214)	\$ (281,882)	\$ 203,488	\$ 47,742	\$ -	\$ 5,968,307
Less:										
On Behalf T.P.A.F. Pension Contributions										
On Behalf T.P.A.F. Post-Retirement Medical Contributions										
On Behalf T.P.A.F. Long-Term Disability Insurance										
Total State Financial Assistance Subject to Single Audit										

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, 2018			Memo	
		(Accounts Receivable)	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditure
\$ (1,044,882)	\$ -	\$ -	\$ -	\$ -	(92,862)	1,044,882
-	-	-	-	-	-	674,022
(1,003,779)	-	-	-	-	(89,207)	1,003,779
-	-	-	-	-	-	1,003,779
(34,472)	-	-	-	-	(3,053)	34,472
-	-	-	-	-	-	34,472
(48,132)	-	-	-	-	(4,278)	48,132
-	-	-	-	-	-	48,132
(17,610)	-	-	-	-	(1,555)	17,610
-	-	-	-	-	-	17,610
(17,610)	-	-	-	-	(1,555)	17,610
-	-	-	-	-	-	17,610
(18,290)	-	-	-	-	(1,672)	18,290
-	-	-	-	-	-	18,290
(2,919)	-	-	-	-	(253)	2,919
-	-	-	-	-	-	2,919
(2,187,694)	-	-	-	-	(194,435)	517
-	-	(233,663)	233,663	-	-	233,663
(203,488)	-	-	-	-	-	203,488
(1,512,525)	-	-	-	-	-	1,512,525
(976,907)	-	-	-	-	-	976,907
(2,336)	-	-	-	-	-	2,336
(801,701)	-	-	-	-	-	801,701
-	-	-	-	-	-	793,265
<u>(5,684,651)</u>	<u>-</u>	<u>(233,663)</u>	<u>233,663</u>	<u>-</u>	<u>(194,435)</u>	
<u>(5,684,651)</u>	<u>-</u>	<u>(233,663)</u>	<u>233,663</u>	<u>-</u>	<u>(194,435)</u>	
(12,639)	-	-	-	-	-	12,639
-	(46)	-	-	-	-	30,549
(21,534)	-	-	-	-	-	21,534
(9,143)	-	-	-	-	-	9,143
-	(156)	-	-	-	-	13,936
-	-	-	-	-	-	-
(65,729)	-	-	-	2,835	-	68,564
-	(15,856)	-	-	-	-	81,518
(723)	-	-	-	1,987	-	2,710
-	(2,741)	-	-	-	-	2,741
(66,452)	(18,597)	-	-	4,822	-	-
-	-	-	-	-	-	-
(20,617)	-	-	-	3,568	-	24,185
-	(3,295)	-	-	-	-	38,293
(16,029)	-	-	-	10,549	-	26,578
-	(4,502)	-	-	-	-	45,745
(13,124)	-	-	-	38,658	-	51,782
-	(7,421)	-	-	-	-	55,395
(49,770)	(15,218)	-	-	52,775	-	-
(16,650)	-	-	-	-	-	16,650
-	(13,725)	-	-	-	-	26,500
<u>(176,188)</u>	<u>(47,742)</u>	<u>-</u>	<u>-</u>	<u>57,597</u>	<u>-</u>	
<u>(176,188)</u>	<u>(47,742)</u>	<u>-</u>	<u>-</u>	<u>57,597</u>	<u>-</u>	
(5,928)	-	(1,230)	-	-	-	5,928
-	-	-	-	-	-	5,503
<u>(5,928)</u>	<u>-</u>	<u>(1,230)</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<u>(5,928)</u>	<u>-</u>	<u>(1,230)</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<u>\$ (5,866,767)</u>	<u>\$ (47,742)</u>	<u>\$ (234,893)</u>	<u>\$ 233,663</u>	<u>\$ 57,597</u>	<u>\$ (194,435)</u>	
\$ 1,512,525						
\$ 976,907						
\$ 2,336						
<u>\$ (3,374,999)</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, 2018**

**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 – INDIRECT COST RATE**

The District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 4 - 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

**NORTH ARLINGTON SCHOOL DISTRICT  
NOTES TO THE SCHEDULES OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 4 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Continued)**

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. The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$33,221) for the general fund and \$(14,185) 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	\$ 18,059	\$ 5,651,430	\$ 5,669,489
Special Revenue Fund	707,619	163,697	871,316
Food Service Fund	217,011	5,928	222,939
Total Financial Fund	\$ 942,689	\$ 5,821,055	\$ 6,763,744

**NOTE 5 - 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 6 - 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, 2018. 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, 2018.

**NORTH ARLINGTON SCHOOL DISTRICT  
 NOTES TO THE SCHEDULES OF EXPENDITURES OF  
 FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 7 – ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT**

On-behalf expenditures for the District by the State are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the District’s basic financial statements and the amount subject to the State single audit and major program determination.

**NOTE 8 – 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:

<b>Programs</b>	<b>Total</b>
Title I -Part A - Basic Skills	\$ 145,927
Title II - Part A - Teacher and Principal Training and Recruiting	34,309
Title III - Part A	20,500
Title IV – Student Support and Academic Enrichment	10,000
	<b>\$ 210,736</b>

**NORTH ARLINGTON SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

*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 Section.516 (A)? \_\_\_ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FEIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	H027A160100	Special Education Cluster IDEA - Part B
84.173	H027A160100	Special Education Cluster IDEA - Preschool

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, 2018**

*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:

<u>State Grant/Project Numbers</u>
18-495-034-5120-078
18-495-034-5120-089
18-495-034-5120-014
18-495-034-5120-084
18-495-034-5120-097
18-495-034-5120-098
18-495-034-5120-101
18-495-034-5120-102
18-495-034-5120-044

<u>Name of State Program</u>
<b>State Department of Education:</b>
Equalization Aid
Special Education Aid
Transportation Aid
Security Aid
Per Pupil Growth Aid
PARCC Readiness Aid
Professional Learning Community Aid
Host District Support Aid
Extraordinary Aid



**NORTH ARLINGTON SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* requires reporting.

**NO MATTERS WERE REPORTED**

**NORTH ARLINGTON SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

This section identifies audit findings required to be reported by 2 CFR 200 section .516 of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and NJOMB Circular Letter 15-08, as applicable.

**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, 2018**

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**