

BOROUGH OF NORTH ARLINGTON
BERGEN COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2015

BOROUGH OF NORTH ARLINGTON

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BOROUGH OF NORTH ARLINGTON

BERGEN COUNTY

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2015



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of North Arlington
North Arlington, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of North Arlington, as of December 31, 2015 and 2014, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2015 and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial accounting and reporting principles and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, 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 of 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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the financial statements are prepared by the Borough of North Arlington on the basis of the financial accounting and reporting principles and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting requirements of the State of New Jersey for municipal government entities.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of North Arlington as of December 31, 2015 and 2014, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 17 of the financial statements, the financial statements – regulatory basis of the Length of Service Awards Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough’s financial statements as of and for the years ended December 31, 2015 and 2014. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 44 and 56 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2015 and 2014.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of North Arlington as of December 31, 2015 and 2014, and the results of operations and changes in fund balance – regulatory basis and the respective revenues – regulatory basis and expenditures – regulatory basis for the year ended December 31, 2015 in accordance with the financial accounting and reporting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

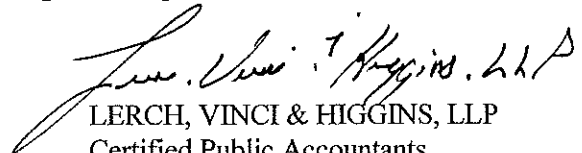
Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of North Arlington as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance and the supplementary data and letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of North Arlington.

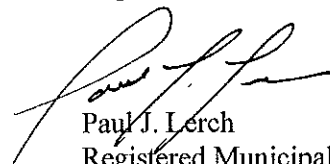
The supplementary schedules listed in the table of contents, schedule of expenditure of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note 1.

The supplementary data and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated June 15, 2016 on our consideration of the Borough of North Arlington's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of North Arlington's internal control over financial reporting and compliance.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants


Paul J. Lerch
Registered Municipal Accountant
RMA Number CR00457

Fair Lawn, New Jersey
June 15, 2016

BOROUGH OF NORTH ARLINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
ASSETS			
Current Fund			
Cash and Cash Equivalents	A-4	\$ 4,756,506	\$ 8,099,901
Cash - Change Funds	A-5	200	200
Due from State of New Jersey - Senior & Veterans Deductions	A-6	23,587	22,837
Grants Receivable	A-7	<u>427,129</u>	<u>401,176</u>
		<u>5,207,422</u>	<u>8,524,114</u>
Receivables and Other Assets With Full Reserves			
Taxes Receivable	A-8	611,587	1,364,732
Tax Title Liens Receivable	A-9	60,221	22,927
Interfunds Receivable			
Due From Animal Control Fund	B-6	19,545	9,774
Due from Unemployment Trust Fund	B-17		3
Revenue Accounts Receivable	A-10	25,399	24,411
Prepaid School Taxes	A-20	2,299	2,290
Prepaid Payroll Expenditure	A-21	<u>-</u>	<u>252,758</u>
		<u>719,051</u>	<u>1,676,895</u>
Deferred Charges:			
Special Emergency Authorization (40A:4-55) Five Year	A-11	537,753	474,441
Overexpenditure of Appropriation Reserve	A-12		7,084
Overexpenditure of Grant Appropriation	A-12		449
Operating Deficit	A-12	<u>-</u>	<u>70,690</u>
		<u>537,753</u>	<u>552,664</u>
Total Assets		<u>\$ 6,464,226</u>	<u>\$ 10,753,673</u>

BOROUGH OF NORTH ARLINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Liabilities			
Appropriation Reserves	A-3,A-13	\$ 936,694	\$ 1,226,596
Encumbrances Payable	A-14	190,504	419,596
Accounts Payable	A-15		23,593
Fees Payable	A-16	2,530	631
Prepaid Taxes	A-17	271,388	166,741
Tax Overpayments	A-18	172,227	243,913
County Added and Omitted Taxes Payable	A-19	12,923	3,172
Tax Anticipation Note Payable	A-26		4,750,000
Special Emergency Note Payable	A-27	537,753	510,000
Interfunds Payable			
Due to Assessment Trust Fund	B-12	84,410	68,026
Due to Other Trust Fund	B-13	386,594	66,189
Due to General Capital Fund	C-5	223,355	504,987
Reserve for Tax Appeals	A-25	200,000	
Reserve for Federal and State Grants - Appropriated	A-22	473,095	410,340
Reserve for Federal and State Grants - Unappropriated	A-23	57,086	54,686
Miscellaneous Reserves	A-24	<u>13,905</u>	<u>125,593</u>
		3,562,464	8,574,063
Reserve for Receivables	A	719,051	1,676,895
Fund Balance	A-1	<u>2,182,711</u>	<u>502,715</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 6,464,226</u>	 <u>\$ 10,753,673</u>

BOROUGH OF NORTH ARLINGTON
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
REVENUE AND OTHER INCOME REALIZED			
Miscellaneous Revenue Anticipated	A-2	\$ 4,224,695	\$ 4,706,852
Receipts from Delinquent Taxes	A-2	904,491	683,700
Receipts from Current Taxes	A-2	43,755,971	41,447,400
Non-Budget Revenues	A-2	92,985	91,174
Other Credits to Income:			
Interfunds Returned	A	9,777	292,289
Unexpended Balance of Appropriation Reserves	A-13	529,705	180,858
Liquidation of Prior Year Prepaid Payroll Expenditure	A-1, A-21	<u>252,758</u>	<u>-</u>
 Total Income		 <u>49,770,382</u>	 <u>47,402,273</u>
 EXPENDITURES			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	6,934,983	6,803,051
Other Expenses	A-3	8,948,093	8,639,785
Capital Improvements	A-3	100,000	
Municipal Debt Service	A-3	3,070,328	3,144,825
Deferred Charges, Statutory Expenditures and Judgments	A-3	2,128,479	2,051,153
Local District School Tax	A-20	23,622,703	23,058,397
County Taxes	A-19	3,551,122	3,410,281
Overexpenditure of Appropriation Reserves	A-12		7,084
Overexpenditure of Grant Appropriation	A-12		449
Refund of Prior Year Taxes and Revenue	A-4	31,124	99,896
Disallowed Senior Citizens and Veterans Deductions - Prior Year	A-6	9,000	750
Interfunds and Prepaid Expenditures Advanced	A	<u>19,554</u>	<u>264,825</u>
 Total Expenditures		 <u>48,415,386</u>	 <u>47,480,496</u>
 Deficit in Revenue		 1,354,996	 (78,223)
 Adjustment to Income before Surplus:			
Expenditures included above which are by Statute Deferred			
Charges to Budgets of Succeeding Years	A-11	<u>325,000</u>	<u>78,223</u>
 Statutory Excess to Surplus	A-1	1,679,996	-
 Fund Balance, January 1	A	<u>502,715</u>	<u>502,715</u>
 Fund Balance, December 31	A	 <u>\$ 2,182,711</u>	 <u>\$ 502,715</u>

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Reference	2015 Budget	Added by N.J.S. 40A:4-87	2015 Realized	Excess or (Deficit)
MISCELLANEOUS REVENUES					
Licenses					
Alcoholic Beverages	A-10	\$ 53,500		\$ 57,974	\$ 4,474
Other	A-2	21,000		15,738	(5,262)
Fees and Permits	A-2	40,200		54,516	14,316
Fines and Costs					
Municipal Court	A-10	336,000		345,003	9,003
Interest and Costs on Taxes	A-10	110,000		154,590	44,590
Parking Meters	A-10	36,000		39,279	3,279
Interest on Investments and Deposits	A-2	6,800		15,763	8,963
Cable Television Franchise Fees	A-10	85,000		79,823	(5,177)
Verizon Franchise Fees	A-10	120,000		136,605	16,605
New Jersey Meadowlands Commission					
Tax Sharing NJSA 13:17-74	A-10	907,000		908,136	1,136
Energy Receipts Tax	A-10	1,069,861		1,069,861	
Uniform Construction Code Fees	A-10	225,000		240,695	15,695
State and Federal Revenues Offset with Appropriations					
Reserve for Body Armor Replacement Program	A-23	2,862		2,862	
Reserve for Clean Communities Program	A-23	22,678		22,678	
Reserve for Alcohol Education and Rehabilitation	A-23	1,477		1,477	
Reserve for Recycling Tonnage Grant	A-23	27,669		27,669	
Assistance to Firefighters	A-7		\$ 30,953	30,953	
Other Special Items of Revenue					
Uniform Fire Safety Act	A-10	18,000		17,005	(995)
NJMC Host Community Fees	A-10	325,000		302,663	(22,337)
Third Party Billing - Emergency Medical Services	A-10	250,000		479,517	229,517
Library Insurance Reimbursement	A-10	40,000		38,000	(2,000)
FEMA Reimbursement - Sandy	A-24	111,688		111,688	
Reserve for Payment of Debt	A-10	72,200		72,200	
	A-1	<u>3,881,935</u>	<u>30,953</u>	<u>4,224,695</u>	<u>311,807</u>
RECEIPTS FROM DELINQUENT TAXES	A-1, A-2	<u>1,125,000</u>	<u>-</u>	<u>904,491</u>	<u>(220,509)</u>
AMOUNT TO BE RAISED FOR SUPPORT OF MUNICIPAL BUDGET					
Local Tax for Municipal Purposes	A-2	16,832,260		17,498,439	666,179
Minimum Library Tax	A-2	493,707	-	493,707	-
Total Amount to be Raised for Support of Municipal Budget		<u>17,325,967</u>	<u>-</u>	<u>17,992,146</u>	<u>666,179</u>
Total General Revenues		<u>\$ 22,332,902</u>	<u>\$ 30,953</u>	<u>23,121,332</u>	<u>\$ 757,477</u>
Non-Budget Revenue	A-1, A-2			<u>92,985</u>	
				<u>\$23,214,317</u>	

BOROUGH OF NORTH ARLINGTON
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collection		
Revenue from Collections	A-8	\$ 43,955,971
Less: Reserve for Tax Appeals	A-25	<u>200,000</u>
	A-1	43,755,971
Less: Allocated to School, County and Open Space Taxes	A-19, A-20	<u>27,173,825</u>
Balance for Support of Municipal Budget Appropriations	A-3	16,582,146
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>1,410,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 17,992,146</u>
Licenses - Other		
Borough Clerk	A-10	\$ 5,619
Board of Health	A-10	<u>10,119</u>
	A-2	<u>\$ 15,738</u>
Fees and Permits		
Borough Clerk	A-10	\$ 9,098
Board of Health	A-10	14,820
Police	A-10	14,338
Tax	A-10	20
Recreation	A-10	<u>16,240</u>
	A-2	<u>\$ 54,516</u>
Interest on Investments and Deposits		
Revenue Accounts Receivable	A-10	\$ 14,382
Due from Animal Control Fund	B-6	16
Due from Assessment Trust Fund	B-12	247
Due from Other Trust Fund	B-13	137
Due from General Capital Fund	C-5	<u>981</u>
	A-2	<u>\$ 15,763</u>
Non Budget Revenues		
Administrative Fee - Senior Citizens and Veterans Deductions		2,085
JIF Refund		53,152
JIF Dividend		32,374
Inspection Fines		2,000
Miscellaneous		<u>3,374</u>
	A-1, A-2, A-4	<u>\$ 92,985</u>

BOROUGH OF NORTH ARLINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
GENERAL APPROPRIATIONS OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT FUNCTIONS					
Administrative and Executive					
Salaries and Wages	\$ 195,140	\$ 236,640	\$ 227,595	\$ 9,045	
Other Expenses	194,000	197,000	190,976	6,024	
Borough Council					
Salaries and Wages	51,600	51,600	51,549	51	
Elections					
Salaries and Wages	3,800	1,800	768	1,032	
Other Expenses	17,100	15,100	11,616	3,484	
Financial Administration					
Salaries and Wages	25,000	25,000	25,000		
Other Expenses	268,000	268,000	240,863	27,137	
Collection of Taxes					
Salaries and Wages	13,000	4,000	2,300	1,700	
Other Expenses	84,800	109,800	103,745	6,055	
Assessment of Taxes					
Salaries and Wages	24,200	24,642	24,640	2	
Other Expenses	1,500	1,058	380	678	
Master Plan	24,500	28,500	28,042	458	
Legal Services and Costs					
Salaries and Wages	70,000	70,000	70,000		
Other Expenses	175,000	109,000	62,937	46,063	
Engineering Services and Costs					
Other Expenses	60,000	115,000	109,619	5,381	
LAND USE ADMINISTRATION					
Municipal Land Use Law N.J.S.A. 40:55-D1					
Planning Board					
Salaries and Wages	4,100	1,100		1,100	
Other Expenses	2,150	2,150	972	1,178	
Zoning Commission					
Salaries and Wages	7,600	7,600	4,100	3,500	
Other Expenses	1,000	1,000	360	640	
CODE ENFORCEMENT ADMINISTRATION					
Rent Leveling Board					
Salaries and Wages	2,600	2,600	2,500	100	
INSURANCE					
Unemployment	20,000	20,000	20,000		
Liability Insurance	390,000	391,000	390,345	655	
Workers Compensation	372,500	371,500	231,469	140,031	
Employee Group Insurance	2,323,658	2,323,658	2,174,678	148,980	
PUBLIC SAFETY FUNCTIONS					
Police Department					
Salaries and Wages	3,886,200	3,845,600	3,746,851	98,749	
Other Expenses	222,000	187,000	159,922	27,078	

BOROUGH OF NORTH ARLINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
GENERAL APPROPRIATIONS					
OPERATIONS WITHIN "CAPS" (Cont'd.)					
Emergency Medical Transportation					
Salaries and Wages	\$ 406,000	\$ 412,000	\$ 403,385	\$ 8,615	
Police Dispatch/911					
Salaries and Wages	300,000	285,000	267,066	17,934	
Crossing Guards					
Salaries and Wages	241,000	241,000	236,080	4,920	
Office of Emergency Management					
Salaries and Wages	4,000	4,000	4,000		
Other Expenses	5,000	5,000	3,126	1,874	
Fire Department					
Other Expenses	170,490	170,490	157,705	12,785	
Volunteer Emergency Squad (First Aid Organization)					
Other Expenses	72,420	82,420	81,155	1,265	
Community Emergency Response Team (CERT)					
Other Expenses	5,000	5,000	4,959	41	
Uniform Fire Safety (Ch. 383, P.L. 1983)					
Fire Official					
Salaries and Wages	6,000	9,000	8,088	912	
Other Expenses	6,500	6,500	5,737	763	
Municipal Prosecutor					
Salaries and Wages	15,000	15,000	13,750	1,250	
PUBLIC WORKS FUNCTION					
Streets and Roads					
Road Repair and Maintenance					
Salaries and Wages	858,000	957,000	932,378	24,622	
Other Expenses	242,320	222,320	213,981	8,339	
Snow Removal					
Salaries and Wages	50,000	87,000	74,691	12,309	
Other Expenses	91,114	46,114	28,582	17,532	
Shade Tree					
Other Expenses	50,000	50,000	50,000		
Sanitation					
Garbage and Trash Removal Contract	420,000	442,000	428,133	13,867	
Public Building and Grounds					
Other Expenses	258,570	258,570	253,031	5,539	
Recycling Program					
Other Expenses - Contractual	165,000	186,000	185,908	92	
HEALTH AND HUMAN SERVICES					
FUNCTIONS					
Board of Health					
Salaries and Wages	158,000	142,000	122,738	19,262	
Other Expenses	61,000	71,000	69,763	1,237	
Dog Warden					
Other Expenses	14,000	14,000		14,000	

BOROUGH OF NORTH ARLINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Appropriated		Expended		Unexpended Balances Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
GENERAL APPROPRIATIONS (Cont'd.)					
OPERATIONS WITHIN "CAPS" (Cont'd.)					
PARKS AND RECREATION FUNCTIONS					
Recreation					
Salaries and Wages	\$ 7,500	\$ 10,600	\$ 10,500	\$ 100	
Other Expenses	85,000	50,000	44,985	5,015	
Celebration of Public Events					
Other Expenses	4,700	4,700	4,693	7	
Youth Center					
Salaries and Wages	75,000	52,000	49,180	2,820	
Other Expenses	8,000	8,000	3,462	4,538	
Senior Citizen Services					
Salaries and Wages	28,500	28,500	26,292	2,208	
Other Expenses	3,700	3,700	2,452	1,248	
OTHER COMMON OPERATING FUNCTIONS					
Municipal Court					
Salaries and Wages	169,300	166,300	154,702	11,598	
Other Expenses	9,435	9,435	9,326	109	
Public Defenders (P.L. 1997, C.256)					
Salaries and Wages	10,000	10,000	10,000		
Terminal Pay		325,000	325,000		
Accumulated Leave	1	1		1	
Salary Negotiations and Costs	40,000				
CODE ENFORCEMENT AND ADMINISTRATION					
Uniform Construction Code Enforcement Functions					
Construction Code Official					
Salaries and Wages	233,000	245,000	241,910	3,090	
Other Expenses	7,140	10,140	9,604	536	
UTILITY EXPENSES AND BULK PURCHASES					
Gasoline	132,400	132,400	73,484	58,916	
Electricity	243,000	243,000	178,392	64,608	
Telephone	110,000	110,000	89,218	20,782	
Street Lighting	275,000	275,000	252,890	22,110	
Water	13,000	13,000	12,619	381	-
Total Operations Within "CAPS"	<u>13,493,538</u>	<u>13,818,538</u>	<u>12,924,192</u>	<u>894,346</u>	-
Total Operations including Contingent-Within "CAPS"	<u>13,493,538</u>	<u>13,818,538</u>	<u>12,924,192</u>	<u>894,346</u>	-
Detail:					
Salaries and Wages	6,884,541	6,934,983	6,710,063	224,920	-
Other Expenses	<u>6,608,997</u>	<u>6,883,555</u>	<u>6,214,129</u>	<u>669,426</u>	-

BOROUGH OF NORTH ARLINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

GENERAL APPROPRIATIONS (Cont'd.)	Appropriated		Expended		Unexpended Balances Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"					
Deferred Charges					
Overexpenditure of Appropriation Reserves	\$ 7,084	\$ 7,084	\$ 7,084		
Operating Deficit	70,690	70,690	70,690		
Expenditure Without Appropriation-Grant Fund	449	449	449		
Statutory Charges					
Social Security System (O.A.S.I.)	315,001	314,801	291,187	\$ 23,614	
Public Employees' Retirement System	298,261	298,361	298,267	94	
Police and Firemen's Retirement System	817,232	817,232	817,232		
Defined Contribution Retirement Program	2,000	2,100	2,055	45	-
Total Deferred Charges & Statutory Expenditures - Municipal within "CAPS"	<u>1,510,717</u>	<u>1,510,717</u>	<u>1,486,964</u>	<u>23,753</u>	<u>-</u>
Total General Appropriation for Municipal Purposes within "CAPS"	<u>15,004,255</u>	<u>15,329,255</u>	<u>14,411,156</u>	<u>918,099</u>	<u>-</u>
OPERATIONS EXCLUDED FROM "CAPS"					
Lyndhurst-North Arlington Joint Meeting Share of Costs	176,000	176,000	175,986	14	
Employee Group Insurance	74,042	74,042	74,042		
Maintenance of Free Public Library	493,707	493,707	481,036	12,671	
Passaic Valley Sewerage Commission Share of Costs	1,134,000	1,134,000	1,133,372	628	
Length of Service Award Program: (NJSA 40A-45.3) Contribution	93,150	93,150	87,868	5,282	-
Total Other Operations Excluded from "CAPS"	<u>1,970,899</u>	<u>1,970,899</u>	<u>1,952,304</u>	<u>18,595</u>	<u>-</u>

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Reserved</u>	<u>Balances</u> <u>Cancelled</u>
GENERAL APPROPRIATIONS (Cont'd.) OPERATIONS - EXCLUDED FROM "CAPS" (Cont'd.)					
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES					
Reserve for Body Armor Replacement Program	\$ 2,862	\$ 2,862	\$ 2,862		
Reserve for Clean Communities Program	22,678	22,678	22,678		
Reserve for Alcohol Education and Rehabilitation	1,477	1,477	1,477		
Reserve for Recycling Tonnage Grant	27,669	27,669	27,669		
Assistance to Firefighters		30,953	30,953		
Matching Funds for Grants	<u>8,000</u>	<u>8,000</u>	<u>8,000</u>	-	-
Total Public and Private Programs Offset by Revenues	<u>62,686</u>	<u>93,639</u>	<u>93,639</u>	-	-
Total Operations Excluded from "CAPS"	<u>2,033,585</u>	<u>2,064,538</u>	<u>2,045,943</u>	\$ 18,595	-
Detail:					
Salaries and Wages					
Other Expenses	<u>2,033,585</u>	<u>2,064,538</u>	<u>2,045,943</u>	18,595	-
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	-	-
Total Capital Improvements Excluded from "CAPS"	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	-	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	2,485,000	2,485,000	2,396,681		\$ 88,319
Interest on Bonds	655,000	655,000	651,058	-	3,942
Interest on Notes	<u>27,300</u>	<u>27,300</u>	<u>22,589</u>	-	<u>4,711</u>
Total Municipal Debt Service - Excluded from "CAPS"	<u>3,167,300</u>	<u>3,167,300</u>	<u>3,070,328</u>	-	<u>96,972</u>

BOROUGH OF NORTH ARLINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balances Cancelled</u>
GENERAL APPROPRIATIONS (Cont'd.)					
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS" (Continued)					
DEFERRED CHARGES MUNICIPAL- EXCLUDED FROM "CAPS"					
Special Emergency Authorizations-5 Years	\$ 261,688	\$ 261,688	\$ 261,688		
Deferred Charges Unfunded - General Capital Fund	67,569	67,569	67,569		
Grants Receivable - General Capital Fund	238,505	238,505	238,505	-	-
Total Deferred Charges Municipal - Excluded from "CAPS"	<u>567,762</u>	<u>567,762</u>	<u>567,762</u>	-	-
Judgements	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>5,918,647</u>	<u>5,949,600</u>	<u>5,834,033</u>	<u>\$ 18,595</u>	<u>\$ 96,972</u>
Subtotal General Appropriations	20,922,902	21,278,855	20,245,189	936,694	96,972
Reserve for Uncollected Taxes	<u>1,410,000</u>	<u>1,410,000</u>	<u>1,410,000</u>	-	-
Total General Appropriations	<u>\$22,332,902</u>	<u>\$22,688,855</u>	<u>\$21,655,189</u>	<u>\$ 936,694</u>	<u>\$ 96,972</u>
	<u>Reference</u>	A-2	A-1	A,A-1	A-1

BOROUGH OF NORTH ARLINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

	<u>Reference</u>	Budget After <u>Modification</u>	<u>Expended</u> Paid or <u>Charged</u>
Budget as Adopted	A-2	\$ 22,332,902	
Added N.J.S.A. 40A:4-87	A-2	30,953	
Special Emergency Authorization	A-11	<u>325,000</u>	
		<u>\$ 22,688,855</u>	
Cash Disbursements	A-4		\$ 19,374,830
Reserve for Uncollected Taxes	A-2		1,410,000
Deferred Charges	A-11, A-12		339,911
Prepaid Expenditure Applied	A-21		252,758
Encumbrances Payable	A-14		190,504
Appropriated Grant Reserves	A-22		<u>87,186</u>
			<u>\$ 21,655,189</u>

**BOROUGH OF NORTH ARLINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS
AS OF DECEMBER 31, 2015 AND 2014**

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
ASSETS			
ANIMAL CONTROL FUND			
Cash	B-4	\$ <u>1,936</u>	\$ <u>14,625</u>
		<u>1,936</u>	<u>14,625</u>
ASSESSMENT TRUST FUND			
Cash	B-4,5	211,162	315,865
Assessments Receivable	B-9	23	23
Due from Current Fund	B-12	<u>84,410</u>	<u>68,026</u>
		<u>295,595</u>	<u>383,914</u>
OTHER TRUST FUND			
Cash	B-4	1,163,353	707,314
Due from Current Fund	B-13	<u>386,594</u>	<u>66,189</u>
		<u>1,549,947</u>	<u>773,503</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Cash	B-4	<u>5,156</u>	<u>981</u>
		<u>5,156</u>	<u>981</u>
LENGTH OF SERVICE AWARD PROGRAM (UNAUDITED)			
Investments	B	1,381,990	1,382,420
Contributions Receivable	B	<u>90,850</u>	<u>97,750</u>
		<u>1,472,840</u>	<u>1,480,170</u>
Total Assets		<u>\$ 3,325,474</u>	<u>\$ 2,653,193</u>

BOROUGH OF NORTH ARLINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUNDS
AS OF DECEMBER 31, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
LIABILITIES, RESERVES AND FUND BALANCE			
ANIMAL CONTROL FUND			
Due to Current Fund	B-6	\$ 19,545	\$ 9,774
Due to State of New Jersey	B-7	4	1
Reserve for Animal Control Expenditures (Deficit)	B-8	<u>(17,613)</u>	<u>4,850</u>
		<u>1,936</u>	<u>14,625</u>
ASSESSMENT TRUST FUND			
Assessment Bonds Payable	B-10	295,426	383,745
Assessment Overpayment	B-11	30	30
Reserve for Assessment Receivables	B-9	23	23
Fund Balance	B-1	<u>116</u>	<u>116</u>
		<u>295,595</u>	<u>383,914</u>
OTHER TRUST FUND			
Payroll and Payroll Deductions Payable	B-14	3,435	3,435
Reserve for Library	B-15	27,408	47,806
Miscellaneous Reserves	B-16	<u>1,519,104</u>	<u>722,262</u>
		<u>1,549,947</u>	<u>773,503</u>
UNEMPLOYMENT INSURANCE TRUST FUND			
Due to Current Fund	B-17		3
Reserve for Unemployment Insurance Benefits	B-18	<u>5,156</u>	<u>978</u>
		<u>5,156</u>	<u>981</u>
LENGTH OF SERVICE AWARD PROGRAM (UNAUDITED)			
Net Assets Available for Benefits	B	<u>1,472,840</u>	<u>1,480,170</u>
		<u>1,472,840</u>	<u>1,480,170</u>
LIABILITIES, RESERVES AND FUND BALANCE		<u><u>\$ 3,325,474</u></u>	<u><u>\$ 2,653,193</u></u>

**BOROUGH OF NORTH ARLINGTON
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCES - REGULATORY BASIS
ASSESSMENT TRUST FUND
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
Balance, January 1	B	\$ 116	\$ 32,116
Decreased by:			
Anticipated as Revenue in the Current Fund Budget	B-1	-	32,000
Balance, December 31	B	<u>\$ 116</u>	<u>\$ 116</u>

EXHIBIT B-2

**STATEMENT OF REVENUES- REGULATORY BASIS
ASSESSMENT TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Reference</u>	<u>Budget Revenues</u>	<u>Realized</u>
Assessment Cash	B-3	<u>\$ 88,319</u>	<u>\$ 88,319</u>

EXHIBIT B-3

**STATEMENT OF EXPENDITURES- REGULATORY BASIS
ASSESSMENT TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Reference</u>	<u>Budget Appropriations</u>	<u>Expenditures</u>
Payment of Bond Principal	B-2, B-10	<u>\$ 88,319</u>	<u>\$ 88,319</u>

BOROUGH OF NORTH ARLINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
ASSETS			
Cash	C-2,3	\$ 3,752,588	\$ 1,099,162
Grants Receivable	C-4	381,998	535,763
Due from Current Fund	C-5	223,355	504,987
Deferred Charges to Future Taxation			
Funded	C-6	14,718,575	17,115,256
Unfunded	C-7	<u>3,108,192</u>	<u>1,011,743</u>
 Total Assets		 <u>\$ 22,184,708</u>	 <u>\$ 20,266,911</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds	C-8	\$ 14,718,575	\$ 17,115,256
Bond Anticipation Notes Payable	C-9	2,736,500	
Improvement Authorizations:			
Funded	C-10	1,356,123	1,725,512
Unfunded	C-10	1,691,289	527,776
Contracts Payable	C-11	933,802	706,099
Capital Improvement Fund	C-12	1,672	33,972
Reserve for Payment of Debt	C-13		72,200
Reserve for Future Capital Improvements	C-14	250,000	
Reserve for Grants Receivable	C-4	177,847	51,097
Fund Balance	C-1	<u>318,900</u>	<u>34,999</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 22,184,708</u>	 <u>\$ 20,266,911</u>

There were bonds and notes authorized but not issued of \$371,692 and \$1,011,743 at December 31, 2015 and 2014, respectively (Exhibit C-15).

BOROUGH OF NORTH ARLINGTON
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCES - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
Balance, January 1	C	\$ 34,999	\$ 219,999
Increased by:			
Cancellation of Funded Improvement Authorization Balances	C-10	<u>315,901</u>	<u>-</u>
		350,900	219,999
Decreased by:			
Appropriated to Finance Improvement Authorizations	C-10	32,000	
Anticipated as Revenue in the Current Fund Budget	C-1	<u>-</u>	<u>185,000</u>
Balance, December 31	C	<u>\$ 318,900</u>	<u>\$ 34,999</u>

BOROUGH OF NORTH ARLINGTON
COMPARATIVE BALANCE SHEETS - GENERAL FIXED ASSETS ACCOUNT GROUP
REGULATORY BASIS
AS OF DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Land	\$ 7,553,509	\$ 7,418,400
Buildings and Improvements	5,497,131	5,565,488
Vehicles and Equipment	<u>7,501,379</u>	<u>7,423,349</u>
	<u>\$ 20,552,019</u>	<u>\$ 20,407,237</u>
 LIABILITIES		
Investment in General Fixed Assets	<u>\$ 20,552,019</u>	<u>\$ 20,407,237</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of North Arlington (the "Borough") was incorporated in 1840 and operates under an elected Mayor and Council form of government. The Mayor is elected to a four-year term and the six council members are elected at-large, two each year for terms of three years. The Mayor is the Chief Executive Officer of the Borough and as such presides over all public meetings and makes appointments to various boards. The Borough Council exercises all legislative powers including final adoption of the municipal budget and bond ordinances and confirmation of the Mayor's appointments, and all executive authority which is not specifically provided to the Mayor, by state law. A Borough Administrator is appointed by the Borough Council and is responsible for the implementation of the policies of the Mayor and Council, for the administration of all Borough affairs and for the day to day operations of the Borough. The Borough Administrator is the Chief Administrative Officer for the Borough. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

GASB requires the financial reporting entity to include both the primary government and component units. Component units are legally separate organizations for which the Borough is financially accountable. The Borough is financially accountable for an organization if the Borough appoints a voting majority of the organization's governing board and (1) the Borough is able to significantly influence the programs or services performed or provided by the organization; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Borough is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Borough in that the Borough approves the budget, the issuance of debt or the levying of taxes. The Borough is not includable in any other reporting entity as a component unit.

The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the municipal library, volunteer fire department or volunteer ambulance squad, which are considered component units under GAAP. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

B. Description of Regulatory Basis of Accounting

The financial statements of the Borough of North Arlington have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a regulatory basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for its financial transactions through separate funds, which differ from the fund structure required by GAAP.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has adopted accounting statements to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. (GAAP). The municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements.

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

The Borough uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Borough functions or activities. The Borough also uses an account group, which is designed to provide accountability for certain assets that are not recorded in those Funds.

The Borough has the following funds and account group:

Current Fund – This fund is used to account for the revenues and expenditures for governmental operations of a general nature and the assets and liabilities related to such activities, including Federal and State grants not accounted for in another fund.

Trust Funds - These funds are used to account for assets held by the government in a trustee capacity. Funds held by the Borough as an agent for individuals, private organizations, or other governments are recorded in the Trust Funds.

Animal Control Fund - This fund is used to account for fees collected from dog and cat licenses and expenditures which are regulated by NJS 4:19-15.11.

Assessment Trust Fund - This fund is used to account for special benefit assessments levied against properties for specific purposes.

Other Trust Fund - This fund is established to account for the assets and resources, which are held by the Borough as a trustee or agent for individuals, private organizations, other governments and/or other funds. These funds include dedicated fees/proceeds collected, developer deposits, payroll related deposits and funds deposited with the Borough as collateral.

Unemployment Insurance Fund - This fund is used to account for employee and employer contributions for the purpose of providing unemployment benefits to former eligible employees.

Length of Service Awards Program Fund (LOSAP) – This fund is established to account for the tax-deferred income benefits to active volunteer members of emergency service organizations of the Borough.

General Capital Fund – This fund is used to account for the receipt and disbursement of funds used and related financial transactions related to the acquisition or improvement of general capital facilities and other capital assets, other than those acquired in the Current Fund.

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the Borough. The Borough's infrastructure is not reported in the account group.

Comparative Data - Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Borough's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

Reclassifications - Certain reclassifications may have been made to the December 31, 2014 balances to conform to the December 31, 2015 presentation.

Financial Statements – Regulatory Basis

The GASB Codification also requires the financial statements of a governmental unit to be presented in the basic financial statements in accordance with GAAP. The Borough presents the regulatory basis financial statements listed in the table of contents which are required by the Division and which differ from the basic financial statements required by GAAP. In addition, the Division requires the regulatory basis financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from reporting requirements under GAAP.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the accounting principles and practices prescribed by the Division in accordance with the regulatory basis of accounting. Measurement focus indicates the type of resources being measured. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Borough of North Arlington follows a modified accrual basis of accounting. Under this method of accounting, revenues, except State/Federal Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed or permitted for municipalities by the Division (“regulatory basis of accounting”) differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. with the exception of LOSAP Trust Fund investments which are reported at fair value and are limited by N.J.A.C. 5:30-14.19. GAAP requires that all investments be reported at fair value.

Inventories - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires inventories to be recorded as assets in proprietary-type funds.

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Property Tax Revenues/Receivables - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Borough also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11th day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Borough may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

Miscellaneous Revenues/Receivables - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both measurable and available).

Grant and Similar Award Revenues/Receivables - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. GAAP requires such revenues to be recognized as soon as all eligibility requirements imposed by the grantor or provider have been met.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve for interfunds and, therefore, does not recognize income in the year liquidated.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items in the current fund, except for prepaid debt service, are offset by a reserve, created by a charge to operations. GAAP does not require the establishment of a reserve for prepaid items.

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Deferred Charges – Certain expenditures, operating deficits and other items are required to be deferred to budgets of succeeding years. GAAP requires expenditures, operating deficits and certain other items generally to be recognized when incurred, if measurable.

Appropriation Reserves – Appropriation reserves are recorded as liabilities and are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

Expenditures – Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless cancelled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, as well as expenditures related to compensated absences and claims and judgements, which are recognized when due.

Encumbrances - Contractual orders outstanding at December 31, are reported as expenditures and liabilities through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures or liabilities under GAAP.

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to NJSA 40A:4-39 for the future payment of compensated absences. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations are recorded as a long-term obligation in the government-wide financial statements.

Tax Appeals and Other Contingent Losses - Losses arising from tax appeals and other contingent losses are recognized at the time a decision is rendered by an administrative or judicial body; however, municipalities may establish reserves transferred from tax collections or by budget appropriation for future payments of tax appeal losses. GAAP requires such amounts to be recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

Operating Deficits – Deficits resulting from expenditures and other debits which exceed cash revenues, other realized revenues and credits to income in such fiscal year are recorded as deferred charges on the balance sheet of the respective operating fund at year end and are required to be funded in the succeeding year's budget. GAAP does not permit the deferral of operating deficits at year end.

**BOROUGH OF NORTH ARLINGTON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

General Fixed Assets - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Borough of North Arlington has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Borough as assets with an initial, individual cost of \$1,000 and an estimated useful life in excess of two years.

Fixed assets used in governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and sewerage and drainage systems are not capitalized.

General Fixed Assets purchased after December 31, 1986 are stated as cost. Donated fixed assets are recorded at estimated fair market value at the date of donation.

General Fixed Assets purchased prior to December 31, 1986 are stated as follows:

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement Cost

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the General Capital Fund until such time as the construction is completed and put into operation for general fixed assets.

GAAP requires that capital assets be recorded in proprietary-type funds as well as the government-wide financial statement at historical or estimated historical cost if actual historical cost is not available. In addition, GAAP requires depreciation on capital assets to be recorded in proprietary-type funds as well as in the government-wide financial statements.

Use of Estimates - The preparation of financial statements requires management of the Borough to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of accrued revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting - An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the State Division of Local Government Services as per N.J.S.A. 40A:4 et seq.

The Borough is not required to adopt budgets for the following funds:

- Trust Funds (except Assessment Trust)
- General Capital Fund

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgets and Budgetary Accounting (Continued)

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2015, the Borough Council increased the original budget by \$355,953. The increase was funded by additional aid allotted to the Borough in the amount of \$30,953 and a special emergency authorization for terminal pay in the amount of \$325,000. During 2014 the Borough Council increased the original budget by \$44,099. The increase was funded by additional aid allotted to the Borough. In addition, the governing body approved several budget transfers during 2015 and 2014.

B. Excess Expenditures Over Appropriations

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriations resulted in unfavorable variances.

	<u>Modified Budget</u>		<u>Actual</u>		<u>Unfavorable Variance</u>
<u>2014</u>					
Current Fund					
2013 Appropriation Reserves					
Streets and Roads - Repair and Maintenance					
Salaries and Wages	\$ 82	\$	1,130	\$	1,048
Other Expenses			1,232		1,232
Streets and Roads - Snow Removal					
Salaries and Wages	1		813		812
Fire Official					
Other Expenses	34		2,999		2,965
Public Buildings and Grounds					
Other Expenses			398		398
Board of Health					
Other Expenses	3,071		3,700		629
Appropriated Grant Reserves					
Alcohol Education and Rehabilitation	3,355		3,804		449

In accordance with the regulatory basis of accounting, the above variances or overexpenditures were recorded as deferred charges on the balance sheet of the respective fund at year end and are required to be funded in the succeeding year's budget. GAAP does not permit the deferral of overexpenditures at year end.

**BOROUGH OF NORTH ARLINGTON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Deficit Fund Balance

The Borough has an accumulated deficit of \$17,613 in the Animal Control Trust Fund. This deficit is expected to be funded through normal operations in the subsequent year.

NOTE 3 CASH DEPOSITS AND INVESTMENTS

The Borough considers petty cash, change funds, cash in banks, certificates of deposit and deposits with the New Jersey Cash Management Fund as cash and cash equivalents.

A. Cash Deposits

The Borough's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Borough is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2015 and 2014, the book value of the Borough's deposits were \$9,890,901 and \$10,238,048 and bank and brokerage firm balances of the Borough's deposits amounted to \$10,477,488 and \$9,640,201, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" or "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2015</u>	<u>2014</u>
Insured	<u>\$ 10,477,488</u>	<u>\$ 9,640,201</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2015 and 2014, the Borough's bank balances were not exposed to custodial credit risk.

B. Investments

The Borough is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include 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 Borough or bonds or other obligations of the school districts which are a part of the Borough or school districts located within the Borough, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e). In addition, the Borough is permitted to invest LOSAP Funds with the types of eligible investments authorized in NJAC 5:30-14.19. LOSAP investments include interest bearing accounts or securities, in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

As of December 31, 2015 and 2014, the Borough had the following investments:

	<u>Fair Value</u>	<u>Book Value</u>
<u>2015</u>		
Lincoln Financial Group (LOSAP)	\$ 1,381,990	\$ 1,381,990
	<u>Fair Value</u>	<u>Book Value</u>
<u>2014</u>		
Lincoln Financial Group (LOSAP)	\$ 1,382,420	\$ 1,382,420

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2015 and 2014, \$1,381,990 and \$1,382,420 of the Borough’s investments was exposed to custodial credit risk as follows:

	<u>Fair Value</u>	<u>Book Value</u>
<u>2015</u>		
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name (unaudited)	(LOSAP) \$ 1,381,990	\$ 1,381,990
	<u>Fair Value</u>	<u>Book Value</u>
<u>2014</u>		
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name (unaudited)	(LOSAP) \$ 1,382,420	\$ 1,382,420

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Interest Rate Risk – The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2015 and 2014, the Borough’s investment in Lincoln Financial Group was rated Baa2 by Moody’s Investor Services, and A- by Standard and Poor’s.

Concentration of Credit Risk – The Borough places no limit in the amount the Borough may invest in any one issuer. More than five (5) percent of the Borough’s investments are in Lincoln Financial Group. These investments are 100% of the Borough’s total investments.

The fair value of the above-listed investments were based on quoted market prices.

Interest earned in the General Capital Fund, Assessment Trust Fund, Animal Control Fund and certain Other Trust Funds are assigned to the Current Fund in accordance with the regulatory basis of accounting.

NOTE 4 TAXES RECEIVABLE

Receivables at December 31, 2015 and 2014 consisted of the following:

<u>Current Fund</u>	<u>2015</u>	<u>2014</u>
Property Taxes	\$ 611,587	\$ 1,364,732
Tax Title Liens	<u>60,221</u>	<u>22,927</u>
	<u>\$ 671,808</u>	<u>\$ 1,387,659</u>

In 2015 and 2014, the Borough collected \$904,491 and \$683,700 from delinquent taxes, which represented 65.2% and 96.4%, respectively of the prior year delinquent taxes receivable balance.

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 5 DUE TO/FROM OTHER FUNDS

As of December 31, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>2015</u>		<u>2014</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 19,545	\$ 694,359	\$ 9,777	\$ 639,202
Trust Fund				
Animal Control		19,545		9,774
Other Trust	386,594		66,189	
Unemployment				3
Assessment	84,410		68,026	
General Capital Fund	<u>223,355</u>	<u>-</u>	<u>504,987</u>	<u>-</u>
 Total	 <u>\$ 713,904</u>	 <u>\$ 713,904</u>	 <u>\$ 648,979</u>	 <u>\$ 648,979</u>

The above balances are the result of expenditures being paid by one fund on behalf of another and revenues received in one fund but owed to another fund.

The Borough expects all interfund balances to be liquidated within one year.

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Under the regulatory basis of accounting, certain expenditures are required to be deferred to budgets of succeeding years. At December 31, the following deferred charges are reported on the balance sheets of the following funds:

	Balance <u>December 31,</u>	Subsequent Year Budget <u>Appropriation</u>	Balance to Succeeding <u>Budgets</u>
<u>2015</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ 537,753	\$ 277,753	\$ 260,000
	Balance <u>December 31,</u>	Subsequent Year Budget <u>Appropriation</u>	Balance to Succeeding <u>Budgets</u>
<u>2014</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ 474,441	\$ 261,688	\$ 212,753
Overexpenditure of Grant Appropriation	449	449	
Overexpenditure of Appropriation Reserves	7,084	7,084	
Operating Deficit	70,690	70,690	

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 7 FUND BALANCES APPROPRIATED

Under the regulatory basis of accounting, fund balance in the Current Fund is comprised of cash surplus (fund balance) and non-cash surplus (fund balance). All or part of cash surplus as of December 31 may be anticipated in the subsequent year's budget. The non-cash surplus portion of fund balance may be utilized in the subsequent year's budget with the prior written consent of the Director of the Division of Local Government Services if certain guidelines are met as to its availability. Fund balances at December 31, which were appropriated and included as anticipated revenue in the budget for the succeeding year were as follows:

	<u>2015</u>		<u>2014</u>	
	Fund Balance <u>December 31,</u>	Utilized in Subsequent Year's Budget	Fund Balance <u>December 31,</u>	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 1,731,995	\$ 500,000		
Non-Cash Surplus	<u>450,716</u>	<u>-</u>	\$ 502,715	\$ -
	<u>\$ 2,182,711</u>	<u>\$ 500,000</u>	<u>\$ 502,715</u>	<u>\$ -</u>

NOTE 8 FIXED ASSETS

A. General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2015 and 2014.

	Balance January 1, <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2015</u>
<u>2015</u>				
Land	\$ 7,418,400	\$ 135,109		\$ 7,553,509
Buildings and Building Improvements	5,565,488	5,042	\$ 73,399	5,497,131
Machinery and Equipment	<u>7,423,349</u>	<u>404,038</u>	<u>326,008</u>	<u>7,501,379</u>
	<u>\$ 20,407,237</u>	<u>\$ 544,189</u>	<u>\$ 399,407</u>	<u>\$ 20,552,019</u>
	Balance January 1, <u>2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2014</u>
<u>2014</u>				
Land	\$ 7,418,400			\$ 7,418,400
Buildings and Building Improvements	5,492,089	\$ 73,399		5,565,488
Machinery and Equipment	<u>7,285,580</u>	<u>137,769</u>	<u>-</u>	<u>7,423,349</u>
	<u>\$ 20,196,069</u>	<u>\$ 211,168</u>	<u>\$ -</u>	<u>\$ 20,407,237</u>

**BOROUGH OF NORTH ARLINGTON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 9 MUNICIPAL DEBT

The Local Bond Law governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been issued for general capital fund projects. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and four months or retired by the issuance of bonds.

The Borough's debt is summarized as follows:

	<u>2015</u>	<u>2014</u>
Issued		
General		
Bonds and Notes	\$ 17,455,075	\$ 17,115,256
Assessment		
Bonds	<u>295,426</u>	<u>383,745</u>
	17,750,501	17,499,001
Less Funds Temporarily Held to Pay Bonds and Notes	<u>295,426</u>	<u>455,945</u>
Net Debt Issued	17,455,075	17,043,056
Authorized But Not Issued		
General		
Bonds and Notes	<u>371,692</u>	<u>1,011,743</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 17,826,767</u>	<u>\$ 18,054,799</u>

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 9 MUNICIPAL DEBT (Continued)

Statutory Net Debt

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of 1.195% and 1.229% at December 31, 2015 and 2014, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2015</u>			
General Debt	\$ 18,122,193	\$ 295,426	\$ 17,826,767
School Debt	<u>4,512,000</u>	<u>4,512,000</u>	<u>-</u>
Total	<u>\$ 22,634,193</u>	<u>\$ 4,807,426</u>	<u>\$ 17,826,767</u>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2014</u>			
General Debt	\$ 18,510,744	\$ 455,945	\$ 18,054,799
School Debt	<u>4,902,000</u>	<u>4,902,000</u>	<u>-</u>
Total	<u>\$ 23,412,744</u>	<u>\$ 5,357,945</u>	<u>\$ 18,054,799</u>

Statutory Borrowing Power

The Borough's remaining borrowing power under N.J.S. 40A:2-6, as amended, at December 31, was as follows:

	<u>2015</u>	<u>2014</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 52,209,641	\$ 51,628,575
Net Debt	<u>17,826,767</u>	<u>18,054,799</u>
Remaining Borrowing Power	<u>\$ 34,382,874</u>	<u>\$ 33,573,776</u>

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt

The Borough's long-term debt consisted of the following at December 31:

General Obligation Bonds

The Borough levies ad valorem taxes to pay debt service on general obligation bonds. General obligation bonds outstanding at December 31 are as follows:

	<u>2015</u>	<u>2014</u>
\$11,765,000, 2005 B.C.I.A. Refunding Bond, due in annual installments of \$475,000 to \$515,000 through September 20, 2018, interest at 3.70% to 4.00%	\$ 1,495,000	\$ 2,015,000
\$8,720,000, 2005 B.C.I.A. General Improvement Bonds, due in annual installments of \$1,340,000 to \$1,535,000 through September 20, 2018, interest at 3.75%	4,300,000	5,570,000
\$390,889, 2005 B.C.I.A. General Improvement Bonds, due in annual installments of \$58,635 to \$68,396 through September 20, 2018, interest at 3.75%	189,575	246,256
\$2,800,000, 2010 General Improvement Encap Bonds, due in annual installments of \$200,000 through September 20, 2018, interest at 4.00% to 4.25%	1,800,000	2,000,000
\$7,634,000, 2013 General Improvement Bonds, due in annual installments of \$350,000 to \$700,000 through August 15, 2027, interest at 3.00% to 3.375%	<u>6,934,000</u>	<u>7,284,000</u>
	<u>\$ 14,718,575</u>	<u>\$ 17,115,256</u>

Assessment Bonds

The Borough pledges revenue from special benefit assessments to pay debt service on assessment bonds issued. The assessment bonds outstanding at December 31 are as follows:

	<u>2015</u>	<u>2014</u>
\$609,111, 2005 B.C.I.A. Assessment Bonds, due in annual installments of \$91,365 to \$106,605 through September 20, 2018, interest at 3.75%	<u>\$ 295,426</u>	<u>\$ 383,745</u>

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2015 is as follows:

Calendar Year	General Bonds		Assessment	Total
	Principal	Interest	Principal	
2016	2,463,635	551,192	91,365	3,106,192
2017	2,542,544	446,587	97,456	3,086,587
2018	2,628,396	339,301	106,605	3,074,302
2019	900,000	229,126		1,129,126
2020	900,000	200,116		1,100,116
2021-2025	4,050,000	576,580		4,626,580
2026-2027	1,234,000	61,420	-	1,295,420
Total	<u>\$ 14,718,575</u>	<u>\$ 2,404,322</u>	<u>\$ 295,426</u>	<u>\$ 17,418,323</u>

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2015 and 2014 were as follows:

	Balance, December 31, 2014	Additions	Reductions	Balance, December 31, 2015	Due Within One Year
<u>2015</u>					
General Capital Fund Bonds Payable	<u>\$ 17,115,256</u>	<u>\$ -</u>	<u>\$ 2,396,681</u>	<u>\$ 14,718,575</u>	<u>\$ 2,463,635</u>
General Capital Fund Long-Term Liabilities	<u>\$ 17,115,256</u>	<u>\$ -</u>	<u>\$ 2,396,681</u>	<u>\$ 14,718,575</u>	<u>\$ 2,463,635</u>
Trust Assessment Fund Bonds Payable	<u>\$ 383,745</u>	<u>-</u>	<u>\$ 88,319</u>	<u>\$ 295,426</u>	<u>\$ 91,365</u>
Trust Assessment Fund Long-Term Liabilities	<u>\$ 383,745</u>	<u>\$ -</u>	<u>\$ 88,319</u>	<u>\$ 295,426</u>	<u>\$ 91,365</u>

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt (Continued)

	Balance, December 31, <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2014</u>	Due Within <u>One Year</u>
<u>2014</u>					
General Capital Fund					
Bonds Payable	\$ 19,403,028		\$ 2,287,772	\$ 17,115,256	\$ 2,396,681
Intergovernmental Loans Payable	<u>37,049</u>	-	<u>37,049</u>	-	-
General Capital Fund Long-Term Liabilities	<u>\$ 19,440,077</u>	<u>\$ -</u>	<u>\$ 2,324,821</u>	<u>\$ 17,115,256</u>	<u>\$ 2,396,681</u>
Trust Assessment Fund					
Bonds Payable	\$ 465,973	-	\$ 82,228	\$ 383,745	\$ 88,319
Trust Assessment Fund Long-Term Liabilities	<u>\$ 465,973</u>	<u>\$ -</u>	<u>\$ 82,228</u>	<u>\$ 383,745</u>	<u>\$ 88,319</u>

B. Short-Term Debt

The Borough's short-term debt activity for the years ended December 31, 2015 and 2014 was as follows:

Bond Anticipation Notes

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	Balance December 31, <u>2013</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	Balance, December 31, <u>2014</u>
<u>2015</u>						
Various Capital Improvements	0.89%	5/20/2016	<u>\$ -</u>	<u>\$ 2,736,500</u>	-	<u>\$ 2,736,500</u>

2014

There are none.

**BOROUGH OF NORTH ARLINGTON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

The purpose of these short-term borrowings was to provide resources for capital construction, acquisitions or improvement projects and other purposes permitted by State Local Bond Law NJSA 40A:2 et. seq. The amounts issued for governmental activities are accounted for in the General Capital Fund.

State law requires that notes are to be issued for a period not exceeding one year and may be renewed from time to time for additional periods, none of which shall exceed one year. All bond anticipation notes, including renewals, shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. In addition any note renewed beyond the third anniversary date of the original note, requires one legally payable installment to be paid.

In addition to the debt shown in the above schedule, municipalities may issue debt to finance emergency or special emergency appropriations or to meet cash flow needs (Tax Anticipation Notes) to temporarily finance operating expenditures. This debt which is not included in the Borough's statutory debt limit calculation is reported in the Current Fund for the years 2015 and 2014 as follows:

Special Emergency Notes

Following the adoption of an ordinance or resolution for special emergency appropriations, the Borough may borrow money and issue special emergency notes which may be renewed from time to time, but at least 1/5 of all such notes and the renewal thereof, shall mature and be paid in each year so that all notes have been paid by the end of the fifth year following the date of the special emergency resolution.

			Balance, December 31, <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2015</u>
<u>2015</u>						
Special Emergency Notes	0.94%	5/20/2016	\$ 510,000	\$ 212,753	\$ 510,000	\$ 212,753
Special Emergency Notes	0.89%	5/20/2016	<u>-</u>	<u>325,000</u>	<u>-</u>	<u>325,000</u>
			<u>\$ 510,000</u>	<u>\$ 537,753</u>	<u>\$ 510,000</u>	<u>\$ 537,753</u>
			Balance, December 31, <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2014</u>
<u>2014</u>						
Special Emergency Notes	1.50%	5/22/2015	<u>\$ 750,000</u>	<u>\$ 510,000</u>	<u>\$ 750,000</u>	<u>\$ 510,000</u>

**BOROUGH OF NORTH ARLINGTON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Tax Anticipation Notes

In any fiscal year in anticipation of the collection of taxes for such year, whether levied or to be levied in such year, or in anticipation of other revenues for such year, the Borough may borrow money in the form of tax anticipation notes. The amount of tax anticipation notes of any fiscal year outstanding at any one time shall not exceed an amount certified as the gross borrowing power. Tax anticipation notes may be renewed from time to time, but all such notes and any renewals shall mature within 120 days after the beginning of the succeeding fiscal year.

			Balance, December 31, <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2015</u>
<u>2015</u>						
Tax Anticipation Note			\$ 4,750,000	\$ -	\$ 4,750,000	\$ -
	Rate (%)	Maturity Date	Balance, December 31, <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2014</u>
<u>2014</u>						
Tax Anticipation Note	0.50%	3/22/2015	\$ -	\$ 4,750,000	\$ -	\$ 4,750,000

NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of December 31, the Borough had the following commitments with respect to unfinished capital projects:

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<u>2015</u>		
2015 Road Improvement Program	\$612,087	2016
<u>2014</u>		
2014 Road Improvement Program	\$281,796	2015

NOTE 11 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

Under the existing policies and labor agreements of the Borough, employees are allowed to accumulate (with certain restrictions) unused sick leave over the life of their working careers and to redeem such unused leave time in cash (with certain limitations) upon death, retirement or by extended absence immediately preceding retirement.

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)

A. Compensated Absences (Continued)

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$1,261,376 and \$1,427,042 at December 31, 2015 and 2014, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

As of December 31, 2015 and 2014, the Borough has reserved in the Other Trust Fund \$275,012 and \$75,012, respectively, to fund compensated absences in accordance with NJSA 40A:4-39.

B. Deferred Pension Obligation

During the year ended December 31, 2009 the Borough elected to contribute 50% of its normal and accrued liability components of the PFRS and PERS obligations and deferred the remaining 50% in accordance with P.L. 2009, c.19. The deferred amount totaled \$474,676 and will be paid back with interest over 15 years beginning in the 2013 year. The Borough is permitted to payoff the deferred PFRS and PERS pension obligations at any time. It is estimated that the total deferred liability including accrued interest (at 7.90% effective July 1, 2013 and 8.25% prior to July 1, 2013) at December 31, 2015 and 2014 is \$567,906 and \$569,820, respectively.

Changes in Other Long-Term Liabilities

Under the regulatory basis of accounting, certain other long-term liabilities which may be considered material to the financial statements are not reported either as an expenditure or a liability. However, under the regulatory basis of accounting, these other long-term liabilities and related information are required to be disclosed in the notes to the financial statements in conformity with the disclosure requirements of the Governmental Accounting Standards Board.

The Borough's changes in other long-term liabilities for the years ended December 31, 2015 and 2014 were as follows:

	Balance, December 31, <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2015</u>	Due Within <u>One Year</u>	
<u>2015</u>						
Compensated Absences	\$ 1,427,042		\$ 165,666	\$ 1,261,376		
Deferred Pension Obligation	360,671		28,706	331,965	\$ 31,087	
Net Pension Liability - PERS	6,441,401	\$ 793,284	260,267	6,974,418		
Net Pension Liability - PFRS	12,453,177	5,618,227	817,232	17,254,172	-	
Other Long-Term Liabilities	<u>\$ 20,682,291</u>	<u>\$ 6,411,511</u>	<u>\$ 1,271,871</u>	<u>\$ 25,821,931</u>	<u>\$ 31,087</u>	
	Balance, December 31, <u>2013</u>	Prior Period Adjustment (A)	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2014</u>	Due Within <u>One Year</u>
<u>2014</u>						
Compensated Absences	\$ 1,249,583		\$ 177,459		\$ 1,427,042	
Deferred Pension Obligation	430,720		-	\$ 70,049	360,671	\$ 28,706
Net Pension Liability - PERS	\$ 6,838,979			397,578	6,441,401	
Net Pension Liability - PFRS	-	13,331,566	-	878,389	12,453,177	-
Other Long-Term Liabilities	<u>\$ 1,680,303</u>	<u>\$ 20,170,545</u>	<u>\$ 177,459</u>	<u>\$ 1,346,016</u>	<u>\$ 20,682,291</u>	<u>\$ 28,706</u>

(A) Represents the proportionate share of the Borough's net pension liability of the state sponsored employer retirement systems resulting from the requirements of Governmental Accounting Standards Board's Statement No. 68 "Accounting and Financial Reporting for Pensions".

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees which includes those Borough employees who are eligible for pension coverage.

Police and Firemen's Retirement System (PFRS) – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after June 30, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership. PFRS is a cost-sharing multi-employer defined benefit pension plan.

Public Employees' Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement healthcare for those eligible employees whose local employers elected to do so, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and, if applicable, 25 years for post-retirement healthcare coverage. PERS is a cost-sharing multi-employer defined benefit pension plan.

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 Borough 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 and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PFRS and new employees who would otherwise be eligible to participate in PERS and do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. DCRP is a defined contribution pension plan.

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 governmental employers do not appropriate funds to SACT.

The cost of living increase for PFRS and PERS 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, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits and refunds are recognized when due and payable in accordance with the terms of the retirement systems.

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial report may be obtained by 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/treasury/doinvest.

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, which was rolled forward to June 30, 2014, the aggregate funded ratio for all the State administered retirement systems, including PERS and PFRS, is 62.8 percent with an unfunded actuarial accrued liability of \$51.0 billion. The aggregate funded ratio and unfunded accrued liability for the local PERS system is 52.08 percent and \$18.7 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PFRS is 62.4 percent and \$13.9 billion, respectively.

The funded status and funding progress of the retirement systems includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2013 actuarial valuations, the date of the most recent actuarial valuations, the projected unit credit was used as actuarial cost method, and the five year average of market value was used as asset valuation method for pension trust funds. The actuarial assumptions included (a) 7.90% for investment rate of return for all the retirement systems and (b) changes to projected salary increases of 2.15-5.40 percent based on age for PERS and 3.95-9.62 percent based on age for PFRS.

**BOROUGH OF NORTH ARLINGTON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 10.0% for PFRS and 5.50% for DCRP and 6.92% for fiscal year 2015 for PERS of employees' annual compensation.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employees*, for the year ended December 31, 2015 for PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended December 31, 2015, 2014 and 2013, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions, deferred pension obligation contributions, and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2015	\$ 817,232	\$ 298,267	\$ 2,055
2014	787,374	283,932	2,349
2013	786,590	287,645	1,512

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

Public Employees Retirement System (PERS)

At December 31, 2015 and 2014, the Borough had a liability of \$6,974,418 and \$6,441,401, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 and 2013, respectively. The Borough's proportionate share of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2015, the Borough's proportionate share was .03106 percent, which was a decrease of .00334 percent from its proportionate share measured as of June 30, 2014 of .03440 percent.

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

For the year ended December 31, 2015 and 2014, the pension system has determined the Borough's pension expense to be \$304,347 and \$290,751, respectively, for PERS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$298,267 and \$283,932, respectively. At December 31, 2015 and 2014, the Borough's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Borough's financial statements are from the following sources:

	2015		2014	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 166,385			
Changes of Assumptions	748,997		\$ 202,552	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		\$ 112,135		\$ 383,873
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	-	711,515	-	222,718
Total	<u>\$ 915,382</u>	<u>\$ 823,650</u>	<u>\$ 202,552</u>	<u>\$ 606,591</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2016	\$ (9,053)
2017	(9,053)
2018	(9,053)
2019	86,915
2020	31,976
Thereafter	-
	<u>\$ 91,732</u>

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2015</u>	<u>2014</u>
Inflation Rate	3.04%	3.01%
Salary Increases:		
2012-2021	2.15-4.40%	2.15-4.40%
	Based on Age	Based on Age
Thereafter	3.15-5.40%	3.15-5.40%
	Based on Age	Based on Age
Investment Rate of Return	7.90%	7.90%
Mortality Rate Table	RP-2000	RP-2000

Actuarial Assumptions

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

The actuarial assumptions used in the July 1, 2014 and 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2015 and 2014 are summarized in the following table:

<u>Asset Class</u>	<u>2015</u>		<u>2014</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%	6.00%	0.80%
U.S. Treasuries	1.75%	1.64%		
Investment Grade Credit Core Bonds	10.00%	1.79%	1.00%	2.49%
Intermediate-Term Bonds			11.20%	2.26%
Mortgages	2.10%	1.62%	2.50%	2.17%
High Yield Bonds	2.00%	4.03%	5.50%	4.82%
Inflation-Indexed Bonds	1.50%	3.25%	2.50%	3.51%
Broad US Equities	27.25%	8.52%	25.90%	8.22%
Developed Foreign Equities	12.00%	6.88%	12.70%	8.12%
Emerging Market Equities	6.40%	10.00%	6.50%	9.91%
Private Equity	9.25%	12.41%	8.25%	13.02%
Hedge Funds/Absolute Return	12.00%	4.72%	12.25%	4.92%
Real Estate (Property)	2.00%	6.83%	3.20%	5.80%
Commodities	1.00%	5.32%	2.50%	5.35%
Global Debt ex US	3.50%	-0.40%		
REIT	4.25%	5.12%		

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Year</u>	<u>Discount Rate</u>
2015	4.90%
2014	5.39%

**BOROUGH OF NORTH ARLINGTON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

The following table represents the crossover period, if applicable, for the PERS defined benefit plan:

Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2033
Municipal Bond Rate *	From July 1, 2033 and Thereafter

* The municipal bond return rate used is 3.80% and 4.29% as of June 30, 2015 and 2014, respectively. 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.

Sensitivity of Net Pension Liability

The following presents the Borough's proportionate share of the PERS net pension liability as of December 31, 2015 calculated using the discount rate of 4.90%, as well as what the Borough's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.90 percent) or 1-percentage-point higher (5.90 percent) than the current rate:

	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 8,668,348</u>	<u>\$ 6,974,418</u>	<u>\$ 5,554,239</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2015. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

Pension Plan Fiduciary Net Position

Detailed information about the PERS 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.

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firemen’s Retirement System (PFRS)

At December 31, 2015 and 2014, the Borough had a liability of \$17,254,172 and \$12,453,177, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 and 2013, respectively. The Borough’s proportionate share of the net pension liability was based on a projection of the Borough’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2015, the Borough’s proportionate share was .10358 percent, which was an increase of .00459 percent from its proportionate share measured as of June 30, 2014 of .09899 percent.

For the years ended December 31, 2015 and 2014, the pension system has determined the Borough pension expense to be \$1,572,307 and \$828,549, respectively, for PFRS based on the actuarial valuation which is more than the actual contributions reported in the Borough’s financial statements of \$817,232 and \$787,374, respectively. At December 31, 2015 and 2014, the Borough’s deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Borough’s financial statements are from the following sources:

	<u>2015</u>		<u>2014</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience		\$ 148,823		
Changes of Assumptions	\$ 3,185,549		\$ 467,535	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		300,294		\$ 1,270,805
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>503,366</u>	<u>115,246</u>	<u>-</u>	<u>142,883</u>
Total	<u>\$ 3,688,915</u>	<u>\$ 564,363</u>	<u>\$ 467,535</u>	<u>\$ 1,413,688</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2016	\$ 606,528
2017	606,528
2018	606,528
2019	924,229
2020	380,739
Thereafter	<u>-</u>
	<u>\$ 3,124,552</u>

**BOROUGH OF NORTH ARLINGTON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firemen’s Retirement System (PFRS) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PFRS</u>	<u>2015</u>	<u>2014</u>
Inflation Rate	3.04%	3.01%
Salary Increases: 2012-2021	2.60-9.48%	3.95-8.62%
	Based on Age	Based on Age
Thereafter	3.60-10.48%	4.95-9.62%
	Based on Age	Based on Age
Investment Rate of Return	7.90%	7.90%
Mortality Rate Table	RP-2000	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA and one year using Scale BB.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013. The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2010.

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firemen’s Retirement System (PFRS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans’ target asset allocation as of June 30, 2015 and 2014 are summarized in the following table:

<u>Asset Class</u>	<u>2015</u>		<u>2014</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%	6.00%	0.80%
U.S. Treasuries	1.75%	1.64%		
Investment Grade Credit	10.00%	1.79%		
Core Bonds			1.00%	2.49%
Intermediate-Term Bonds			11.20%	2.26%
Mortgages	2.10%	1.62%	2.50%	2.17%
High Yield Bonds	2.00%	4.03%	5.50%	4.82%
Inflation-Indexed Bonds	1.50%	3.25%	2.50%	3.51%
Broad US Equities	27.25%	8.52%	25.90%	8.22%
Developed Foreign Equities	12.00%	6.88%	12.70%	8.12%
Emerging Market Equities	6.40%	10.00%	6.50%	9.91%
Private Equity	9.25%	12.41%	8.25%	13.02%
Hedge Funds/Absolute Return	12.00%	4.72%	12.25%	4.92%
Real Estate (Property)	2.00%	6.83%	3.20%	5.80%
Commodities	1.00%	5.32%	2.50%	5.35%
Global Debt ex US	3.50%	-0.40%		
REIT	4.25%	5.12%		

Discount Rate

The discount rate used to measure the total pension liabilities of the PFRS plan was as follows:

<u>Year</u>	<u>Discount Rate</u>
2015	5.79%
2014	6.32%

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firemen’s Retirement System (PFRS) (Continued)

Discount Rate (Continued)

The following table represents the crossover period, if applicable, for the PFRS defined benefit plan:

Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2045
Municipal Bond Rate *	From July 1, 2045 and Thereafter

* The municipal bond return rate used is 3.80% and 4.29% as of June 30, 2015 and 2014, respectively. 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.

Sensitivity of Net Pension Liability

The following presents the Borough’s proportionate share of the PFRS net pension liability as of December 31, 2015 calculated using the discount rate of 5.79% as well as what the Borough’s proportionate share of the PFRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.79 percent) or 1-percentage-point higher (6.79 percent) than the current rate:

	1% Decrease (4.79%)	Current Discount Rate (5.79%)	1% Increase (6.79%)
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 22,746,476</u>	<u>\$ 17,254,172</u>	<u>\$ 12,775,688</u>

The sensitivity analysis was based on the proportionate share of the Borough’s net pension liability at December 31, 2015. A sensitivity analysis specific to the Borough’s net pension liability was not provided by the pension system.

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firemen's Retirement System (PFRS) (Continued)

Special Funding Situation – PFRS

Under N.J.S.A. 43:16A-15, the Borough is responsible for their own PFRS contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the Borough by the State under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Accordingly, the Borough's proportionate share percentage determined under GASB Statement No. 68 is zero percent and the State's proportionate share is 100% for PFRS under this legislation.

At December 31, 2015 and 2014, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,513,133 and \$1,340,998, respectively. For the years ended December 31, 2015 and 2014, the pension system has determined the State's proportionate share of the pension expense attributable to the Borough for the PFRS special funding situation is \$188,741 and \$169,911 respectively, which is more than the actual contributions the State made on behalf of the Borough of \$78,766 and \$55,682, respectively. The State's proportionate share attributable to the Borough was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Borough's financial statements.

Pension Plan Fiduciary Net Position

Detailed information about the PFRS 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 reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for participating municipalities including the Borough. The plans are classified as either single employer plans or cost sharing multiple employer defined benefit plans depending on the plan the eligible employee is covered under.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and the Teacher's Pension and Annuity (TPAF) are combined and reported as Pension and Other Employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost sharing multiple-employer plan. The post-retirement benefit programs had a total of 590 state and local participating employers and contributing entities for Fiscal Year 2015.

The State of New Jersey sponsors and administers the following health benefit program covering substantially all local government employees from local participating employers.

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

State Health Benefits Program Funds (HBPF) – Local Government (including Prescription Drug Program Fund) – Certain local employers who participate in the State Health Benefits Program provide health insurance coverage to their employees at retirement. Under provisions of P.L. 1997, c.330, the State of New Jersey provides partially funded benefits to local police officers and firefighters who retire with 25 years of service (or on disability) from an employer who does not provide coverage. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program by paying the cost of the insurance for themselves and their covered dependents. Also, local employees are eligible for the PDP coverage after 60 days of employment.

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

Basis of Accounting

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the State had a \$65.0 billion unfunded actuarial liability for other postemployment benefits (OPEB) which is made up of \$24.4 billion for state active and retired members and \$40.6 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2014 OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Post-Retirement Medical Benefits Contribution

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Public Employees' Retirement System to fund post-retirement medical benefits for those State and participating local government employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State and participating local governments in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

P.L. 1977, c. 136 provides for the State and participating local governments to pay health benefits on a pay-as-you-go basis for all enrolled retired employees, regardless of retirement date, under two provisions. The first is for employees whose pensions are based on 25 years or more of credited service (except those who elect a deferred retirement). The second is for retired employees who are eligible for a disability retirement regardless of years of service. The State and participating local governments contributed \$173.9 million for 10,355 eligible retired members for Fiscal Year 2015. This benefit covers the Police and Firemen's Retirement System.

P.L. 1997, c. 330 provides paid post-retirement health benefits to qualified retirees of the Police and Firemen's Retirement System and to dependents of qualified retirees. The State and participating local governments are responsible for 80 percent of the premium for the category of coverage elected by the retiree under the State managed care plan or a health maintenance organization participating in the program, whichever provides the lower charge. The State and participating local governments contributed \$44.3 million in Fiscal Year 2015 to provide benefits under Chapter 330 to qualified retirees.

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 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 Borough's contributions to the State Health Benefits Program Fund-Local Government for post-retirement benefits for the years ended December 31, 2015, 2014 and 2013 were \$1,126,473, \$991,814, and \$930,345, respectively, which equaled the required contributions for each year (or were not available). In addition, the Borough's reimbursements to eligible retired employees for Medicare Part B insurance coverage for the years ended December 31, 2015, 2014 and 2013 were \$17,726, \$19,612 and \$42,977, respectively.

NOTE 14 RISK MANAGEMENT

The Borough is exposed to various risks of loss related to general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; termination of employees and natural disasters. The Borough has obtained commercial insurance coverage to guard against these events to minimize the exposure to the Borough should they occur.

The Borough of North Arlington is a member of the South Bergen Municipal Joint Insurance Fund (SBJIF) and Municipal Excess Liability Joint Insurance Fund (MEL). The joint insurance funds are both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker's compensation. The Funds are risk-sharing public entity pools. The SBJIF and MEL coverage amounts are on file with the Borough.

**BOROUGH OF NORTH ARLINGTON
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 14 RISK MANAGEMENT (Continued)

The relationship between the Borough and respective insurance funds is governed by a contract and by-laws that have been adopted by resolution of each unit’s governing body. The Borough is contractually obligated to make all annual and supplementary contributions to the insurance funds, to report claims on a timely basis, to cooperate with the management of the funds, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the funds. Members have a contractual obligation to fund any deficit of the funds attributable to a membership year during which the municipality was a member.

The funds provide its members with risk management services, including the defense of and settlement of claims, and established reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the funds can be obtained by contacting the respective fund’s Treasurer.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage in any of the prior three years.

The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan the Borough is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Borough is billed quarterly for amounts due to the State. The following is a summary of Borough contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Borough’s unemployment compensation trust fund for the current and previous two years:

<u>Year Ended December 31</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance (Deficit)</u>
2015	\$ 20,000	\$ 8,962	\$ 24,784	\$ 5,156
2014	20,000	8,944	39,151	978
2013		8,801	28,320	11,185

NOTE 15 CONTINGENT LIABILITIES

The Borough is a party defendant in some lawsuits, none of a kind unusual for a municipality of its size and scope of operation. In the opinion of the Borough’s Attorney, the potential claims against the Borough not covered by insurance policies would not materially affect the financial condition of the Borough.

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2015 and 2014. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. As of December 31, 2015, the Borough has reserved \$200,000 in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years’ budget or from fund balance.

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 15 CONTINGENT LIABILITIES (Continued)

Federal and State Awards - The Borough 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 Borough may be required to reimburse the grantor government. As of December 31, 2015 and 2014, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

NOTE 16 FEDERAL ARBITRAGE REGULATIONS

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2015 and 2014, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

NOTE 17 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED

The Borough of North Arlington Length of Service Award Program (the Plan) was created by a Borough ordinance adopted on July 10, 2000 pursuant to 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Borough of North Arlington approved the adoption of the Plan at the general election held on November 17, 2000.

The first year of eligibility for entrance into the Plan was calendar year 2001. The tax deferred income benefits for emergency services volunteers, consisting of the Volunteer Fire Department and the First Aid Organization, come from contributions made solely by the Borough on behalf of those volunteers who meet the criteria of a plan created by the governing body.

If an active member meets the year of active service requirement, a LOSAP must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services issues the permitted maximum increase annually.

The Borough of North Arlington has contributed \$1,150 for both 2015 and 2014, for each eligible volunteer fire department member into the Plan. The Borough also contributed \$1,150 for both 2015 and 2014, for each eligible volunteer first aid squad members into the Plan. The total Borough contributions were \$90,850 and \$97,750 for 2015 and 2014, respectively.

In accordance with the amendments to Section 457 of the Internal Revenue Code and the State Deferred Revenue Regulations, the Borough has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the plan participants and their beneficiaries.

**BOROUGH OF NORTH ARLINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 17 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED (Continued)

Lincoln Financial Group is the administrator of the plan. The Borough's practical involvement in administering the plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the plan administrator.

Vesting and Benefits

A volunteer is eligible to receive a distribution of funds upon completing 5 (five) cumulative years as an active member of the volunteer organization. Certain restrictions and tax implications may result in the event of a withdrawal of funds from the Plan.

If a volunteer member does not vest and terminates their association with the emergency service organization, the funds are returned to the sponsoring agency's surplus.

Reporting Requirements

The New Jersey Administrative Code NJAC 5:30-14.49 requires that the Borough perform a separate review report of the plan in accordance with the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Accounting and Auditing Review Services. Since a review does not constitute an audit, the financial statements pertaining to the Plan are presented as unaudited in this report as part of the Borough's Trust Fund.

NOTE 18 SUBSEQUENT EVENTS

Debt Authorized

On March 10, 2016, the Borough adopted a bond ordinance authorizing \$1,140,000 in Bonds or Bond Anticipation Notes to fund certain capital projects. The Borough has issued and awarded the sale of said notes as detailed below.

Refunding Bonds

On March 17, 2016, the Borough issued \$6,135,000 in refunding bonds. The bonds were utilized to refinance \$6,280,000 of existing outstanding general obligation bonds of the Borough. The bonds were issued through the Bergen County Improvement Authority (BCIA) at an interest rate of 2%-5%. These bonds, dated March 17, 2016, will mature on August 15, 2034.

Bond Anticipation Notes/Special Emergency Note

On May 19, 2016, the Borough issued Bond Anticipation Notes in the amount of \$3,876,500 and Special Emergency Notes in the amount of \$260,000 to temporarily finance expenditures related to various capital projects and special emergencies. These notes, dated May 19, 2016, will mature on May 19, 2017.

CURRENT FUND

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF CASH - COLLECTOR/TREASURER**

Balance, December 31, 2014		\$ 8,099,901
Increased by Receipts:		
Revenue Accounts Receivable	\$ 4,025,987	
Miscellaneous Revenue Not Anticipated	92,985	
Due from State of NJ Senior Citizens' and Veterans Deductions	104,250	
Grants Receivable	5,000	
Taxes Receivable	44,579,721	
Fees Payable	1,899	
Prepaid Taxes	271,388	
Tax Overpayments	172,227	
Reserve for Federal and State Grants - Unappropriated	57,086	
Special Emergency Note	537,753	
Other Trust Fund Receipts Deposited in Current Fund	12,696	
Receipts From Animal Control Fund	19	
Receipts From Other Trust Fund	8,832	
Receipts From Assessment Trust Fund	84,657	
Receipts From Unemployment Trust Fund	<u>3</u>	
		<u>49,954,503</u>
		58,054,404
Decreased by Disbursements:		
2015 Budget Appropriations	19,374,830	
2014 Appropriation Reserves	457,090	
Encumbrances Payable	359,397	
Accounts Payable	23,593	
Tax Overpayments	243,913	
County Taxes Payable	3,541,371	
Local District School Taxes	23,622,712	
Reserve for Federal and State Grants - Appropriated	24,431	
Tax Anticipation Notes	4,750,000	
Special Emergency Notes	510,000	
Payments to Animal Control Trust Fund	9,774	
Payments to Assessment Trust Fund	68,026	
Payments to General Capital Fund	280,651	
Other Trust Fund Expenditures Paid by Current Fund	986	
Refund of Prior Year Taxes and Revenue	<u>31,124</u>	
		<u>53,297,898</u>
Balance, December 31, 2015		<u>\$ 4,756,506</u>

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF CHANGE FUNDS**

<u>Office</u>	Balance, December 31, <u>2014</u>	Balance, December 31, <u>2015</u>
Tax Collector	\$ <u>200</u>	\$ <u>200</u>
	<u>\$ 200</u>	<u>\$ 200</u>

**STATEMENT OF AMOUNT DUE FROM STATE OF NEW JERSEY -
SENIOR CITIZENS' AND VETERANS' DEDUCTIONS**

Balance, December 31, 2014		\$ 22,837
Increased by:		
Senior Citizen and Veterans Deductions per Tax Billing		<u>114,000</u>
		136,837
Decreased by:		
Senior Citizen Deductions Disallowed by Tax Collector - Prior Year	\$ 9,000	
Received in Cash from State	<u>104,250</u>	
		<u>113,250</u>
Balance, December 31, 2015		<u>\$ 23,587</u>

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF GRANTS RECEIVABLE**

	Balance, December 31, 2014	Accrued	Cash Receipts	Balance, December 31, 2015
NJ Meadowlands Municipal Assistance Grant	\$ 8,300			\$ 8,300
NJ Handicapped Recreational Opportunities	13,763			13,763
NJ Department of Transportation- Canterbury PH II	4			4
Hackensack Meadowlands Development Commission				
Discretionary Grant	46,425			46,425
Municipal Alliance	50,701			50,701
County of Bergen- Road Repair River Road	113,886			113,886
Bergen County Open Space				
T-Ball Field- High School	1,308			1,308
Bullet Proof Vest Partnership	9,847			9,847
Assistance to Firefighters		\$ 30,953		30,953
Emergency Management	5,000		\$ 5,000	
Fire Department Saver Grant	74,437			74,437
County of Bergen - ADA Ramps	11,488			11,488
Smart Growth	11,598			11,598
Bergen County Prosecutor - Police Radios	44,099			44,099
NJ Dept. of Transportation- Mobility Grant	10,320	-	-	10,320
	<u>\$ 401,176</u>	<u>\$ 30,953</u>	<u>\$ 5,000</u>	<u>\$ 427,129</u>

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

Year	Balance, December 31, 2014	2015 Levy	Added/ Omitted Taxes	Senior Citizens' and Veterans' Deductions Disallowed	2014	Collected In 2015	Senior Citizens' and Veterans' Deductions Allowed	Cancelled	Transferred to Tax Title Liens	Balance, December 31, 2015
2013	\$ 640					\$ 640				\$ 46,505
2014	<u>1,364,092</u>			\$ 9,000		<u>903,851</u>		\$ 411,517	<u>11,219</u>	<u>\$ 46,505</u>
2015	1,364,732			9,000		904,491		411,517	11,219	46,505
	-	\$ 44,502,761	\$ 98,793	-	\$ 166,741	43,675,230	\$ 114,000	54,426	26,075	565,082
	<u>\$ 1,364,732</u>	<u>\$ 44,502,761</u>	<u>\$ 98,793</u>	<u>\$ 9,000</u>	<u>\$ 166,741</u>	<u>\$ 44,579,721</u>	<u>\$ 114,000</u>	<u>\$ 465,943</u>	<u>\$ 37,294</u>	<u>\$ 611,587</u>

Analysis of 2015 Tax Levy

Tax Yield	
General Purpose Tax	\$ 44,502,761
Added Taxes (54:4-63.1 et seq.)	<u>98,793</u>
	<u>\$ 44,601,554</u>
Tax Levy	
Local District School Tax (Abstract)	\$ 23,622,703
County Taxes (Abstract)	3,504,379
County Open Space	36,992
Due County for Added Taxes(54:4-63.1 et seq.)	<u>9,751</u>
	<u>\$ 27,173,825</u>
Local Tax for Municipal Purposes (Abstract)	16,832,260
Minimum Library Tax	493,707
Additional Tax Levied	<u>101,762</u>
	<u>17,427,729</u>
	<u>\$ 44,601,554</u>

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF TAX TITLE LIENS**

Balance, December 31, 2014	\$ 22,927
Increased by:	
Transfers from Taxes Receivable	<u>37,294</u>
Balance, December 31, 2015	<u>\$ 60,221</u>

STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, December 31, <u>2014</u>	Accrued in <u>2015</u>	Collected	Balance, December 31 <u>2015</u>
Borough Clerk		\$ 57,974	\$ 57,974	
Alcoholic Beverage Licenses		5,619	5,619	
Licenses - Other		9,098	9,098	
Fees and Permits				
Board of Health		10,119	10,119	
Licenses - Other		14,820	14,820	
Fees and Permits				
Police		14,338	14,338	
Fees and Permits				
Tax		20	20	
Fees and Permits				
Recreation		16,240	16,240	
Fees and Permits		39,279	39,279	
Parking Meters				
Construction Code Official		240,695	240,695	
Fees and Permits		14,382	14,382	
Interest on Investments and Deposits		154,590	154,590	
Interest and Costs on Taxes				
Municipal Court	\$ 24,411	345,991	345,003	\$ 25,399
Fines and Costs		79,823	79,823	
Cable TV Franchise Fees		136,605	136,605	
Verizon Franchise Fees				
New Jersey Meadowlands Commission		908,136	908,136	
Tax Sharing N.J.S.A. 13:17-74		1,069,861	1,069,861	
Energy Receipts Tax		302,663	302,663	
N.J.M.C. Host Community Fees		17,005	17,005	
Uniform Fire Safety Act		38,000	38,000	
Library Insurance Reimbursement		479,517	479,517	
Third Party Billing-Emergency Medical Services		72,200	72,200	
Reserve for Payment of Debt	-	-	-	-
	<u>\$ 24,411</u>	<u>\$ 4,026,975</u>	<u>\$ 4,025,987</u>	<u>\$ 25,399</u>

BOROUGH OF NORTH ARLINGTON
STATEMENT OF DEFERRED CHARGES N.J.S.A. 40A:4-53 - SPECIAL EMERGENCY

<u>Date</u>	<u>Amount</u>	<u>1/5 of Net</u>	<u>Balance,</u>	<u>Increased in</u>	<u>Reduced in</u>	<u>Balance,</u>
<u>Authorized</u>	<u>Authorized</u>	<u>Amount</u>	<u>December 31,</u>	<u>2015</u>	<u>2015</u>	<u>December 31,</u>
<u>Purpose</u>			<u>2014</u>			<u>2015</u>
2010 Terminal Leave	\$ 300,000	\$ 60,000	\$ 60,000		\$ 60,000	
2011 Terminal Leave	450,000	90,000	180,000		90,000	\$ 90,000
2012 Superstorm Sandy	450,000	90,000	234,441		111,688	122,753
2015 Terminal Leave	325,000	65,000	-	\$ 325,000	-	325,000
			<u>\$ 474,441</u>	<u>\$ 325,000</u>	<u>\$ 261,688</u>	<u>\$ 537,753</u>

STATEMENT OF DEFERRED CHARGES

	<u>Balance,</u>	<u>Amount in</u>	<u>Amount</u>	<u>Balance,</u>
	<u>December 31,</u>	<u>2015 Budget</u>	<u>Resulting</u>	<u>December 31,</u>
	<u>2014</u>	<u>2015 Budget</u>	<u>from 2015</u>	<u>2015</u>
Operating Deficit	\$ 70,690	\$ 70,690		
Overexpenditure of Grant Appropriation	449	449		
Overexpenditure of Appropriation Reserve	7,084	7,084		
	<u>\$ 78,223</u>	<u>\$ 78,223</u>	<u>\$ -</u>	<u>\$ -</u>

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF 2014 APPROPRIATION RESERVES**

	Balance, December 31, <u>2014</u>	Encumbrances Payable <u>Cancelled</u>	Budget After <u>Modification</u>	<u>Expended</u>	Balance <u>Lapsed</u>
Salaries and Wages					
Administration & Executive	\$ 9,914		\$ 9,914	\$ 9,500	\$ 414
Borough Council	51		51		51
Elections	3,800		3,800		3,800
Financial Administration	398		398		398
Collection of Taxes	140		140		140
Assessment of Taxes	36		36		36
Planning Board	1,100		1,100	1,100	
Zoning Commission	1,500		1,500	1,500	
Rent Leveling Board	100		100		100
Police Department	161,925		161,925	161,500	425
Emergency Medical Transportation	19,004		19,004	10,000	9,004
Police- Dispatch 911	22,398		22,398	20,000	2,398
Crossing Guards	9,194		9,194		9,194
Fire Official	405		405		405
Streets & Roads - Repair & Maintenance	4		4		4
Streets & Roads - Snow Removal	1		1		1
Board of Health	28,394		28,394	15,000	13,394
Recreation	139		139		139
Youth Center	5,337		5,337		5,337
Senior Citizens Services	3,961		3,961		3,961
Municipal Court	11,401		11,401	11,400	1
Construction Code Officials	4,726		4,726	4,500	226
Other Expenses					
Administration & Executive	28,229		28,229	22,778	5,451
Outside Services - Admin & Exec.		\$ 10,294	10,294		10,294
Elections	4,553		4,553	2,000	2,553
Financial Administration	33,835		33,835	33,375	460
Outside Services - Financial Admin		1,903	1,903		1,903
Collection of Taxes	10,007		10,007	770	9,237
Assessment of Taxes	4,923	285	5,208		5,208
Legal Services and Costs	49,183		49,183	46,354	2,829
Engineering Services and Costs	25,198		25,198	11,815	13,383
Planning Board	5,338		5,338	4,280	1,058
Zoning Commission	4,966		4,966	4,000	966
Police Department	67,324		67,324	65,034	2,290
Office of Emergency Management	1,264		1,264		1,264
Fire Department	8,483		8,483	1,818	6,665
Volunteer Emergency Squad	6,784	8,506	15,290		15,290
Fire Official	618	300	918		918
Streets & Roads - Repair & Maintenance	53,373		53,373	53,032	341
Streets & Roads - Snow Removal	37,799		37,799	36,835	964
Shade Tree	13,625		13,625	13,350	275
Sanitation	38,667		38,667	38,667	
Public Building & Grounds	23,851	1,629	25,480	25,000	480

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF 2014 APPROPRIATION RESERVES**

	Balance, December 31, <u>2014</u>	Encumbrances Payable <u>Cancelled</u>	Budget After <u>Modification</u>	<u>Expended</u>	Balance <u>Lapsed</u>
Recycling	\$ 14,780		\$ 14,780	\$ 14,517	\$ 263
Board of Health	9,747		9,747	4,102	5,645
Outside Services - Board of Health		\$ 4,077	4,077		4,077
Dog Warden	5,227		5,227		5,227
Recreation	21,055		21,055	5,868	15,187
Celebration of Public Events	1,750		1,750		1,750
Youth Center	3,556		3,556	83	3,473
Senior Citizens	3,505		3,505		3,505
Construction Code Official	1,175	368	1,543		1,543
Municipal Court	308	736	1,044		1,044
UNCLASSIFIED					
Insurance					
Unemployment		20,000	20,000		20,000
General Liability Insurance	26,264		26,264		26,264
Employee Group Insurance	179,706		179,706	34,934	144,772
Worker's Compensation Insurance	55,134		55,134		55,134
Utility Expenses					
Electricity	47,287		47,287	26,860	20,427
Street Lighting	30,186		30,186	26,789	3,397
Gasoline	307	12,032	12,339		12,339
Water	1,755		1,755	1,608	147
Telephone	19,526		19,526	3,429	16,097
Social Security System (O.A.S.I.)	17,040	69	17,109		17,109
DCRP	251		251		251
Lyndhurst - North Arlington Joint Meeting	14		14		14
Maintenance of Free Public Library	12,588		12,588	292	12,296
Snow Emergencies	1,460		1,460		1,460
LOSAP	26,965		26,965		26,965
Judgements	45,000		45,000	45,000	
Passaic Valley Sewerage Commission	<u>62</u>	<u>-</u>	<u>62</u>	<u>-</u>	<u>62</u>
	<u>\$ 1,226,596</u>	<u>\$ 60,199</u>	<u>\$ 1,286,795</u>	<u>\$ 757,090</u>	<u>\$ 529,705</u>
				Cash Disbursements	\$ 457,090
				Due to Other Trust Fund	
				Terminal Pay	200,000
				Snow Removal	<u>100,000</u>
					<u>\$ 757,090</u>

**BOROUGH OF NORTH ARLINGTON
SCHEDULE OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2014		\$ 419,596
Increased by:		
Charged to 2015 Budget Appropriations		<u>190,504</u>
		610,100
Decreased by:		
Cash Disbursements	\$ 359,397	
Cancellations	<u>60,199</u>	
		<u>419,596</u>
Balance, December 31, 2015		<u><u>\$ 190,504</u></u>

STATEMENT OF ACCOUNTS PAYABLE

Balance, December 31, 2014		<u>\$ 23,593</u>
Decreased by:		
Cash Disbursements		<u><u>\$ 23,593</u></u>

STATEMENT OF FEES PAYABLE

Balance, December 31, 2014		\$ 631
Increased by:		
Cash Receipts		<u>1,899</u>
		2,530
Decreased by:		
Payments to State of New Jersey		<u>-</u>
Balance, December 31, 2015		<u><u>\$ 2,530</u></u>

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF PREPAID TAXES**

Balance, December 31, 2014	\$ 166,741
Increased by:	
Payment of 2016 Taxes	<u>271,388</u>
	438,129
Decreased by:	
Applied to 2015 Taxes	<u>166,741</u>
Balance, December 31, 2015	<u><u>\$ 271,388</u></u>

STATEMENT OF TAX OVERPAYMENTS

Balance, December 31, 2014	\$ 243,913
Increased by:	
Overpayments Received	<u>172,227</u>
	416,140
Decreased by:	
Cash Disbursements	<u>243,913</u>
Balance, December 31, 2015	<u><u>\$ 172,227</u></u>

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF COUNTY TAXES PAYABLE**

Balance, December 31, 2014		\$ 3,172
Increased by:		
General County Levy - 2015	\$ 3,504,379	
County Open Space Preservation Levy -2015	36,992	
Due County for Added and Omitted Taxes	<u>9,751</u>	
		<u>3,551,122</u>
		3,554,294
Decreased by:		
Payments		<u>3,541,371</u>
Balance, December 31, 2015		<u>\$ 12,923</u>

STATEMENT OF PREPAID LOCAL SCHOOL DISTRICT TAXES

Balance, December 31, 2014		\$ 2,290
Increased by:		
Cash Disbursements	<u>23,622,712</u>	
		23,625,002
Decreased by:		
Levy - Calendar Year 2015		<u>23,622,703</u>
Balance, December 31, 2015		<u>\$ 2,299</u>

STATEMENT OF PREPAID PAYROLL EXPENDITURES

Balance, December 31, 2014		<u>\$ 252,758</u>
Decreased by:		
Charged to 2015 Budget Appropriations		<u>\$ 252,758</u>

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF APPROPRIATED GRANT RESERVES**

	Balance, December 31, <u>2014</u>	Transfer from Current Year <u>Appropriations</u>	Paid or <u>Charged</u>	Balance, December 31, <u>2015</u>
Body Armor Fund	\$ 5,481	\$ 2,862	\$ 7,828	\$ 515
Drunk Driving Enforcement Fund	5,495		3,482	2,013
Alcohol Education and Rehabilitation Fund		1,477	(165)	1,642
Clean Communities	113,181	22,678		135,859
Recycling Tonnage Grant	51,107	27,669	6,097	72,679
Assistance to Firefighters Grant		30,953		30,953
Match		1,547		1,547
NJ DEP Stormwater	34			34
Community Development Block Grant- Generator	2			2
Highway Safety Seat Belts	4,000			4,000
Strengthening Families	3,516			3,516
NJ Environmental Protection- Road Mileage	45,082			45,082
NJ Meadowlands Municipal Assistance Grant	67,567			67,567
Municipal Alliance				
State Share	36,005		7,189	28,816
Local Match	10,433			10,433
Fire Department Saver Grant	39,542			39,542
Bill Gates Library Grant	1,300			1,300
County of Bergen ADA Ramps Project	11,488			11,488
Emergency Management	10,000			10,000
Bergen County Prosecutor - Police Radios	900			900
BCUA Recycling Assistance	5,207	-	-	5,207
	<u>\$ 410,340</u>	<u>\$ 87,186</u>	<u>\$ 24,431</u>	<u>\$ 473,095</u>
			<u>Cash Disbursed \$ 24,431</u>	

BOROUGH OF NORTH ARLINGTON
STATEMENT OF RESERVE FOR FEDERAL AND STATE GRANTS - UNAPPROPRIATED

	Balance, December 31, 2014	Cash Receipts	Anticipated as 2015 Budget Revenue	Balance, December 31, 2015
Body Armor	\$ 2,862	\$ 2,857	\$ 2,862	\$ 2,857
NJ Alcohol Rehab. Education	1,477		1,477	
Clean Communities	22,678	27,571	22,678	27,571
Recycling Tonnage	<u>27,669</u>	<u>26,658</u>	<u>27,669</u>	<u>26,658</u>
	<u>\$ 54,686</u>	<u>\$ 57,086</u>	<u>\$ 54,686</u>	<u>\$ 57,086</u>

EXHIBIT A-24

STATEMENT OF MISCELLANEOUS RESERVES

	Balance, December 31, 2014	Cash Receipts	Anticipated as 2015 Budget Revenue	Balance, December 31, 2015
Reserve for:				
FEMA	\$ 111,688		\$ 111,688	
State Library Aid	<u>13,905</u>	<u>-</u>	<u>-</u>	\$ 13,905
	<u>\$ 125,593</u>	<u>\$ -</u>	<u>\$ 111,688</u>	<u>\$ 13,905</u>

EXHIBIT A-25

STATEMENT OF RESERVE FOR TAX APPEALS

Increased by:		
Transferred from Current Tax Collections		\$ <u>200,000</u>
Balance, December 31, 2015		\$ <u>200,000</u>

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF TAX ANTICIPATION NOTE PAYABLE**

Original Date of Issue	Original Issue	Date of Maturity	Interest Rate	Balance, December 31, 2014	Increased	Decreased	Balance, December 31, 2015
10/23/2014	\$ 4,750,000	3/23/2015	0.50%	\$ 4,750,000	-	\$ 4,750,000	\$ -
				\$ 4,750,000	-	\$ 4,750,000	\$ -

STATEMENT OF SPECIAL EMERGENCY NOTE PAYABLE

Date of Issue	Original Issue	Date of Maturity	Interest Rate	Balance, December 31, 2014	Increased	Decreased	Balance, December 31, 2015
5/23/2014	\$ 510,000	5/22/2015	1.50%	\$ 510,000	\$ 510,000	\$ 510,000	\$ 510,000
5/22/2015	212,753	5/20/2016	0.94%	-	\$ 212,753	-	\$ 212,753
12/30/2015	325,000	5/20/2016	0.89%	-	325,000	-	325,000
				\$ 510,000	\$ 537,753	\$ 510,000	\$ 537,753

TRUST FUNDS

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF CASH AND INVESTMENTS - COLLECTOR/TREASURER**

	<u>Animal Control Fund</u>	<u>Assessment Trust</u>	<u>Other Trust Funds</u>	<u>Unemployment Insurance</u>
Balance, December 31, 2014	\$ 14,625	\$ 315,865	\$ 707,314	\$ 981
Increased by Receipts:				
Animal License Fees	\$ 7,758			
State Dog License Fees	1,352			
Current Fund Budget Appropriation				
Unemployment Insurance	9,774	\$ 68,026		\$ 20,000
Receipts from Current Fund				
Employee Contributions	16	247	\$ 137	8,962
Interest on Deposits			8,564,433	
Payroll Deposits			23,402	
Library Deposits			<u>1,038,602</u>	
Miscellaneous Reserves	<u>-</u>	<u>-</u>	<u>9,626,574</u>	<u>28,962</u>
	18,900	68,273		
	<u>33,525</u>	<u>384,138</u>	<u>10,333,888</u>	<u>29,943</u>
Decreased by Disbursements:				
Reserve for Animal Control Expenditures	30,221			
State Dog License Fees	1,349			
Reserve for Library			43,800	
Payroll Disbursements			8,564,433	
Assessment Bonds Payable		88,319		
Miscellaneous Reserves			553,470	
Payments to Current Fund	19	84,657	8,832	3
Payments to State of NJ - Unemployment Claims	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,784</u>
	31,589	172,976	9,170,535	24,787
Balance, December 31, 2015	<u>\$ 1,936</u>	<u>\$ 211,162</u>	<u>\$ 1,163,353</u>	<u>\$ 5,156</u>

**BOROUGH OF NORTH ARLINGTON
ANALYSIS OF ASSESSMENT CASH**

	Balance, December 31, <u>2015</u>
Fund Balance	\$ 116
Due from Current Fund	(84,410)
Assessment Overpayments	30
Assessment Serial Bonds Ord. #1681 Porete Avenue	<u>295,426</u>
	<u>\$ 211,162</u>

EXHIBIT B-6

**STATEMENT OF DUE TO CURRENT FUND
ANIMAL CONTROL TRUST FUND**

Balance, December 31, 2014		\$ 9,774
Increased by:		
Interest Earnings	\$ 16	
Receipts from Current Fund	<u>9,774</u>	
		<u>9,790</u>
		19,564
Decreased by:		
Payments to Current Fund		<u>19</u>
Balance, December 31, 2015		<u>\$ 19,545</u>

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF AMOUNT DUE TO STATE OF NEW JERSEY
ANIMAL CONTROL FUND**

Balance, December 31, 2014		\$ 1
Increased by:		
2015 State Fees Collected		<u>1,352</u>
		1,353
Decreased by:		
Payments to State of New Jersey		<u>1,349</u>
Balance, December 31, 2015		<u>\$ 4</u>

EXHIBIT B-8

**STATEMENT OF RESERVE (DEFICIT) FOR ANIMAL CONTROL EXPENDITURES
ANIMAL CONTROL FUND**

Balance, December 31, 2014		\$ 4,850
Increased by:		
Dog License Fees	\$ 7,028	
Cat License Fees	330	
Late Fees	<u>400</u>	
		<u>7,758</u>
		12,608
Decreased by:		
Cash Disbursements	<u>30,221</u>	
		<u>30,221</u>
Balance (Deficit), December 31, 2015		<u>\$ (17,613)</u>

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF ASSESSMENTS RECEIVABLE
ASSESSMENT TRUST FUND**

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Date of Confirmation</u>	<u>Annual Installments</u>	<u>Due Dates</u>	<u>Balance, December 31, 2014</u>	<u>Collected</u>	<u>Analysis of Balance</u>		
							<u>Balance, December 31, 2015</u>	<u>Assessment Bonds</u>	<u>Reserve</u>
1681	Porete Avenue	4/1/2003	1/10/1900	11/1	\$ 23	\$ -	\$ 23	\$ -	\$ 23

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF ASSESSMENT SERIAL BONDS
ASSESSMENT TRUST FUND**

Purpose	Date of Issue	Original Issue	Maturities of Bonds			Interest Rate	Balance, December 31, 2014	Decreased	Balance, December 31, 2015
			Outstanding December 31, 2015	Amount	Date				
Porete Avenue	9/20/2005	\$ 609,111	\$ 91,365	2016	3.750%				
			97,456	2017	3.750%				
			106,605	2018	3.750%	\$ 383,745	\$ 88,319	\$ 295,426	
						\$ 383,745	\$ 88,319	\$ 295,426	
							Budget Appropriation	\$ 88,319	

EXHIBIT B-11

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF ASSESSMENT OVERPAYMENTS**

Balance, December 31, 2014	\$	<u>30</u>
Balance, December 31, 2015	\$	<u>30</u>

EXHIBIT B-12

**STATEMENT OF DUE FROM CURRENT FUND
ASSESSMENT TRUST FUND**

Balance, December 31, 2014	\$	68,026
Increased by:		
Payments to Current Fund		<u>84,657</u>
		152,683
Decreased by:		
Interest on Deposits	\$	247
Receipts from Current Fund		<u>68,026</u>
	\$	<u>68,273</u>
Balance, December 31, 2015	\$	<u>84,410</u>

EXHIBIT B-13

**STATEMENT OF DUE FROM CURRENT FUND
OTHER TRUST FUND**

Balance, December 31, 2014	\$	66,189
Increased by:		
Payments to Current Fund	\$	8,832
Transferred from Appropriation Reserves		300,000
Other Trust Fund Receipts Deposited in Current Fund		<u>12,696</u>
		<u>321,528</u>
		387,717
Decreased by:		
Interest Earnings		137
Other Trust Fund Expenditures Paid by Current Fund		<u>986</u>
		<u>1,123</u>
Balance, December 31, 2015	\$	<u>386,594</u>

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF PAYROLL AND PAYROLL DEDUCTIONS PAYABLE
OTHER TRUST FUND**

Balance, December 31, 2014	\$	3,435
Increased by:		
Cash Receipts		<u>8,564,433</u>
		8,567,868
Decreased by:		
Cash Disbursements		<u>8,564,433</u>
Balance, December 31, 2015	\$	<u><u>3,435</u></u>

**STATEMENT OF RESERVE FOR LIBRARY
OTHER TRUST FUND**

Balance, December 31, 2014	\$	47,806
Increased by:		
Cash Receipts		<u>23,402</u>
		71,208
Decreased by:		
Cash Disbursements		<u>43,800</u>
Balance, December 31, 2015	\$	<u><u>27,408</u></u>

**BOROUGH OF NORTH ARLINGTON
SCHEDULE OF MISCELLANEOUS RESERVES
OTHER TRUST FUND**

	Balance, December 31, <u>2014</u>	<u>Increase</u>	<u>Decrease</u>	Balance, December 31, <u>2015</u>
Escrow Deposits	\$ 118,836	\$ 79,414	\$ 49,337	\$ 148,913
Premium on Tax Sale	380,993	511,700	192,800	699,893
William Swellick Memorial Fund	6,099			6,099
Domestic Partners	25			25
Lien Redemptions	62,838	365,519	310,753	117,604
P.O.A.A.	27,235	3,527		30,762
Municipal Alliance Donations	40,226	7,328		47,554
Fire Prevention - Fines and Penalties	8,087			8,087
Recreation	625	710	580	755
Accumulated Leave	75,012	200,000		275,012
Police - Fund Drive	2,285	3,500	986	4,799
Snow Removal		100,000		100,000
Community Development	<u>1</u>	<u>79,600</u>	<u>-</u>	<u>79,601</u>
	<u>\$ 722,262</u>	<u>\$ 1,351,298</u>	<u>\$ 554,456</u>	<u>\$ 1,519,104</u>
		Cash Receipts \$ 1,038,602		
		Due from Current Fund <u>312,696</u>		
		<u>\$ 1,351,298</u>		
		Cash Disbursements \$ 553,470		
		Due to Current Fund <u>986</u>		
		<u>\$ 554,456</u>		

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF DUE TO CURRENT FUND
UNEMPLOYMENT INSURANCE TRUST FUND**

Balance, December 31, 2014	\$	3
Increased by:		
Interest on Deposits		-
		<u>3</u>
Decreased by:		
Payments to Current Fund		3
		<u>3</u>
Balance, December 31, 2015	\$	<u>-</u>

**STATEMENT OF RESERVE FOR UNEMPLOYMENT INSURANCE BENEFITS
UNEMPLOYMENT INSURANCE TRUST FUND**

Balance, December 31, 2014	\$	978
Increased by:		
Current Fund Budget Appropriation	\$	20,000
Employee Contributions		<u>8,962</u>
		<u>28,962</u>
		29,940
Decreased by:		
Unemployment Claims Paid		<u>24,784</u>
Balance, December 31, 2015	\$	<u>5,156</u>

GENERAL CAPITAL FUND

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF CASH - COLLECTOR/TREASURER**

Balance, December 31, 2014		\$ 1,099,162
Increased by:		
Interest Earnings	\$ 981	
Receipts from Current Fund	280,651	
Current Fund Budget Appropriation		
Grants Receivable	238,505	
Deferred Charges Unfunded	67,569	
Capital Improvement Fund	100,000	
Reserve for Future Capital Improvements	250,000	
Bond Anticipation Notes	2,736,500	
Grants Receivable	<u>42,010</u>	
		<u>3,716,216</u>
		4,815,378
Decreased by:		
Improvement Authorizations	321,881	
Contracts Payable	668,709	
Current Fund Anticipated Revenue		
Reserve for Payment of Debt	<u>72,200</u>	
		<u>1,062,790</u>
Balance, December 31, 2015		<u>\$ 3,752,588</u>

**BOROUGH OF NORTH ARLINGTON
ANALYSIS OF CASH**

		Balance, December 31, <u>2015</u>
Fund Balance		\$ 318,900
Capital Improvement Fund		1,672
Grants Receivable		(204,151)
Due from Current Fund		(223,355)
Contracts Payable		933,802
Reserve for Future Capital Improvements		250,000
Ord.		
<u>No.</u>		
1928	Construction of Bikeway	35,627
1963	Ridge Road Streetscape	(60,731)
1977	Various Capital Improvements - Library	(175,261)
2024	Providing for the Payment of Obligations (Cherokee)	(39,180)
2057	Various General Improvements	121,614
2058	Ridge Road Streetscape Phase III	74,346
2074	Various Capital Improvements	26,500
2080	Various Capital Improvements	109,150
2101	Various Capital Improvements	110,549
2102	Various Capital Improvements	1,553
2110	Various Capital Improvements	473,401
2111	Various Capital Improvements	35,266
2114	Various Capital Improvements	331,707
2116	Fire Equipment	580
2142	Various 2014 Capital Improvements	94,225
2145	Additional 2014 Capital Improvements	206,671
2155	Various Public Improvements and Acquisitions	244,749
2162	Various Public Improvements	1,049,124
2165	Various Improvements to Memorial Field	3,830
2179	Bail Out Systems for Fire Department	32,000
		<u>3,752,588</u>
		<u>\$ 3,752,588</u>

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF GRANTS RECEIVABLE**

	Balance, December 31, 2014	Increased by: Grants Awarded	Decreased by:	Balance, December 31, 2015
			Cash Receipts	
			Budget Appropriation	
New Jersey Department of Transportation				
Ordinance 1928- Bikeway Phase I	\$ 25,820			\$ 25,820
Ordinance 1988 - Caterbury	53,520		\$ 53,520	
Ordinance 2021 - Sunset Avenue	63,029			63,029
Community Development Block Grants				
Ordinance 1979/1982/1998	77,775			77,775
Ordinance 2020	12,005			12,005
Ordinance 2162		\$ 100,000		100,000
Bergen County Open Space				
Ordinance 2018	26,330		\$ 26,330	
Ordinance 2142	26,750		15,680	11,070
Ordinance 2165		26,750		26,750
FEMA - Fire Department Equipment - Ordinance 2116	14,452			14,452
ARRA - Streetscape Ordinance 2058	51,097			51,097
Rothman Senior Bus - Ordinance 2068	84,985		84,985	
Due from Developer - North Arlington Associates	100,000		100,000	
	\$ 535,763	\$ 126,750	\$ 42,010	\$ 381,998
Analysis of Balance				
Pledged to Ordinance	\$ 484,666		\$ 42,010	\$ 204,151
Pledged to Reserve	51,097	126,750	-	177,847
	\$ 535,763	\$ 126,750	\$ 42,010	\$ 381,998

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF DUE FROM CURRENT FUND**

Balance, December 31, 2014		\$ 504,987
Increased by:		
Payments to Current Fund		-
		504,987
Decreased by:		
Interest Earnings	\$ 981	
Receipts from Current Fund	280,651	
		281,632
Balance, December 31, 2015		\$ 223,355

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, December 31, 2014		\$ 17,115,256
Decreased by:		
Current Fund Budget Appropriation:		
Serial Bond Principal		2,396,681
Balance, December 31, 2015		\$ 14,718,575

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF GENERAL SERIAL BONDS**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	Maturities of Bonds Outstanding		<u>Interest Rate</u>	<u>Balance, December 31, 2014</u>	<u>Decreased</u>	<u>Balance, December 31, 2015</u>
			<u>Date</u>	<u>Amount</u>				
BCIA Refunding Issue	9/20/2005	\$ 11,765,000	9/20/2016	\$ 515,000	3.70%	\$ 2,015,000	\$ 520,000	\$ 1,495,000
			9/20/2017	505,000	3.85%			
			9/20/2018	475,000	4.00%			
General Improvements - BCIA	9/20/2005	8,720,000	9/20/2016	1,340,000	3.75%			
			9/20/2017	1,425,000	3.75%			
			9/20/2018	1,535,000	3.75%	5,570,000	1,270,000	4,300,000
General Improvements - BCIA	9/20/2005	390,889	9/20/2016	58,635	3.75%			
			9/20/2017	62,544	3.75%			
			9/20/2018	68,396	3.75%	246,256	56,681	189,575
General Improvement - Encap Bonds	12/15/2010	2,800,000	12/15/2016-2022	200,000	4.00%			
			12/15/2023	200,000	4.13%			
			12/15/2024	200,000	4.25%	2,000,000	200,000	1,800,000
General Obligation Bonds - 2013	8/15/2013	\$ 7,634,000	8/15/2016-2018	350,000	3.000%			
			8/15/2019-2020	700,000	3.000%			
			8/15/2021	675,000	3.000%			
			8/15/2022-2024	650,000	3.000%			
			8/15/2025	625,000	3.000%			
			8/15/2026	625,000	3.250%			
			8/15/2027	609,000	3.375%	7,284,000	350,000	6,934,000
						<u>\$ 17,115,256</u>	<u>\$ 2,396,681</u>	<u>\$ 14,718,575</u>
							<u>\$ 2,396,681</u>	

Paid by Budget Appropriation

**BOROUGH OF NORTH ARLINGTON
SCHEDULE OF CONTRACTS PAYABLE**

Balance, December 31, 2014		\$ 706,099
Increased by:		
Charged to Improvement Authorizations		<u>933,802</u>
		1,639,901
Decreased by:		
Cash Disbursements	\$ 668,709	
Contracts Cancelled	<u>37,390</u>	
		<u>706,099</u>
Balance, December 31, 2015		<u><u>\$ 933,802</u></u>

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, December 31, 2014		\$ 33,972
Increased by:		
Budget Appropriation		<u>100,000</u>
		133,972
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>132,300</u>
Balance, December 31, 2015		<u><u>\$ 1,672</u></u>

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF RESERVE FOR PAYMENT OF DEBT**

Balance, December 31, 2014	<u>\$ 72,200</u>
Decreased by:	
Realized as Current Fund Anticipated Revenue	<u>\$ 72,200</u>

STATEMENT OF RESERVE FOR FUTURE CAPITAL IMPROVEMENTS

Increased by:	
Cash Receipts	<u>\$ 250,000</u>
Balance, December 31, 2015	<u>\$ 250,000</u>

**BOROUGH OF NORTH ARLINGTON
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED**

Ord. No.	Improvement Description	Balance, December 31, 2014	2015 Authorizations	Budget Appropriation	Authorizations Cancelled	Bond Anticipation Notes Issued	Balance, December 31, 2015
1524	Curbs and Sidewalks	\$ 8,000		8,000			
1725	Plans and Specifications - Construction of Intersection	21,190		21,190			
1751/1753	Acquisition of Equipment and Various Improvements	37,957		37,957			
1963	Ridge Road Streetscape	67,674			\$ 6,943	\$ 60,731	
1977	Various Capital Improvements - Library	190,000			14,739	175,261	
2024	Payment of Obligations - Cherokee	50,000				50,000	
2116	Fire Equipment	422		422			
2142	Various 2014 Capital Improvements	228,500				\$ 228,500	
2145	Additional 2014 Capital Improvements	408,000				408,000	
2155	Various Public Improvements and Acquisitions		\$ 451,000			451,000	
2162	Various Public Improvements		1,649,000			1,649,000	
2165	Various Improvements to Memorial Field	-	85,700			-	85,700
		<u>\$ 1,011,743</u>	<u>\$ 2,185,700</u>	<u>\$ 67,569</u>	<u>\$ 21,682</u>	<u>\$ 2,736,500</u>	<u>\$ 371,692</u>

BOROUGH OF NORTH ARLINGTON
BERGEN COUNTY, NEW JERSEY

PART II
GOVERNMENT AUDITING STANDARDS



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
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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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of North Arlington
North Arlington, New Jersey

We have audited, in accordance with the 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 prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Borough of North Arlington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated June 15, 2016. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the financial reporting requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was modified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund financial statements.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Borough'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 differences in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

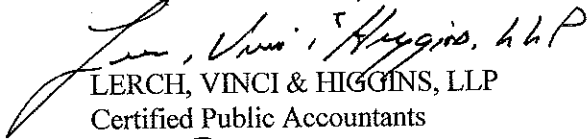
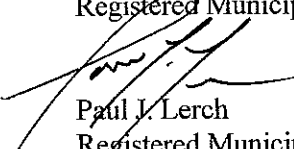
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of North Arlington'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 Division of Local Government Services, Department of Community Affairs, State of New Jersey.

However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Borough of North Arlington in Part III of this report of audit entitled; "Letter of Comments and Recommendations".

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


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants

Paul J. Lerch
Registered Municipal Accountant
RMA Number CR00457

Fair Lawn, New Jersey
June 15, 2016

**BOROUGH OF NORTH ARLINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Federal CFDA Number	Grant Year	Grant Award	2015 Receipts	Balance December 31, 2014	Revenues Realized	Expended	Adjustment	Balance December 31, 2015	Cumulative Expenditures
<u>Law and Public Safety</u>									
20-600	2009	\$ 4,000		\$ 4,000				\$ 4,000	*
State and Highway Community Safety Click It or Ticket									
<u>U.S. Department of Housing and Urban Development</u>									
14-218	2015	100,000			\$ 100,000			100,000	*
Community Development Block Grant									
<u>U.S. Department of Environmental Protection</u>									
66-605	2004	12,029		34				34	* \$ 11,995
Municipal Stormwater Regulation Program									
<u>U.S. Department of Homeland Security</u>									
97-044	2008	104,000		39,543				39,543	* 64,457
97-044	2015	30,953			30,953			30,953	* 64,457
Assistance to Firefighters Grant Program - SAFER Assistance to Firefighters Grant Program - SAFER									
<u>U.S. Dept. of Homeland Security</u>									
97-036	2014	111,688		-	111,688	111,688	-	-	111,688
Disaster Grants - Public Assistance (Passed Through N.J. State Police) Hurricane Sandy FEMA									
				\$ 43,577	\$ 242,641	\$ 111,688	\$ -	\$ 174,550	

Note: This Schedule is not subject to a single Audit in accordance with U.S. Uniform Guidance

**BOROUGH OF NORTH ARLINGTON
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2015**

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal awards and state financial assistance programs of the Borough of North Arlington. The Borough is defined in Note 1(A) to the Borough's financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedules of expenditures of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are prepared and presented using the regulatory basis of accounting as prescribed for municipalities by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. This basis of accounting is described in Note 1 to the Borough's financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with amounts reported in the Borough's financial statements. Financial assistance revenues are reported in the Borough's financial statements on a basis of accounting described above as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$ 142,641	\$ 54,851	\$ 197,492
General Capital Fund	<u>100,000</u>	<u>-</u>	<u>100,000</u>
 Total Financial Awards	 <u>\$ 242,641</u>	 <u>\$ 54,851</u>	 <u>\$ 297,492</u>

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the Borough's fiscal year and grant program year.

**BOROUGH OF NORTH ARLINGTON
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2015**

Part II – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

There are none.

**BOROUGH OF NORTH ARLINGTON
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2015**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB Circular 15-08.

CURRENT YEAR STATE AWARDS

Not Applicable.

CURRENT YEAR FEDERAL AWARDS

Not Applicable.

**BOROUGH OF NORTH ARLINGTON
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2015**

This section identifies the status of prior-year findings related to the financial statements are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*.

STATUS OF PRIOR YEAR FINDINGS

FINDING 2014-001

Our audit revealed that the Current Fund incurred an operating deficit in 2014.

Status

Corrective action has been taken.

FINDING 2014-002

General Capital Fund contracts were not encumbered upon award.

Status

Corrective action has been taken.

BOROUGH OF NORTH ARLINGTON

BERGEN COUNTY

PART III

SUPPORTING DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2015

**BOROUGH OF NORTH ARLINGTON
SUPPLEMENTARY DATA**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE -
CURRENT FUND**

	<u>Year 2015</u>		<u>Year 2014</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Miscellaneous - From Other Than Local				
Property Tax Levies	\$ 4,317,680	8.68 %	\$ 4,798,026	10.12 %
Collection of Delinquent Taxes and Tax Title Liens	904,491	1.82	683,700	1.44
Collection of Current Tax Levy	43,755,971	87.92	41,447,400	87.44
Other Credits	<u>792,240</u>	<u>1.59</u>	<u>473,147</u>	<u>1.00</u>
Total Income	<u>49,770,382</u>	<u>100.00 %</u>	<u>47,402,273</u>	<u>100.00 %</u>
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	21,181,883	43.75	20,638,814	43.47 %
County Taxes	3,551,122	7.33	3,410,281	7.18
Local School Taxes	23,622,703	48.79	23,058,397	48.56
Other Expenditures	<u>59,678</u>	<u>0.12</u>	<u>373,004</u>	<u>0.79</u>
Total Expenditures	<u>48,415,386</u>	<u>100.00 %</u>	<u>47,480,496</u>	<u>100.00 %</u>
Excess in Revenue/(Deficit) in Revenue	1,354,996		(78,223)	
Adjustments to Income before Surplus:				
Expenditures Included above which by Statute are Deferred Charges to Budget of Succeeding Year	<u>325,000</u>		<u>78,223</u>	
Statutory Excess to Surplus	1,679,996		-	
Fund Balance, January 1	<u>502,715</u>		<u>502,715</u>	
Fund Balance, December 31	<u>\$ 2,182,711</u>		<u>\$ 502,715</u>	

**BOROUGH OF NORTH ARLINGTON
SUPPLEMENTARY DATA**

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Tax Rate</u>	<u>\$3.013</u>	<u>\$2.887</u>	<u>\$2.806</u>
<u>Apportionment of Tax Rate</u>			
Municipal	\$1.139	\$1.070	\$.990
County	.241	.231	.229
Local School	1.600	1.554	1.554
Library	.033	.032	.033

Assessed Valuation

2015	<u>\$1,477,024,878</u>
2014	<u>\$1,483,637,956</u>
2013	<u>\$1,479,261,575</u>

COMPARATIVE OF LEVIES AND COLLECTION CURRENTLY

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2015	\$ 44,601,554	\$ 43,955,971	98.55%
2014	\$ 42,861,170	\$ 41,447,400	96.70%
2013	41,783,927	40,708,241	97.43%

**BOROUGH OF NORTH ARLINGTON
SUPPLEMENTARY DATA**

DELINQUENT TAXES AND TAX TITLE LIENS

This tabulation includes a comparison, expressed in percentage, of the total of delinquent taxes and tax title liens, in relation to the tax levies of the last three years.

<u>December 31 Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2015	\$ 60,221	\$ 611,587	\$ 671,808	1.51%
2014	22,927	1,364,732	1,387,659	3.23%
2013	15,943	692,948	708,891	1.70%

COMPARATIVE SCHEDULE OF FUND BALANCES

<u>Year</u>	<u>Balance, December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>
<u>Current Fund</u>		
2015	\$2,182,711	\$500,000
2014	\$502,715	-
2013	502,715	-

**BOROUGH OF NORTH ARLINGTON
SUPPLEMENTARY DATA**

OFFICIALS IN OFFICE AND SURETY BONDS AS OF DECEMBER 31, 2015

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Joseph Bianchi	Mayor	12/31/2018
Dan Pronti	Councilman	12/31/2017
Albert Granell	Councilman	12/31/2015
Brian Fitzhenry	Councilman	12/31/2016
Richard Hughes	Councilman	12/31/2016
Thomas Zammatore	Councilman	12/31/2015
Kerry Cruz	Councilman	12/31/2017
Stephen LoIacono	Borough Administrator	
Kathleen Moore	Acting Borough Clerk	
Stephen Sanzari	Chief Financial Officer	
Theresa Vola	Acting Tax Collector	
Randy Pearce	Municipal Attorney	
George Savino	Judge	

There is a statutory bond limit in the Municipal Joint Insurance Fund that covers the Treasurer, Tax Collector, Magistrates, Court Administrators and Court Clerk up to \$1,000,000 with a member deductible of \$2,500.

**BOROUGH OF NORTH ARLINGTON
LETTER OF COMMENTS AND RECOMMENDATIONS**

GENERAL COMMENTS

Current Year

Our audit indicated that certain contracts awarded through either state contract or cooperative purchasing agreements, the cost of which exceeded the bid threshold, were not approved in the official minutes. It is recommended that contracts awarded through the use of state contracts and cooperative purchasing agreements be approved in the minutes.

Our audit indicated that unexpended capital improvement authorization balances reflected in the Borough's financial reporting system were not in agreement with audited balances. It is recommended that capital improvement authorization balances be reviewed and adjusted to ensure agreement with audited amounts.

Our audit indicated that outstanding purchase orders in the General Capital Fund were not reflected on the year end improvement authorization ledger. It is recommended that the capital improvement authorization ledger be periodically reviewed to ensure outstanding purchase orders are properly reflected.

Our audit indicated that the Animal Control Trust Fund was in a deficit position at year end. It is recommended that the Animal Control Trust Fund deficit be funded.

Our audit indicated that the Borough has not established a Section 125 Plan with respect to employee health benefit contributions. It is recommended that the Borough establish a Section 125 Plan.

Prior Year Unresolved

Our audit indicated several reconciling items are reported on the monthly bank account reconciliations. It is recommended that reconciling items reported on the monthly bank account reconciliations be reviewed and be appropriately cleared.

Our audit indicated that the Borough does not have a formal policy for the use of store credit cards. It is recommended that the Borough adopt formal policies for procedures related to the utilization of store credit cards.

Our audit indicated that significant prior year tax overpayment balances remain on the financial records of the Borough. It is recommended that aging tax overpayment balances be reviewed for validity and either be refunded or otherwise cleared of record.

Our audit indicated that several grant receivable and unexpended grant reserve appropriations remain on the financial records of the Borough. It is recommended that efforts be made to collect outstanding grant receivable balances and to utilize unexpended grant reserve balances, or otherwise be cleared of record.

Our audit indicated that the Borough's financial reporting software system does not provide for the maintenance of a general ledger. It is recommended that the Borough maintain a financial reporting software system that provides for the maintenance of a general ledger.

**BOROUGH OF NORTH ARLINGTON
LETTER OF COMMENTS AND RECOMMENDATIONS**

GENERAL COMMENTS

Prior Year Unresolved (Continued)

Our audit indicated that a detail escrow account and activity ledger by developer is not currently being maintained by the Borough. It is recommended that a detail escrow account and activity ledger, by developer, be developed and maintained.

Our audit of the municipal court indicated the following:

- The fines and bail bank accounts were not accurately reconciled to the ATS/ACS system on a monthly basis.
- 117 tickets assigned to officers in excess of 6 months old have not been issued.

With respect to the municipal court, it is recommended that:

- The fines and bail bank accounts be reconciled with ATS/ACS system on a monthly basis.
- Tickets assigned to officers in excess of 6 months in ages be recalled.

Our audit of the recreation department indicated that a receipt ledger is not currently being maintained. It is recommended that a daily cash receipts ledger be maintained by the recreation department.

Contracts and Agreements Required To Be Advertised For NJS 40a:11-4

NJS 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the Governing Body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500, except by contract or agreement".

The Governing Body of the Borough has the responsibility of determining whether the expenditures in any category will exceed \$17,500 within the year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Borough Counsel's opinion should be sought before a commitment is made.

The minutes indicate that bids were requested by public advertising for the following items:

Solid Waste and Recyclables
Tree Removal and Trimming
Little League Field Improvements
2015 Road Improvement Project

The minutes indicate that resolutions were adopted and advertised, authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S. 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

**BOROUGH OF NORTH ARLINGTON
LETTER OF COMMENTS AND RECOMMENDATIONS**

GENERAL COMMENTS

Collection of Interest of Delinquent Taxes and Assessments

The statute provides the method for authorizing interest and the maximum rate to be charged for the non-payment of taxes or assessments on or before the date when they would become delinquent.

Taxes and Tax Title Liens

A tax sale was held on November 30, 2015.

<u>Year</u>	<u>Number of Liens</u>
2015	6
2014	5
2013	5

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a tax paying basis.

**BOROUGH OF NORTH ARLINGTON
SUPPLEMENTARY DATA**

RECOMMENDATIONS

It is recommended that:

1. Contracts awarded through the use of state contracts and cooperative purchasing agreements be approved in the minutes.
2. Capital improvement authorization balances be reviewed and adjusted to ensure agreement with audited amounts.
3. The capital improvement authorization ledger be periodically reviewed to ensure outstanding purchase orders are properly reflected.
4. The Animal Control Trust Fund deficit be funded.
5. The Borough establish a Section 125 Plan.
- * 6. Reconciling items reported on the monthly bank account reconciliations be reviewed and be appropriately cleared.
- * 7. The Borough adopt formal policies for procedures related to the utilization of store credit cards.
- * 8. Aging tax overpayment balances be reviewed for validity and either be refunded or otherwise cleared of record.
- * 9. Efforts be made to collect outstanding grant receivable balances and to utilize unexpended grant reserve balances, or otherwise be cleared of record.
- * 10. The Borough maintain a financial reporting software system that provides for the maintenance of a general ledger.
- * 11. A detail escrow account and activity ledger, by developer, be developed and maintained.
- * 12. With respect to the municipal court, it is recommended that:
 - a. The fines and bail bank accounts be reconciled with the ATS/ACS system on a monthly basis.
 - b. Tickets assigned to officers in excess of 6 months in age be recalled.
- * 13. A daily cash receipts ledger be maintained by the recreation department.

* * * * *

**BOROUGH OF NORTH ARLINGTON
SUPPLEMENTARY DATA**

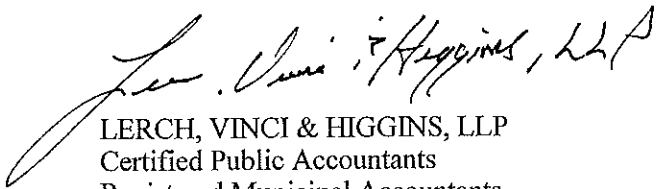
RECOMMENDATIONS

Status of Prior Year's Audit Findings/Recommendations

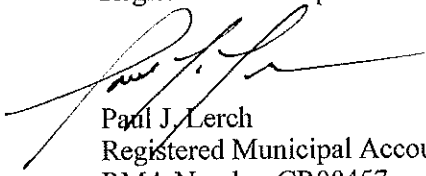
A review was performed on all prior year recommendations and corrective action was taken on all except those denoted with an asterisk (*).

The problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to our comments or recommendations, or should you desire assistance in implementing our recommendations, please do not hesitate to call us.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants



Paul J. Lerch
Registered Municipal Accountant
RMA Number CR00457