

COMPREHENSIVE ANNUAL FINANCIAL REPORT

of the

North Arlington Board of Education

North Arlington, New Jersey

For the Fiscal Year Ended June 30, 2019

Prepared by

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

NORTH ARLINGTON SCHOOL DISTRICT

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INTRODUCTORY SECTION

NORTH ARLINGTON Board of Education

222 Ridge Road
North Arlington, NJ 07031
(201) 991-6800
Fax (201) 991-8226
Website: www.navikings.org



Samantha Dembowski
School Business Administrator /Board Secretary
Ext. 2032

December 16, 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, 2019, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the North Arlington School District. 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 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, a list of principal officials, consultants, auditors and advisors. We have included in the transmittal letter a financial ratio and statistical overview of the entity based on entity-wide financial reporting. The financial section includes under Governmental Accounting Standard Board Statement No. 34, the Report of Independent Auditor's, the Management Discussion and Analysis as presented on pages 13 through 22, 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. Pursuant to N.J.S.A. 18A:23-1, the District is required to undergo an annual audit of accounts and financial transactions by a public school accountant. The annual audit presented in the comprehensive annual financial report is in accordance with N.J.S.A. 18A:23-1. The District is also required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and New Jersey OMB Circular 15-08, *Single*

Pride ♦ Loyalty ♦ Desire

Audit Policy for Recipients of Federal Grants, State Grants and State Aid. 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 Statement No. 14, as amended by GASB Statement No. 39 and 61. All funds and account groups of the District are included in this report. The North Arlington School District 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 2018-2019 fiscal year with an average daily enrollment of 1,833 students, which is 3.91% more than the previous year’s enrollment. The following details the changes in the student enrollment of the District over the last five years:

Average Daily Enrollment		
<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2018-2019	1,833	3.91%
2017-2018	1,775	0.80%
2016-2017	1,761	-0.17%
2015-2016	1,764	1.73%
2014-2015	1,734	-0.80%

2.) ECONOMIC CONDITION 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.

Over the course of the past seven years, our overall student population, including out of district students, has grown approximately 200 students bringing our overall student population to approximately 1,900. Approximately 22% of our current student population qualifies for free and reduced lunch. Our student population is diverse and is reflected as follows: White 58%, Hispanic 35%, Black 2%, Asian 4%, and Other 1%. As per the 2019-2020 *Budget Calculations Report of District Status Above or At or Below Expected Local Levy*, the North Arlington Public School District is operating approximately 2.3 million dollars below adequacy.

North Arlington borders 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, New Jersey Turnpike, and Routes 17, 21 and Route 3.

3.) MAJOR INITIATIVES: For the 2019-2020 school year, we are entering our third 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 are entering the second year of a character-building program called, "Heroes and Cool Kids" for grades 4 and 8. This program is designed to empower 8th graders to be kind and respectful to others, while acting as role models for our 4th grade students. The program will soon be expanding to North Arlington High School. North Arlington Middle School has become our first true 1:1 Chromebook/G-Suite school, where all classrooms are embracing this technology for grades 6-8.

North Arlington High School's Early College Program has entered its third year. During the 2018-2019 school year, 16 students graduated with a high school diploma and an associate degree from Bergen County Community College (BCC). Another partnership with BCC called the Early Career Program is beginning its second year. This program allows students the opportunity to receive several certificates and internship opportunities, preparing them for a career immediately after high school. The program has more than doubled in students in just one year.

Overall, chronic absenteeism has consistently remained low in all schools. Students in grades 3-12 maintain district-based email addresses to improve communication, and our district continues to oversee our new website, www.navikings.org, along with our very own app to increase communication with parents and the community.

Finally, the North Arlington Board of Education has recently purchased the former Queen of Peace High School from the Newark Archdiocese for 6.4 million dollars funded through our capital reserve account. Our intentions are to open this school as our new North Arlington Middle School (Grades 5-8) for the 2020-2021 school year, which will assist in educating our growing student population.

4.) INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of 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 statements in conformity with generally accepted accounting principles (GAAP).

As a recipient of federal and state financial assistance, the District also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs.

As part of the District's Single Audit, 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 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 Borough. The budgets are submitted to the County Office of the Commissioner of Education for approval. Budgets, except for the special revenue fund which is prepared using a nonbudgetary basis, are prepared using the modified accrual basis of accounting. 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. 6A:23. The District must approve all budget amendments.

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 re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as committed fund balance at June 30, 2019.

6.) DEBT ADMINISTRATION: At June 30, 2019, the District's outstanding debt consisted of \$503,000 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, 2019 of \$2,563,000 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.

7.) 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 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.


8.) 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.

9.) OTHER INFORMATION: Independent Audit- State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of DONOHUE, GIRONDA, DORIA & TOMKINS, LLC was selected by the District to perform the audit. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the related Uniform Guidance and New Jersey OMB Circular 15-08. The auditor’s report on the 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.

7.) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the North Arlington Board of Education for their concern in providing fiscal 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. Also, we would like to acknowledge the school administrative team and central office administrators for performing their duties in a fiscally sound and conservative manner. 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


Samantha Dembowski
School Business Administrator

NORTH ARLINGTON SCHOOL DISTRICT
Roster of Officials
June 30, 2019

Members of the Board of Education

Term Expires

George McDermott, President	December 2021
Michele Higgins, Vice President	December 2022
Heather Gilgallon	December 2022
Robert Dorsett	December 2020
Edward Smith	December 2020

Other Officials

Stephen Yurchak, Ed.D., Superintendent of Schools

Fogarty and Hara, Esqs., Board Attorney

(Through June 30, 2019)

Kathleen McEwin-Marano, Board Secretary/School Business Administrator

Samantha Dembowski, Assistant Board Secretary/ Assistant School Business Administrator

(Effective July 1, 2019)

Samantha Dembowski, Board Secretary/School Business Administrator

**NORTH ARLINGTON SCHOOL DISTRICT
Consultants, Independent Auditors and Advisors**

Architect

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

Audit Firm

DONOHUE, GIRONDA, DORIA
& TOMKINS LLC
310 Broadway
Bayonne, New Jersey 07002

Attorney

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

Official Depository

TD Bank
Ridge Road
North 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.)
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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

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 North Arlington School District (the "District"), in the County of Bergen, State of New Jersey, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District'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, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2019, 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's discussion and analysis, budgetary comparison information, and pension and post-retirement medical benefits information on pages 13 through 22, pages 82 through 88, and pages 89 through 93 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District'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 accompanying 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, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, and are not a required part of the basic financial statements.

The combining and individual fund financial statements, long-term debt schedules, and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the combining and individual fund financial statements, long-term debt schedules, and schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2019, on our consideration of the District's internal control over financial reporting and 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 the 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 District's internal control over financial reporting and compliance.



MAURICIO CANTO
Certified Public Accountant
Licensed Public School Accountant
No. 2541



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

Bayonne, New Jersey
December 16, 2019

REQUIRED SUPPLEMENTARY INFORMATION

PART I

**NORTH ARLINGTON SCHOOL DISTRICT
BERGEN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 year ended June 30, 2019. 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 years 2019 and 2018 are as follows, respectively:

- In total, net positions are \$18,800,347 and \$16,470,595. Net positions of governmental activities are \$18,635,367 and \$16,298,441. Net positions of the business-type activity, which represents food service, are \$164,980 and \$172,154. This reflects an increase in net positions in the amount of \$2,329,752 and \$2,543,559
- Total general revenues accounted for \$34,108,234 and \$36,060,202 while the local tax contribution to General Revenue amounted to \$26,289,822 for 2019 and \$25,597,968 for 2018. Operating Grants and Contributions are \$3,676,185 and \$880,100 and Federal and State Aid not restricted are \$7,387,921 and \$10,343,307.
- The North Arlington School District continues to experience stability in student enrollment. Average Daily enrollment for the year ending June 30, 2019 was 1,839.

Using the Basic Financial Statements

This annual report consists of a series 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 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 with all other non-major funds presented in total in a single column. For the North Arlington School District, the General Fund is the most significant fund.

**NORTH ARLINGTON SCHOOL DISTRICT
BERGEN COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 2019?” 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 those positions. 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, operation and maintenance of plant, pupil transportation, and extracurricular activities.

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 services provided. The Food Service enterprise fund is reported as a business activity.

**NORTH ARLINGTON SCHOOL DISTRICT
BERGEN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Reporting the North Arlington School District's Most Significant Funds

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, Special Revenue Fund, Capital Projects Fund and Debt Service Fund. The General Fund cash and cash equivalents and receivables are considered significant balances of the District's fund financial statements. Receivables and unearned revenues are considered significant balances for the 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 and 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.

**NORTH ARLINGTON SCHOOL DISTRICT
BERGEN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 the fiscal years 2019 and 2018, respectively.

Total assets equal \$31,320,281 and \$29,434,082. Total assets for Governmental Activities are \$31,152,665 and \$29,251,347. Total assets for Business Type Activities are \$167,616 and \$182,735.

**Table 1
Net Position**

	Governmental Activities		Business Type Activity		Total	
	2019	2018	2019	2018	2019	2018
ASSETS						
Current and Other Assets	\$ 19,463,003	\$ 17,914,222	\$ 134,681	\$ 122,307	\$ 19,597,684	\$ 18,036,529
Capital Assets, Net	11,689,662	11,337,125	32,935	60,428	11,722,597	11,397,553
Total Assets	<u>31,152,665</u>	<u>29,251,347</u>	<u>167,616</u>	<u>182,735</u>	<u>31,320,281</u>	<u>29,434,082</u>
DEFERRED OUTFLOWS OF RESOURCES						
	<u>2,045,040</u>	<u>2,209,203</u>	-	-	<u>2,045,040</u>	<u>2,209,203</u>
LIABILITIES						
Current and Other Liabilities	2,111,645	9,778,258	2,636	10,581	2,114,281	9,788,839
Long-Term Liabilities	3,243,990	3,688,973	-	-	3,243,990	3,688,973
Net Pension Liability	<u>6,827,469</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,827,469</u>	<u>-</u>
Total Liabilities	<u>12,183,104</u>	<u>13,467,231</u>	<u>2,636</u>	<u>10,581</u>	<u>12,185,740</u>	<u>13,477,812</u>
DEFERRED INFLOWS OF RESOURCES						
	<u>2,379,234</u>	<u>1,694,878</u>	-	-	<u>2,379,234</u>	<u>1,694,878</u>
NET POSITION						
Net Investment in Capital Assets	8,572,834	7,771,222	32,935	60,428	8,605,769	7,831,650
Restricted	15,622,391	16,098,617	-	-	15,622,391	16,098,617
Unrestricted	<u>(5,559,858)</u>	<u>(7,571,398)</u>	<u>132,045</u>	<u>111,726</u>	<u>(5,427,813)</u>	<u>(7,459,672)</u>
Total Net Position	<u>\$ 18,635,367</u>	<u>\$ 16,298,441</u>	<u>\$ 164,980</u>	<u>\$ 172,154</u>	<u>\$ 18,800,347</u>	<u>\$ 16,470,595</u>

**NORTH ARLINGTON SCHOOL DISTRICT
BERGEN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Table 2 reflects the change in net position for fiscal years 2019 and 2018, respectively.

**Table 2
Net Position**

	Governmental Activities		Business Type Activity		Total	
	2019	2018	2019	2018	2019	2018
REVENUES						
Program Revenues:						
Charges for Services	\$ -	\$ 8,784	\$ 368,890	\$ 328,435	\$ 368,890	\$ 337,219
Operating Grants	3,676,185	871,316	233,301	222,939	3,909,486	1,094,255
Total Program Revenues	3,676,185	880,100	602,191	551,374	4,278,376	1,431,474
General Revenues:						
Property Taxes	26,289,822	25,597,968	-	-	26,289,822	25,597,968
Grants and Entitlements	7,387,921	10,343,307	-	-	7,387,921	10,343,307
Interest	166,243	85,424	-	-	166,243	85,424
Miscellaneous	264,248	33,503	-	-	264,248	33,503
Total General Revenues	34,108,234	36,060,202	-	-	34,108,234	36,060,202
Total Revenues	37,784,419	36,940,302	602,191	551,374	38,386,610	37,491,676
EXPENSES						
Instruction	19,566,515	11,698,254	-	-	19,566,515	11,698,254
Support Services:						
Pupils and Instructional Staff	6,595,232	4,554,665	-	-	6,595,232	4,554,665
General and Business						
Administrative Services	4,629,199	13,959,547	-	-	4,629,199	13,959,547
Plant Operations and Maintenance	3,424,949	2,566,275	-	-	3,424,949	2,566,275
Pupil Transportation	1,028,972	730,209	-	-	1,028,972	730,209
Unallocated Depreciation	-	903,206	-	-	-	903,206
Special Schools	-	-	-	-	-	-
Charter Schools	100,781	74,557	-	-	100,781	74,557
Interest on Long-Term Liabilities	101,845	107,327	-	-	101,845	107,327
Food Service	-	-	609,365	550,097	609,365	550,097
Total Expenses	35,447,493	34,594,040	609,365	550,097	36,056,858	35,144,137
Excess (Deficit) Before Special Items and Transfers	2,336,926	2,346,262	(7,174)	1,277	2,329,752	2,347,539
Special Item	-	196,020	-	-	-	196,020
Change in Net Position	2,336,926	2,542,282	(7,174)	1,277	2,329,752	2,543,559
Net Position, July 1	16,298,441	13,756,159	172,154	170,877	16,470,595	13,927,036
Net Position, June 30	\$ 18,635,367	\$ 16,298,441	\$ 164,980	\$ 172,154	\$ 18,800,347	\$ 16,470,595

The total increase in net position for the fiscal years 2019 and 2018 for Governmental Activities is \$2,336,926 and \$2,542,282. The total (decrease) increase in net position for the Business-Type Activity is (\$7,174) and \$1,277. The total increase in net position is \$2,329,752 and \$2,543,559. The increase in net position is the result of additional state aid.

**NORTH ARLINGTON SCHOOL DISTRICT
BERGEN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 3, for government activities, indicates the total cost of services and the percentage cost of services. It identifies the cost of these services supported by tax revenues and unrestricted state entitlements.

Table 3a.
Governmental Activities

	<u>Total Cost of Services</u>		<u>Percent of Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Instruction	\$ 19,566,515	\$ 11,698,254	55.20%	33.82%
Support Services:				
Pupils and Instructional Staff	6,595,232	4,554,665	18.61%	13.17%
General and Business				
Administrative Services	4,629,199	13,959,547	13.06%	40.35%
Plant Operations and Maintenance	3,424,949	2,566,275	9.66%	7.42%
Pupil Transportation	1,028,972	730,209	2.90%	2.11%
Food Service	-	903,206	0.00%	2.61%
Charter Schools	100,781	74,557	0.28%	0.22%
Interest on Long-Term Liabilities	101,845	107,327	0.29%	0.31%
Total Expenditures	<u>\$ 35,447,493</u>	<u>\$ 34,594,040</u>	<u>100.00%</u>	<u>100%</u>

Total expenditures for governmental activities for fiscal years 2019 and 2018 were \$35,447,493 and \$34,594,040. Total expenditures for the general fund increased \$885,635 to \$34,608,359 in 2019 from \$33,722,724 in 2018. Total expenditures for the special revenue fund (decreased) (\$32,182) to \$839,134 in 2019 from \$871,316 in 2018 due to a (decrease) in instruction of (\$20,144) and support services expenses of (\$12,038) from 2019 to 2018.

The Governmental Activities in the above chart demonstrates that for fiscal years 2019 and 2018 \$19,566,515 and \$11,698,254 are allocated to School Based Budgets and are identified as Instruction. Additionally, Pupil and Instructional Staff activities are \$6,595,232 and \$4,554,665. Combined resources from Instruction and Pupil and Instructional Staff totals \$26,161,747 and \$16,252,919.

Together the aforementioned categories account for 73.81% of the Governmental Activities.

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

**NORTH ARLINGTON SCHOOL DISTRICT
BERGEN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Business-Type Activity

**Table 3b.
Business Activity**

	<u>Total Cost of Services</u>		<u>Percent of Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
REVENUE				
Charges for Services	\$ 368,890	\$ 328,435	61.26%	59.57%
Operating Grants	233,301	222,939	38.74%	40.43%
Total Revenue	<u>602,191</u>	<u>551,374</u>	<u>100.00%</u>	<u>100.00%</u>
EXPENSES				
Food Service	<u>609,365</u>	<u>550,097</u>	<u>100.00%</u>	<u>100.00%</u>
Total Expense	<u>609,365</u>	<u>550,097</u>	<u>100.00%</u>	<u>100.00%</u>
Net (Loss) Income Before Transfers	<u>(7,174)</u>	<u>1,277</u>		
Change in Net Position	<u>\$ (7,174)</u>	<u>\$ 1,277</u>		

The business-type activity of the North Arlington School District is the food service operation. This program had revenues for the fiscal years 2019 and 2018 of \$602,191 and \$551,374 and expenses of \$609,365 and \$550,097, respectively. Total revenues increased \$50,817 due to the higher volume in sales. Total expenses increased \$59,268 due to general increased costs of food commodities. The District had a (\$7,174) operating loss in fiscal year 2019.

The North Arlington School district suggests efforts that continue to increase sales and reduce costs. The North Arlington School District is committed and have concentrated efforts to ensure that all students who are eligible for Free/Reduced lunch submit the proper forms for eligible in a timely manner.

Sources of Revenue

The local tax revenue has been stable for several years. For all governmental activities state revenues support 29.28%. The community, as a whole, is 69.58% of the support and other revenue accounts for 1.14% of the total cost of programs for North Arlington School District students.

**Table 4
Sources of Revenue**

<u>Fiscal Year Ended June 30,</u>	<u>Local Tax Levy</u>	<u>Other Local Revenue</u>	<u>Operating Grants</u>	<u>Federal & State Aid Not Restricted</u>	<u>Total</u>
2019	\$ 26,289,822	\$ 430,491	\$ 3,676,185	\$ 7,387,921	\$ 37,784,419
2018	25,597,968	118,927	880,100	10,343,307	36,940,302

**NORTH ARLINGTON SCHOOL DISTRICT
BERGEN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The North Arlington School District's Funds

The North Arlington School District's governmental funds are accounted for using standards established by the Governmental Accounting Standards Board Statement No. 34. Total governmental funds had revenues and other financing sources of \$37,269,890 and expenditures and other financing uses of \$35,447,493. The positive fund balance for the year reflects that the North Arlington School District was able to meet current costs.

General Fund Budgeting Highlights

The North Arlington School District's budget is prepared according to New Jersey statutes. During the 2018-2019 school year, all schools in the District operated within the boundaries of state budget guidelines.

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

During the course of fiscal year 2019, the north Arlington School District amended its General Fund budget as needed. The budgeting systems are designed to tightly control total site budgets, but provide flexibility for program management.

For the General Fund, final budgeted revenues and other financing sources in the amount of \$29,101,327 were equal to original budgeted revenues.

General Fund revenues and other financing sources were greater than expenditures and other financing uses. Funds from these and other sources add to excess surplus by approximately \$6,733,016. At June 30, 2019 there was \$3,500,998 excess surplus designated for subsequent year's budget. The North Arlington School District will allocate the excess surplus remaining of \$3,232,018 in the 2020-2021 District School Budget. The allocation and projection of surplus are in compliance with New Jersey Department of Education Budgetary Guidelines. The excess surplus reflects a \$295,481 final state aid payment for June 30, 2019, however this amount is not reflected in the District Intergovernmental Receivable Account.

**NORTH ARLINGTON SCHOOL DISTRICT
BERGEN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Capital Assets and Depreciation

Capital Assets

At the end of fiscal years 2019 and 2018, the North Arlington School District had \$11,689,662 and \$11,337,125, respectively invested in capital assets (net of depreciation), for governmental activities. More information on capital assets and depreciation is represented in Note 5 to the basic financial statements.

Table 5
Capital Assets and Depreciation

	<u>Balance at June 30, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2019</u>
Governmental Activities:				
Non-Depreciable	\$ 648,206	\$ 640,000	\$ -	\$ 1,288,206
Depreciable	31,645,053	627,802	(9,796)	32,263,059
Total at Historical Cost	32,293,259	1,267,802	(9,796)	33,551,265
Less Accumulated Depreciation	(20,956,134)	(905,469)	-	(21,861,603)
Capital Assets, Net	<u>\$ 11,337,125</u>	<u>\$ 362,333</u>	<u>\$ (9,796)</u>	<u>\$ 11,689,662</u>
Business-Type Activity:				
Depreciable	\$ 284,820	\$ 4,730	\$ -	\$ 289,550
Less Accumulated Depreciation	(224,392)	(32,223)	-	(256,615)
Capital Assets, Net	<u>\$ 60,428</u>	<u>\$ (27,493)</u>	<u>\$ -</u>	<u>\$ 32,935</u>

Depreciation expense was charged to Governmental Activities as follows:

Instruction	\$ 461,112
Support Services	444,357
Total Depreciation Expense	<u>\$ 905,469</u>

**NORTH ARLINGTON SCHOOL DISTRICT
BERGEN COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Debt

At June 30, 2019 and 2018, the North Arlington School District had \$3,696,516 and \$4,138,048 in long term debt payable from governmental fund resources and no long-term debt payable from proprietary fund resources. More detailed information about long-term debt is represented in Note 6 to the basic financial statements.

Table 6
Summary of Long-Term Debt

	<u>Balance</u> <u>June 30, 2019</u>	<u>Balance</u> <u>June 30, 2018</u>
Governmental Activities:		
Capital Lease Obligations	\$ 50,828	\$ 83,903
Bonds Payable	3,066,000	3,482,000
Compensated Absences	579,688	572,145
	<u>\$ 3,696,516</u>	<u>\$ 4,138,048</u>

Current Issues

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

The 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 the next few years. CAP restrictions, rising special education costs, under-funded and unfunded state mandates, escalating health benefits costs, and the inability to pose second questions to the public will create interesting and difficult challenges for providing thorough and efficient education for all public school children. The North Arlington School district 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 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, Samantha Dembowski - School Business Administrator/Board Secretary, North Arlington School District, 222 Ridge Road, North Arlington, New Jersey 07031.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

NORTH ARLINGTON SCHOOL DISTRICT
Statement of Net Position
June 30, 2019

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 8,238,345	\$ 89,276	\$ 8,327,621
Other accounts receivable	6,693	-	6,693
Internal balances	12,833	-	12,833
Receivables, net	389,714	40,022	429,736
Inventory	-	5,383	5,383
Restricted assets:			
Cash and cash equivalents	9,113,347	-	9,113,347
Capital reserve account - cash	1,702,071	-	1,702,071
Capital assets, net:			
Depreciable	10,401,456	32,935	10,434,391
Non-depreciable	1,288,206	-	1,288,206
Total Assets	<u>31,152,665</u>	<u>167,616</u>	<u>31,320,281</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	<u>2,045,040</u>	<u>-</u>	<u>2,045,040</u>
LIABILITIES			
Accounts payable	1,517,082	2,636	1,519,718
Internal balances	40,022	-	40,022
Payable to state government	46,483	-	46,483
Payable to federal government	53,025	-	53,025
Unearned revenue:	2,507	-	2,507
Noncurrent liabilities:			
Due within one year	452,526	-	452,526
Due beyond one year	3,243,990	-	3,243,990
Net pension liability	6,827,469	-	6,827,469
Total Liabilities	<u>12,183,104</u>	<u>2,636</u>	<u>12,185,740</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	<u>2,379,234</u>	<u>-</u>	<u>2,379,234</u>
NET POSITION			
Net investment in capital assets	8,572,834	32,935	8,605,769
Restricted for:			
Capital projects	8,889,241	-	8,889,241
Other purposes	6,733,150	-	6,733,150
Unrestricted (deficit)	(5,559,858)	132,045	(5,427,813)
Total net position	<u>\$ 18,635,367</u>	<u>\$ 164,980</u>	<u>\$ 18,800,347</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

NORTH ARLINGTON SCHOOL DISTRICT
Statement of Activities
for the Fiscal Year Ended June 30, 2019

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction:							
Regular	\$ 13,311,480	-	\$ 1,614,201	\$ -	\$ (11,697,279)	\$ -	\$ (11,697,279)
Special education	4,431,786	-	330,654	-	(4,101,132)	-	(4,101,132)
Other special instruction	965,266	-	72,152	-	(893,114)	-	(893,114)
Other instruction	857,983	-	69,890	-	(788,093)	-	(788,093)
Support services:							
Tuition	2,868,242	-	336,416	-	(2,531,826)	-	(2,531,826)
Student & instruction related services	3,726,990	-	450,039	-	(3,276,951)	-	(3,276,951)
School administrative services	1,800,020	-	161,235	-	(1,638,785)	-	(1,638,785)
General and business administrative services	2,829,179	-	152,862	-	(2,676,317)	-	(2,676,317)
Plant operations and maintenance	3,424,949	-	343,383	-	(3,081,566)	-	(3,081,566)
Pupil transportation	1,028,972	-	120,688	-	(908,284)	-	(908,284)
Charter schools	100,781	-	12,268	-	(88,513)	-	(88,513)
Interest on long-term liabilities	101,845	-	12,397	-	(89,448)	-	(89,448)
Total governmental activities	<u>35,447,493</u>	-	<u>3,676,185</u>	-	<u>(31,771,308)</u>	-	<u>(31,771,308)</u>
Business-type activities:							
Food service	609,365	368,890	233,301	-	-	(7,174)	(7,174)
Total business-type activities	<u>609,365</u>	<u>368,890</u>	<u>233,301</u>	-	-	<u>(7,174)</u>	<u>(7,174)</u>
Total primary government	<u>\$ 36,056,858</u>	<u>\$ 368,890</u>	<u>\$ 3,909,486</u>	<u>\$ -</u>	<u>(31,771,308)</u>	<u>(7,174)</u>	<u>(31,778,482)</u>
General revenues:							
Property taxes, levied for general purpose, net				25,775,293			25,775,293
Property taxes, levied for debt service				514,529			514,529
Investment earnings				166,243			166,243
Miscellaneous income				264,248			264,248
State aid not restricted				7,387,921			7,387,921
Total general revenues				<u>34,108,234</u>			<u>34,108,234</u>
Change in net position							
Net position, July 1				2,336,926		(7,174)	2,329,752
Net position, June 30				16,298,441		172,154	16,470,595
				<u>\$ 18,635,367</u>		<u>\$ 164,980</u>	<u>\$ 18,800,347</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

NORTH ARLINGTON SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2019

	General	Special Revenue	Capital Projects	Debt Service	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 8,238,345	\$ 224,046	\$ 8,889,241	\$ 60	\$ 17,351,692
Other accounts receivable	6,693	-	-	-	6,693
Interfund receivable	57,597	-	-	74	57,671
Intergovernmental receivable:					
Federal	-	7,818	-	-	7,818
State	381,896	-	-	-	381,896
Restricted assets:					
Cash and cash equivalents	1,702,071	-	-	-	1,702,071
Total assets	<u>\$ 10,386,602</u>	<u>\$ 231,864</u>	<u>\$ 8,889,241</u>	<u>\$ 134</u>	<u>\$ 19,507,841</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund payable	\$ 27,263	\$ 57,597	\$ -	\$ -	\$ 84,860
Accounts payable	1,114,320	72,252	-	-	1,186,572
Payable to state government	-	46,483	-	-	46,483
Payable to federal government	-	53,025	-	-	53,025
Unearned revenue	-	2,507	-	-	2,507
Total liabilities	<u>1,141,583</u>	<u>231,864</u>	<u>-</u>	<u>-</u>	<u>1,373,447</u>
Fund Balances:					
Restricted for:					
Excess surplus - prior year - designated for subsequent year's expenditures	3,500,998	-	-	-	3,500,998
Excess surplus - current year	3,232,018	-	-	-	3,232,018
Capital reserve	1,702,071	-	-	-	1,702,071
Capital projects fund	-	-	8,889,241	-	8,889,241
Assigned fund balance:					
Year-end encumbrances	396,448	-	-	-	396,448
Unassigned fund balance	413,484	-	-	134	413,618
Total fund balances	<u>9,245,019</u>	<u>-</u>	<u>8,889,241</u>	<u>134</u>	<u>18,134,394</u>
Total liabilities and fund balances	<u>\$ 10,386,602</u>	<u>\$ 231,864</u>	<u>\$ 8,889,241</u>	<u>\$ 134</u>	<u>\$ 19,507,841</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

NORTH ARLINGTON SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2019

Reconciliation of the balance sheet to the statement of net position:

Total fund balances - governmental funds (from B-1)		\$ 18,134,394
Amounts reported for governmental activities in the statement of net position (A-1) are different because:		
Capital assets used in government activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$33,551,265 and the accumulated depreciation is \$21,861,603		11,689,662
Certain amounts resulting from the measurement of the net pension liability are reported as either deferred inflows of resources or deferred outflows of resources on the statement of net position and deferred over future years.		
Deferred pension outflows	\$ 2,045,040	
Deferred pension inflows	<u>(2,379,234)</u>	(334,194)
Additional accounts payable for pension contribution offset by deferred outflow for pension liabilities		(330,510)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds:		
Bonds payable	(3,066,000)	
Capital lease liability	(50,828)	
Compensated absences liability	(579,688)	
Net pension liability	<u>(6,827,469)</u>	<u>(10,523,985)</u>
Net position of governmental activities		<u>\$ 18,635,367</u>

NORTH ARLINGTON SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
for the Fiscal Year Ended June 30, 2019

	General	Special Revenue	Capital Projects	Debt Service	Total Governmental Funds
REVENUES					
Local tax levy	\$ 25,775,293	\$ -	\$ -	\$ 514,529	\$ 26,289,822
Interest earned	166,243	-	-	-	166,243
Miscellaneous	264,248	-	-	-	264,248
Federal sources	8,493	653,309	-	-	661,802
State sources	7,387,921	185,825	-	-	7,573,746
Total revenues	<u>33,602,198</u>	<u>839,134</u>	<u>-</u>	<u>514,529</u>	<u>34,955,861</u>
EXPENDITURES					
Current:					
Regular instruction	7,625,771	685,954	-	-	8,311,725
Special education instruction	2,716,405	-	-	-	2,716,405
Other special instruction	592,743	-	-	-	592,743
Other instruction	574,160	-	-	-	574,160
Support services and undistributed costs:					
Tuition	2,763,740	-	-	-	2,763,740
Student & instruction related services	2,438,770	153,180	-	-	2,591,950
School administrative services	1,324,587	-	-	-	1,324,587
Other administrative services	1,255,794	-	-	-	1,255,794
Operation and maintenance of plant services	2,824,362	-	-	-	2,824,362
Student transportation	991,483	-	-	-	991,483
Employee benefits	7,111,959	-	-	-	7,111,959
Capital outlay	898,339	-	656,091	-	1,554,430
Debt Service					
Principal	-	-	-	416,000	416,000
Interest	-	-	-	98,455	98,455
Charter school	100,781	-	-	-	100,781
Total expenditures	<u>31,218,894</u>	<u>839,134</u>	<u>656,091</u>	<u>514,455</u>	<u>33,228,574</u>
Excess (deficiency) of revenues over expenditures	<u>2,383,304</u>	<u>-</u>	<u>(656,091)</u>	<u>74</u>	<u>1,727,287</u>
OTHER FINANCING SOURCES (USES)					
Capital reserve withdrawal to capital projects fund	(7,000,000)	-	7,000,000	-	-
Contribution to capital projects fund	(1,100,000)	-	1,100,000	-	-
Total other financing sources (uses)	<u>(8,100,000)</u>	<u>-</u>	<u>8,100,000</u>	<u>-</u>	<u>-</u>
Net changes in fund balance	(5,716,696)	-	7,443,909	74	1,727,287
Fund balances, July 1	14,961,715	-	1,445,332	60	16,407,107
Fund balances, June 30	<u>\$ 9,245,019</u>	<u>\$ -</u>	<u>\$ 8,889,241</u>	<u>\$ 134</u>	<u>\$ 18,134,394</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

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, 2019

Total net change in fund balances - governmental funds (from B-2) \$ 1,727,287

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.

	\$ (905,469)	
Depreciation expense		
Capital outlays	1,258,006	352,537

Repayment of capital leases are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities

	416,000	
Repayment of bond principal		
Payment of capital leases	33,075	449,075

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) 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 (+).

	(65,410)	
Compensated absences accrued		
Compensated absences paid	57,867	
Additional PERS pension expense recognized	(184,430)	
Additional on-behalf TPAF pension expense	(1,615,458)	
Additional on-behalf TPAF pension contribution	1,615,458	
Additional on-behalf OPEB expense	(1,213,100)	
Additional on-behalf OPEB contribution	1,213,100	(191,973)

Change in net position of governmental activities **\$ 2,336,926**

PROPRIETARY FUND

NORTH ARLINGTON SCHOOL DISTRICT
Statement of Net Position
Proprietary Fund
June 30, 2019

	<u>Business-type Activity - Enterprise Fund Food Service</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 89,276
Accounts receivable	12,833
Interfund receivable	27,189
Inventory	5,383
Total current assets	<u>134,681</u>
Noncurrent assets:	
Equipment	289,550
Less: accumulated depreciation	<u>(256,615)</u>
Total noncurrent assets	<u>32,935</u>
Total assets	<u>167,616</u>
LIABILITIES	
Current liabilities:	
Accounts payable	<u>2,636</u>
Total liabilities	<u>2,636</u>
NET POSITION	
Investment in capital assets	32,935
Unrestricted	<u>132,045</u>
Total net position	<u><u>\$ 164,980</u></u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

NORTH ARLINGTON SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
for the Fiscal Year Ended June 30, 2019

	<u>Business-type Activity - Enterprise Fund Food Service</u>
OPERATING REVENUES	
Charges for services:	
Daily sales - reimbursable programs	\$ 211,338
Daily sales - non-reimbursable programs	157,552
Total operating revenues	<u>368,890</u>
OPERATING EXPENSES	
Cost of sales - reimbursable programs	185,755
Cost of sales - non-reimbursable programs	58,357
Salaries and wages	163,616
Employee benefits	37,954
Supplies and materials	42,594
Insurance - Other	19,962
Uniforms	1,946
Miscellaneous	33,408
Management fees	33,550
Depreciation Expense	32,223
Total operating expenses	<u>609,365</u>
Operating (loss)	<u>(240,475)</u>
NONOPERATING REVENUES	
State sources:	
State school lunch program	6,193
Federal sources:	
Food distribution program	28,115
School breakfast program	7,335
National school lunch program	191,658
Total nonoperating revenues	<u>233,301</u>
Change in net position	(7,174)
Net position, July 1	172,154
Net position, June 30	<u><u>\$ 164,980</u></u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

NORTH ARLINGTON SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
for the Fiscal Year Ended June 30, 2019

	<u>Business-type Activity - Enterprise Fund Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 368,890
Payments to employees	(163,616)
Payments for employee benefits	(37,954)
Payments to suppliers	(356,036)
Net cash (used for) operating activities	<u>(188,716)</u>
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State sources	7,045
Federal sources	226,140
Operating subsidies and transfers	(27,189)
Net cash provided by non-capital financing activities	<u>205,996</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Assets	<u>(4,730)</u>
Net increase in cash and cash equivalents	12,550
Balance, July 1	76,726
Balance, June 30	<u>\$ 89,276</u>
 RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED FOR) OPERATING ACTIVITIES:	
Operating (loss)	<u>\$ (240,475)</u>
Adjustment to reconcile operating (loss) to net cash (used for) operating activities:	
Depreciation	32,223
Food distribution program	28,115
Decrease in inventories	(634)
Decrease in accounts payable	(7,945)
Total adjustments	<u>51,759</u>
Net cash (used for) operating activities	<u>\$ (188,716)</u>
 NON-CASH ACTIVITY FROM NON-CAPITAL FINANCING ACTIVITIES	
Food distribution program	<u>\$ 28,115</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

FIDUCIARY FUNDS

NORTH ARLINGTON SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 33,969	\$ 629,316
Total assets	33,969	629,316
LIABILITIES		
Payroll deductions and withholdings	-	181,992
Due to student groups	-	447,324
Total liabilities	-	\$ 629,316
NET POSITION		
Reserved for scholarships	33,969	
Total net position	\$ 33,969	

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

NORTH ARLINGTON SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
for the Fiscal Year Ended June 30, 2019

	<u>Trust Funds</u>
ADDITIONS	
Local sources:	
Contributions	\$ 69,043
Total additions	<u>69,043</u>
 DEDUCTIONS	
Scholarships awarded	<u>52,136</u>
Total deductions	<u>52,136</u>
Change in net position	16,907
Net position, July 1	<u>17,062</u>
Net position, June 30	<u><u>\$ 33,969</u></u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the North Arlington School District (the “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.

The more significant of the District’s accounting policies are described below.

A. Reporting Entity:

The reporting entity is composed of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for legally separate organizations if its officials appoint a voting majority of an organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

The District, as the primary government for financial reporting entity purposes, has oversight, responsibility and control over all activities related to the North Arlington School District, in North Arlington, New Jersey. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

The North Arlington School District is an instrumentality of the State of New Jersey, established to function as an education institution. The District is a Type II District located in the county of Bergen, State of New Jersey. As a Type II, the District functions independently through a Board of Education (the “Board”). 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.

Component units are legally separate organizations for which the District is financially accountable. Based on the foregoing criteria, the District has no component units that are required to be included within the reporting entity, as set forth in Section 2100 of GASB Codification of Governmental Accounting and Financial Reporting Standards.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements - Government-Wide Statements:

The Government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers, students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds and major proprietary funds are reported as separate columns in the fund financial statements. The New Jersey Department of Education requires that all funds be reported as major to promote consistency among school districts in the State of New Jersey.

C. Basic Financial Statements - Fund Financial Statements:

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and capital leases are recorded only when payment is due.

Property taxes, interest, and state equalization monies associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenues are considered to be measurable and available only when the District receives cash.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basic Financial Statements - Fund Financial Statements (Continued):

The District has reported the following major funds:

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 District:

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 noninstructional equipment which are classified in the capital outlay sub fund.

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.

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 or committed to expenditures for specified purposes, other than capital projects.

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to an expenditure for capital outlays, including the acquisition or construction of major capital facilities or other capital assets (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 and by funding from the State of New Jersey School Development Authority (SDA).

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 or improvement programs.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basic Financial Statements – Fund Financial Statements (Continued):

PROPRIETARY FUND

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 Fund of the District:

Enterprise Fund - The Enterprise Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises - where 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 Fund is comprised of the Food Service Fund.

The Proprietary Fund is accounted for on a cost of services or "economic resource" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their statements of net position. Their reported net position (net total assets) are segregated into net investment in capital asset or unrestricted. Proprietary Fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

Depreciation of all exhaustive capital 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:

<u>Food Service Fund:</u>	
Machinery and Equipment	5 Years

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basic Financial Statements – Fund Financial Statements (Continued):

FIDUCIARY FUNDS

Fiduciary Funds of the District include the private purpose scholarship trust funds and agency funds. The District's agency funds are purely custodial (assets equal liabilities) and thus do not involve measurements of results of operations. The following is a description of the fiduciary funds of the District.

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

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. Nonmajor funds by category are summarized into a single column. GASB Statement 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 District considers all governmental funds to be major.

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (agency and 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 government-wide statements.

D. Measurement Focus and Basis of Accounting

The Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements, however, interfund services provided and used are not eliminated in the process of consolidation.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Amounts reported as program revenues include 1) fees charged to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District enterprise funds are charges for sales of food, tuition, and program fees. Operating expenses for enterprise funds include the cost of sales, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District reports unearned revenue on its balance sheets and statements of net position. Unearned revenue arises when resources are received by the District before revenue recognition criteria are met, as when federal assistance is received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria are met, the liability for unearned revenue is removed from the balance sheet and statement of net position and revenue is recognized.

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."

The County Board of Taxation is responsible for the assessment of properties and the City Tax Collector is responsible for collection of taxes. Assessments are certified and taxes are levied on January 1; taxes are due February 1, May 1, August 1, and November 1. Unpaid taxes are considered delinquent the following January 1 and are then subject to lien.

All proprietary funds and 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.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the County Office of the Commissioner of Education for approval. Budgets, except for the special revenue fund which is prepared using a non-budgetary basis, are prepared using the modified accrual basis of accounting. 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. 6A:23. The District must approve all budget amendments. The District did make transfers during the year which are identified on exhibits C-1, and C-2. Some of the transfers made were in significant amounts, but all were in the normal course of operations and properly approved. Budgetary transfers were made during the current year in accordance with statutory guidelines.

Due to the inclusion of the non-budgeted on-behalf payment made by the State of New Jersey as District expenditures, the District shows an over-expenditure in the General Fund. These amounts are offset by related revenues and as such do not represent budgetary over-expenditures. 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 accounting principles generally accepted in the United States with the exception of the legally mandated revenue recognition of the last two state aid payments for budgetary purposes only and the accounting for the special revenue fund as noted below. 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.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets/Budgetary Control (Continued):

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

	2018 - 2019
Total Revenues (Budgetary Basis)	\$ 828,600
Adjustments:	
Add: Prior Year Encumbrances	14,185
Less: Current Year Encumbrances	(3,651)
Total Revenues (GAAP) Basis	\$ 839,134
Total Expenditures (Budgetary Basis)	\$ 828,600
Adjustments:	
Add: Prior Year Encumbrances	14,185
Less: Current Year Encumbrances	(3,651)
Total Expenditures (GAAP Basis)	\$ 839,134

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 unearned revenues at fiscal year-end.

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

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.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Cash, Cash Equivalents and Investments (Continued):

Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" and Statement No. 72, "Fair Value Measurement and Application." The District classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments and are stated at cost. All other investments are stated at fair value.

H. Interfund Receivables/Payables:

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.

I. Payables:

Tuition Payable - Tuition charges for the fiscal years 2018 - 2019 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined and certified by the State Department of Education.

J. Inventories

Inventories, which benefit future periods, other than those recorded in the Proprietary Funds are recorded as an expenditure during the year of purchase.

Inventories in the Proprietary Funds, exclusive of the federal commodities, are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. Inventories of the enterprise funds are recorded as expenses when consumed rather than when purchased. Inventory in the Food Service Fund at June 30, 2019, consisted of \$5,383.

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.

K. Restricted Assets:

Restricted assets include cash for the capital reserve account and for capital projects.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Capital Assets:

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. The District considers all property, plant and equipment with a cost over \$2,000 to be a capital asset.

Government-wide Statements

All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their acquisition value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2002.

Depreciation of all exhaustible capital 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

Fund Financial Statements

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

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the assets lives are not capitalized.

M. Unearned Revenue:

Unearned revenue in the special revenue fund and capital projects funds represent cash that has been received but not yet earned. The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by the USDA. It is valued at estimated market prices by the USDA. The amount of unused commodities at year-end is reported as unearned revenue.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Compensated Absences:

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards District Statement No. 16, "Accounting for Compensated Absences."

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. Upon termination, employees are paid for accrued vacation. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee unions.

In the government-wide Statement of Net Position, the liabilities whose average maturities are greater than one year should be reported in two components - the amount due within one year and the amount due in more than one year.

The liability for these compensated absences recorded as liabilities in the governmental activities in the government-wide financial statements amounted to \$579,688, at June 30, 2019, representing the District's commitment to fund such costs from future operations. The current portion of this liability is based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources only to the amount actually due at year end as a result of employee resignations and retirements. The general fund typically has been used in prior years to liquidate the liability for compensated absences.

O. Long-Term Obligations:

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 government-wide or fund financial statements.

All long-term debt to be paid from governmental and business-type resources are reported as liabilities in the government-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 government-wide statements.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. 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.

Q. 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 District 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 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.

R. Equity Classifications:

Government-wide Statements

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

Net Investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - Consists of net position with constraints placed on 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.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Equity Classifications (Continued):

Government-wide Statements (Continued)

Unrestricted net position - All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Governmental Fund Statements

Governmental fund equity is classified as fund balance. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (“GASB Statement 54”) established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under GASB Statement 54, fund balance is further categorized as restricted, committed, assigned, or unassigned fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

Restricted Fund Balance - Amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Excess Surplus - This restriction was created to represent the June 30, 2019 audited excess surplus that is required to be appropriated in the 2020-2021 original budget certified for taxes.

Excess Surplus – Prior Year - Designated for Subsequent Year's Budget - This restriction was created to represent the June 30, 2018 audited excess surplus that will be appropriated in the 2019-2020 original budget certified for taxes.

Capital Reserve – This restriction was created by the District to fund future capital expenditures. Designation of fund balance represent tentative management plans that are subject to change.

Capital Projects – Represents fund balance restricted specifically for capital acquisitions and improvements in the Capital Projects fund.

Committed Fund Balance – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the government that can, by adoption of a resolution or formal Board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Equity Classifications (Continued):

Governmental Fund Statements (Continued)

Assigned Fund Balance – This designation is intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent is expressed by either the Superintendent or Business Administrator.

Year-End Encumbrances - Represents 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.

Designated for Subsequent Year's Expenditures – This designation was created to dedicate the portion of fund balance appropriated in the 2019-2020 original budget certified for taxes.

Unassigned Fund Balance - All other fund balance that did not meet the definition of restricted, committed, or assigned.

Fund Balance Policies

In the general operating fund and other governmental funds (capital projects and debt service fund types), it is the District's policy to consider restricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted (i.e., committed, assigned or unassigned) fund balances are available, followed by committed and then assigned fund balances. Unassigned amounts are used only after the other resources have been used.

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board has authorized the School Business Administrator/Board Secretary to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. 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.

T. Expenditures/Expenses:

In the government-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. The proprietary fund reports expenses relating to use of economic resources.

U. 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 \$3,870,622 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.

V. 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.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

W. Tax Abatements

GASB Statement No. 77, *Tax Abatement Disclosures* requirements the disclosure of information about the nature and magnitude of tax abatements. A tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

For a local school district board of education that has elected to raise their minimum tax levy using the required local share provisions at N.J.S.A. 18A:7F-5(b), the loss of revenue resulting from the municipality or county having entered into a tax abatement agreement is indeterminate due to the complex nature of the calculation of required local share performed by the New Jersey Department of Education based upon district property value and wealth.

X. GASB Pronouncements

GASB Pronouncements Implemented in the 2019 Fiscal Year

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

Recently Issued Accounting Pronouncements to be implemented in future years

GASB Statement 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.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

X. GASB Pronouncements (Continued)

GASB Statement 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 Statement 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. DEPOSITS AND INVESTMENTS

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 Federal Deposit Insurance Corporation ("FDIC"), Securities Investor Protection Corporation ("SIPC") or 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.

Deposits

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.

**NORTH ARLINGTON SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

GASB Statement No. 40 requires that the District disclose whether its deposits are exposed to custodial credit risk (risk that in the event of failure of the counterparty, the District would not be able to recover the value of its deposit or investment). Deposits are exposed to custodial credit 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.

The District does not have a policy for management of custodial credit risk, other than depositing all of its funds in banks covered by GUDPA.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. At June 30, 2019, the book value of the District’s deposits was \$19,806,324 and bank balances of the District’s cash and deposits amounted to \$20,774,111.

As of June 30, 2019, the District’s deposits which are displayed on the balance sheets and statements of net position as “cash and cash equivalents” are summarized as follows:

Insured - FDIC	\$ 259,675
Insured - GUDPA	19,546,649
	<u>\$ 19,806,324</u>
Reconciliation to Government-wide Statement of Net Position:	
Unrestricted Cash	\$ 8,327,621
Restricted Cash	10,815,418
Trust and Agency Fund Cash (Not Included in Government-Wide Statement)	663,285
	<u>\$ 19,806,324</u>

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments

The District is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

NOTE 3. DEPOSIT AND INVESTMENT RISK

Credit Risk – 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 does not hold any debt securities.

Concentration of Credit Risk – State law limits as noted above (N.J.S.A. 18A:20-37). The District does not have an investment policy that would further limit its investment choices. The District places no formal limits on the amount they may invest in any one issue.

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. Investment 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

The District does not have a policy for custodial credit risk other than to maintain safekeeping account for the securities at a financial institution.

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.

Foreign currency risk 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, 2019 the District's investments were not exposed to custodial credit risk, interest rate risk or foreign currency risk.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the North Arlington Board of Education by inclusion of \$1 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 committed to capital projects in the District’s approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a District may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes. A district may also appropriate additional amounts when the approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to *N.J.S.A. 19:60-2*. 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 the July 1, 2018 to June 30, 2019 fiscal year is as follows:

Beginning balance, July 1, 2018	\$ 7,502,071
Deposits:	
Approved by Board Resolution	1,200,000
Total Deposits	1,200,000
Withdrawals:	
Transfer to Capital Projects Fund	(7,000,000)
Total Withdrawals	(7,000,000)
Ending balance, June 30, 2019	\$ 1,702,071

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 District as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the general capital assets. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; improvements, 20 years; equipment, 5 to 10 years.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5. CAPITAL ASSETS AND DEPRECIATION (Continued)

The following is a summarization of the governmental activities in capital assets for the year fiscal year ended June 30, 2019:

	Balance at July 1, 2018	Additions	Disposals	Balance at June 30, 2019
Governmental Activities:				
Non-Depreciable:				
Land	\$ 648,206	\$ -	\$ -	\$ 648,206
Construction in Progress	-	640,000	-	640,000
Total Non-Depreciable	<u>648,206</u>	<u>640,000</u>	<u>-</u>	<u>1,288,206</u>
Depreciable:				
Buildings and Improvements	30,193,252	375,349	-	30,568,601
Land Improvements	174,800	-	-	174,800
Machinery & Equipment	1,277,001	252,453	(9,796)	1,519,658
Total at Historical Cost	<u>31,645,053</u>	<u>627,802</u>	<u>(9,796)</u>	<u>32,263,059</u>
Less: Accumulated Depreciation:				
Buildings and Improvements	(20,578,359)	(782,465)	-	(21,360,824)
Land Improvements	(174,800)	-	-	(174,800)
Machinery & Equipment	(202,975)	(123,004)	-	(325,979)
Total Accumulated Depreciation	<u>(20,956,134)</u>	<u>(905,469)*</u>	<u>-</u>	<u>(21,861,603)</u>
Depreciable Capital Assets, Net	<u>10,688,919</u>	<u>(277,667)</u>	<u>(9,796)</u>	<u>10,401,456</u>
Governmental Activities - Capital Assets, Net	<u>\$ 11,337,125</u>	<u>\$ 362,333</u>	<u>\$ (9,796)</u>	<u>\$ 11,689,662</u>

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5. CAPITAL ASSETS AND DEPRECIATION (Continued)

* Depreciation expense was charged to Governmental Activities for the year fiscal year ended June 30, 2019 as follows:

Instruction:	
Regular	\$ 314,279
Special Education	102,711
Other Special Education	22,412
Other Instruction	21,710
Total Instruction	<u>461,112</u>
Support Services:	
Tuition	104,502
Student & Instruction Related Services	98,005
School Administrative Services	50,085
General & Business Administrative Services	47,483
Operation & Maintenance of Plant	106,793
Pupil Transportation	37,489
Total Support Services	<u>444,357</u>
Total Depreciation Expense	<u>\$ 905,469</u>

The following is a summarization of the business-type activities in capital assets for the year fiscal year ended June 30, 2019:

	Balance at July 1, 2018	Additions	Disposals	Balance at June 30, 2019
Business-type Activity:				
Depreciable:				
Machinery & Equipment	\$ 284,820	\$ 4,730	\$ -	\$ 289,550
Total at Historical Cost	<u>284,820</u>	<u>4,730</u>	<u>-</u>	<u>289,550</u>
Less: Accumulated Depreciation:				
Machinery & Equipment	(224,392)	(32,223)	-	(256,615)
Total Accumulated Depreciation	<u>(224,392)</u>	<u>(32,223)</u>	<u>-</u>	<u>(256,615)</u>
Business-type Activity - Capital Assets, Net	<u>\$ 60,428</u>	<u>\$ (27,493)</u>	<u>\$ -</u>	<u>\$ 32,935</u>

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 6. LONG-TERM DEBT

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

Governmental Activities

As of June 30, 2019, the governmental long-term debt of the District consisted of the following:

	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019	Amounts Due Within One Year	Long-Term Portion
Governmental Activities:						
Bonds Payable	\$ 3,482,000	\$ -	\$ 416,000	\$ 3,066,000	\$ 428,000	\$ 2,638,000
Capital Lease Obligations	83,903	-	33,075	50,828	24,526	26,302
Compensated Absences	572,145	65,410	57,867	579,688	-	579,688
	<u>\$ 4,138,048</u>	<u>\$ 65,410</u>	<u>\$ 506,942</u>	<u>\$ 3,696,516</u>	<u>\$ 452,526</u>	<u>\$ 3,243,990</u>

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.

Principal and interest due on these serial bonds are as follows:

Year Ending June 30,	School Bonds Series 2012	
	Principal	Interest
2020	\$ 248,000	\$ 14,140
2021	255,000	7,545
	<u>\$ 503,000</u>	<u>\$ 21,685</u>

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 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 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.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 6. LONG-TERM DEBT

A. Bonds Payable: (Continued)

Principal and interest due on these serial bonds are as follows:

<u>Year Ending June 30,</u>	School Bonds Series 2012	
	Principal	Interest
2020	\$ 180,000	\$ 74,187
2021	185,000	69,625
2022	275,000	63,187
2023	275,000	54,937
2024	275,000	46,688
2025	275,000	38,438
2026	275,000	30,016
2027	275,000	21,422
2028	275,000	12,828
2029	273,000	4,266
	\$ 2,563,000	\$ 415,594

B. Capital Leases Payable

The District is currently leasing copiers for various schools.

The following is a schedule of the future minimum lease payments under the capital leases and the present value of the remaining net minimum lease payments as of June 30, 2019:

Total Capital Leases

<u>Year Ending June 30,</u>	
2020	\$ 26,526
2021	12,600
2022	12,597
2023	2,870
	54,593
Total Minimum Lease Payments	54,593
Less: Amount Representing Interest	3,765
Present Value of Net Minimum Lease Payments	\$ 50,828

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 7. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Description of Plans and Benefits Provided

Substantially all required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be accessed via the New Jersey Division of Pension and Benefits website at www.state.nj.us/treasury/pensions.

Public Employees' Retirement System (PERS) - established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

Teachers' Pension and Annuity Fund (TPAF) - established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey is responsible to fund 100% of the employer contributions, excluding any local employer retirement incentive (ERI) contributions. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional, and certified.

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:66 for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service or under the disability provision. 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 contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 7. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Description of Plans and Benefits Provided (Continued)

The following represents the membership tiers for PERS and TPAF:

Tier	Definition
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 1/55th 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 1/60th of final average salary for each service credit 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 with 25 years or more of service credit before age 62, 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 their respective tier. With PERS, 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.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those District employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) - established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected, certain appointed officials, and certain District employees not eligible for enrollment in PERS or TPAF. Effective July 1, 2007 membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increase were suspended for all current and future retirees of all retirement systems.

Other Pension Funds

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local government employers do not appropriate funds to SACT.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 7. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Other Pension Funds (Continued)

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems but are currently suspended as a result of reform legislation.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits ("Division"), issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Plan Amendments

The authority to amend the provisions of the above plans rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating Special Pension Plan Design Committees for TPAF and PERS, once a Target Funded Ratio (TFR) is met. The Pension Plan Design Committees will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation of final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committees will also have the authority to reactivate the cost of living adjustment (COLA) on pensions. However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a 30-year projection period.

Measurement Focus and Basis of Accounting

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 7. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Investment Valuation

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Investments are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Division of Investment issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290 or at www.state.nj.us/treasury/doinvest.

Collective Net Pension Liability

The collective net pension liability of the participating employers for local PERS at June 30, 2018 is \$19.7 billion and the plan fiduciary net position as a percentage of the total pension liability is 53.60%. The collective net pension liability of the State funded TPAF at June 30, 2018 is \$63.81 billion and the plan fiduciary net position as a percentage of total pension liability is 26.49%.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2017 which were rolled forward to June 30, 2018.

Actuarial Methods and Assumptions

In the July 1, 2017 PERS and TPAF actuarial valuation, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Employer and Employee Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contribution by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 7.50% for PERS, 7.50% for TPAF and 5.50% for DCRP of the employee's annual compensation for fiscal year 2019.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 7. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Employer and Employee Contribution Requirements (Continued)

PERS employers' and TPAF State's non-employer contributions are based on actuarially determined amounts, which include the normal cost and unfunded accrued liability. For the fiscal year ended June 30, 2019 for TPAF, which is a cost sharing multiple employer defined benefit pension plan with a special funding situation, the State's annual pension contribution was less than this actuarial determined amount.

For PERS, which is a cost sharing multiple employer defined benefit pension plan, the annual pension contributions were equal to the actuarial determined amounts. TPAF non-employer contributions are made annually by the State of New Jersey to the pension system on behalf of the District. PERS employer contributions are made annually by the District to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All PERS and DCRP contributions made by the District for fiscal years 2019, 2018 and 2017 were equal to the required contributions.

For the fiscal year ended June 30, 2018 for TPAF, which is a cost sharing multiple employer defined benefit pension plan with a special funding situation, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multiple employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the District. PERS employer contributions are made annually by the District to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended June 30, 2019, 2018, and 2017 the District paid the required contributions to PERS of \$344,911, \$311,289, and \$304,737, respectively.

During the year ended June 30, 2019, the District paid the required contributions to DCRP of \$19,070.

The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB Statement No. 85, Omnibus 2017 (GASB Statement No. 85). The DCRP contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure, as well as, the government-wide financial statements (accrual basis) as an expense.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 7. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Employer and Employee Contribution Requirements (Continued)

Also, in accordance with N.J.S.A. 18A:66-66, the State of New Jersey reimbursed the District \$810,962 during the year ended June 30, 2019, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been recognized in the government-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB Statement No. 85.

PERS Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

GASB Statement No. 68, *Accounting and Financial Reporting for Pension* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date – an amendment of GASB Statement No. 68* require participating employers in pension plans to recognize their proportionate share of their collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the fiscal year ended June 30, 2018. Employer allocation percentages have been rounded for presentation purposes.

Although the NJ Division of Pensions and Benefits ("Division") administers one cost-sharing multiple employer defined benefit pension plan, separate actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective pension expense excluding that attributable to employer paid member contributions are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages are presented for each group. The allocation percentages for each group as of June 30, 2018 are based on the ratio of each employer's contribution to total employer contributions of the group for the fiscal year ended June 30, 2018.

At June 30, 2019 the District reported in the statement of net position (accrual basis) a liability of \$6,827,469 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the District's PERS proportion was 0.0347%, which was an increase of 0.0011% from its proportion measured as of June 30, 2017.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 7. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

PERS Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2019, the District recognized in the government-wide statement of activities (accrual basis) pension expense of \$529,341 for PERS. The pension contribution made by the District during the current 2018-2019 fiscal year is the contribution that is applied to the net pension liability reported at the end of the current fiscal year of June 30, 2019 with a measurement date of the prior fiscal year end of June 30, 2018. Since the State of New Jersey applies the current year pension contribution towards the calculation of the net pension liability reported at the end of the current fiscal year, which has a measurement date of the preceding fiscal year end, there is no deferred outflows of resources reported as of June 30, 2019 for contributions made subsequent to the current fiscal yearend. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and accrual experience	\$ 130,201	\$ 35,205
Changes in assumptions	1,125,054	2,183,061
Net differences between projected and actual investment earnings on pension plan investments	-	64,042
Changes in proportion	459,275	96,926
District contributions subsequent to measurement date	330,510	-
Total	\$ 2,045,040	\$ 2,379,234

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 7. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

PERS Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$330,510 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u>	
June 30, 2019	\$ 5,699,558
June 30, 2020	7,557,066
June 30, 2021	3,691,141
June 30, 2022	(1,490,819)
June 30, 2023	<u>(1,334,567)</u>
	<u>\$ 14,122,379</u>

The PERS pension liability and deferred inflows of resources related to pensions are expected to be paid from budgetary appropriations in the general fund.

Actuarial Assumptions

The collective total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.25%
Salary increases:	1.65 – 4.15%
Through 2026	Based on age
Thereafter	2.65 – 5.15%
	Based on age
Investment rate of return	7.00%
Mortality Rate Table	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

The actuarial assumptions used in the July 1, 2017 valuation was based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 7. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

PERS Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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, 2018) 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 weighing 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 PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
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 BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 7. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

PERS Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. 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 3.87% as of June 30, 2018, 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. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.

The following presents the District's proportionate share of the net pension liability as of June 30, 2018, 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% point lower or 1% point higher than the current rate:

	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
District's proportionate share of PERS net pension liability	\$ 8,584,755	\$ 6,827,469	\$ 5,353,218

The sensitivity analysis was based on the proportionate share of the District's net pension liability at June 30, 2018. A sensitivity analysis specific to the District's net pension liability was not provided by the pension system.

Pension Plan fiduciary net position

Detailed information about the PERS pension plans' fiduciary net position are available in the separately issued financial reports. These reports may be accessed via the New Jersey Division of Pension and Benefits website at www.state.nj.us/treasury/pensions.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 7. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

PERS Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Payable to the pension plan

At June 30, 2019 the District reported accounts payable to the PERS of \$330,510 for the required actuarially determined contribution to PERS for the year ended June 30, 2019.

TPAF Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

GASB Statement No. 68, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The non-employer allocation percentages presented are based on the ratio of the State's contributions made as a non-employer toward the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the fiscal year ended June 30, 2017. Employer allocation percentages have been rounded for presentation purposes.

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and non-employer contributions by the State. 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. For the fiscal year ended June 30, 2017, the State's pension contribution was less than the actuarial determined amount.

In accordance with GASB Statement No. 68, the District is not required to recognize a net pension liability for TPAF. The State of New Jersey, as a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to TPAF on behalf of the District. Accordingly, the District's proportionate share percentage determined under Statement No. 68 is zero percent and the State's proportionate share is 100% of the net pension liability attributable to the District for TPAF. Therefore, in addition, the District does not recognize any portion of the TPAF collective deferred outflows of resources and deferred inflows of resources.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 7. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

TPAF Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

At June 30, 2019 the State's net pension liability for TPAF associated with the District was \$63,792,495. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the year ended June 30, 2018. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. At June 30, 2018 the State's proportionate share of the TPAF net pension liability associated with the District was 0.1003%, which was a decrease of 0.0011% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019 the District recognized in the government-wide statement of activities (accrual basis) pension expense of \$3,718,879 for TPAF. This amount has been included in the government-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB Statement No. 85

Actuarial Assumptions

The total TPAF pension liability for the June 30, 2018, measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.25%
Salary increases:	
2011-2026	1.55 – 4.55%
Thereafter	2.00 – 5.45%
	Based on age
Investment rate of return	7.00%

Pre-retirement mortality rates were based on the RP-2006 Employee White Collar Mortality Tables, set back three years for males and five years for females, projected on a generational basis from a base year of 2006 using a 60-year average of improvement rates based on Social Security data from 1953 to 2013. Post-retirement mortality rates were based on the RP-2006 Healthy Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a base year of 2006 using a 60-year average of improvement rates based on Social Security data from 1953 to 2013. Disability mortality rates were based on the RP-2006 Disabled Retiree Mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disabled retiree mortality.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 7. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

TPAF Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

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, 2018) 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 weighing 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, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
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 BASIC FINANCIAL STATEMENTS
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NOTE 7. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

TPAF Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Discount Rate

The discount rate used to measure the total pension liability for TPAF was 4.56% as of June 30, 2018. 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 3.87% as of June 30, 2018, 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 contributions rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 50% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 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.

Sensitivity of the State's proportionate share of the District's net pension liability to changes in the discount rate.

The following presents the State's proportionate share of the net pension liability attributable to the District as of June 30, 2018, calculated using the discount rate as disclosed above as well as what the State's proportionate share of the TPAF net pension liability attributable to the District would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	At 1% Decrease (3.86%)	At Current Discount Rate (4.86%)	At 1% Increase (5.86%)
States proportionate share of the TPAF net pension liability attributable to the District	\$ 75,401,518	\$ 63,792,495	\$ 54,168,898

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2018. A sensitivity analysis specific to State's proportionate share of the net pension liability attributable to the District was not provided by the pension system.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 7. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

TPAF Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the TPAF pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

NOTE 8. POST-RETIREMENT MEDICAL BENEFITS

Plan Description and Benefits Provided

The State of New Jersey sponsors and administers the State Health Benefit Local Education Retired Employees Plan (Local Education Retired Plan) covering certain local school district employees, including those District employees and retirees eligible for coverage.

The Local Education Retired Plan is a multiple-employer defined benefit other post-employment benefit (OPEB) plan that is administered by the State on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No 75. The Local Education Retired Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and the covered dependents of local education employees. The State also offers dental care to retirees, however, since dental benefits are completely paid for by the retirees, there is no OPEB liability for these benefits.

The employer contributions for the participating local education employers are legally required to be funded by the State in accordance with N.J.S.A. 52:14-17.32f. According to N.J.S.A. 52:14-17.32f, the State provides employer-paid coverage to employees who retired from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postemployment medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

For additional information about the State Health Benefit Local Education Retired Education Plan, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at <https://www.state.nj.us/treasury/pensions/gasb-notices-opeb.shtml>.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 8. POST-RETIREMENT MEDICAL BENEFITS

Employees Covered by Benefit Terms

The following Local Education Retired Plan employees were covered by benefit terms as of the June 30, 2018 (measurement date June 30, 2017):

Active Plan Members	217,131
Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	<u>145,050</u>
Total	<u><u>362,181</u></u>

Measurement Focus and Basis of Accounting

The financial statements of the post-retirement health benefit plans are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the post-employment health benefit plans. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using economic resources measurement focus.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Collective Net OPEB Liability

The collective net OPEB liability of the State, as the non-employer contributing entity, of the plan at June 30, 2018 is \$46.1 billion, and the plan fiduciary net position as a percentage of the total OPEB liability is zero percent.

The total OPEB liabilities were determined based on actuarial valuations as of June 30, 2017 which were rolled forward to June 30, 2018.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 8. POST-RETIREMENT MEDICAL BENEFITS (Continued)

Actuarial Methods and Assumptions

In the June 30, 2017 OPEB actuarial valuation, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Post-Retirement Medical Benefits Contributions

The funding policy of the OPEB plan is pay as you go basis; therefore, there is no prefunding of the liability. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are made by the State, as a non-employer contributing entity, under a special funding situation in accordance with State statutes as previously disclosed. The State as a non-employer contributing entity made contributions of \$1.23 billion to the OPEB plan in fiscal year 2018.

The State sets the contribution rate based on a pay as you go basis and not on the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the District for the years ended June 30, 2019, 2018, and 2017 were \$954,109, \$976,907 and \$952,933, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the District was not determined or made available by the State of New Jersey. The on-behalf OPEB contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure.

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

GASB Statement No. 75 requires participating employers in the State Health Benefits Program Fund – Local Education Retired to recognize their proportionate share of the collective OPEB liability, collective deferred outflows or resources, collective deferred inflows of resources and collective OPEB expense excluding the attributable to retiree-paid member contributions. The non-employer allocation percentages presented are based on the ratio of the State's contributions made as a non-employer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal year ended June 30, 2018. Non-employer allocation percentages have been rounded for presentation purposes.

**NORTH ARLINGTON SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 8. POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

In accordance with GASB No. 75, the District is not required to recognize an OPEB liability for the post-employment health benefit plan. The State of New Jersey, as a non-employer contributing entity, is the only entity that has a legal obligation to make employer contributions to the plan on behalf of the District. Accordingly, the District's proportionate share percentage determined under Statement No. 75 is zero percent and the State's proportionate share is 100% of the OPEB liability, attributable to the District. Therefore, in addition, the District does not recognize any portion of the collective deferred outflows of resources and deferred inflows of resources related to the plan.

For the fiscal year ended June 30, 2019, the District recognized in the Government-wide statement of activities (accrual basis) OPEB expense of \$2,167,209. This amount has been included in the District's Government-wide statement of activities (accrual basis) as a revenue and expenditure in accordance with GASB No. 85.

At June 30, 2019 the State's proportionate share of the OPEB liability attributable to the District is \$42,864,268. The nonemployer allocation percentages are based on the ratio of the State's proportionate share of the OPEB liability attributable to the District at June 30, 2018 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2018. At June 2018, the State's share of the OPEB liability attributable to the District was 0.0930% which was an increase of 0.0011% from its proportion measured as of June 30, 2017 of 0.0918%.

Actuarial Assumptions

The OPEB liability for the June 30, 2018, measurement date was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The OPEB liability for the June 30, 2017, measurement date was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate: 2.50%

	TPAF/ABP	PERS
Salary Increases: Through 2026	1.55 – 4.55% based on years of service	2.15 – 4.15% based on age
Thereafter	2.00 – 5.45% based on years of service	3.15 5.15% based on age

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 8. POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Actuarial Assumptions (Continued)

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 – June 30, 2015, July 1, 2011 – June 30, 2014, and July 1, 2010 – June 30, 2013 for TPAF, PERS, and PFRS, respectively.

100% of all retirees who currently have healthcare coverage are assumed to continue with that coverage. 100% of active members are considered to participate in the Plan upon retirement, having a coverage blend of 85% and 15% in PPO and HMO, respectively.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2018 was 3.87%. This represents the municipal bond return rate as chosen by the Division. The source is 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.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 8. POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Change 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, 2019 (measurement date June 30, 2018) is as follows:

	<u>Total OPEB Liability (State Share 100%)</u>
Balance, June 30, 2017 measurement date	\$ 49,249,232
Changes reconized for the fiscal year:	
Service cost	1,942,624
Interest on the total OPEB liability	1,813,035
Changes in assumptions	(4,918,889)
Difference between expected and actual experience	(4,115,173)
Gross benefit payments	(1,146,175)
Contributions from the member	39,614
Net changes	<u>(6,384,964)</u>
Balance, June 30, 2018 measurement date	<u>\$ 42,864,268</u>

The change in the total OPEB liability was based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2018. A change in the total OPEB liability specific to the State's proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2018 was not provided by the pension system.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 8. POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Sensitivity of 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, 2019, calculated using the discount rate 3.87%, as well as the State's proportionate share of the OPEB liability attributable to the District would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	At 1% Decrease (2.87%)	At Current Discount Rate (3.87%)	At 1% Increase (4.87%)
State's Proportionate Share of the OPEB Liability Attributable to the District	\$ 50,674,290	\$ 42,864,268	\$ 36,656,107

Sensitivity of 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, 2019, calculated using the previously disclosed healthcare trend rate as well as what the total nonemployer OPEB liability attributable to the District would be if it was calculated using a healthcare trend rate is 1% point lower or 1% point higher than the current rate:

	1 % Decrease	Healthcare Cost Trend Rate	1% Increase
State's Proportionate Share of the OPEB Liability Attributable to the District	\$ 35,429,814	\$ 42,864,268	\$ 52,696,618

The sensitivity analyses were based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2018. Sensitivity analyses specific to the State's proportionate share of the OPEB liability attributable to the District at June 30, 2018 were not provided by the pension system.

**NORTH ARLINGTON SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The following interfund balances remained on the balance sheet of the governmental fund financial statement at June 30, 2019:

	Interfund Receivable	Interfund Payable
Governmental Funds		
General	\$ 57,597	\$ 27,263
Special Revenue	-	57,597
Debt Service	74	-
Capital Projects		
Enterprise	27,189	-
Total	\$ 84,860	\$ 84,860

The above balances are the result of revenues earned in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund and/or to cover cash balances which were in a cash overdraft position. The District expects to liquidate all interfund balances within one year.

NOTE 10. CONTINGENT LIABILITIES

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2019, significant amounts of grant expenditures have not been audited by the various grantor agencies but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

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 matters which will have a material adverse effect on the financial position of the District.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 11. 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 12. DEFERRED COMPENSATION

The District 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.

NOTE 13. FUND BALANCE APPROPRIATED

Fund Statements:

General Fund - Of the \$9,245,019 General Fund fund balance at June 30, 2019, \$6,733,016 is restricted as excess surplus in accordance with N.J.S.A. 18A:7F-7 (\$3,500,998 of the total restricted excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2020); \$1,702,071 is committed for capital reserve; \$396,448 is committed for year-end encumbrances; and 413,484 is unassigned.

Capital Projects Fund – The \$8,889,241 Capital Projects Fund fund balance at June 30, 2019, is restricted for capital projects.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 13. FUND BALANCE APPROPRIATED (Continued)

Fund Statements (Continued):

Debt Service Fund – The \$134 Debt Service Fund fund balance at June 30, 2019 is unassigned.

The total Governmental Funds fund balance is \$18,134,260.

The following is a summary of adjustments made to the fund statements to arrive at the total net position per the Government-wide Statement of Net Position.

	Governmental Activities	Business-Type Activity	Total
Fund Balance/Net Position	\$ 18,134,394	\$ 164,980	\$ 18,299,374
Add: Capital Assets, Net of			
Accumulated Depreciation	11,689,662	-	11,689,662
Deferred Outflows of Resources	2,045,040	-	2,045,040
Less: Accounts Payable for Pension	(330,510)	-	(330,510)
Long-Term Liabilities	(3,696,516)	-	(3,696,516)
Net Pension Liability	(6,827,469)	-	(6,827,469)
Deferred Inflows of Resources	(2,379,234)	-	(2,379,234)
Total Net Position	<u>\$ 18,635,367</u>	<u>\$ 164,980</u>	<u>\$ 18,800,347</u>

NOTE 14. CALCULATION OF EXCESS SURPLUS

In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, c.73 (S1701), the designation for Restricted Fund Balance – Reserved Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey School Districts are required to reserve General Fund fund balance at the fiscal year end of June 30, if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year’s budget. The excess fund balance for year ended June 30, 2019 is \$3,232,018.

NOTE 15. SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred June 30, 2019 through December 16, 2019, the date that the financial statements were issued for possible disclosure and recognition in the financial statements, and the following item is disclosed. The District purchased Queen of Peace High School on September 5, 2019 for \$6,400,000. The money for this purchase came from the Capital projects fund.

REQUIRED SUPPLEMENTARY INFORMATION

PART II

BUDGETARY COMPARISON SCHEDULES

NORTH ARLINGTON SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
for the Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES					
Local sources:					
Local tax levy	\$ 25,775,293	\$ -	\$ 25,775,293	\$ 25,775,293	\$ -
Tuition	-	-	-	7,568	7,568
Interest earned	-	-	-	166,243	166,243
Miscellaneous	25,020	-	25,020	256,680	231,660
Total - local sources	<u>25,800,313</u>	<u>-</u>	<u>25,800,313</u>	<u>26,205,784</u>	<u>405,471</u>
Federal sources:					
Special Education Medicare Reimbursement Initiative	24,521	-	24,521	8,493	(16,028)
Total - federal sources	<u>24,521</u>	<u>-</u>	<u>24,521</u>	<u>8,493</u>	<u>(16,028)</u>
State sources:					
Equalization aid	1,044,882	247,786	1,292,668	1,292,668	-
Transportation aid	184,243	-	184,243	184,243	-
Special education aid	1,003,779	570,862	1,574,641	1,574,641	-
Security categorical aid	64,175	160,766	224,941	224,941	-
Extraordinary aid	-	-	-	341,852	341,852
On-behalf TPAF contributions (Non-budgeted)					
Pension contribution	-	-	-	2,103,421	2,103,421
Post-retirement medical contributions	-	-	-	954,109	954,109
Long term disability insurance premium	-	-	-	2,130	2,130
Reimbursed TPAF Social Security contributions (Non-budgeted)	-	-	-	810,962	810,962
Total - state sources	<u>2,297,079</u>	<u>979,414</u>	<u>3,276,493</u>	<u>7,488,967</u>	<u>4,212,474</u>
Total revenues	<u>28,121,913</u>	<u>979,414</u>	<u>29,101,327</u>	<u>33,703,244</u>	<u>4,601,917</u>
EXPENDITURES -					
CURRENT EXPENSE					
Regular programs - instruction:					
Salaries of teachers:					
Preschool/kindergarten	433,980	52,390	486,370	467,849	18,521
Grades 1-5	2,593,996	32,610	2,626,606	2,353,068	273,538
Grades 6-8	1,536,568	31,600	1,568,168	1,329,735	238,433
Grades 9-12	2,735,386	74,500	2,809,886	2,543,307	266,579
Total regular programs - instruction	<u>7,299,930</u>	<u>191,100</u>	<u>7,491,030</u>	<u>6,693,959</u>	<u>797,071</u>
Regular programs - home instruction:					
Salaries of teachers	70,000	-	70,000	44,636	25,364
Purchased professional - educational services	25,000	-	25,000	21,605	3,395
Total regular programs - home instruction	<u>95,000</u>	<u>-</u>	<u>95,000</u>	<u>66,241</u>	<u>28,759</u>
Regular programs - undistributed instruction:					
Other salaries for instruction	306,068	-	306,068	193,064	113,004
Purchased professional - technical services	531,663	(95,050)	436,613	340,112	96,501
Other purchased services (400-500 series)	20,000	-	20,000	20,000	-
Travel	2,000	-	2,000	626	1,374
General supplies	332,524	(5,482)	327,042	260,326	66,716
Textbooks	77,332	6,250	83,582	51,443	32,139
Total regular programs - undistributed instruction	<u>1,269,587</u>	<u>(94,282)</u>	<u>1,175,305</u>	<u>865,571</u>	<u>309,734</u>
Total regular programs	<u>8,664,517</u>	<u>96,818</u>	<u>8,761,335</u>	<u>7,625,771</u>	<u>1,135,564</u>
Special education:					
Multiple disabilities:					
Salaries of teachers	492,576	6,000	498,576	436,488	62,088
Other salaries for instruction	728,569	71,370	799,939	700,890	99,049
General supplies	18,069	-	18,069	17,323	746
Textbooks	8,200	-	8,200	8,200	-
Total multiple disabilities	<u>1,247,414</u>	<u>77,370</u>	<u>1,324,784</u>	<u>1,162,901</u>	<u>161,883</u>

NORTH ARLINGTON SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
for the Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Resource room/resource center:					
Salaries of teachers	\$ 1,274,947	\$ 12,400	\$ 1,287,347	\$ 1,176,554	\$ 110,793
Other salaries for instruction	98,977	-	98,977	71,840	27,137
General supplies	10,742	-	10,742	7,212	3,530
Textbooks	3,300	-	3,300	3,300	-
Total resource room/resource center	<u>1,387,966</u>	<u>12,400</u>	<u>1,400,366</u>	<u>1,258,906</u>	<u>141,460</u>
Preschool disabilities - part - time:					
Salaries of teachers	206,830	(113,555)	93,275	59,394	33,881
Other salaries for instruction	205,189	(71,370)	133,819	110,698	23,121
Supplies and materials	10,952	113,555	124,507	124,506	1
Total preschool disabilities - part - time	<u>422,971</u>	<u>(71,370)</u>	<u>351,601</u>	<u>294,598</u>	<u>57,003</u>
Total special education - instruction	<u>3,058,351</u>	<u>18,400</u>	<u>3,076,751</u>	<u>2,716,405</u>	<u>360,346</u>
Basic skills/remedial:					
Salaries of teachers	411,817	(72,529)	339,288	269,151	70,137
General supplies	2,000	72,529	74,529	74,529	-
Total basic skills/remedial	<u>413,817</u>	<u>-</u>	<u>413,817</u>	<u>343,680</u>	<u>70,137</u>
Bilingual education:					
Salaries of teachers	292,240	-	292,240	248,800	43,440
General supplies	1,000	-	1,000	263	737
Total bilingual education	<u>293,240</u>	<u>-</u>	<u>293,240</u>	<u>249,063</u>	<u>44,177</u>
Other instructional:					
School-sponsored cocurricular activities:					
Salaries	97,400	-	97,400	81,532	15,868
Supplies and materials	5,000	-	5,000	3,130	1,870
Other Objects	9,100	-	9,100	3,865	5,235
School-sponsored athletics:					
Salaries	288,512	5,500	294,012	285,163	8,849
Purchased services (300-500 series)	137,530	4,253	141,783	100,152	41,631
Supplies and materials	82,521	(9,268)	73,253	68,546	4,707
Other objects	12,000	-	12,000	10,699	1,301
Community service programs:					
Salaries	26,000	-	26,000	21,073	4,927
Total other instructional	<u>658,063</u>	<u>485</u>	<u>658,548</u>	<u>574,160</u>	<u>84,388</u>
Total - instruction	<u>13,087,988</u>	<u>115,703</u>	<u>13,203,691</u>	<u>11,509,079</u>	<u>1,694,612</u>
Undistributed expenditures - instruction:					
Tuition to other LEA's within the state - special	686,180	(222,145)	464,035	439,155	24,880
Tuition to county vocational school district - regular	225,600	(22,062)	203,538	203,538	-
Tuition to county vocational school district - special	230,000	(33,080)	196,920	196,920	-
Tuition to CSSD & regional day schools	165,800	205,049	370,849	344,092	26,757
Tuition to private schools for the handicapped-within state	1,820,000	(119,762)	1,700,238	1,580,035	120,203
Total undistributed expenditures - instruction	<u>3,127,580</u>	<u>(192,000)</u>	<u>2,935,580</u>	<u>2,763,740</u>	<u>171,840</u>
Health services:					
Salaries	314,254	(39,937)	274,317	248,108	26,209
Purchased professional and technical services	47,000	52,451	99,451	99,444	7
Supplies and materials	8,200	(2,054)	6,146	5,412	734
Total health services	<u>369,454</u>	<u>10,460</u>	<u>379,914</u>	<u>352,964</u>	<u>26,950</u>
Other support services - students-related services:					
Salaries	196,948	(9,928)	187,020	181,939	5,081
Supplies and materials	1,400	-	1,400	-	1,400
Total other support services - students-related services	<u>198,348</u>	<u>(9,928)</u>	<u>188,420</u>	<u>181,939</u>	<u>6,481</u>
Other support services - students-extra services:					
Purchased professional - educational services	396,090	-	396,090	335,288	60,802
Total other support services - students-extra services	<u>396,090</u>	<u>-</u>	<u>396,090</u>	<u>335,288</u>	<u>60,802</u>

NORTH ARLINGTON SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
for the Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Other support services - students-regular:					
Salaries of other professional staff	\$ 338,922	\$ 5,400	\$ 344,322	\$ 327,877	\$ 16,445
Salaries of secretarial and clerical assistants	144,883	800	145,683	139,186	6,497
Purchased professional - educational services	40,000	-	40,000	37,087	2,913
Other purchased services (400-500 series)	1,400	-	1,400	1,305	95
Supplies and materials	7,107	(800)	6,307	3,038	3,269
Total other support services - students-regular	<u>532,312</u>	<u>5,400</u>	<u>537,712</u>	<u>508,493</u>	<u>29,219</u>
Other support services - students - special services:					
Salaries of other professional staff	450,149	-	450,149	385,153	64,996
Salaries of secretarial and clerical assistants	40,078	-	40,078	33,000	7,078
Supplies and materials	8,659	-	8,659	7,227	1,432
Other objects	1,600	-	1,600	857	743
Total other support services - students-special services	<u>500,486</u>	<u>-</u>	<u>500,486</u>	<u>426,237</u>	<u>74,249</u>
Improvement of instructional services:					
Salaries of supervisors of instructions	478,025	(99,035)	378,990	343,011	35,979
Unused vacation payment to terminated/retired staff	-	7,010	7,010	7,010	-
Purchased professional - educational services	105,000	-	105,000	105,000	-
Supplies and materials	36,250	-	36,250	28,028	8,222
Other objects	3,500	-	3,500	3,310	190
Total improvement of instructional services	<u>622,775</u>	<u>(92,025)</u>	<u>530,750</u>	<u>486,359</u>	<u>44,391</u>
Educational media services/school library:					
Salaries	58,886	-	58,886	57,850	1,036
Purchased professional services - educational	8,900	(8,265)	635	48	587
Supplies and materials	11,000	8,265	19,265	18,941	324
Total educational media services/school library	<u>78,786</u>	<u>-</u>	<u>78,786</u>	<u>76,839</u>	<u>1,947</u>
Instruction staff training services:					
Salaries of other professional staff	19,000	(6,000)	13,000	4,063	8,937
Other purchased professional services - educational	68,700	13,750	82,450	66,588	15,862
General Supplies	500	-	500	-	500
Other objects	800	-	800	-	800
Total instruction staff training services	<u>89,000</u>	<u>7,750</u>	<u>96,750</u>	<u>70,651</u>	<u>26,099</u>
Support services - general administration:					
Salaries	335,235	-	335,235	294,165	41,070
Legal services	136,000	(40,000)	96,000	71,404	24,596
Audit Fees	42,000	-	42,000	42,000	-
Other purchased professional services	8,457	10,000	18,457	5,030	13,427
Communications/telephone	114,400	-	114,400	41,448	72,952
Miscellaneous purchased services	14,500	-	14,500	10,758	3,742
Supplies and materials	9,487	-	9,487	4,370	5,117
Judgments against the school district	-	40,000	40,000	-	40,000
Miscellaneous expenditures	27,636	-	27,636	20,601	7,035
Total support services - general administration	<u>687,715</u>	<u>10,000</u>	<u>697,715</u>	<u>489,776</u>	<u>207,939</u>
Support services - school administration:					
Salaries of principals/assistant principals	946,242	92,025	1,038,267	1,012,415	25,852
Salaries of secretarial and clerical assistants	305,407	(4,200)	301,207	279,483	21,724
Unused vacation payment to terminated/retired staff	-	4,200	4,200	4,187	13
Travel	900	-	900	101	799
General Supplies	16,280	-	16,280	12,429	3,851
Other objects	20,429	1	20,430	15,972	4,458
Total support services - school administration	<u>1,289,258</u>	<u>92,026</u>	<u>1,381,284</u>	<u>1,324,587</u>	<u>56,697</u>
Central services:					
Salaries	568,196	(16,000)	552,196	530,091	22,105
Unused vacation payment to terminated/retired staff	-	37,243	37,243	34,052	3,191
Purchased profession services	42,000	(29,243)	12,757	12,757	-
Purchased technical services	31,300	-	31,300	25,692	5,608
Miscellaneous purchased services (300-500 series)	16,640	8,000	24,640	16,806	7,834
Supplies and materials	13,581	-	13,581	6,804	6,777
Miscellaneous expenditures	10,700	-	10,700	5,541	5,159
Total central services:	<u>682,417</u>	<u>-</u>	<u>682,417</u>	<u>631,743</u>	<u>50,674</u>

NORTH ARLINGTON SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
for the Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Administrative Information Technology:					
Salaries	\$ 134,930	\$ -	\$ 134,930	\$ 134,275	655
Total administrative information technology:	<u>134,930</u>	<u>-</u>	<u>134,930</u>	<u>134,275</u>	<u>655</u>
Required maintenance for school facilities:					
Salaries	100,332	(425)	99,907	99,845	62
Cleaning, repair and maintenance services	1,014,180	(37,179)	977,001	695,907	281,094
General supplies	37,500	14,097	51,597	47,337	4,260
Total required maintenance for school facilities	<u>1,152,012</u>	<u>(23,507)</u>	<u>1,128,505</u>	<u>843,089</u>	<u>285,416</u>
Other operating and maintenance of plant services:					
Salaries	1,148,701	(53,949)	1,094,752	1,016,601	78,151
Unused vacation payment to terminated/retired staff	-	54,880	54,880	52,217	2,663
Purchased professional and technical services	90,000	-	90,000	46,685	43,315
Rental of land and buildings other than lease purchase	65,000	-	65,000	35,088	29,912
Other purchased property	145,000	-	145,000	117,382	27,618
Insurance	254,058	-	254,058	209,708	44,350
General supplies	173,195	(6,374)	166,821	105,790	61,031
Energy	610,000	-	610,000	392,511	217,489
Other objects	8,782	-	8,782	5,291	3,491
Total other operating and maintenance of plant services:	<u>2,494,736</u>	<u>(5,443)</u>	<u>2,489,293</u>	<u>1,981,273</u>	<u>508,020</u>
Student transportation services:					
Salaries of non-instruction aides	85,016	(931)	84,085	68,758	15,327
Salaries for pupil transportation - other	101,000	-	101,000	65,622	35,378
Cleaning, repair and maintenance services	70,000	-	70,000	52,609	17,391
Contracted services -					
(between home and school) - joint agreement	75,000	56,000	131,000	99,609	31,391
Contracted services -					
(Special education students) - joint agreement	480,000	236,000	716,000	700,796	15,204
General supplies	28,300	-	28,300	-	28,300
Miscellaneous purchased services	5,000	-	5,000	4,089	911
Total student transportation services	<u>844,316</u>	<u>291,069</u>	<u>1,135,385</u>	<u>991,483</u>	<u>143,902</u>
Unallocated employee benefits:					
Social Security contribution	837,248	-	837,248	694,927	142,321
Workers' compensation	140,000	-	140,000	114,413	25,587
Unemployment compensation	82,549	-	82,549	63,275	19,274
Health benefits	2,955,781	29,128	2,984,909	2,291,580	693,329
Tuition reimbursement	20,000	-	20,000	12,967	7,033
Other employee benefits	64,000	272	64,272	64,175	97
Total unallocated employee benefits	<u>4,099,578</u>	<u>29,400</u>	<u>4,128,978</u>	<u>3,241,337</u>	<u>887,641</u>
On-behalf TPAF contributions (Non-budgeted)					
Pension contribution	-	-	-	2,103,421	(2,103,421)
Post-retirement medical contributions	-	-	-	954,109	(954,109)
Long term disability insurance premium	-	-	-	2,130	(2,130)
(Non-budgeted)	-	-	-	810,962	(810,962)
Total on-behalf contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,870,622</u>	<u>(3,870,622)</u>
Total undistributed expenditures	<u>17,299,793</u>	<u>123,202</u>	<u>17,422,995</u>	<u>18,710,695</u>	<u>(1,287,700)</u>
Total expenditures - current expense	<u>30,387,781</u>	<u>238,905</u>	<u>30,626,686</u>	<u>30,219,774</u>	<u>406,912</u>
CAPITAL OUTLAY					
Equipment:					
Undistributed expenditures:					
Required maintenance for school facilities	7,762	1,015	8,777	8,777	-
Student transportation - school bus regular	-	233,880	233,880	233,879	1
Total equipment	<u>7,762</u>	<u>234,895</u>	<u>242,657</u>	<u>242,656</u>	<u>1</u>

NORTH ARLINGTON SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
for the Fiscal Year Ended June 30, 2019

	Original Budget	Budget Transfers	Final Budget	Actual	Variance
Facilities acquisition and construction services:					
Legal services	\$ -	\$ 19,085	\$ 19,085	\$ 16,018	\$ 3,067
Other professional/technical services	-	282,907	282,907	280,407	2,500
Construction services	150,000	203,622	353,622	350,691	2,931
Other objects	8,567	-	8,567	8,567	-
Total facilities acquisition and construction services	158,567	505,614	664,181	655,683	8,498
Total capital outlay	166,329	740,509	906,838	898,339	8,499
Charter schools	118,000	-	118,000	100,781	17,219
Total expenditures	30,672,110	979,414	31,651,524	31,218,894	432,630
Excess (deficiency) of revenues over (under) expenditures	(2,550,197)	-	(2,550,197)	2,484,350	5,034,547
OTHER FINANCING SOURCES (USES)					
Transfer out - capital reserve withdrawal capital projects fund	(7,000,000)	-	(7,000,000)	(7,000,000)	-
Capital outlay transfer to capital reserve	(1,100,000)	-	(1,100,000)	(1,100,000)	-
Total other financing sources (uses)	(8,100,000)	-	(8,100,000)	(8,100,000)	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(10,650,197)	-	(10,650,197)	(5,615,650)	5,034,547
Fund balances, July 1	15,156,150	-	15,156,150	15,156,150	-
Fund balances, June 30	\$ 4,505,953	\$ -	\$ 4,505,953	\$ 9,540,500	\$ 5,034,547
<u>Recapitulation:</u>					
Restricted for:					
Excess Surplus - prior year - designated for subsequent year's expenditures				\$ 3,500,998	
Excess Surplus - current year				3,232,018	
Capital reserve				1,702,071	
Assigned to:					
Year-end encumbrances				396,448	
Unassigned				708,965	
				9,540,500	
<u>Reconciliation to Government Funds (GAAP)</u>					
Last State Aid Payment not recognized on GAAP Basis				(295,481)	
Fund Balance per Government Funds (GAAP)				\$ 9,245,019	

NORTH ARLINGTON SCHOOL DISTRICT
Budgetary Comparison Schedule
Special Revenue Fund
for the Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES					
Federal sources	\$ 746,002	\$ (38,524)	\$ 707,478	\$ 652,759	\$ 54,719
State sources	294,742	(59,927)	234,815	175,841	58,974
Total revenues	<u>1,040,744</u>	<u>(98,451)</u>	<u>942,293</u>	<u>828,600</u>	<u>113,693</u>
EXPENDITURES					
Instruction:					
Salaries of teachers	165,000	(10,000)	155,000	155,000	-
Purchased prof. & tech. services	233,977	(72,175)	161,802	114,343	47,459
Other purchased services (400-500 series)	365,489	6,567	372,056	372,056	-
General supplies	18,048	14,550	32,598	31,200	1,398
Textbooks	12,577	(1,054)	11,523	11,107	416
Other objects	-	100	100	100	-
Total Instruction	<u>795,091</u>	<u>(62,012)</u>	<u>733,079</u>	<u>683,806</u>	<u>49,273</u>
Support services:					
Salaries	14,000	(2,000)	12,000	12,000	-
Personal services-employee benefits	50,120	2,905	53,025	-	53,025
Purchased professional - educational services	159,480	(43,525)	115,955	105,326	10,629
Cleaning, repair and maintenance services	2,400	(2,400)	-	-	-
Supplies and materials	19,007	8,622	27,629	26,863	766
Other objects	646	(41)	605	605	-
Total support services	<u>245,653</u>	<u>(36,439)</u>	<u>209,214</u>	<u>144,794</u>	<u>64,420</u>
Total expenditures	<u>1,040,744</u>	<u>(98,451)</u>	<u>942,293</u>	<u>828,600</u>	<u>113,693</u>
Excess of revenues over expenditures	-	-	-	-	-
Fund balance, July 1	-	-	-	-	-
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NORTH ARLINGTON SCHOOL DISTRICT
Required Supplementary Information
Budget to GAAP Reconciliation
Note to RSI
for the Fiscal Year Ended June 30, 2019

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

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1] \$ 33,703,244	[C-2] \$ 828,600
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	-	10,534
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	194,435	-
State aid payment recognized for budgetary purposes, not recognized for GAAP statements.	(295,481)	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] \$ 33,602,198	[B-2] \$ 839,134
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 31,218,894	[C-2] \$ 828,600
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.	-	10,534
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.		
Net transfers (outflows) to general fund	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2] \$ 31,218,894	[B-2] \$ 839,134

REQUIRED SUPPLEMENTARY INFORMATION

PART III

PENSION AND OPEB INFORMATION

**NORTH ARLINGTON SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)
LAST FIVE FISCAL YEARS**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.03467568%	0.03360225%	0.03430233%	0.03303007%	0.03159905%
District's proportionate share of the net pension liability	\$ 6,827,469	\$ 7,822,068	\$ 10,159,366	\$ 7,414,588	\$ 5,916,206
District's covered-employee payroll	\$ 2,220,668	\$ 2,348,753	\$ 2,383,988	\$ 2,332,563	\$ 2,340,849
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	32.53%	30.03%	23.47%	31.46%	39.57%
Plan fiduciary net position as a percentage of the total pension liability	53.60%	48.10%	40.14%	47.93%	52.08%

Note: The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a 10-year trend is compiled, the District will only present information for those years for which information is available.

**NORTH ARLINGTON SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)
LAST FIVE FISCAL YEARS**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 344,911	\$ 315,713	\$ 306,352	\$ 283,970	\$ 260,498
Contributions in relation to the contractually required contribution	<u>344,911</u>	<u>315,713</u>	<u>306,352</u>	<u>283,970</u>	<u>260,498</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,220,668	\$ 2,348,753	\$ 2,383,988	\$ 2,332,563	2,340,849
Contributions as a percentage of covered-employee payroll	15.53%	13.44%	12.85%	12.17%	11.13%

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a 10-year trend is compiled, the District will only present information for those years for which information is available.

**NORTH ARLINGTON SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS PENSION ANNUITY FUND (TPAF)
LAST FIVE FISCAL YEARS**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.000%	0.000%	0.000%	0.000%	0.000%
State's proportion of the net pension liability associated with the District	0.1003%	0.1017%	0.1057%	0.1009%	0.1023%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	<u>63,792,495</u>	<u>68,554,220</u>	<u>83,171,272</u>	<u>63,780,669</u>	<u>54,657,425</u>
Total proportionate share of the net pension liability associated with the District	<u>\$ 63,792,495</u>	<u>\$ 68,554,220</u>	<u>\$ 83,171,272</u>	<u>\$ 63,780,669</u>	<u>\$ 54,657,425</u>
District proportion share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total pension liability	26.49%	25.41%	22.33%	28.71%	33.64%

Note: The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a 10-year trend is compiled, the District will only present information for those years for which information is available.

NORTH ARLINGTON SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE STATE PROPORTIONATE SHARE OF OPEB LIABILITY
ATTRIBUTABLE TO THE DISTRICT AND RELATED RATIOS
STATE HEALTH BENEFITS LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN
LAST FISCAL YEAR*

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
OPEB liability, July 1	\$ 49,249,232	\$ 52,907,997
Changes reconized for the fiscal year:		
Service cost	1,942,624	2,347,259
Interest on the total OPEB liability	1,813,035	1,559,228
Changes in assumptions	(4,918,889)	(6,466,539)
Difference between expected and actual experience	(4,115,173)	-
Gross benefit payments	(1,146,175)	(1,140,717)
Contributions from the member	39,614	42,004
Net changes	<u>(6,384,964)</u>	<u>(3,658,765)</u>
OPEB liability, June 30	<u>\$ 42,864,268</u>	<u>\$ 49,249,232</u>
District's proportionate share of OPEB liability		-
State's proportionate share of OPEB liability	<u>42,864,268</u>	<u>49,249,232</u>
Total OPEB liability	<u>\$ 42,864,268</u>	<u>\$ 49,249,232</u>
District's covered employee payroll	\$ 10,870,219	\$ 10,052,145
Total OPEB Liability as a percentage of covered employee payroll	0.000%	0.000%

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

* The amounts presented for each fiscal year were determined as of the previous fiscal year end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 75. However, until a 10-year trend is compiled, the District will only present information for those years for which information is available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NORTH ARLINGTON SCHOOL DISTRICT
Notes to the Required Supplementary Information
for the Fiscal Year Ended June 30, 2019

	Public Employees' Retirement System (PERS)	Teachers Pension and Annuity Fund (TPAF)	State Health Benefit Local Education Retired Employees OPEB Plan
Change in benefits	None	None	None
Changes in assumptions:			
Discount rate:			
As of June 30, 2018	5.00%	4.25%	2.85%
As of June 30, 2017	5.00%	4.25%	2.85%
Municipal bond rate:			
As of June 30, 2018	3.58%	3.58%	3.58%
As of June 30, 2017	3.58%	3.58%	3.58%
Inflation rate:			
As of June 30, 2018	2.25%	2.25%	2.50%
As of June 30, 2017	2.25%	2.25%	2.50%
Long-term expected rate of return on pension plan investments:			
As of June 30, 2018	7.00%	7.00%	Not Applicable
As of June 30, 2017	7.00%	7.00%	Not Applicable

OTHER SUPPLEMENTARY INFORMATION

SCHOOL BASED BUDGET SCHEDULES

Not applicable

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, 2019

	Total Brought Forward (Ex. E-1a)	Elementary and Secondary Education Act		
		Title I, Part A	Title II, Part A	Title III, Part A
REVENUES				
Federal sources	\$ -	\$ 145,002	\$ 29,606	\$ 13,983
State sources	110,742	-	-	-
Total revenues	<u>110,742</u>	<u>145,002</u>	<u>29,606</u>	<u>13,983</u>
EXPENDITURES				
Instruction:				
Salaries of teachers	-	133,000	22,000	-
Purchased prof. & tech. services	51,878	-	7,606	326
Other purchased services (400-500 series)	-	-	-	-
General supplies	31,200	-	-	-
Textbooks	-	-	-	-
Other objects	-	-	-	100
Total instruction	<u>83,078</u>	<u>133,000</u>	<u>29,606</u>	<u>426</u>
Support services:				
Salaries	-	-	-	12,000
Purchased professional - educational services	19,571	-	-	-
Supplies and materials	7,488	12,002	-	1,557
Other objects	605	-	-	-
Total support services	<u>27,664</u>	<u>12,002</u>	<u>-</u>	<u>13,557</u>
Total expenditures	<u>110,742</u>	<u>145,002</u>	<u>29,606</u>	<u>13,983</u>
Total outflows	<u>110,742</u>	<u>145,002</u>	<u>29,606</u>	<u>13,983</u>
Excess of revenues over expenditures and other financing (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Elementary and Secondary Education Act	N.J. Nonpublic Auxiliary Services Aid Ch. 192					Totals 2019
	I.D.E.A., Basic	I.D.E.A., Preschool	N.J. Nonpublic Textbook Aid	Compensatory Education	English as a Second Language	
Title IV						
\$ 11,196	\$ 436,756	\$ 16,216	\$ -	\$ -	\$ -	\$ 652,759
-	-	-	11,107	53,129	863	175,841
<u>11,196</u>	<u>436,756</u>	<u>16,216</u>	<u>11,107</u>	<u>53,129</u>	<u>863</u>	<u>828,600</u>
-	-	-	-	-	-	155,000
-	-	541	-	53,129	863	114,343
-	356,381	15,675	-	-	-	372,056
-	-	-	-	-	-	31,200
-	-	-	11,107	-	-	11,107
-	-	-	-	-	-	100
<u>-</u>	<u>356,381</u>	<u>16,216</u>	<u>11,107</u>	<u>53,129</u>	<u>863</u>	<u>683,806</u>
-	-	-	-	-	-	12,000
5,380	80,375	-	-	-	-	105,326
5,816	-	-	-	-	-	26,863
-	-	-	-	-	-	605
<u>11,196</u>	<u>80,375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>144,794</u>
<u>11,196</u>	<u>436,756</u>	<u>16,216</u>	<u>11,107</u>	<u>53,129</u>	<u>863</u>	<u>828,600</u>
<u>11,196</u>	<u>436,756</u>	<u>16,216</u>	<u>11,107</u>	<u>53,129</u>	<u>863</u>	<u>828,600</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NORTH ARLINGTON SCHOOL DISTRICT
Special Revenue Fund
Combining Schedules of Program Revenues and Expenditures - Budgetary Basis
for the Fiscal Year Ended June 30, 2019

	N.J. Nonpublic Handicapped Aid Ch. 193			N.J. Nonpublic Security Aid
	Examination & Classification	Speech Instruction	Supplemental Instruction	
REVENUES				
Federal sources	\$ -	\$ -	\$ -	\$ -
State sources	14,927	22,677	14,274	31,200
Total revenues	<u>14,927</u>	<u>22,677</u>	<u>14,274</u>	<u>31,200</u>
EXPENDITURES				
Instruction:				
Salaries of teachers	-	-	-	-
Purchased prof. & tech. services	14,927	22,677	14,274	-
Other purchased services (400-500 series)	-	-	-	-
General supplies	-	-	-	31,200
Textbooks	-	-	-	-
Other objects	-	-	-	-
Total instruction	<u>14,927</u>	<u>22,677</u>	<u>14,274</u>	<u>31,200</u>
Support services:				
Salaries	-	-	-	-
Purchased professional - educational services	-	-	-	-
Supplies and materials	-	-	-	-
Other objects	-	-	-	-
Total support services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>14,927</u>	<u>22,677</u>	<u>14,274</u>	<u>31,200</u>
Total outflows	<u>14,927</u>	<u>22,677</u>	<u>14,274</u>	<u>31,200</u>
Excess of revenues over expenditures and other financing (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

N.J. Nonpublic Nursing Services Aid	N.J. Nonpublic Technology Initiative	Total Carried Forward
\$ -	\$ -	\$ -
20,176	7,488	110,742
<u>20,176</u>	<u>7,488</u>	<u>110,742</u>
-	-	-
-	-	51,878
-	-	-
-	-	31,200
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>83,078</u>
-	-	-
19,571	-	19,571
-	7,488	7,488
605	-	605
<u>20,176</u>	<u>7,488</u>	<u>27,664</u>
<u>20,176</u>	<u>7,488</u>	<u>110,742</u>
<u>20,176</u>	<u>7,488</u>	<u>110,742</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, 2019**

<u>Project Title/Issue</u>	<u>Original Date</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance June 30, 2019</u>
			<u>Prior Years</u>	<u>Current Year</u>	
Improvements, Renovations and additions to the school district facilities and acquisition of equipment	05/01/93	\$ 16,044,120	\$ 14,871,766	\$ 16,091	\$ 1,156,263
Construction of Edwin "RIP" Collins athletic field	09/12/13	4,200,672	3,927,694	-	272,978
Improvements, renovations and improvements to Queen of Peace	2018	<u>8,100,000</u>	<u>-</u>	<u>640,000</u>	<u>7,460,000</u>
		<u>\$ 28,344,792</u>	<u>\$ 18,799,460</u>	<u>\$ 656,091</u>	<u>\$ 8,889,241</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, 2019

REVENUES AND OTHER FINANCING SOURCES

Transfer from Capital Reserve	\$ 7,000,000
Transfer from General Fund - capital outlay	<u>1,100,000</u>
Total Revenues and Other Financing Sources	<u>8,100,000</u>

EXPENDITURES AND OTHER FINANCING USES

Purchased professional and technical services	<u>656,091</u>
Total Expenditures and Other Financing Uses	<u>656,091</u>

Excess of revenues and other financing sources over expenditures	7,443,909
Fund Balance, July 1	<u>1,445,332</u>
Fund Balance, June 30	<u><u>\$ 8,889,241</u></u>

NORTH ARLINGTON SCHOOL DISTRICT
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Improvements, Renovations and Additions to the School District Facilities and Acquisition of Equipment
From Inception and for the Fiscal Year Ended June 30, 2019

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
State 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	146,802	-	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	2,665,459	-	2,665,459	2,665,459
Total Revenues and Other Financing Sources	<u>16,044,120</u>	<u>-</u>	<u>16,044,120</u>	<u>16,044,120</u>
Expenditures and Other Financing Uses:				
Purchased professional and technical services	297,447	16,091	313,538	313,538
Construction services	14,574,319	-	14,574,319	14,574,319
Total Expenditures and Other Financing Uses	<u>14,871,766</u>	<u>16,091</u>	<u>14,887,857</u>	<u>14,887,857</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ 1,172,354</u>	<u>\$ (16,091)</u>	<u>\$ 1,156,263</u>	<u>\$ 1,156,263</u>
Additional Project Information:				
Project Number	N/A			
Grant Date	N/A			
Bond Authorization Date	5/1/1993			
Bonds Authorized	\$ 7,700,000			
Bonds Issued	\$ 7,700,000			
Original Authorized Cost	\$ 7,700,000			
Additional Authorized Cost	\$ 8,344,120			
Revised Authorized Cost	\$ 16,044,120			
Percentage Increase over Original Authorized Cost	108.37%			
Percentage of Completion	92.79%			
Original Target Completion Date	*			
Revised Target Completion Date	*			

* - Information not available

N/A - Not Applicable

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, 2019

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
State Sources - SCC Grant & FEMA	\$ 196,020	\$ -	\$ 196,020	\$ 196,020
Bond proceeds and transfers	3,388,000	-	3,388,000	3,388,000
Prior year payables cancelled	100,652	-	100,652	100,652
Transfer from general fund - other	141,000	-	141,000	141,000
Transfer from capital outlay - general fund	375,000	-	375,000	375,000
Total Revenues and Other Financing Sources	<u>4,200,672</u>	<u>-</u>	<u>4,200,672</u>	<u>4,200,672</u>
Expenditures and Other Financing Uses:				
Purchased professional and technical services	164,645	-	164,645	164,645
Construction services	3,513,049	-	3,513,049	3,513,049
Transfer to debt service	250,000	-	250,000	250,000
Total Expenditures and Other Financing Uses	<u>3,927,694</u>	<u>-</u>	<u>3,927,694</u>	<u>3,927,694</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ 272,978</u>	<u>\$ -</u>	<u>\$ 272,978</u>	<u>\$ 272,978</u>
Additional Project Information:				
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	23.99%			
Percentage of Completion	93.50%			
Original Target Completion Date	*			
Revised Target Completion Date	*			

* - Information not available

N/A - Not Applicable

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 Queen of Peace
From Inception and for the Fiscal Year Ended June 30, 2019

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
Transfer from capital reserve - general fund	\$ -	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000
Transfer from capital outlay - general fund	-	1,100,000	1,100,000	1,100,000
Total Revenues and Other Financing Sources	<u>-</u>	<u>8,100,000</u>	<u>8,100,000</u>	<u>8,100,000</u>
Expenditures and Other Financing Uses:				
Purchased professional and technical services	-	640,000	640,000	640,000
Total Expenditures and Other Financing Uses	<u>-</u>	<u>640,000</u>	<u>640,000</u>	<u>640,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ 7,460,000</u>	<u>\$ 7,460,000</u>	<u>\$ 7,460,000</u>
Additional Project Information:				
Project Number	N/A			
Grant Date	N/A			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 8,100,000			
Additional Authorized Cost	\$ -			
Revised Authorized Cost	\$ 8,100,000			
Percentage Increase over Original Authorized Cost	0.00%			
Percentage of Completion	7.90%			
Original Target Completion Date	*			
Revised Target Completion Date	*			

* - Information not available

N/A - Not Applicable

PROPRIETARY FUND

NORTH ARLINGTON SCHOOL DISTRICT
Enterprise Fund
Statement of Net Position
June 30, 2019

	Food Service Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 89,276
Accounts receivable	12,833
Interfund receivable	27,189
Inventory	5,383
Total current assets	134,681
Noncurrent assets:	
Equipment	289,550
Less: accumulated depreciation	(256,615)
Total noncurrent assets	32,935
Total assets	167,616
LIABILITIES	
Current liabilities:	
Accounts payable	2,636
Total liabilities	2,636
NET POSITION	
Investment in capital assets	32,935
Unrestricted	132,045
Total net position	\$ 164,980

NORTH ARLINGTON SCHOOL DISTRICT
Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position
for the Fiscal Year Ended June 30, 2019

	<u>Food Service Fund</u>
OPERATING REVENUES	
Charges for services:	
Daily sales - reimbursable programs	\$ 211,338
Daily sales - non-reimbursable programs	157,552
Total operating revenues	<u>368,890</u>
OPERATING EXPENSES	
Cost of sales - reimbursable programs	185,755
Cost of sales - non-reimbursable programs	58,357
Salaries and wages	163,616
Employee benefits	37,954
Supplies and materials	42,594
Insurance - Other	19,962
Uniforms	1,946
Other purchased services	33,408
Management fees	33,550
Depreciation expense	32,223
Total operating expenses	<u>609,365</u>
Operating (loss)	<u>(240,475)</u>
NONOPERATING REVENUES	
State sources:	
State school lunch program	6,193
Federal sources:	
Food distribution program	28,115
School breakfast program	7,335
National school lunch program	191,658
Total nonoperating revenues	<u>233,301</u>
Change in net position	(7,174)
Net position, July 1	172,154
Net position, June 30	<u><u>\$ 164,980</u></u>

NORTH ARLINGTON SCHOOL DISTRICT
Enterprise Fund
Statement of Cash Flows
for the Fiscal Year Ended June 30, 2019

	<u>Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 368,890
Payments to employees	(163,616)
Payments for employee benefits	(37,954)
Payments to suppliers	(356,036)
Net cash (used for) operating activities	<u>(188,716)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State sources	7,045
Federal sources	226,140
Operating subsidies and transfers	(27,189)
Net cash provided by non-capital financing activities	<u>205,996</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Assets	<u>(4,730)</u>
Net increase in cash and cash equivalents	12,550
Balance, July 1	76,726
Balance, June 30	<u>\$ 89,276</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED FOR) OPERATING ACTIVITIES:	
Operating (loss)	<u>\$ (240,475)</u>
Adjustment to reconcile operating (loss) to net cash (used for) operating activities:	
Depreciation	32,223
Food distribution program	28,115
Decrease in inventories	(634)
Decrease in accounts payable	(7,945)
Total adjustments	<u>51,759</u>
Net cash (used for) operating activities	<u>\$ (188,716)</u>
NON-CASH ACTIVITY FROM NON-CAPITAL FINANCING ACTIVITIES	
Food distribution program	<u>\$ 28,115</u>

FIDUCIARY FUNDS

NORTH ARLINGTON SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Fiduciary Net Position
June 30, 2019

	Private Purpose Scholarship Trust Funds	Agency Funds		Total June 30, 2019
		Student Activity	Payroll	
ASSETS				
Cash and cash equivalents	\$ 33,969	\$ 447,324	\$ 181,992	\$ 663,285
Total Assets	<u>\$ 33,969</u>	<u>\$ 447,324</u>	<u>\$ 181,992</u>	<u>\$ 663,285</u>
LIABILITIES				
Payroll deductions and withholdings	\$ -	\$ -	\$ 181,992	\$ 181,992
Due to student groups	-	447,324	-	447,324
Total Liabilities	<u>-</u>	<u>447,324</u>	<u>181,992</u>	<u>629,316</u>
NET POSITION				
Reserved for scholarships	33,969	-	-	33,969
Total Liabilities and Net Position	<u>\$ 33,969</u>	<u>\$ 447,324</u>	<u>\$ 181,992</u>	<u>\$ 663,285</u>

NORTH ARLINGTON SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Changes in Fiduciary Net Position
for the Fiscal Year Ended June 30, 2019

	Scholarship Funds	
	Estelle and William Murphy Scholarship	Total
ADDITIONS		
Local sources:		
Contributions	\$ 69,043	\$ 69,043
Total additions	69,043	69,043
DEDUCTIONS		
Scholarships awarded	52,136	52,136
Total deductions	52,136	52,136
Changes in net position	16,907	16,907
Net position, July 1	17,062	17,062
Net position, June 30	\$ 33,969	\$ 33,969

NORTH ARLINGTON SCHOOL DISTRICT
Fiduciary Funds
Agency Funds Schedule of Receipts and Disbursements
for the Fiscal Year Ended June 30, 2019

	<u>Balance, June 30, 2018</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2019</u>
ELEMENTARY SCHOOLS:				
Jefferson	\$ 1,469	\$ 7,041	\$ 7,245	\$ 1,265
Roosevelt	15,526	7,957	6,897	16,586
Washington	11,159	18,559	19,567	10,151
Total Elementary Schools	<u>28,154</u>	<u>33,557</u>	<u>33,709</u>	<u>28,002</u>
MIDDLE SCHOOL:				
Middle School	<u>15,974</u>	<u>39,066</u>	<u>45,366</u>	<u>9,674</u>
Total Middle School	<u>15,974</u>	<u>39,066</u>	<u>45,366</u>	<u>9,674</u>
SENIOR HIGH SCHOOL:				
Organization Fund	105,913	140,306	148,962	97,257
Athletic Fund	242,236	137,518	67,363	312,391
Total Senior High School	<u>348,149</u>	<u>277,824</u>	<u>216,325</u>	<u>409,648</u>
Total all schools	<u>\$ 392,277</u>	<u>\$ 350,447</u>	<u>\$ 295,400</u>	<u>\$ 447,324</u>

NORTH ARLINGTON SCHOOL DISTRICT
Fiduciary Funds
Payroll Agency Fund Schedule of Receipts and Disbursements
June 30, 2019

	<u>Balance, June 30, 2018</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2019</u>
PAYROLL AGENCY FUND:				
Gross payroll, deductions and withholdings	\$ 306,771	\$ 8,284,466	\$ 8,412,468	\$ 178,769
Accrued Salaries and Wages	<u>3,761</u>	<u>9,451,357</u>	<u>9,451,895</u>	<u>3,223</u>
Total Payroll Agency Fund	<u><u>\$ 310,532</u></u>	<u><u>\$ 17,735,823</u></u>	<u><u>\$ 17,864,363</u></u>	<u><u>\$ 181,992</u></u>

LONG TERM DEBT

NORTH ARLINGTON SCHOOL DISTRICT
Long Term Debt
Schedule of Serial Bonds
June 30, 2019

Issue	Date of Issue	Amount of Issue	Annual Maturities			Interest Rate (%)	Balance, June 30, 2018	Balance, June 30, 2019
			Date	Amount	Retired			
Refunding School Bonds, Series 2012	05/17/12	\$ 1,926,000	03/13/19	\$ 241,000	\$ 241,000	2.358	\$ -	\$ -
			03/13/20	248,000	-	2.659	248,000	248,000
			03/13/21	255,000	-	2.959	255,000	255,000
				744,000	241,000			503,000
School Bonds, Series 2013	09/12/13	3,388,000	08/01/18	175,000	-	2.250	175,000	-
			08/01/19	180,000	-	2.500	180,000	180,000
			08/01/20	185,000	-	2.500	185,000	185,000
			08/01/21	275,000	-	3.000	275,000	275,000
			08/01/22	275,000	-	3.000	275,000	275,000
			08/01/23	275,000	-	3.000	275,000	275,000
			08/01/24	275,000	-	3.000	275,000	275,000
			08/01/25	275,000	-	3.125	275,000	275,000
			08/01/26	275,000	-	3.125	275,000	275,000
			08/01/27	275,000	-	3.125	275,000	275,000
			08/01/28	273,000	-	3.125	273,000	273,000
				2,738,000	175,000			2,563,000
				\$ 3,482,000	\$ 416,000		\$ -	\$ 3,066,000

NORTH ARLINGTON SCHOOL DISTRICT
Long-Term Debt
Schedule of Obligations Under Capital Leases
for the Fiscal Year Ended June 30, 2019

Purpose	Date of Lease	Term of Lease	Amount of Original Lease		Interest Rate	Balance, June 30, 2018	Issued	Retired	Balance, June 30, 2019
			Principal	Interest					
Savin Copiers	12/15/14	5 years	\$ 108,737	\$ 10,591	4.45%	\$ 36,641	\$ -	\$ 22,890	\$ 13,751
Savin Copiers	05/31/17	5 years	35,001	4,899	6.50%	29,789	-	6,566	23,223
Savin Copiers	09/20/17	5 years	19,762	3,338	8.20%	17,473	-	3,619	13,854
						<u>\$ 83,903</u>	<u>\$ -</u>	<u>\$ 33,075</u>	<u>\$ 50,828</u>

NORTH ARLINGTON SCHOOL DISTRICT
Budgetary Comparison Schedule
Debt Service Fund
for the Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:					
Local sources:					
Local tax levy	\$ 514,529	\$ -	\$ 514,529	\$ 514,529	\$ -
Total revenues	<u>514,529</u>	<u>-</u>	<u>514,529</u>	<u>514,529</u>	<u>-</u>
EXPENDITURES:					
Regular debt service:					
Interest	98,529	-	98,529	98,455	(74)
Redemption of principal	<u>416,000</u>	<u>-</u>	<u>416,000</u>	<u>416,000</u>	<u>-</u>
Total regular debt service	<u>514,529</u>	<u>-</u>	<u>514,529</u>	<u>514,455</u>	<u>(74)</u>
Total expenditures	<u>514,529</u>	<u>-</u>	<u>514,529</u>	<u>514,455</u>	<u>(74)</u>
Excess of revenues over expenditures	-	-	-	74	74
Fund balances, July 1	-	-	-	<u>60</u>	<u>60</u>
Fund balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134</u>	<u>\$ 134</u>

STATISTICAL SECTION
(Unaudited)

FINANCIAL TRENDS

NORTH ARLINGTON SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(UNAUDITED)
(accrual basis of accounting)

	for the Fiscal Year ended June 30,									
	2010	2011	2012	2013 ⁽¹⁾	2014	2015 ⁽¹⁾	2016	2017	2018	2019
Governmental activities:										
Net invested in capital assets	\$ 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	\$ 8,572,834
Restricted	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	15,622,391
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	(396,870)	(169,339)	(101,808)	(244,919)	(249,894)	(6,107,665)	(6,424,540)	(7,218,531)	(7,571,398)	(5,559,858)
Total governmental activities net position	\$ 6,576,878	\$ 7,225,846	\$ 8,204,751	\$ 9,619,815	\$ 11,604,412	\$ 8,875,501	\$ 11,986,237	\$ 13,756,159	\$ 16,298,441	\$ 18,635,367
Business-type activity										
Net invested in capital assets	\$ 54,390	\$ 35,127	\$ 65,123	\$ 54,827	\$ 46,332	\$ 133,887	\$ 105,560	\$ 89,022	\$ 60,428	\$ 32,935
Unrestricted	128,316	158,085	136,208	163,421	181,316	39,587	60,854	81,855	111,726	132,045
Total business-type activities net position	\$ 182,706	\$ 193,212	\$ 201,331	\$ 218,248	\$ 227,648	\$ 173,474	\$ 166,414	\$ 170,877	\$ 172,154	\$ 164,980
Government-wide										
Net invested in capital assets	\$ 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	\$ 8,605,769
Restricted	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	15,622,391
Unrestricted	(268,354)	(11,254)	34,400	(81,498)	(68,578)	(6,068,078)	(6,363,686)	(7,136,676)	(7,459,672)	(5,427,813)
Total government-wide net position	\$ 6,759,584	\$ 7,419,058	\$ 8,406,082	\$ 9,838,063	\$ 11,832,060	\$ 9,048,975	\$ 12,152,651	\$ 13,927,036	\$ 16,470,595	\$ 18,800,347

Source: District Records

Note: (1) GASB 63 was implemented in the 2013 fiscal year, which required the reclassification of balances previously reported as net assets to net position.

(2) GASB 68 was implemented during the 2015 fiscal year, which required the restatement of beginning net position in the amount of \$5,767,563. The amount is not reflected in the June 30, 2014 net position, above.

NORTH ARLINGTON SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(UNAUDITED)
(accrual basis of accounting)

	for the Fiscal Year ended June 30,									
	2010 ⁽¹⁾	2011	2012	2013 ⁽²⁾	2014	2015 ⁽³⁾	2016	2017	2018 ⁽⁴⁾	2019
Expenses										
Governmental activities										
Instruction										
Regular	\$ 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	\$ 13,311,480
Special education	1,721,828	1,810,007	1,989,319	1,954,254	2,125,927	2,030,437	2,087,676	2,280,091	2,555,923	4,431,786
Other special instruction	560,966	555,016	555,132	638,030	615,017	577,696	588,059	609,695	510,821	965,266
Other instruction	414,466	428,081	443,665	427,481	444,908	623,595	610,957	631,310	496,872	857,983
Support Services:										
Tuition	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	2,868,242
Student & instruction related services	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	3,726,990
School administrative services	1,243,270	978,619	1,079,440	1,110,717	1,110,717	1,086,513	1,125,000	1,126,157	1,248,889	1,800,020
General and business administrative services	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	2,829,179
Plant operations and maintenance	1,967,639	2,323,264	2,277,546	2,277,546	2,613,962	2,204,459	2,239,083	2,891,272	2,566,275	3,424,949
Pupil transportation	628,640	603,967	513,259	560,769	485,894	435,590	428,947	530,894	730,209	1,028,972
Charter Schools	-	-	17,872	11,458	9,521	-	16,810	61,554	74,557	100,781
Unallocated/Depreciation	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 liabilities	269,316	229,466	189,216	174,259	54,067	158,154	120,549	114,429	107,327	101,845
Total governmental activities expenses	25,454,679	25,872,440	26,086,919	26,578,319	26,267,391	28,284,969	29,605,741	34,104,465	34,594,040	35,447,493
Business-type activity:										
Food service	460,444	467,468	491,495	497,395	543,508	590,338	553,038	542,446	550,097	609,365
Total business-type activities expense	460,444	467,468	491,495	497,395	543,508	590,338	553,038	542,446	550,097	609,365
Total government-wide expenses	\$ 25,915,123	\$ 26,339,908	\$ 26,578,414	\$ 27,075,714	\$ 26,810,899	\$ 28,875,307	\$ 30,158,779	\$ 34,646,911	\$ 35,144,137	\$ 36,056,858
Program Revenues										
Governmental activities:										
Changes for Services	1,503,513	1,399,488	1,148,000	26,072	28,811	5,422	17,375	12,701	8,784	3,676,185
Operating grants and contributions	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	3,676,185
Total governmental activities program revenues	1,503,513	1,399,488	1,170,415	1,115,885	1,082,848	1,068,587	1,082,931	966,632	880,100	3,676,185
Business-type activity:										
Changes for services										
Food service	311,532	327,425	314,743	324,048	335,816	320,498	310,183	312,361	328,435	368,890
Operating grants and contributions	157,164	160,533	187,077	190,264	217,092	215,666	235,795	234,548	222,939	233,301
Total business-type activities program revenues	468,696	487,958	501,820	514,312	552,908	536,164	545,978	546,909	551,374	602,191
Total government-wide program revenues	\$ 1,972,209	\$ 1,887,446	\$ 1,672,235	\$ 1,630,197	\$ 1,635,756	\$ 1,604,751	\$ 1,628,909	\$ 1,513,541	\$ 1,431,474	\$ 4,278,376
Net (Expense)/Revenue										
Governmental activities	\$ (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)	\$ (31,771,308)
Business-type activity	8,252	20,490	10,325	16,917	9,400	(54,174)	(7,060)	4,463	1,277	(7,174)
Total government-wide net expense	\$ (23,942,914)	\$ (24,452,462)	\$ (24,906,179)	\$ (25,445,517)	\$ (25,175,143)	\$ (27,270,556)	\$ (28,529,870)	\$ (33,133,370)	\$ (33,712,663)	\$ (31,778,482)

NORTH ARLINGTON SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(UNAUDITED)
(accrual basis of accounting)

	for the Fiscal Year ended June 30,									
	2010 ⁽¹⁾	2011	2012	2013 ⁽²⁾	2014	2015 ⁽³⁾	2016	2017	2018 ⁽⁴⁾	2019
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 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	\$ 25,775,293
Taxes levied for debt service	1,021,317	989,466	958,216	926,091	805,957	533,154	491,331	410,429	363,386	514,529
Federal and State aid not restricted	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	7,387,921
Investment earnings	51,654	53,093	26,351	32,471	33,409	11,340	17,592	26,686	85,424	166,243
Miscellaneous income	132,777	514,890	142,180	177,970	55,456	183,139	99,998	181,337	17,408	264,248
Prior Year Payables Cancelled	(19,760)	(58,825)	-	(8,589)	(129,353)	3,900	100,652	82,264	16,095	-
Special items	(19,760)	(58,825)	(118,939)	(8,589)	(129,353)	(8,830)	-	190,715	196,020	-
Transfers	-	-	60,000	-	30,149	-	29,900	-	-	-
Total governmental activities	23,862,649	25,121,920	25,895,409	26,877,498	27,169,140	30,255,034	31,633,546	34,907,755	36,256,222	34,108,234
Business-type activity:										
Special items	-	(9,984)	(2,206)	-	-	-	-	-	-	-
Total business-type activities	-	(9,984)	(2,206)	-	-	-	-	-	-	-
Total government-wide	23,862,649	25,111,936	25,893,203	26,877,498	27,169,140	30,255,034	31,633,546	34,907,755	36,256,222	34,108,234
Change in Net Position										
Governmental activities	\$ (88,517)	\$ 648,968	\$ 978,905	\$ 1,415,064	\$ 1,984,597	\$ 3,038,652	\$ 3,110,736	\$ 1,769,922	\$ 2,542,282	\$ 2,336,926
Business-type activity	8,252	10,506	8,119	16,917	9,400	(54,174)	(7,060)	4,463	1,277	(7,174)
Total government-wide	\$ (80,265)	\$ 659,474	\$ 987,024	\$ 1,431,981	\$ 1,993,997	\$ 2,984,478	\$ 3,103,676	\$ 1,774,385	\$ 2,543,559	\$ 2,329,752

Source: District Records

Note: (1) As recommended by the NJ Department of Education, beginning with year June 30, 2010:

- Tuition, Special Schools and Charter Schools expenses are no longer allocated amongst other District expenses.
- Central services and administrative information technology expenses were not combined as business and central services expenses.

(2) GASB 63 was implemented in the 2013 fiscal year, which required the reclassification of balances previously reported as net assets to net position.

(3) GASB 68 was implemented in the 2015 fiscal year where additional on-behalf TPAF pension expense and offsetting contribution is reported.

(4) GASB 75 was implemented in the 2018 fiscal year, where additional on-behalf OPEB expense and offsetting contribution is reported.

**NORTH ARLINGTON SCHOOL DISTRICT
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(UNAUDITED)**

(modified accrual basis of accounting)

	for the Fiscal Year ended June 30,									
	2010	2011 ⁽¹⁾	2012	2013	2014	2015	2016	2017	2018	2019
General Fund:										
Restricted	\$ 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	\$ 8,435,087
Committed	-	40,439	71,336	335,185	490,250	253,214	365,886	338,675	640,289	-
Assigned	-	623,272	664,398	300,000	-	-	-	-	-	396,448
Unassigned	245,151	385,295	399,829	353,418	321,595	318,266	299,509	306,372	308,732	413,484
Total general fund	\$ 2,207,943	\$ 2,557,623	\$ 2,884,358	\$ 3,381,947	\$ 4,984,369	\$ 6,985,492	\$ 9,932,824	\$ 12,792,723	\$ 14,946,590	\$ 9,245,019
All Other Governmental Funds:										
Unassigned:										
Capital projects fund	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	8,889,241
Debt Service fund	2	2	88,331	23,163	22,219	22,219	1	1	60	134
Total all other governmental funds	\$ 622,060	\$ 619,460	\$ 1,161,447	\$ 2,633,775	\$ 1,655,462	\$ 1,848,355	\$ 1,139,528	\$ 1,010,700	\$ 1,445,392	\$ 8,889,375

Source: District Records

Note: (1) In 2011, the District implemented GASB Statement 54 which requires fund balance to be reported as restricted, committed, assigned and unassigned.

**NORTH ARLINGTON SCHOOL DISTRICT
CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
(UNAUDITED)
(modified accrual basis of accounting)**

	for the Fiscal Year ended June 30,									
	2010 ⁽¹⁾	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Tax levy	\$ 20,434,685	\$ 21,904,012	\$ 22,291,053	\$ 22,685,585	\$ 23,231,977	\$ 23,407,694	\$ 23,835,912	\$ 24,438,749	\$ 25,597,968	\$ 26,289,822
Tuition Charges	-	-	11,480	26,072	28,811	5,422	17,375	12,701	8,784	-
Interest Earnings	51,654	53,093	26,351	33,409	11,340	17,592	26,686	26,686	85,424	166,243
Miscellaneous	144,887	523,825	142,180	177,970	55,456	183,139	99,998	181,337	213,428	264,248
Local Sources	-	-	29,484	24,762	25,800	28,085	18,558	11,845	-	-
State sources	3,464,875	3,054,791	3,714,127	4,299,727	4,246,952	4,580,144	4,804,195	5,176,211	5,815,127	661,802
Federal sources	1,289,821	1,044,512	910,088	755,385	695,122	717,211	744,400	648,381	760,673	7,573,746
Total revenue	25,385,922	26,580,233	27,124,763	28,001,972	28,317,527	28,933,035	29,538,030	30,495,910	32,481,404	34,955,861
Expenditures										
Instruction	9,436,061	9,867,156	9,918,078	9,989,620	10,452,901	10,487,777	10,132,490	10,662,799	11,007,281	8,311,725
Regular	-	-	-	-	-	-	-	-	-	2,716,405
Special	-	-	-	-	-	-	-	-	-	592,743
Other special instruction	-	-	-	-	-	-	-	-	-	574,160
School-sponsored/other instructional	-	-	-	-	-	-	-	-	-	-
Support Services	-	-	-	-	-	-	-	-	-	-
Tuition	-	-	-	-	-	-	-	-	-	-
Student & instruction related services	-	-	-	-	-	-	-	-	-	2,763,740
School administration	-	-	-	-	-	-	-	-	-	2,591,950
Other administration	-	-	-	-	-	-	-	-	-	1,324,587
Operations and maintenance	-	-	-	-	-	-	-	-	-	1,255,794
Student transportation	-	-	-	-	-	-	-	-	-	2,824,362
Employee benefits	-	-	-	-	-	-	-	-	-	991,483
Charter schools	-	-	17,872	11,458	9,521	-	16,810	61,554	74,557	100,781
Undistributed	13,496,606	13,709,441	13,730,942	14,195,779	13,585,234	13,234,101	13,981,547	15,525,897	16,655,626	-
Special Revenue	1,248,662	1,399,488	1,158,935	1,089,813	1,054,037	1,063,165	1,065,556	953,931	906,311	-
Debt Service	1,021,316	989,466	958,216	991,259	872,067	533,154	513,549	510,429	513,327	514,455
Capital Outlay	612,923	267,602	735,241	950,800	4,040,464	1,533,459	1,720,125	132,493	806,601	1,554,430
Total Expenditures	25,815,568	26,233,153	26,519,284	27,228,729	30,014,224	26,851,656	27,430,077	27,847,103	29,963,703	33,228,574
Excess (Deficiency) of revenues over (under) expenditures	(429,646)	347,080	605,479	773,243	(1,696,697)	2,081,379	2,107,953	2,648,807	2,517,701	1,727,287
Other Financing sources (uses)										
Refunding of Bonds	-	-	-	-	(1,150,000)	-	-	-	-	-
Proceeds from Borrowing	-	-	88,329	1,150,000	3,388,000	-	-	-	-	-
Transfers in and Prior Year Payables cancelled	-	-	60,000	-	63,814	3,900	130,552	182,264	576,095	-
Transfers out	-	-	-	-	-	-	-	(100,000)	(560,000)	-
Capital lease (Non-budgeted)	-	-	114,914	46,674	18,992	108,737	-	-	54,763	-
Total other financing sources (uses)	-	-	263,243	1,196,674	2,320,806	112,637	130,552	82,264	70,858	-
Net change in fund balances	\$ (429,646)	\$ 347,080	\$ 868,722	\$ 1,969,917	\$ 624,109	\$ 2,194,016	\$ 2,238,505	\$ 2,731,071	\$ 2,588,550	\$ 1,727,287
Debt service as a percentage of noncapital expenditures	3.96%	3.77%	3.61%	3.64%	2.91%	1.99%	1.87%	1.83%	1.71%	1.55%

Source: District Records (GAAP Basis)

Note: Noncapital expenditures are total expenditures less capital outlay.

(1) As recommended by the NJ Department of Education, beginning with year June 30, 2010:

- Tuition, Special Schools and Charter Schools expenses are no longer allocated amongst other District expenses.
- Central services and administrative information technology expenses were not combined as business and central services expenses.
- Under the modified accrual basis, debt service for capital leases directly funded by the District are not segregated from their original expense classifications.

NORTH ARLINGTON SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE (NJ)
FOR THE LAST TEN FISCAL YEARS
(UNAUDITED)

Description	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Tuition	\$ 7,568	\$ 8,784	\$ 12,701	\$ 17,375	\$ 48,422	\$ 28,811	\$ 26,072	\$ 11,480	\$ -	\$ 9,797
Interest on investments	166,243	85,424	26,686	17,592	11,340	33,409	32,471	26,351	53,093	51,654
Insurance Refunds	-	-	68,137	7,326	34,805	9,474	1,061	-	-	-
Accounts Payable Cancelled	-	-	46,483	40,722	64,224	17,701	16,424	-	2,301	22,360
Prior year refunds	34,569	8,109	6,038	6,189	11,560	9,366	26,262	26,231	43,813	-
Health Benefits	-	-	-	-	-	-	-	-	393,688	-
Gate Receipts	-	6,389	8,155	8,319	7,117	6,530	6,218	5,044	-	-
Miscellaneous	222,111	2,910	38,473	18,349	2,382	-	99,723	84,924	56,736	78,280
Custodial Overtime	-	-	14,051	19,093	20,051	12,385	28,282	25,981	18,352	12,340
Local Grant	-	-	-	-	-	-	-	-	8,935	22,110
Total	\$ 430,491	\$ 111,616	\$ 220,724	\$ 134,965	\$ 199,901	\$ 117,676	\$ 236,513	\$ 180,011	\$ 576,918	\$ 196,541

Source: District Records

REVENUE CAPACITY

**NORTH ARLINGTON SCHOOL DISTRICT
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 FOR THE LAST TEN YEARS
 (UNAUDITED)**

Year Ended June 30,	Net Assessed Valuations	Estimated Full Cash Valuations	Percentage of Net Assessed to Estimated Full Cash Valuations
2010	\$ 818,276,651	\$ 1,762,686,879	46.42%
2011 ⁽¹⁾	1,508,037,889	1,573,385,021	95.85%
2012	1,503,208,307	1,586,564,192	94.75%
2013	1,477,053,100	1,455,654,972	101.47%
2014	1,481,585,175	1,479,070,755	100.17%
2015	1,474,919,975	1,472,416,866	100.17%
2016	1,475,277,675	1,540,759,974	95.75%
2017	1,605,684,400	1,583,983,822	101.37%
2018	1,643,069,600	1,639,953,688	100.19%
2019	1,711,820,000	1,738,947,582	98.44%

Source: Certification Schedule of the General Tax Rate from Borough Tax Assessor and County Abstract of Ratables from County Board of Taxation.

Note: (1) The Borough of North Arlington performed a revaluation for calendar year 2011 where values were adjusted to market.

**NORTH ARLINGTON SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAXES
PER \$100.00 OF ASSESSED VALUATION
FOR THE LAST TEN YEARS
(UNAUDITED)**

Assessment Year	Direct Rate	Overlapping Rates			Total Direct and Overlapping Tax Rate
	North Arlington School District	Borough of North Arlington	North Arlington Library	Bergen County	
2010	2.586	1.733	0.000	0.423	4.74
2011 ⁽¹⁾	1.511	0.923	0.036	0.218	2.69
2012	1.450	0.987	0.035	0.233	2.71
2013	1.450	1.022	0.035	0.233	2.74
2014	1.554	1.052	0.033	0.229	2.87
2015	1.600	1.139	0.033	0.241	3.01
2016	1.637	1.170	0.035	0.257	3.10
2017	1.558	1.085	0.032	0.249	2.92
2018	1.572	1.064	0.033	0.236	2.91
2019	1.549	1.040	0.034	0.248	2.87

Source: Certification Schedule of the General Tax Rate, Tax Assessor.

Note: (1) The Borough of North Arlington performed a revaluation for calendar year 2011 where values were adjusted to market.

**NORTH ARLINGTON SCHOOL DISTRICT
PRINCIPAL PROPERTY TAXPAYERS
FOR THE CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)**

Taxpayers	2019 ⁽¹⁾			2010 ⁽¹⁾		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
		1	0.00%		1	0.00%
		2	0.00%		2	0.00%
		3	0.00%		3	0.00%
		4	0.00%		4	0.00%
		5	0.00%		5	0.00%
		6	0.00%		6	0.00%
		7	0.00%		7	0.00%
		8	0.00%		8	0.00%
		9	0.00%		9	0.00%
		10	0.00%		10	0.00%
Total	\$ -		0.00%	\$ -		0.00%

Note: (1) Information was not available.

**NORTH ARLINGTON SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
FOR THE LAST TEN YEARS
(UNAUDITED)**

<u>Year Ended December 31,</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections*</u>	<u>Percent of Tax Levy Collected</u>
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%
2019	26,289,822	26,289,822	100.00%

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

Note: * 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.

DEBT CAPACITY

**NORTH ARLINGTON SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
FOR THE LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year Ended June 30,	Governmental Activities				Total District	Percentage of Personal Income	Per Capita
	General	Capital Leases	Bond	Anticipation Notes (BANs)			
	Obligation Bonds						
2010	4,702,000	\$ 45,980	-	-	\$ 4,747,980	(1)	\$ 323
2011	3,942,000	11,446	-	-	3,953,446	(1)	276
2012	3,299,000	99,713	-	-	3,398,713	(1)	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
2019	3,066,000	50,828	-	-	3,116,828	(1)	(1)

Source: Details regarding the District's outstanding liabilities can be found in the notes to the basic financial statements.

Personal income and population data was provided by the U.S. Bureau of the Census, Population Division. These ratios are calculated using personal income and population for the prior calendar year.

Note: (1) Information was not available at the time of the audit.

**NORTH ARLINGTON SCHOOL DISTRICT
RATIO OF GENERAL BONDED DEBT OUTSTANDING
FOR THE LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2010	\$ 4,702,000	\$ -	\$ 4,702,000	0.57%	\$ 320
2011 ⁽¹⁾	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
2019	3,066,000	-	3,066,000	0.18%	(2)

Source: Debt outstanding data can be found in the notes to the financial statements. Assessed valuations were provided by the Abstract of Rates, County Board of Taxation. School District population data was estimated by the U.S. Bureau of the Census, Population Division.

Note: (1) The Borough of North Arlington performed a revaluation for calendar year 2011 where values were adjusted to market.

(2) Information was not available at the time of the audit.

**NORTH ARLINGTON SCHOOL DISTRICT
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)**

	Debt <u>Outstanding</u>	Estimated Percentage <u>Applicable ^a</u>	Estimated Share of Overlapping <u>Debt</u>
Debt repaid with property taxes			
North Arlington Municipality (1)	\$ 14,557,318	100%	\$ 14,557,318
County of Bergen(2)	876,045,844	1.03%	<u>9,023,272</u>
Subtotal, overlapping debt			<u>23,580,590</u>
North Arlington School District, Direct Debt			<u>3,066,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 26,646,590</u></u>

Source: North Arlington Municipality's Chief Financial Officer and Annual Debt Statement
Bergen county Treasurer's office

Note: The source for this computation was the 2019 table of equalized value, which is supplied
by the New Jersey Division of Taxation

DEMOGRAPHIC AND ECONOMIC INFORMATION

**NORTH ARLINGTON SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
FOR THE LAST TEN YEARS
(UNAUDITED)**

<u>Year Ended December 31,</u>	<u>Population</u>	<u>Personal Income</u>	<u>Total Per Capita Income</u>	<u>Unemployment Rate</u>
2010	14,322	\$ 966,591,780	\$ 67,490	7.90
2011	15,494	(1)	(1)	7.90
2012	(1)	(1)	(1)	(1)
2013	15,392	1,017,423,168	66,096	8.60
2014	15,632	1,092,973,808	69,919	5.60
2015	15,723	1,092,669,885	69,495	4.60
2016	15,904	1,169,516,544	73,536	5.80
2017	15,868	1,203,571,932	75,849	4.10
2018	16,009	1,235,686,683	77,187	3.30
2019	(1)	(1)	(1)	(1)

Source: Unemployment information provided by the NJ Department of Labor and Workforce Development. Population and per capita income is estimated based upon the American Community Surveys published by the US Bureau of Economic Analysis. Personal income has been estimated based upon the municipal population and per capita personal income presented.

Note: Information was not available at time of the audit.

**NORTH ARLINGTON SCHOOL DISTRICT
PRINCIPAL EMPLOYER
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)**

Employer	2019 ⁽¹⁾			2010 ⁽¹⁾		
	Employees	Rank (Optional)	Percentage of Total Municipal Employment	Employees	Rank (Optional)	Percentage of Total Municipal Employment
		1	0.00%		1	0.00%
		2	0.00%		2	0.00%
		3	0.00%		3	0.00%
		4	0.00%		4	0.00%
		5	0.00%		5	0.00%
		6	0.00%		6	0.00%
		7	0.00%		7	0.00%
		8	0.00%		8	0.00%
		9	0.00%		9	0.00%
		10	0.00%		10	0.00%
	0		0.00%			0.00%

Note: (1) Information was not available.

OPERATING INFORMATION

NORTH ARLINGTON SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY
FUNCTION/PROGRAM
FOR THE LAST TEN FISCAL YEARS
(UNAUDITED)

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Instruction	108	96	95	101	98	100	107	101	130	111
Regular	23	32	31	33	37	34	39	37	23	33
Special education	-	-	3	2	2	40	42	61	66	50
Other special education	50	50	-	-	-	-	-	-	-	-
Vocational	-	-	6	6	6	5	7	6	4	4
Other Instruction - Supervisors	-	-	-	-	-	-	-	-	-	-
Support Services:										
Student & instruction related services	21	17	8	6	6	20	20	16	22	23
General administration	3	3	8	8	8	4	4	3	3	3
School administrative services	12	12	7	-	-	12	12	13	17	14
Other administrative services	-	-	6	6	6	2	2	1	1	1
Central services	5	5	12	11	11	6	6	6	6	7
Administrative Information Technology	-	-	1	1	1	2	2	2	2	2
Plant operations and maintenance	16	16	16	16	17	17	17	17	16	16
Student transportation	-	1	1	1	1	1	1	1	1	1
Other support services	-	-	31	36	36	-	-	-	-	-
Total	238	232	225	227	229	243	259	264	291	265

Source: Provided by Human Resources

**NORTH ARLINGTON SCHOOL DISTRICT
OPERATING STATISTICS
FOR THE LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Pupil/Teacher Ratio				Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
					Teaching Staff ^b	Elementary	Middle School	Senior High School				
2010	1,603	\$ 24,181,229	\$ 15,085	1.25%	(1)	13.9:1	11.3:1	9.9:1	(1)	(1)	(1)	94.90%
2011	1,607	24,976,085	15,542	3.03%	119	(1)	(1)	(1)	1,618	1,535	UA	95.20%
2012	1,644	24,825,827	15,101	-2.84%	143	(1)	11.5:1	9.5:1	1,645	1,566	2.02%	95.08%
2013	1,715	25,286,670	14,744	-2.36%	135	16.4:1	13.7:1	10.3:1	1,709	1,625	3.89%	95.56%
2014	1,748	25,101,693	14,360	-2.61%	156	15.1:1	11.0:1	7.8:1	1,737	1,660	1.64%	95.75%
2015	1,734	24,785,043	14,294	-0.46%	158	14.6:1	11.2:1	7.5:1	1,718	1,645	-1.09%	95.31%
2016	1,761	25,196,403	14,284	-0.01%	143	13.7:1	13.0:1	10.1:1	1,768	1,685	2.90%	95.46%
2017	1,761	27,204,181	15,511	0.08%	142	(1)	(1)	(1)	1,770	1,790	3.03%	95.74%
2018	1,775	28,643,775	16,137	0.04%	148	(1)	(1)	(1)	1,770	1,697	0.11%	95.76%
2019	1,833	31,159,689	16,999	3.27%	144	(1)	(1)	(1)	1,839	1,761	3.90%	95.76%

Source: District records and school performance reports

Note: Enrollment based on annual October district count.

a. Operating expenditures equal total expenditures less debt service and capital outlay.

b. Teaching staff includes only full-time equivalents of certificated staff.

c. Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS)

(1) Information not available at time of the audit

NORTH ARLINGTON SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
FOR THE LAST TEN FISCAL YEARS
(UNAUDITED)

District Building	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Elementary										
Washington										
Square Feet	34,274	34,274	34,274	34,274	34,274	34,274	34,274	34,274	34,274	34,274
Capacity (students)	236	236	236	236	236	236	236	236	236	236
Enrollment	253	253	253	253	339	316	326	355	354	355
Roosevelt										
Square Feet	25,024	25,024	25,024	25,024	25,024	25,024	25,024	25,024	25,024	25,024
Capacity (students)	189	189	189	189	189	189	189	189	189	189
Enrollment	186	186	186	186	256	251	238	239	221	234
Jefferson										
Square Feet	24,836	24,836	24,836	24,836	24,836	24,836	24,836	24,836	24,836	24,836
Capacity (students)	250	250	250	250	250	250	250	250	250	250
Enrollment	299	299	299	299	306	305	311	299	293	299
Middle School										
North Arlington Middle School										
Square Feet	52,039	52,039	52,039	52,039	52,039	52,039	52,039	52,039	52,039	52,039
Capacity (students)	260	260	260	260	260	260	260	260	260	260
Enrollment	337	337	337	337	364	382	404	406	402	410
High School										
North Arlington High School										
Square Feet	89,623	89,623	89,623	89,623	89,623	89,623	89,623	89,623	89,623	89,623
Capacity (students)	510	510	510	510	510	510	510	510	510	510
Enrollment	522	522	522	522	483	480	485	462	505	535

Number of Schools at June 30, 2019

Elementary = 3

Middle School = 1

High School = 1

Source: School District Annual Budget Amount Worksheet (Form M-1) and School Register Summary.

**NORTH ARLINGTON SCHOOL DISTRICT
SCHEDULE OF ALLOWABLE MAINTENANCE EXPENDITURES BY SCHOOL FACILITY (NJ)
FOR THE LAST TEN FISCAL YEARS
(UNAUDITED)**

**UNDISTRIBUTED EXPENDITURES - REQUIRED
MAINTENANCE FOR SCHOOL FACILITIES**

* School Facilities	Project # (s)	2018	2018	2017	2016	2015	2014	2013	2012	2011	2010
Washington	5240070	\$ 127,972	\$ 194,596	\$ 109,782	\$ 107,893	\$ 184,159	\$ 127,805	\$ 159,166	\$ 86,506	\$ 128,001	\$ 90,405
Roosevelt	5240080	93,440	80,997	80,057	92,784	272,220	105,610	77,372	101,396	102,220	71,734
Jefferson	5240090	92,731	85,057	147,372	54,059	57,628	146,010	206,100	120,715	72,364	52,257
Middle School	5240060	194,307	255,372	161,122	129,703	171,771	168,398	66,665	163,966	163,462	117,227
High School	5240060	334,639	194,216	571,410	168,931	156,012	460,416	254,311	313,644	355,676	214,282
Total School Facilities		\$ 843,089	\$ 810,238	\$ 1,069,743	\$ 553,370	\$ 841,790	\$ 1,008,239	\$ 763,614	\$ 786,227	\$ 821,723	\$ 545,905

Source: School District Annual Maintenance Budget Amount Worksheet (Form M-1)

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

**NORTH ARLINGTON SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2019
(UNAUDITED)**

	Coverage	Deductible
School Package Policy-School Alliance Insurance Fund		
Property- Blanket Building & Contents	\$ 62,241,672	\$ 2,500
Flood (Except A & V Zones)	10,000,000	2,500
Earthquake	25,000,000	2,500
Boiler & Machinery	100,000,000	2,500
Blanket Dishonesty Bond	500,000	1,000
Money & Securities (Inside and Outside Premises)	50,000	1,000
Computer Fraud	50,000	1,000
Comprehensive General Liability		
Per Occurrence	5,000,000	None
Aggregate	5,000,000	None
Comprehensive Automobile Liability	5,000,000	None
Auto Physical Damage	Actual Cash Value	1,000
Cyber Liability	2,000,000	10,000
Commercial Environmental Impairment Liability- School Alliance Insurance Fund		
Each Incident	1,000,000	10,000
Pool Aggregate	25,000,000	
School Leaders Professional Liability-School Alliance Insurance Fund		
Each Loss	5,000,000	5,000
Annual Aggregate	5,000,000	
IEP Hearing Limit of Liability	100,000	5,000
Crisis Fund Member Sublimit	25,000	N/A
Excess Liability- School Alliance Insurance Fund		
Excess Policy per occ/agg	5,000,000	None
Excess Liability- New Jersey Unshared Excess Program		
Per Occurrence	30,000,000	None
Aggregate	30,000,000	
Additional Excess Liability- Firemen's Fund		
Per Occurrence	50,000,000	
Aggregate	50,000,000	
Student Accident Insurance- Monarch Management Corp.		
Mandatory Plan- Excess	25,000	None
Catastrophic Plan- Excess	7,500,000	25,000
Commercial Flood Insurance (River Road Athletic Field) -RSUI Indemnity Co.		
Per Occurrence	1,000,000	250,000
Annual Aggregate	1,000,000	
NFIP Flood Insurance (River Road Buildings 1 & 2) -American Bankers Ins. Co of Florida		
Building	500,000	50,000
Contents	500,000	50,000
Public Official Bond- Hartford Fire Insurance Co.		
Business Administrator/Board Secretary- Kathleen Marano	250,000	None

Source: District Records

SINGLE AUDIT SECTION

DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

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EXHIBIT K-1

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the North Arlington School District, in the County of Bergen, State of New Jersey, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise of the North Arlington School District's basic financial statements, and have issued our report thereon dated December 16, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the North Arlington District'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 North Arlington School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the North Arlington District's internal control.

EXHIBIT K-1

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the North Arlington School District in a separate auditor's management report dated December 16, 2019 as required by the Division of Finance, Department of Education, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



MAURICIO CANTO
Certified Public Accountant
Licensed Public School Accountant
No. 2541



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

Bayonne, New Jersey
December 16, 2019

DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

Certified Public Accountants

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EXHIBIT K-2

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

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

Report on Compliance for Each Major Federal and State Program

We have audited the North Arlington School District, in the County of Bergen, State of New Jersey compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the North Arlington School District's major federal and state programs for the year ended June 30, 2019. The North Arlington School District'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 North Arlington School District'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; 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's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, the Uniform Guidance and New Jersey OMB's 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 North Arlington School District'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 North Arlington School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the North Arlington School District complied, in all material respects, with the type 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, 2019.

Report on Internal Control Over Compliance

Management of the North Arlington School District is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the North Arlington School District'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's 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 North Arlington School District's internal control over compliance.

EXHIBIT K-2

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's Circular 15-08. Accordingly, this report is not suitable for any other purpose.



MAURICIO CANTO
Certified Public Accountant
Licensed Public School Accountant
No. 2541



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

Bayonne, New Jersey
December 16, 2019

NORTH ARLINGTON SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the Fiscal Year Ended June 30, 2019

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL FAIN NUMBER	PROGRAM OR AWARD AMOUNT	GRANT PERIOD FROM TO	BALANCE AT JUNE 30, 2018	CASH RECEIVED	BUDGETARY EXPENDITURES	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2019 (ACCOUNTS RECEIVABLE)	DUE TO GRANTOR
ENTERPRISE FUND										
U.S. DEPARTMENT OF AGRICULTURE										
PASSED-THROUGH STATE										
DEPARTMENT OF EDUCATION:										
School Breakfast Program	10.553	191N304N1099	\$ 7,335	07/01/18 06/30/19	\$ -	\$ 6,933	\$ (7,335)	\$ -	\$ (402)	\$ -
School Breakfast Program	10.553	181N304N1099	5,088	07/01/17 06/30/18	(1,301)	1,301	-	-	-	-
National School Lunch Program	10.555	191N304N1099	191,658	07/01/18 06/30/19	-	179,605	(191,658)	-	(12,053)	-
National School Lunch Program	10.555	181N304N1099	178,557	07/01/17 06/30/18	(38,301)	38,301	-	-	-	-
Child Nutrition Cluster					(39,602)	226,140	(198,993)	-	(12,455)	-
Commodity Supplemental Food Program	10.565	181N304N1099	28,115	07/01/18 06/30/19	-	28,115	(28,115)	-	-	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE										
TOTAL ENTERPRISE FUND										
SPECIAL REVENUE FUND										
U.S. DEPARTMENT OF EDUCATION										
PASSED-THROUGH STATE										
DEPARTMENT OF EDUCATION:										
Elementary and Secondary Education Act (ESEA):										
Title I, Part A Basic	84.010A	S010A170030	186,232	07/01/18 06/30/19	39,200	186,232	(145,002)	(39,200)	-	41,230
Title II, Part A Teacher & Principal Training	84.367A	S367A180029	37,238	07/01/18 06/30/19	7,000	37,238	(29,606)	(7,000)	-	7,632
Title III, Part A English Language Acquisition	84.365A	S365A160030	18,146	07/01/18 06/30/19	3,839	18,227	(13,983)	(3,920)	-	4,163
Title IV, Student Support	84.424	S365A160030	11,196	07/01/18 06/30/19	-	11,196	(11,196)	-	-	-
IDEA, Basic	84.027	H027A160100	436,756	07/01/18 06/30/19	(74,638)	502,422	(436,756)	-	(8,962)	-
IDEA, Preschool	84.173	H173A160114	16,216	07/01/18 06/30/19	-	16,216	(16,216)	-	-	-
IDEA Cluster					(74,638)	518,638	(452,972)	-	(8,962)	-
TOTAL U.S. DEPARTMENT OF EDUCATION										
TOTAL SPECIAL REVENUE FUND										
GENERAL FUND										
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES										
PASSED-THROUGH STATE										
DEPARTMENT OF HUMAN SERVICES:										
Special Education Medicaid Initiative (SEMI)										
	93.778	1705N5MAP	8,493	07/01/18 06/30/19	-	8,493	(8,493)	-	-	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES										
TOTAL GENERAL FUND										
TOTAL FEDERAL AWARDS										
			\$ 1,034,279		\$ (64,191)	\$ 1,034,279	\$ (888,360)	\$ (50,120)	\$ (21,417)	\$ 53,025

Note: There were no expenditures passed through to subrecipients.

NORTH ARLINGTON SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
for the Fiscal Year Ended June 30, 2019

STATE GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROGRAM NUMBER	PROGRAM OR AWARD AMOUNT	GRANT PERIOD FROM TO	BALANCE AT JUNE 30, 2018	CASH RECEIVED	BUDGETARY EXPENDITURES	REPAYMENT OF PRIOR YEARS' BALANCES	MEMO		CUMULATIVE TOTAL EXPENDITURES
								(ACCOUNTS RECEIVABLE)	DUE TO GRANTOR	
GENERAL FUND										
STATE DEPARTMENT OF EDUCATION										
Equalization Aid	19-495-034-5120-078	\$ 1,292,668	07/01/18 06/30/19	\$ -	\$ 1,292,668	\$ (1,292,668)	\$ -	\$ -	\$ -	\$ (1,292,668)
Transportation Aid	19-495-034-5120-014	184,243	07/01/18 06/30/19	-	184,243	(184,243)	-	-	-	(184,243)
Special Education Categorical Aid	19-495-034-5120-089	1,574,641	07/01/18 06/30/19	-	1,574,641	(1,574,641)	-	-	-	(1,574,641)
Security Aid	19-495-034-5120-084	224,941	07/01/18 06/30/19	-	224,941	(224,941)	-	-	-	(224,941)
Extraordinary Aid	19-495-034-5120-044	341,852	07/01/18 06/30/19	-	-	(341,852)	-	(341,852)	-	(341,852)
Extraordinary Aid	18-495-034-5120-044	233,663	07/01/17 06/30/18	(233,663)	-	-	-	-	-	-
On-behalf TPAF Post-Retirement Medical Contributions	19-495-034-5094-001	954,109	07/01/18 06/30/19	-	954,109	(954,109)	-	-	-	(954,109)
On-behalf TPAF Pension Contribution	19-495-034-5094-002	2,103,421	07/01/18 06/30/19	-	2,103,421	(2,103,421)	-	-	-	(2,103,421)
On-behalf TPAF Long Term Disability Insurance	19-495-034-5094-004	2,130	07/01/18 06/30/19	-	2,130	(2,130)	-	-	-	(2,130)
Reimbursed TPAF Social Security Contributions	19-495-034-5095-003	810,962	07/01/18 06/30/19	-	770,918	(810,962)	-	(40,044)	-	(810,962)
TOTAL GENERAL FUND				(233,663)	7,340,734	(7,488,967)	-	(381,896)	-	295,481
SPECIAL REVENUE FUND										
STATE DEPARTMENT OF EDUCATION										
New Jersey Nonpublic Aid:										
Textbook Aid	19-100-034-5120-064	11,107	07/01/18 06/30/19	-	11,107	(11,107)	-	-	-	(11,107)
Nursing Aid	19-100-034-5120-070	20,176	07/01/18 06/30/19	-	20,176	(20,176)	-	-	-	(20,176)
Technology Initiative Aid	19-100-034-5120-373	7,488	07/01/18 06/30/19	-	7,488	(7,488)	-	-	-	(7,488)
Nonpublic Auxiliary Services (Chapter 192) Cluster:										
Compensatory Education	19-100-034-5120-067	61,760	07/01/18 06/30/19	-	61,760	(53,129)	-	-	8,631	-
Compensatory Education	18-100-034-5120-067	68,564	07/01/17 06/30/18	2,835	-	(68,564)	(2,835)	-	-	(68,564)
English as a Second Language	19-100-034-5120-067	2,588	07/01/18 06/30/19	-	2,588	(863)	-	-	1,725	(863)
English as a Second Language	18-100-034-5120-067	2,710	07/01/17 06/30/18	1,987	-	(1,987)	(1,987)	-	-	(2,710)
Total Nonpublic Auxiliary Services Aid Ch. 192				4,822	64,348	(53,992)	-	-	10,356	-
Nonpublic Handicapped Services (Chapter 193) Cluster:										
Supplemental Instruction	19-100-034-5120-066	22,996	07/01/18 06/30/19	-	22,996	(14,274)	-	-	8,722	(14,274)
Supplemental Instruction	18-100-034-5120-066	24,185	07/01/17 06/30/18	3,568	-	-	(3,568)	-	-	(24,185)
Examination and Classification	19-100-034-5120-066	19,476	07/01/18 06/30/19	-	19,476	(14,927)	-	-	4,549	(14,927)
Examination and Classification	18-100-034-5120-066	26,578	07/01/17 06/30/18	10,549	-	-	(10,549)	-	-	(26,578)
Corrective Speech	19-100-034-5120-066	45,533	07/01/18 06/30/19	-	45,533	(22,677)	-	-	22,856	(22,677)
Corrective Speech	18-100-034-5120-066	51,782	07/01/17 06/30/18	38,658	-	-	(38,658)	-	-	(51,782)
Total Nonpublic Handicapped Aid Ch. 193				52,775	88,005	(51,878)	(52,775)	-	36,127	-
Security Aid	19-100-034-5120-509	31,200	07/01/18 06/30/19	-	31,200	(31,200)	-	-	-	(31,200)
TOTAL SPECIAL REVENUE FUND				57,597	222,324	(175,841)	-	(57,597)	46,483	-
ENTERPRISE FUND										
STATE DEPARTMENT OF AGRICULTURE										
State School Lunch Program	19-100-010-3350-023	6,193	07/01/18 06/30/19	-	5,815	(6,193)	-	(378)	-	(6,193)
State School Lunch Program	18-100-010-3350-023	5,928	07/01/17 06/30/18	(1,230)	1,230	-	-	-	-	(5,928)
TOTAL ENTERPRISE FUND				(1,230)	7,045	(6,193)	-	(378)	-	-
TOTAL STATE FINANCIAL ASSISTANCE				\$ (177,296)	\$ 7,570,103	(7,671,001)	\$ (57,597)	\$ (382,274)	\$ 46,483	\$ 295,481
LESS:										
On-behalf TPAF Post-Retirement Medical Contributions	19-495-034-5094-001	954,109	07/01/18 06/30/19	-	-	954,109	-	-	-	954,109
On-behalf TPAF Pension Contribution	19-495-034-5094-002	2,103,421	07/01/18 06/30/19	-	-	2,103,421	-	-	-	2,103,421
On-behalf TPAF Long Term Disability Insurance	19-495-034-5094-004	2,130	07/01/18 06/30/19	-	-	2,130	-	-	-	2,130
TOTAL STATE FINANCIAL ASSISTANCE SUBJECT TO SINGLE AUDIT										\$ (4,611,341)

Note: There were no expenditures passed through to subscribers.

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

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF AWARDS
AND FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 - GENERAL

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance include federal and state award activity of the North Arlington School District (the "District"). The District is defined in Note 1 to the District's basic financial statements. All federal awards and state awards 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 Schedule of Expenditures of Federal Awards and State Financial Assistance.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Awards and 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 District's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation 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.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF AWARDS
AND FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Continued)

The General Fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment 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 last State aid payment in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$101,046) for the General Fund, \$10,534 for the Special Revenue Fund. See Note 1 (the Notes to Required Supplementary Information) 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 District's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 8,493	\$ 7,387,921	\$ 7,396,414
Special Revenue Fund	653,309	185,825	839,134
Food Service Fund	227,108	6,193	233,301
Total Awards and Financial Assistance	<u>\$ 888,910</u>	<u>\$ 7,579,939</u>	<u>\$ 8,468,849</u>

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.

**NORTH ARLINGTON SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF AWARDS
AND FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 6 - OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions, respectively. The amount of \$2,103,421 reported as TPAF Pension Contributions and \$954,109 reported as TPAF Post-Retirement Medical Contributions represent the amount paid by the State on behalf of the district for the year ended June 30, 2019. TPAF Social Security Contributions in the amount of \$810,962 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, 2019.

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.

**NORTH ARLINGTON SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Section I - Summary of Auditors' Results

Financial Statement Section

A) Type of Auditors Report Issued: _____ Unmodified _____

B) Internal Control over Financial Reporting:

 1) Material weakness(es) identified? _____ Yes ✓ No

 2) Significant deficiency(ies) identified? _____ Yes ✓ None reported

C) Noncompliance material to basic financial statements noted? _____ Yes ✓ No

Federal Awards Section

D) Internal Control over major programs:

 1) Material weakness(es) identified? _____ Yes ✓ No

 2) Significant deficiency(ies) identified? _____ Yes ✓ None reported

E) Type of auditor's report on compliance for major program _____ Unmodified _____

F) Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a) of ? _____ Yes ✓ No

G) 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	IDEA, Basic Cluster
84.173	H173A160114	IDEA, Basic Cluster

H) Dollar threshold used to distinguish between Type A and Type B Programs. _____ \$750,000 _____

I) Auditee qualified as low-risk auditee? Yes ✓ No

**NORTH ARLINGTON SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Section I - Summary of Auditors' Results

State Awards Section

- J) Dollar threshold used to distinguish between Type A and Type B Programs. \$750,000
-
- K) Auditee qualified as low-risk auditee? _____ Yes No
- L) Internal Control over major programs:
- 1) Material weakness(es) identified? _____ Yes No
- 2) Significant deficiency(ies) identified? _____ Yes None reported
- M) Type of auditor's report on compliance for major programs: Unmodified
-
- N) Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular Letter 15-08 as applicable? _____ Yes No

O) Identification of major programs:

<u>State Grant/Project Number(s)</u>	<u>Name of State Program</u>
18-495-034-5120-078	General State Aid Cluster:
18-495-034-5120-089	Equalization Aid
18-495-034-5120-084	Special Education Categorical Aid
	Security Aid

**NORTH ARLINGTON SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Section II - Financial Statement Findings

(This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which Government Auditing Standards requires reporting.)

No matters were reported.

**NORTH ARLINGTON SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 New Jersey OMB Circular Letter 15-08, as applicable.)

FEDERAL AWARDS

No matters were reported.

STATE FINANCIAL ASSISTANCE

No matters were reported.

**NORTH ARLINGTON SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

(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*, U.S. OMB *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. (**¶.511 (a)(b)**) and New Jersey OMB's Circular 04-04 and/or 15-08, as applicable.)

STATUS OF PRIOR YEAR FINDINGS

BASIC FINANCIAL STATEMENT

No matters were reported in prior year.

FEDERAL AWARDS

No matters were reported in prior year.

STATE FINANCIAL ASSISTANCE

No matters were reported in prior year.