

## OFFICIAL STATEMENT DATED MARCH 14, 2019

*In the opinion of McManimon, Scotland & Baumann, LLC, Bond Counsel, assuming compliance by the Board (as defined herein) with certain tax covenants described herein, under existing law, interest on the Bonds (as defined herein) is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. Based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.*

**THE BOARD OF EDUCATION OF THE  
TOWNSHIP OF LOGAN  
IN THE COUNTY OF GLOUCESTER, NEW JERSEY  
\$7,870,000 SCHOOL BONDS  
(Book-Entry-Only) (Bank Qualified) (Callable)**

**Dated:** Date of Delivery**Due:** March 15, as shown below

The \$7,870,000 School Bonds (the "Bonds") of The Board of Education of the Township of Logan in the County of Gloucester, New Jersey (the "Board" when referring to the governing body and legal entity and the "School District" when referring to the territorial boundaries governed by the Board) will be issued in the form of one certificate for the aggregate principal amount of the Bonds maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Interest on the Bonds will be payable semiannually on March 15 and September 15 in each year until maturity, or earlier redemption, commencing on September 15, 2019. Principal of and interest on the Bonds will be paid to DTC by the Board or its designated paying agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding March 1 and September 1 (the "Record Dates" for the payment of interest on the Bonds). The Bonds shall be subject to redemption prior to their stated maturities. See "DESCRIPTION OF THE BONDS- Redemption" herein.

The Bonds are valid and legally binding obligations of the Board and, unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable real property within the School District for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

## MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS\*

| <b>Maturity<br/>(March 15)</b> | <b>Principal<br/>Amount</b> | <b>Interest<br/>Rate</b> | <b>Yield</b> | <b>CUSIP*</b> | <b>Maturity<br/>(August 15)</b> | <b>Principal<br/>Amount</b> | <b>Interest<br/>Rate</b> | <b>Yield</b> | <b>CUSIP*</b> |
|--------------------------------|-----------------------------|--------------------------|--------------|---------------|---------------------------------|-----------------------------|--------------------------|--------------|---------------|
| 2021                           | \$485,000                   | 2.00%                    | 1.50%        | 541126DL9     | 2030                            | \$465,000                   | 3.00%                    | 2.40%        | 541126DV7     |
| 2022                           | 345,000                     | 2.00                     | 1.60         | 541126DM7     | 2031                            | 480,000                     | 3.00                     | 2.50         | 541126DW5     |
| 2023                           | 365,000                     | 2.00                     | 1.70         | 541126DN5     | 2032                            | 495,000                     | 3.00                     | 2.60         | 541126DX3     |
| 2024                           | 380,000                     | 2.00                     | 1.80         | 541126DP0     | 2033                            | 515,000                     | 3.00                     | 2.67         | 541126DY1     |
| 2025                           | 395,000                     | 2.00                     | 1.90         | 541126DQ8     | 2034                            | 535,000                     | 3.00                     | 2.77         | 541126DZ8     |
| 2026                           | 400,000                     | 2.00                     | 2.00         | 541126DR6     | 2035                            | 550,000                     | 3.00                     | 2.88         | 541126EA2     |
| 2027                           | 415,000                     | 2.25                     | 2.10         | 541126DS4     | 2036                            | 570,000                     | 3.00                     | 2.95         | 541126EB0     |
| 2028                           | 430,000                     | 2.50                     | 2.20         | 541126DT2     | 2037                            | 600,000                     | 3.00                     | 3.00         | 541126EC8     |
| 2029                           | 445,000                     | 2.75                     | 2.30         | 541126DU9     |                                 |                             |                          |              |               |

*The Bonds are offered when, as and if issued and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by the law firm of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey and certain other conditions described herein. Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor in connection with the issuance of the Bonds. Delivery is anticipated to be via DTC in New York, New York on or about March 21, 2019.*

## ROOSEVELT &amp; CROSS, INC. AND ASSOCIATES

\* CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein are provided by S&P Capital IQ's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the Board does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**THE BOARD OF EDUCATION OF THE  
TOWNSHIP OF LOGAN  
IN THE COUNTY OF GLOUCESTER, NEW JERSEY**

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Carolyn Kegler - Vice President  
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Patricia Austin

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**MUNICIPAL ADVISOR**

Phoenix Advisors, LLC  
Bordentown, New Jersey

**BOND COUNSEL**

McManimon, Scotland & Baumann, LLC  
Roseland, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Board to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the Board and other sources deemed reliable; however, no representation is made as to the accuracy or completeness of information from sources other than the Board. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and the expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder under any circumstances shall create any implication that there has been no change in any of the information herein since the date hereof or since the date as of which such information is given, if earlier.

References in this Official Statement to laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein, and copies of which may be inspected at the offices of the Board during normal business hours.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Board or the Underwriter.

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**OFFICIAL STATEMENT  
OF  
THE BOARD OF EDUCATION OF THE  
TOWNSHIP OF LOGAN  
IN THE COUNTY OF GLOUCESTER, NEW JERSEY**

**\$7,870,000  
SCHOOL BONDS  
(BOOK-ENTRY-ONLY) (BANK QUALIFIED) (CALLABLE)**

**INTRODUCTION**

This Official Statement, which includes the front cover page and the appendices attached hereto, has been prepared by The Board of Education of the Township of Logan in the County of Gloucester, New Jersey (the "Board" when referring to the governing body and legal entity and the "School District" when referring to the territorial boundaries governed by the Board) in connection with the sale and issuance of its \$7,870,000 School Bonds (the "Bonds"). This Official Statement has been executed by and on behalf of the Board by the Interim Business Administrator, and its distribution and use in connection with the sale of the Bonds have been authorized by the Board.

This Official Statement contains specific information relating to the Bonds including their general description, certain matters affecting the financing, certain legal matters, historical financial information and other information pertinent to this issue. This Official Statement should be read in its entirety.

All financial and other information presented herein has been provided by the Board from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information and, but only to the extent specifically provided herein, certain projections into the immediate future and is not necessarily indicative of future or continuing trends in the financial position of the Board.

**DESCRIPTION OF THE BONDS**

The following is a summary of certain provisions of the Bonds. Reference is made to the Bonds themselves for the complete text thereof, and the discussion herein is qualified in its entirety by such reference.

**Terms and Interest Payment Dates**

The Bonds shall be dated the date of delivery and shall mature on March 15 in each of the years and in the amounts set forth on the front cover page hereof. The Bonds shall bear interest from the date of delivery, which interest shall be payable semi-annually on the fifteenth day of March and September, commencing on September 15, 2019 (each an "Interest Payment Date"), in each of the years and at the interest rates set forth on the front cover page hereof in each year until maturity, or earlier redemption, by the Board or a duly appointed paying agent to the registered owners of the Bonds as of each March 1 and September 1 immediately preceding the respective Interest Payment Dates (the "Record Dates"). So long as The Depository Trust Company, New York, New York ("DTC") or its nominee Cede & Co. (or any successor or assign) is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Board or a designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC Participants, which will in turn remit such payments to the beneficial owners of the Bonds. *See* "BOOK-ENTRY-ONLY SYSTEM" herein.

The Bonds will be issued in fully registered book-entry-only form, without certificates. One certificate shall be issued for the aggregate principal amount of Bonds maturing in each year, and when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Bonds. The certificates will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants and transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of the individual purchasers. Individual purchases may be made in the principal amount of \$1,000 integrals, with a minimum purchase of \$5,000, through book entries made on the books and the records of DTC and its participants. Individual purchasers of the Bonds will not receive certificates representing their beneficial ownership interests in the Bonds, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance will be confirmed by an initial transaction statement stating the details of the Bonds purchased. See "BOOK-ENTRY-ONLY SYSTEM" herein.

## **Redemption**

The Bonds maturing prior to March 15, 2027 are not subject to redemption prior to maturity. The Bonds maturing on or after March 15, 2027 shall be subject to redemption at the option of the Board, in whole or in part, on any date on or after March 15, 2026 at a price of 100% of the Bonds to be redeemed (the "Redemption Price"), plus unpaid accrued interest to the date fixed for redemption.

Notice of redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds not less than thirty (30) days, nor more than sixty (60) days prior to the date fixed for redemption. Such mailing shall be to the Owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Board or a duly appointed bond registrar. So long as DTC (or any successor thereto) acts as securities depository for the Bonds, such notice of redemption shall be sent directly to such depository and not to the Beneficial Owners of the Bonds. Any failure of the depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any notice of redemption shall not affect the validity of the redemption proceedings. If the Board determines to redeem a portion of the Bonds prior to maturity, the Bonds to be redeemed shall be selected by the Board; the Bonds to be redeemed having the same maturity shall be selected by the securities depository in accordance with its regulations.

If notice of redemption has been given as provided herein, the Bonds or the portion thereof called for redemption shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Interest shall cease to accrue on and after such redemption date.

## **Security for the Bonds**

The Bonds are valid and legally binding general obligations of the Board, and the Board has irrevocably pledged its full faith and credit for the payment of the principal of and interest on the Bonds. Unless paid from other sources, the principal of and interest on the Bonds are payable from *ad valorem* taxes levied upon all the taxable property within the School District without limitation as to rate or amount except to the extent that enforcement of such payment may be limited by bankruptcy, insolvency or other similar laws on equitable principles effecting the enforcement of creditors' rights generally.

## **New Jersey School Bond Reserve Act (N.J.S.A. 18A:56-17 et seq.)**

All school bonds are secured by the School Bond Reserve established in the Fund for the Support of Free Public Schools of the State of New Jersey (the "Fund") in accordance with the New Jersey School Bond Reserve Act, N.J.S.A. 18A:56-17 et seq. (P.L. 1980, c. 72, approved July 16, 1980, as amended by P.L. 2003, c. 118, approved July 1, 2003 (the "Act")). Amendments to the Act provide that the Fund will be divided into two School Bond Reserve accounts. All bonds issued prior to July 1, 2003 shall be benefited

by a School Bond Reserve account funded in an amount equal to 1-1/2% of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes issued prior to July 1, 2003 (the "Old School Bond Reserve Account") and all bonds, including the Bonds, issued on or after July 1, 2003 shall be benefited by a School Bond Reserve account equal to 1% of the aggregate issued and outstanding bonded indebtedness of counties, municipalities or school districts for school purposes issued on or after July 1, 2003 (the "New School Bond Reserve Account"), provided such amounts do not exceed the moneys available in the Fund. If a municipality, county or school district is unable to make payment of principal of or interest on any of its bonds issued for school purposes, the trustees of the Fund will purchase such bonds at par value and will pay to the bondholders the interest due or to become due within the limits of funds available in the applicable School Bond Reserve account in accordance with the provisions of the Act.

The Act provides that the School Bond Reserve shall be composed entirely of direct obligations of the United States government or obligations guaranteed by the full faith and credit of the United States government. Securities representing at least one-third of the minimal market value to be held in the School Bond Reserve shall be due to mature within one year of issuance or purchase. Beginning with the fiscal year ending on June 30, 2003 and continuing on each June 30 thereafter, the State Treasurer shall calculate the amount necessary to fully fund the Old School Bond Reserve Account and the New School Bond Reserve Account as required pursuant to the Act. To the extent moneys are insufficient to maintain each account in the Reserve at the required levels, the State of New Jersey (the "State") agrees that the State Treasurer shall, no later than September 15 of the fiscal year following the June 30 calculation date, pay to the trustees for deposit in the School Bond Reserve such amounts as may be necessary to maintain the Old School Bond Reserve Account and the New School Bond Reserve Account at the levels required by the Act. No moneys may be borrowed from the Fund to provide liquidity to the State unless the Old School Bond Reserve Account and New School Bond Reserve Account each are at the levels certified as full funding on the most recent June 30 calculation date. The amount of the School Bond Reserve in each account is pledged as security for the prompt payment to holders of bonds benefited by such account of the principal of and the interest on such bonds in the event of the inability of the issuer to make such payments. In the event the amounts in either the Old School Bond Reserve Account or the New School Bond Reserve Account fall below the amount required to make payments on bonds, the amounts in both accounts are available to make payments for bonds secured by the School Bond Reserve.

The Act further provides that the amount of any payment of interest or purchase price of school bonds paid pursuant to the Act shall be deducted from the appropriation or apportionment of State aid, other than certain State aid which may be otherwise restricted pursuant to law, payable to the school district, county or municipality and shall not obligate the State to make, nor entitle the school district, county or municipality to receive any additional appropriation or apportionment. Any amount so deducted shall be applied by the State Treasurer to satisfy the obligation of the school district, county or municipality arising as a result of the payment of interest or purchase price of bonds pursuant to the Act.

### **AUTHORIZATION AND PURPOSE**

The Bonds have been authorized and are being issued pursuant to Title 18A, Chapter 24 of the New Jersey Statutes (N.J.S.A. 18A:24-1 et seq.), a proposal adopted by the Board on October 17, 2018 and approved by a majority of the legal voters present and voting at the School District election held on January 22, 2019 and by a resolution duly adopted by the Board on February 20, 2019 (the "Resolution").

The purpose of the Bonds is to provide funds: (a) to undertake various improvements and/or renovations at the Center Square School and at Logan Elementary/Middle School; and (b) to acquire the necessary equipment as well as undertake any associated site work. The total cost of the project is \$7,870,750. The Board will fund the project primarily with \$7,870,000 funded through the issuance of the Bonds. The Board also expects to receive 40.00% debt service aid on the eligible costs of the project.

## **BOOK-ENTRY-ONLY SYSTEM<sup>1</sup>**

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal and interest, and other payments on the Bonds to DTC Participants or Beneficial Owners defined below, confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the Board. Accordingly, the Board does not make any representations concerning these matters.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings, acting through Standard & Poor's Financial Services LLC rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name

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<sup>1</sup> Source: The Depository Trust Company



of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Board or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Board may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the Board believes to be reliable, but the Board takes no responsibility for the accuracy thereof.

**THE BOARD WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.**

**SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTION "TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.**

## **Discontinuance of Book-Entry-Only System**

In the event that the book-entry-only system is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions apply: (i) the Bonds may be exchanged for an equal aggregate principal amount of Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the office of the Board/paying agent; (ii) the transfer of any Bonds may be registered on the books maintained by the paying agent for such purposes only upon the surrender thereof to the Board/paying agent together with the duly executed assignment in form satisfactory to the Board/paying agent; and (iii) for every exchange or registration of transfer of Bonds, the Board/paying agent may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds. Interest on the Bonds will be payable by check or draft, mailed on each Interest Payment Date to the registered owners thereof as of the close of business on the Record Date, whether or not a business day, next preceding an Interest Payment Date.

## **THE SCHOOL DISTRICT AND THE BOARD**

The School District is a Type II school district without a board of school estimate coterminous with the boundaries of the Township of Logan (the "Township") located in the County of Gloucester (the "County") in the State. The School District serves students in pre-kindergarten (PreK) through grade eight (8).

The Board consists of nine (9) elected members. Pursuant to State statute, the Board appoints a Superintendent and a Business Administrator. *See "APPENDIX A – Certain Economic and Demographic Information About the School District and the Township of Logan."*

## **THE STATE'S ROLE IN PUBLIC EDUCATION**

The Constitution of the State provides that the legislature of the State shall provide for the maintenance and support of a thorough and efficient system of free public schools for the instruction of all children in the State between the ages of 5 and 18 years. Case law has expanded the responsibility to include children between the ages of 3 and 21.

The responsibilities of the State with respect to the general supervision and control of public education have been delegated to the New Jersey Department of Education (the "Department"), which is a part of the executive branch of the State government and was created by the State Legislature. The Department is governed and guided by the policies set forth by the New Jersey Board of Education (the "State Board"). The State Board is responsible for the general supervision and control of public education and is obligated to formulate plans and to make recommendations for the unified, continuous and efficient development of public education of all people of all ages within the State. To fulfill these responsibilities, the State Board has the power, *inter alia*, to adopt rules and regulations that have the effect of law and that are binding upon school districts.

The Commissioner of Education (the "Commissioner") is the chief executive and administrative officer of the Department. The Commissioner is appointed by the Governor of the State with the advice and consent of the State Senate, and serves at the pleasure of the Governor during the Governor's term of office. The Commissioner is Secretary and Chief Executive Officer of the State Board and is responsible for the supervision of all school districts in the State and is obligated to enforce the rules and regulations of the State Board. The Commissioner has the authority to recommend the withholding of State financial aid and the Commissioner's consent is required for authorization to sell school bonds that exceed the debt limit of the municipality in which the school district is located and may also set the amount to be raised by taxation for a board of education if a school budget has not been adopted by a board of school estimate or by the voters.

An Executive County Superintendent of Schools (the "County Superintendent") is appointed for each county in the State by the Governor, upon the recommendation of the Commissioner and with the advice and consent of the State Senate. The County Superintendent reports to the Commissioner or a person designated by the Commissioner. The County Superintendent is responsible for the supervision of the school districts in the county and is charged with the enforcement of rules pertaining to the certification of teachers, pupil registers and financial reports and the review of budgets. Under the Uniform Shared Services and Consolidation Act, P.L. 2007, c. 63 approved April 3, 2007 (A4), the role of the County Superintendent was changed to create the post of the Executive County Superintendent with expanded powers for the operation and management of school districts to, among other things, promote administrative and operational efficiencies, eliminate non-operating school districts and recommend a school district consolidation plan to eliminate school districts through the establishment or enlargement of regional school districts, subject to voter approval.

## **STRUCTURE OF SCHOOL DISTRICTS IN NEW JERSEY**

### **Categories of School Districts**

State school districts are characterized by the manner in which the board of education or the governing body takes office. School districts are principally categorized in the following categories:

(1) Type I, in which the mayor or chief executive officer ("CEO") of a municipality appoints the members of a board of education and a board of school estimate, which board of school estimate consists of two (2) members of the board of education, two (2) members of the governing body of the municipality and the mayor or CEO of the municipality comprising the school district, approves fiscal matters;

(2) Type II, in which the registered voters in a school district elect the members of a board of education and either (a) the registered voters may also vote upon fiscal matters, or (b) a board of school estimate, consisting of two (2) members of the governing body of and the CEO of each municipality within the school district and the president of and one member of the board of education, approves fiscal matters;

(3) Regional and consolidated school districts comprising the territorial boundaries of more than one municipality in which the registered voters in the school district elect members of the board of education and may vote upon fiscal matters. Regional school districts may be "All Purpose Regional School Districts" or "Limited Purpose Regional School Districts";

(4) State operated school districts created by the State Board, pursuant to State law, when a local board of education cannot or will not correct severe educational deficiencies;

(5) County vocational school districts have boards of education consisting of the County Superintendent and four (4) members unless it is a county of the first class, which adopted an ordinance, in which case it can have a board consisting of seven (7) appointed members which the board of chosen freeholders of the county appoints. Such vocational school districts shall also have a board of school estimate, consisting of two (2) members appointed by the board of education of the school district, two (2) members appointed by the board of chosen freeholders and a fifth member being the county executive or the director of the board of chosen freeholders of the county, which approves fiscal matters; and

(6) County special services school districts have boards of education consisting of the County Superintendent and six (6) persons appointed by the board of chosen freeholders of the county. Such special services school districts shall also have a board of school estimate, consisting of two (2) members appointed by the board of education of the school district, two (2) members appointed by the board of chosen freeholders and a fifth member being the freeholder-director of the board of chosen freeholders, which approves all fiscal matters.

There is a procedure whereby a Type I school district or a Type II school district may change from one type to the other after an approving public referendum. Such a public referendum must be held whenever directed by the municipal governing body or board of education in a Type I school district, or the board of education in a Type II school district, or when petitioned for by fifteen percent (15%) of the voters of any school district. The School District is a Type II school district.

Under the Uniform Services and Consolidation Act, the Executive County Superintendent is required to eliminate non-operating school districts and to recommend consolidation to eliminate school districts through the establishment or enlargement of regional school districts, subject to voter approval.

### **School Budgetary Process (N.J.S.A. 18A:22-1 et seq.)**

In a Type I school district, a separate body from the school district, known as the board of school estimate, examines the budget requests and fixes the appropriation amounts for the next year's operating budget at or after a public hearing. This board, whose composition is fixed by statute, certifies the budget to the municipal governing body or board of education. If the board of education disagrees with the certified budget of the board of school estimate, then it can appeal to the Commissioner to request changes.

In a Type II school district, the elected board of education develops the budget proposal and, at or after a public hearing, submits it for voter approval unless the board has moved its annual election to November as discussed below. Debt service provisions are not subject to public referendum. If approved, the budget goes into effect. If defeated, the governing body of the Township must develop the school budget by May 19 of each year. Should the governing body be unable to do so, the Commissioner establishes the local school budget.

The Budget Election Law (P.L. 2011, c.202, effective January 17, 2012) established procedures that allow the date of the annual school election of a Type II school district, without a board of school estimate, to be moved from April to the first Tuesday after the first Monday in November, to be held simultaneously with the general election. Such change in the annual school election date must be authorized by resolution of either the board of education or the governing body of the municipality, or by an affirmative vote of a majority of the voters whenever a petition, signed by at least 15% of the legally qualified voters, is filed with the board of education. Once the annual school election is moved to November, such election may not be changed back to an April annual school election for four years.

School districts that opt to move the annual school election to November are no longer required to submit the budget to the voters for approval if the budget is at or below the two-percent property tax levy cap as provided for by the 2% Tax Levy Cap Law. For school districts that opt to change the annual school election date to November, proposals to spend above the two-percent property tax levy cap would be presented to voters at the annual school election in November.

The Board has chosen to hold its election in November and has not exceeded its two-percent property tax levy cap.

### **Spending Growth Limitation**

CEIFA (as hereinafter defined) places limits on the amount school districts can increase their annual current expenses and capital outlay budgets, and such limits are known as a school district's spending growth limitation amount (the "Spending Growth Limitation"). See "SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT" herein.

## **SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT**

### **Levy and Collection of Taxes**

School districts in the State do not levy or collect taxes to pay those budgeted amounts that are not provided by the State. The municipality within which a school district is situated levies or collects the required taxes and must remit them in full to the school district.

### **Budgets and Appropriations**

School districts in the State must operate on an annual cash basis budget. Each school district must adopt an annual budget in such detail and upon forms as prescribed by the Commissioner, to which must be attached an itemized statement showing revenues, including State and federal aid, and expenditures. The Commissioner must approve a budget prior to its final adoption and has the power to increase or decrease individual line items in a budget. Any amendments to a school district's budget must be approved by the board of education or the board of school estimate, as the case may be. Every budget submitted must provide no less than the minimum permissible amount deemed necessary under State law to provide for a thorough and efficient education as mandated by the State constitution. The Commissioner may not approve any budget unless the Commissioner is satisfied that the school district has adequately implemented within the budget the Core Curriculum Content Standards required by State law. If necessary, the Commissioner is authorized to order changes in the local school district's budget. The Commissioner will also ensure that other provisions of law are met including the limitations on taxes and spending explained below.

### **Tax and Spending Limitations**

The Public School Education Act of 1975, N.J.S.A. 18A:7A-1 et seq., P.L. 1975, c. 212 (amended and partially repealed) first limited the amount of funds that could be raised by a local school district. It limited the annual increase of any school district's net current expense budget. The budgetary limitation was known as a "CAP" on expenditures. The "CAP" was intended to control the growth in local property taxes. Subsequently there have been numerous legislative changes as to how the spending limitations would be applied.

The Quality Education Act of 1990, N.J.S.A. 18A:7D-1 et seq., P.L. 1990, c. 52 ("QEA") (now repealed) also limited the annual increase in the school district's current expense and capital outlay budgets by a statutory formula linked to the annual percentage increase in per capita income. The QEA was amended and revised by Chapter 62 of the Laws of New Jersey of 1991, and further amended by Chapter 7 of the Laws of New Jersey of 1993.

The Comprehensive Educational Improvement and Financing Act of 1996, N.J.S.A. 18A:7F-1 et seq., P.L. 1996, c. 138 ("CEIFA") (as amended by P.L. 2004, c.73, effective July 1, 2004), which followed QEA, also limited the annual increase in a school district's net budget by a spending growth limitation. CEIFA limited the amount school districts could increase their annual current expenses and capital outlay budgets, defined as a school district's Spending Growth Limitation. Generally, budgets could increase by either a set percent or the consumer price index, whichever was greater. Amendments to CEIFA lowered the budget cap to 2.5% from 3%. Budgets could also increase because of certain adjustments for enrollment increases, certain capital outlay expenditures, pupil transportation costs, and special education costs that exceeded \$40,000 per pupil. Waivers were available from the Commissioner based on increasing enrollments and other fairly narrow grounds and increases higher than the cap could be approved by a vote of 60% at the annual school election.

P.L. 2007, c. 62, effective April 3, 2007 (Assembly Bill A1), provided additional limitations on school district spending by limiting the amount a school district could raise for school district purposes through the property tax levy by 4% over the prior budget year's tax levy. P.L. 2007, c. 62 provided for

adjustments to the cap for increases in enrollment, reductions in State aid and increased health care costs and for certain other extraordinary cost increases that required approval by the Commissioner. The bill granted discretion to the Commissioner to grant other waivers from the cap for increases in special education costs, capital outlay, and tuition charges. The Commissioner also had the ability to grant extraordinary waivers to the tax levy cap for certain other cost increases beginning in fiscal year 2009 through 2012.

P.L. 2007, c. 62 was deemed to supersede the prior limitations on the amount school districts could increase their annual current expenses and capital outlay budgets, created by CEIFA (as amended by P.L. 2004, c.73, effective July 1, 2004). However, Chapter 62 was in effect only through fiscal year 2012. Without an extension of Chapter 62 by the legislature, the Spending Growth Limitations on the general fund and capital outlay budget would be in effect.

Debt service was not limited either by the Spending Growth Limitations or the 4% cap on the tax levy increase imposed by Chapter 62.

The previous legislation was amended by P.L. 2010, c. 44, approved July 13, 2010 and became applicable to the next local budget year following enactment. This law limits the school district tax levy for the general fund budget to increases of 2% over the prior budget year with exceptions only for enrollment increases, increases for certain normal and accrued liability for pension contributions in excess of 2%, certain healthcare increases, and amounts approved by a simple majority of voters voting at a special election (the “Tax Levy Cap Law”). Additionally, also becoming effective in the 2011-2012 fiscal year, a school district that has not been granted approval to exceed the tax levy CAP by a separate proposal to bank the unused tax levy for use in any of the next three succeeding budget years. A school district can request a use of “banked CAP” only after it has fully exhausted all eligible statute spending authority in the budget year. The process for obtaining waivers from the Commissioner for additional increases over the tax levy cap or Spending Growth Limitations was eliminated under Chapter 44. Notwithstanding the foregoing, under P.L. 2018, c. 67, approved, July 24, 2018, which increases State school aid to underfunded school districts and decreases state school aid to over funded school districts, during the 2018-2019 through 2024-2025 fiscal years, SDA Districts, which are certain urban school districts formerly referred to as Abbott Districts referred to herein under “Summary of State Aid to School Districts”, are permitted increases in the tax levy over the 2% limit to raise a general fund tax levy to an amount that does not exceed its local share of the adequacy budget.

The restrictions are solely on the tax levy for the general fund and are not applicable to the debt service fund. There are no restrictions on a local school district’s ability to raise funds for debt service, and nothing would limit the obligation of a school district to levy *ad valorem* taxes upon all taxable real property within the school district to pay debt service on its bonds or notes with one exception. School districts are subject to GAAP accounting, and under GAAP interest on obligations maturing within one year must be treated as operating expenses. Accordingly, under the Department of Education’s Chart of Accounts, interest on notes is raised in the General Fund of a school district and therefore is counted within its 2% tax levy cap on spending.

## **Issuance of Debt**

Among the provisions for the issuance of school debt are the following requirements: (i) bonds must mature in serial installments within the statutory period of usefulness of the projects being financed but not exceeding forty (40) years; (ii) bonds shall be issued pursuant to an ordinance adopted by the governing body of the municipality comprised within the school district for a Type I school district; (iii) for Type II school districts (without boards of school estimate) bonds shall be issued by board of education resolution approving the bond proposal and by approval of the legally qualified voters of the school district; (iv) debt must be authorized by a resolution of a board (and approved by a board of school estimate in a Type I school district); and (v) there must be filed with the State by each municipality comprising a school

district a supplemental debt statement and a school debt statement setting forth the amount of bonds and notes authorized but unissued and outstanding for such school district.

When a school district changes from a type I to a type II school district and obligations have been authorized and remain unissued by the municipality pursuant to ordinances adopted by the municipality to authorize and issue school debt, the new type II district assumes the obligation of any outstanding notes issued for such purposes and is authorized to issue notes or bonds without further voter approval to fund such purposes or pay off or permanently finance the notes pursuant to N.J.S.A. 18A:24-63. The Board does not assume the obligation of outstanding school bonds issued by the municipality, but the debt would count towards the school district borrowing margin.

#### **Annual Audit (N.J.S.A. 18A:23-1 et seq.)**

Every board of education is required to provide an annual audit of the school district's accounts and financial transactions. Beginning with the fiscal year ended June 30, 2010, a licensed public-school accountant must complete the annual audit no later than five months (5) after the end of the fiscal year. P.L. 2010, c. 49 amended N.J.S.A. 18A:23-1 to provide an additional month for the completion of a school district's audit. Previously the audit was required to be completed within four months. The audit, in conformity with statutory requirements, must be filed with the board of education and the Commissioner. Additionally, the audit must be summarized and discussed at a regular public meeting of the local board of education within thirty (30) days following receipt of the annual audit by such board of education.

#### **Temporary Financing (N.J.S.A. 18A:24-3)**

Temporary notes may be issued in anticipation of the issuance of permanent bonds for a capital improvement or capital project. Such temporary notes may not exceed in the aggregate the amount of bonds authorized for such improvement or project. A school district's temporary notes may be issued for one (1) year periods, with the final maturity not exceeding five (5) years from the date of original issuance; provided, however, that no such notes shall be renewed beyond the third and fourth anniversary date of the original notes unless an amount of such notes, at least equal to the first legally payable installment of the bonds in anticipation of which said notes are issued, is paid and retired subsequent to such third anniversary date from funds other than the proceeds of obligations.

#### **Debt Limitation (N.J.S.A. 18A:24-19)**

Except as provided below, no additional debt shall be authorized if the principal amount, when added to the net debt previously authorized, exceeds a statutory percentage of the average equalized valuation of taxable property in a school district. As a pre-kindergarten (PreK) through grade eight (8) school district, the Board can borrow up to 3% of the average equalized valuation of taxable property in the School District. The Board has not exceeded its 3% debt limit. *See* "APPENDIX A – Debt Limit of the Board."

#### **Exceptions to Debt Limitation**

A Type II school district (other than a regional school district) may also utilize its constituent municipality's remaining statutory borrowing power (i.e., the excess of 3.5% of the average equalized valuation of taxable property within the constituent municipality over the constituent municipality's net debt). The School District has not utilized the municipality's borrowing margin. A school district may also authorize debt in excess of this limit with the consent of the Commissioner and the Local Finance Board.

## **Capital Lease Financing**

School districts are permitted to enter into lease purchase agreements for the acquisition of equipment or for the improvement of school buildings. Generally, lease purchase financings must mature within five years except for certain lease purchase financings of energy savings equipment and other energy conservation measures, which may mature within fifteen (15) years and in certain cases twenty (20) years from the date the project is placed in service, if paid from energy savings (see “Energy Savings Obligations” below). Facilities lease purchase agreements, which may only be financed for a term of five (5) years or less, must be approved by the Commissioner. The Educational Facilities Construction and Financing Act, P.L. 2000, c. 72, effective July 18, 2000, as amended (“EFCFA”) repealed the authorization to enter into facilities leases for a term in excess of five years. The payment of rent is treated as a current expense and within the school district’s Spending Growth Limitation and tax levy cap, and the payment of rent on an ordinary equipment lease and on a five year and under facilities lease is subject to annual appropriation. Lease purchase payments on leases in excess of five years entered into under prior law (CEIFA) are treated as debt service payments and, therefore, will receive debt service aid if the school district is entitled and are outside the school district’s Spending Growth Limitation and tax levy cap.

## **Energy Saving Obligations**

Under N.J.S.A. 18A:18A-4.6 (P.L. 2009, c. 4, effective March 23, 2009, as amended by P.L. 2012, c. 55, effective September 19, 2013), the Energy Savings Improvement Program Law or the “ESIP Law,” school districts may issue energy savings obligations as refunding bonds without voter approval or lease purchase agreements to fund certain improvements that result in reduced energy use, facilities for production of renewable energy or water conservation improvements, provided that the value of the savings will cover the cost of the measures. The lease purchase financings for such measures must mature within 15 years, or in certain instances 20 years, from the date the projects are placed in service. These energy savings refunding bonds or leases are payable from the general fund. Such payments are within the school district’s Spending Growth Limitation and tax levy cap but are not necessarily subject to annual appropriation.

## **Promissory Notes for Cash Flow Purposes**

N.J.S.A. 18A:22-44.1 permits school districts to issue promissory notes in an amount not exceeding ½ the amount appropriated for current general fund expenses. These promissory notes are not considered debt and are used for cash flow purposes including funding in anticipation of the receipt of taxes, other revenues or grants.

## **Investment of School Funds**

Investment of funds by New Jersey school districts is governed by State statute. Pursuant to N.J.S.A. 18A:20-37, school districts are limited to purchasing the following securities: ( 1) direct obligations of, or obligations guaranteed by, the United States of America ("Government Obligations"); (2) U.S. Government money market mutual funds; (3) obligations of Federal Government agencies or instrumentalities having a maturity of 397 days or less, provided such obligations bear a fixed rate of interest not dependent on any index or external factor; (4) bonds or other obligations of the particular school district or municipalities or counties within which the school district is located; (5) bonds or other obligations having a maturity of 397 days or fewer approved by the Division of Investment of the State Department of the Treasury; (6) local government investment pools, rated in the highest rating category, investing in U.S. government securities and repurchase agreements fully collateralized by securities set forth in (1) and (3) above; (7) deposits with the New Jersey Cash Management Fund (created pursuant to N.J.S.A. 52:18A-90.4; the "Cash Management Fund"); and (8) repurchase agreements with a maximum 30 day maturity fully collateralized by securities set forth in (1) and (3) above. School districts are required to deposit their funds in interest-bearing bank accounts in banks satisfying certain security requirements set forth in N.J.S.A.



17:9-41 et seq. or invest in permitted investments to the extent practicable, and may invest in bank certificates of deposit.

The Cash Management Fund is governed by regulations of the State Investment Council, a nonpartisan oversight body, and is not permitted to invest in derivatives. The Cash Management Fund is permitted to invest in Government Obligations, Federal Government Agency obligations, certain short-term investment-grade corporate obligations, commercial paper rated "prime", certificates of deposit, repurchase agreements involving Government Obligations and Federal Government Agency obligations and certain other types of instruments. The average maturity of these securities in the Cash Management Fund must be one year or less, and only a quarter of the securities are permitted to mature in as much as two years.

The Board has no investments in derivatives.

## **SUMMARY OF STATE AID TO SCHOOL DISTRICTS**

In 1973, the Supreme Court of the State (the "Court") first ruled in Robinson v. Cahill that the method then used to finance public education principally through property taxation was unconstitutional. Pursuant to the Court's ruling, the State Legislature enacted the Public School Education Act of 1975, N.J.S.A. 18A:7A-1 et seq. (P.L. 1975, c. 212) (the "Public School Education Act") (since amended and partially repealed), which required funding of the State's school aid through the New Jersey Gross Income Tax Act, P.L. 1976, c. 47, since amended and supplemented, enacted for the purpose of providing property tax relief.

On June 5, 1990, the Court ruled in Abbott v. Burke that the school aid formula enacted under the Public School Education Act was unconstitutional as applied. The Court found that poorer urban school districts were significantly disadvantaged under that school funding formula because school revenues were derived primarily from property taxes. The Court found that wealthy school districts were able to spend more, yet tax less for educational purposes.

Since that time there has been much litigation and many cases affecting the State's responsibilities to fund public education and many legislative attempts to distribute State aid in accordance with the court cases and the constitutional requirement. The cases addressed not only current operating fund aid but also addressed the requirement to provide facilities aid as well. The legislation has included the QEA (now repealed), CEIFA and EFCFA, which became law on July 18, 2000. For many years, aid has simply been determined in the State Budget, which itself is an act of the legislature, based upon amounts provided in prior years. The school funding formula provided in the School Funding Reform Act of 2008, P.L. 2007, c. 260, approved January 1, 2008 (A500), removed the special status given to certain school districts known as Abbott Districts after the school funding cases and instead has funding follow students with certain needs and provides aid in a way that takes into account the ability of the local school district to raise local funds to support the budget in amounts deemed adequate to provide for a thorough and efficient education as required by the State constitution. This legislation was challenged in the Court, and the Court held that the State's then current plan for school aid was a "constitutionally adequate scheme". However, the State continued to underfund certain school districts and to overfund other school districts in its budgets based on the statutory scheme. In its budget process for FY 2019 and with the enactment of P.L. 2018, c. 67, approved July 24, 2018, the State is moving the school districts toward the intent of the statutory scheme by increasing funding for underfunded school districts and decreasing funding for overfunded school districts over the next six years.

Pursuant to Public Law 2018, c. 67, signed into law by the Governor of the State on July 24, 2018, the School Funding Reform Act has been modified to adjust the distribution of State aid to school districts in the State ("SFRA Modification Law"). In particular, the SFRA Modification Law revises the School Funding Reform Act so that, after calculating the amount of State aid available per pupil, State aid will be distributed to each school district based on student enrollment. The SFRA Modification Law also eliminates the application of the State aid growth limit and adjustment aid, but includes a transition period for school

districts that will receive less State aid. Under the SFRA Modification Law, most school districts that will receive reduced State aid resulting from the revised funding formula will be provided a transition period from the 2019-2020 school year through the 2024-2025 school year during which funding will be reduced. For those school districts where State aid will increase under the SFRA Modification Law, the transition period to increase funding will be one-year. The Board's funding will be reduced by \$92,613 under the SFRA Modification Law unless its enrollment and other factors change.

After over 35 years of litigation, the State provides State aid to school districts of the State in amounts provided in the State Budget each year. These now include equalization aid, educational adequacy aid, special education categorical aid, transportation aid, preschool education aid, school choice aid, security aid, adjustment aid and other aid determined in the discretion of the Commissioner.

State law requires that the State will provide aid for the construction of school facilities in an amount equal to the greater of the district aid percentage or 40% times the eligible costs determined by the Commissioner either in the form of a grant or debt service aid as determined under the EFCFA. The amount of the aid to which a school district is entitled is established prior to the authorization of the project. Grant funding is provided by the State up front and debt service aid must be appropriated annually by the State.

The State reduced debt service aid by fifteen percent (15%) for the fiscal years 2011 through 2018. As a result of the debt service aid reduction for those fiscal years, school districts received eighty-five percent (85%) of the debt service aid that they would have otherwise received. In addition, school districts which received grants under the EFCFA, which grants were financed through the New Jersey Economic Development Authority (the "EDA"), were assessed an amount in their fiscal years 2011 through 2018 budgets representing 15% of the school district's proportionate share of the principal and interest payments on the outstanding EDA bonds issued to fund such grants.

## **SUMMARY OF FEDERAL AID TO SCHOOL DISTRICTS**

Federal funds are available for certain programs approved by the federal government with allocation decided by the State, which assigns a proportion to each local school district. The Every Student Succeeds Act of 2015, enacted December 10, 2015, is a federal assistance program for which a school district qualifies to receive aid. A remedial enrichment program for children of low income families is available under Chapter 1 Aid. Such federal aid is generally received in the form of block grants. Aid is also provided under the Individuals with Disabilities Education Act although never in the amounts federal law required.

## **MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES**

### **Local Bond Law (N. J. S. A. 40A:2-1 et seq.)**

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes subject to a number of exceptions. All bonds and notes issued by the Township are general full faith and credit obligations.

The authorized bonded indebtedness of the Township for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3-1/2% of its average equalized valuation basis.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit, including school bonds that do not exceed the school bond borrowing margin and certain debt that may be deemed self-liquidating.

The Township may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the Township may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Township or substantially reduce the ability of the Township to meet its obligations or to provide essential public improvements and services, or if it makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the Township to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

The Township may sell short-term “bond anticipation notes” to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. A local unit’s bond anticipation notes must mature within one year, but may be renewed or rolled over. Bond anticipation notes, including renewals, must mature and be paid no later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes. For bond ordinances adopted on or after February 3, 2003, notes may only be renewed beyond the third anniversary date of the original notes if a minimum payment equal to the first year’s required principal payment on the bonds is paid to retire a portion of the notes on or before each subsequent anniversary date from funds other than the proceeds of bonds or notes. For bond ordinances adopted prior to February 3, 2003, the governing body may elect to make such minimum principal payment only when the notes are renewed beyond the third and fourth anniversary dates. Generally, bond anticipation notes may not be outstanding for longer than ten (10) years. An additional period may be available following the tenth anniversary date equal to the period from the notes’ maturity to the end of the tenth fiscal year in which the notes mature plus four (4) months in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum required for the first year’s principal payment for a bond issue.

#### **Local Budget Law (N. J. S. A. 40A:4-1 et seq.)**

The foundation of the New Jersey local finance system is the annual cash basis budget. The Township, which operates on a calendar year (January 1 to December 31), must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the director of the Division (the “Director”) prior to final adoption. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations, among others, for certification.

Tax Anticipation Notes are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units.

The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local unit’s expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year’s budget.

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenues from any source may be included as an anticipated revenue in the budget in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director determines that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certifies that determination to the local unit.

No budget or budget amendment may be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar year. However, grant revenue is generally not realized until received in cash.

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the local unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also, the local unit is required to make an appropriation for a "reserve for uncollected taxes" in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by the last day of that fiscal year. The budget also must provide for any cash deficits of the prior year.

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body of the local unit. However, with minor exceptions, such appropriations must be included in full in the following year's budget. When such appropriations exceed 3% of the adopted operating budget, consent of the Director must be obtained.

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, revaluation programs, revision and codification of ordinances, master plan preparations, and drainage map preparation for flood control purposes, which may be amortized over five years. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the year. Appropriation reserves may also be transferred during the first three (3) months of the year, to the previous year's budget. Both types of transfers require a 2/3 vote of the full membership of the governing body; however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to internal review and approval. In a "CAP" budget, no transfers may be made from excluded from "CAP" appropriations to within "CAP" appropriations nor can transfers be made between excluded from "CAP" appropriations.

A provision of law known as the New Jersey "Cap Law" (N.J.S.A. 40A:4-45.1 et seq.) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the "Index Rate". The "Index Rate" is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to

3.5% over the prior year's appropriation, and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior year's tax levy in years when the Index Rate is 2.5% or less.

Legislation constituting P.L. 2010, c. 44, approved July 13, 2010 limits tax levy increases for local units to 2% with exceptions only for capital expenditures including debt service, increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare increases, extraordinary costs directly related to a declared emergency and amounts approved by a simple majority of voters voting at a special election.

Neither the tax levy limitation nor the "Cap Law" limits, including the provisions of the recent legislation, would limit the obligation of the Township to levy *ad valorem* taxes upon all taxable real property within the Township to pay debt service on its bonds or notes.

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the next six years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the terms were detailed.

### **Tax Assessment and Collection Procedure**

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income, where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners, but it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values.

Upon the filing of certified adopted budgets by the local unit and the county, the tax rate is struck by the Gloucester County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, the levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4-1 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June by the Tax Collector. The taxes are due August 1 and November 1, respectively, and are adjusted to reflect the current calendar year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding year are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00. These interest penalties are the highest permitted under New Jersey statutes. If a delinquency is in excess of \$10,000.00 and remains in arrears after December 31st, an additional penalty of 6% shall be charged. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statutes.

### **Tax Appeals**

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to April 15 in each year, the Township must mail to each property owner a notice

of the current assessment and taxes on the property. The taxpayer has a right to petition the County Board of Taxation on or before April 1 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement, and any losses in tax collections from prior years are charged directly to operations.

#### **Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.)**

This law regulates the non-budgetary financial activities of local governments. The Chief Financial Officer of every local unit must file annually, with the Director, a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

An independent examination of each local unit's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the Director. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its submission.

### **FINANCIAL STATEMENTS**

The financial statements of the Board for the fiscal year ended June 30, 2018 are presented in Appendix B to this Official Statement (the "Financial Statements"). The Financial Statements have been audited by Holman Frenia Allison, P.C., Medford, New Jersey, an independent auditor (the "Board Auditor"), as stated in its report appearing in Appendix B to this Official Statement. *See* "APPENDIX B – Financial Statements of the Board of Education of the Township of Logan". Such Financial Statements are included herein for informational purposes only, and the information contained in the Financial Statements should not be used to modify the description of the Bonds contained herein.

The Board Auditor has not participated in the preparation of this Official Statement except as previously stated.

### **LITIGATION**

To the knowledge of the Board Attorney, Joseph F. Betley, Esq. of Capehart & Scatchard, P.A., Mount Laurel, New Jersey (the "Board Attorney"), there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Board or the School District or the title of any of the present officers. To the knowledge of the Board Attorney, no litigation is presently pending or threatened that, in the opinion of the Board Attorney, would have a material adverse impact on the financial condition of the Board if adversely decided. A certificate to such effect will be executed by the Board Attorney and delivered to the Underwriter (as hereinafter defined) of the Bonds at the closing.

### **TAX MATTERS**

#### **Exclusion of Interest on the Bonds From Gross Income for Federal Tax Purposes**

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Bonds in order to assure that interest on the Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of the Board to comply with such requirements may cause interest on the Bonds to lose the

exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Bonds. The Board will make certain representations in its Arbitrage and Tax Certificate, which will be executed on the date of issuance of the Bonds, as to various tax requirements. The Board has covenanted to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or fail to take any action that would cause interest on the Bonds to lose the exclusion from gross income under Section 103 of the Code. McManimon, Scotland & Baumann, LLC ("Bond Counsel") will rely upon the representations made in the Arbitrage and Tax Certificate and will assume continuing compliance by the Board with the above covenants in rendering its federal income tax opinions with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes and with respect to the treatment of interest on the Bonds for the purposes of alternative minimum tax.

Assuming the Board observes its covenants with respect to compliance with the Code, Bond Counsel is of the opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about the effect of future changes in (i) the Code and the applicable regulations under the Code or (ii) the interpretation and enforcement of the Code or those regulations by the IRS.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Board or the owners of the Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the Board as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including, but not limited to, selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Bonds.

Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

### **Original Issue Discount**

Certain maturities of the Bonds may be sold at an initial offering price less than the principal amount payable on such Bonds at maturity (the "Discount Bonds"). The difference between the initial public offering price of the Discount Bonds at which a substantial amount of each of the Discount Bonds was sold and the principal amount payable at maturity of each of the Discount Bonds constitutes the original issue discount. Bond Counsel is of the opinion that the appropriate portion of the original issue discount allocable to the original and each subsequent owner of the Discount Bonds will be treated for federal income tax purposes as interest not includable in gross income under Section 103 of the Code to the same extent as stated interest on the Discount Bonds. Under Section 1288 of the Code, the original issue discount on the Discount Bonds accrues on the basis of economic accrual. The basis of an initial purchaser of a Discount Bond acquired at the initial public offering price of the Discount Bonds will be increased by the amount of such accrued discount. Owners of the Discount Bonds should consult their own tax advisors with respect

to the determination for federal income tax purposes of the original issue discount properly accruable with respect to the Discount Bonds and the tax accounting treatment of accrued interest.

### **Original Issue Premium**

Certain maturities of the Bonds may be sold at an initial offering price in excess of the amount payable at the maturity date (the "Premium Bonds"). The excess, if any, of the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds such Premium Bonds as inventory, as stock-in-trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is amortizable bond premium, which is not deductible from gross income for federal income tax purposes. Amortizable bond premium, as it amortizes, will reduce the owner's tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner's original cost of acquiring the Premium Bond. Bond premium amortizes over the term of the Premium Bonds under the "constant yield method" described in regulations interpreting Section 1272 of the Code. Owners of the Premium Bonds should consult their own tax advisors with respect to the calculation of the amount of bond premium that will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

### **Additional Federal Income Tax Consequences of Holding the Bonds**

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations.

Bond Counsel expresses no opinion regarding any federal tax consequences other than its opinion with regard to the exclusion of interest on the Bonds from gross income pursuant to Section 103 of the Code and interest on the Bonds not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Bonds should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Bonds.

### **Changes in Federal Tax Law Regarding the Bonds**

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax) or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

### **Bank Qualification**

The Bonds **will** be designated as qualified under Section 265 of the Code by the Board for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.



The Code denies the interest deduction for certain indebtedness incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations. The denial to such institutions of one hundred percent (100%) of the deduction for interest paid on funds allocable to tax-exempt obligations applies to those tax-exempt obligations acquired by such institutions after August 7, 1986. For certain issues, which are eligible to be designated and which are designated by the issuer as qualified under Section 265 of the Code, eighty percent (80%) of such interest may be deducted as a business expense by such institutions.

## **State Taxation**

Bond Counsel is of the opinion that, based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

THE OPINIONS EXPRESSED BY BOND COUNSEL WITH RESPECT TO THE BONDS ARE BASED UPON EXISTING LAWS AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL AND REGULATORY CHANGES AS OF THE DATE OF ISSUANCE OF THE BONDS, AND BOND COUNSEL HAS EXPRESSED NO OPINION WITH RESPECT TO ANY LEGISLATION, REGULATORY CHANGES OR LITIGATION ENACTED, ADOPTED OR DECIDED SUBSEQUENT THERETO. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISERS REGARDING THE POTENTIAL IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION.

## **MUNICIPAL BANKRUPTCY**

The undertakings of the Board should be considered with reference to 11 U.S.C. 401 et seq., as amended and supplemented (the "Bankruptcy Code"), and other bankruptcy laws affecting creditors' rights and municipalities in general. The Bankruptcy Code permits the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants certain priority to debt owed for services or material; and provides that the plan must be accepted in writing by or on behalf of classes of creditors holding at least two-thirds in amount and more than one-half in number of the allowed claims of such class. The Bankruptcy Code specifically does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Code.

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, any such lien, other than municipal betterment assessments, shall be subject to the necessary operating expenses of such project or system. Furthermore, the Bankruptcy Code provides that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may not be avoided pursuant to certain preferential transfer provisions set forth in such Bankruptcy Code.

Reference should also be made to N.J.S.A. 52:27-40 et seq., which provides that a local unit has the power to file a petition in bankruptcy with any United States Court or court in bankruptcy under the provisions of the Bankruptcy Code, for the purpose of effecting a plan of readjustment of its debts or for the composition of its debts; provided, however, the approval of the Municipal Finance Commission must be obtained. The powers of the Municipal Finance Commission have been vested in the Local Finance Board.

**Reference to the Bankruptcy Code or the State statute should not create any implication that the Board expects to utilize the benefits of their provisions.**

## **APPROVAL OF LEGAL PROCEEDINGS**

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds are subject to the approval of Bond Counsel to the Board, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix C hereto. Certain legal matters may be passed on to the Board for review by the Board Attorney.

## **PREPARATION OF OFFICIAL STATEMENT**

The Board hereby states that the descriptions and statements herein, including the Financial Statements, are true and correct in all material respects, and it will confirm same to the Underwriter (as hereinafter defined) by a certificate signed by the Board President and the Interim Business Administrator.

All other information has been obtained from sources that the Board considers to be reliable, and it makes no warranty, guaranty or other representation with respect to the accuracy and the completeness of such information.

Bond Counsel has neither participated in the preparation of the financial or statistical information contained in this Official Statement, nor have they verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

## **RATINGS**

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC (the "Rating Agency"), has assigned an underlying rating of "AA" to the Bonds based upon the underlying credit of the School District. The Rating Agency has also assigned its rating of "BBB+" to the Bonds based upon the additional security provided by the Act.

The ratings reflect only the view of the Rating Agency and an explanation of the significance of such ratings may only be obtained from the Rating Agency at the following address: 55 Water Street, New York, New York 10041. The Board forwarded to the Rating Agency certain information and materials concerning the Bonds and the School District. There can be no assurance that the ratings will be maintained for any given period of time or that the ratings may not be raised, lowered or withdrawn entirely, if in the Rating Agency's judgment, circumstances so warrant. Any downward change in, or withdrawal of such ratings, may have an adverse effect on the marketability or market price of the Bonds.

## **UNDERWRITING**

The Bonds have been purchased from the Board at a public sale by Roosevelt & Cross Inc. and Associates (the "Underwriter") at a price of \$7,870,000.00.

The Underwriter intends to offer the Bonds to the public initially at the offering yields set forth on the front cover of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investments trusts) at yields higher than the public offering yields set forth on the front cover of this Official Statement, and such yields may be changed, from time to time, by the Underwriter without prior notice.

## **MUNICIPAL ADVISOR**

Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor to the Board with respect to the issuance of the Bonds (the "Municipal Advisor"). The Municipal Advisor is not obligated to undertake and has not undertaken, either to make an independent verification of, or to assume

responsibility for, the accuracy, completeness or fairness of the information contained in this Official Statement and the appendices hereto. The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## **SECONDARY MARKET DISCLOSURE**

Solely for purposes of complying with Rule 15c2-12 of the Securities and Exchange Commission, as amended and interpreted from time to time (the "Rule"), and provided that the Bonds are not exempt from the Rule and provided that the Bonds are not exempt from the following requirements in accordance with paragraph (d) of the Rule, for so long as the Bonds remain outstanding (unless the Bonds have been wholly defeased), the Board shall provide for the benefit of the holders of the Bonds and the beneficial owners thereof:

(a) On or prior to February 1 of each year, beginning February 1, 2020, electronically to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system or such other repository designated by the SEC to be an authorized repository for filing secondary market disclosure information, if any, annual financial information with respect to the Board consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the Board and certain financial information and operating data consisting of (1) Board indebtedness; (2) property valuation information; and (3) tax rate, levy and collection data. The audited financial statements will be prepared in accordance with generally accepted accounting principles as modified by governmental accounting standards as may be required by New Jersey law;

(b) if any of the following material events occur regarding the Bonds, a timely notice not in excess of ten business days after the occurrence of the event sent to EMMA:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a Financial Obligation of the Board, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation, any of which affect holders of the Bonds, if material;
- (16) Default, event of acceleration, termination event, modification of terms or other similar events under a Financial Obligation of the Board, if any such event reflects financial difficulties.

For the purposes of the event identified in subparagraph (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(c) Notice of failure of the Board to provide required annual financial information on or before the date specified in the Resolution shall be sent in a timely manner to EMMA.

(d) If all or any part of the Rule ceases to be in effect for any reason, then the information required to be provided under the Resolution, insofar as the provision of the Rule no longer in effect required the provision of such information, shall no longer be required to be provided.

(e) The Business Administrator shall determine, in consultation with Bond Counsel, the application of the Rule or the exemption from the Rule for each issue of obligations of the Board prior to their offering. Such officer is hereby authorized to enter into additional written contracts or undertakings to implement the Rule and is further authorized to amend such contracts or undertakings or the undertakings set forth in the Resolution, provided such amendment is, in the opinion of nationally recognized bond counsel, in compliance with the Rule.

(f) In the event that the Board fails to comply with the Rule requirements or the written contracts or undertakings specified in the Resolution, the Board shall not be liable for monetary damages, remedy being hereby specifically limited to specific performance of the Rule requirements or the written contracts or undertakings therefor.

Within the five years immediately preceding the date of this Official Statement, the School District previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements, an adopted budget for the fiscal year ending June 30, 2015. Additionally, the School District previously failed to file late filing notices in connection with its untimely filings of the adopted budget, all as described above, and late filing notices and/or event notices in connection with certain rating changes. Such notices of events and late filings have since been filed with EMMA. The School District appointed Phoenix Advisors, LLC August of 2015 to serve as continuing disclosure agent.

### **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Patricia Austin, Interim Business Administrator, at 110 School Lane, Logan Township, NJ 08085, (856) 467-5133, or to the Municipal Advisor, Phoenix Advisors, LLC, at 625 Farnsworth Avenue, Bordentown, New Jersey 08505, (609) 291-0130.

## **CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT**

At the time of the original delivery of the Bonds, the Board will deliver a certificate of one of its authorized officials to the effect that such official has examined this Official Statement (including the appendices) and the financial and other data concerning the School District contained herein and that, to the best of such official's knowledge and belief, (i) this Official Statement, both as of its date and as of the date of delivery of the Bonds, does not contain any untrue statement of a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading and (ii) between the date of this Official Statement and the date of delivery of the Bonds there has been no material adverse change in the affairs (financial or otherwise), financial condition or results or operations of the Board except as set forth in or contemplated by this Official Statement.

## **MISCELLANEOUS**

This Official Statement is not to be construed as a contract or agreement among the Board, the Underwriter and the holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Board since the date hereof. The information contained in this Official Statement is not guaranteed as to accuracy or completeness.

## **THE BOARD OF EDUCATION OF THE TOWNSHIP OF LOGAN IN THE COUNTY OF GLOUCESTER, NEW JERSEY**

By: /s/ Patricia Austin

**Patricia Austin, Interim Business Administrator**

**Date:** March 14, 2019

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## **APPENDIX A**

### **CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT THE SCHOOL DISTRICT AND THE TOWNSHIP OF LOGAN**

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## **INFORMATION REGARDING THE SCHOOL DISTRICT<sup>1</sup>**

### **Type**

The School District is a Type II school district that is coterminous with the borders of the Township of Logan (the “Board”). The School District provides a full range of educational services appropriate to Pre-K through the eighth grades.

The Board is composed of nine (9) members elected by the legally qualified voters in the School District to terms of three (3) years on a staggered basis. The President and Vice President are chosen for one (1) year terms from among the members of the Board.

The Board is the policy making body of the School District and has the general responsibility for providing an education program, the power to establish policies and supervise the public schools in the School District and the responsibility to develop the annual School District budget and present it to the legally registered voters in the School District. The Board's fiscal year ends each June 30.

The Board appoints a Superintendent and Board Secretary/Business Administrator who are responsible for budgeting, planning and the operational functions of the School District. The administrative structure of the Board gives final responsibility for both the educational process and the business operation to the Superintendent.

### **Description of Facilities**

The Board presently operates the following school facilities:

| <b><u>Facility</u></b>                  | <b><u>Construction<br/>Date</u></b> | <b><u>Grade<br/>Level</u></b> | <b><u>Student<br/>Enrollment<br/>(As of 6/30/18)</u></b> |
|---|-------------------------------------|-------------------------------|--|
| Center Square School                    | 2001                                | PreK-1                        | 227  |
| Logan Township Elementary/Middle School | 1991                                | 2-8                           | 672  |

Source: Comprehensive Annual Financial Report of the School District

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<sup>1</sup> Source: The Board, unless otherwise indicated.

## **Staff**

The Superintendent is the chief executive officer of the Board and is in charge of carrying out Board policies. The Board Secretary/Business Administrator is the chief financial officer of the Board and must submit monthly financial reports to the Board and annual reports to the New Jersey Department of Education.

The following table presents the number of full and part-time teaching professionals and support staff of the School District as of June 30, 2018, for each of the past five (5) years.

|                                  | <b><u>2018</u></b> | <b><u>2017</u></b> | <b><u>2016</u></b> | <b><u>2015</u></b> | <b><u>2014</u></b> |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Teaching Professionals           | 89                 | 88                 | 82                 | 81                 | 79                 |
| Support Staff                    | <u>47</u>          | <u>46</u>          | <u>45</u>          | <u>42</u>          | <u>40</u>          |
| Total Full & Part Time Employees | <u>136</u>         | <u>134</u>         | <u>127</u>         | <u>123</u>         | <u>119</u>         |

Source: Comprehensive Annual Financial Report of the School District

## **Pupil Enrollments**

The following table presents the historical average daily pupil enrollments for the past five (5) school years.

| <b>Pupil Enrollments</b>  |                          |
|---------------------------|--------------------------|
| <b><u>School Year</u></b> | <b><u>Enrollment</u></b> |
| 2018-2019                 | 869                      |
| 2017-2018                 | 833                      |
| 2016-2017                 | 843                      |
| 2015-2016                 | 849                      |
| 2014-2015                 | 833                      |

Source: School District and Comprehensive Annual Financial Report of the School District

## **Pensions**

Those employees of the School District who are eligible for pension coverage are enrolled in one of the two State-administered multi-employer pension systems (the "Pension System"). The Pension System was established by an act of the State Legislature. The Board of Trustees for the Pension System is responsible for the organization and administration of the Pension System. The two State-administered pension funds are: (1) the Teacher's Pension and Annuity Fund ("TPAF") and (2) the Public Employee's Retirement System ("PERS"). The Division of Pensions and Benefits, within the State of New Jersey Department of the Treasury (the "Division"), charges the participating school districts annually for their respective contributions. The School District raises its contributions through taxation and the State contributes the employer's share of the annual Social Security and Pension contribution for

employees enrolled in the TPAF. The Pension System is a cost sharing multiple employer contributory defined benefit plan. The Pension System's designated purpose is to provide retirement and medical benefits for qualified retirees and other benefits to its members. Membership in the Pension System is mandatory for substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State administered retirement system or other state or local jurisdiction.

### **Fiscal 2018-19 Budget**

Prior to the passage of P.L. 2011, c. 202 the Board was required to submit its budget for voter approval on an annual basis. Under the Election Law (P.L. 2011, c. 202, effective January 17, 2012) if a school district has opted to move its annual election to November, it is no longer required to submit the budget to voters for approval if the budget is at or below the two-percent (2%) property tax levy cap as provided for under New Cap Law (P.L. 2010, c. 44). If a school district proposes to spend above the two-percent (2%) property tax levy cap, it is then required to submit its budget to voters at the annual school election in November. The Board has chosen under the Election Law to move its annual school election to November.

The General Fund budget is the sum of all state aid (exclusive of pension aid and social security aid) and the local tax levy (exclusive of debt service). The Board's General Fund Budget for the 2018-2019 fiscal year is \$19,747,592. The major sources of revenue are \$12,656,365 from the local tax levy and \$5,448,266 from state aid.

Source: Annual User-Friendly Budget of the School District

### **Budget History**

As noted, prior to the Board's budget for its 2012-2013 fiscal year, the Board was required to submit its budget for voter approval. A summary of the last five (5) budget years of the Board is presented below:

| <b><u>Budget<br/>Year</u></b> | <b><u>Amount Raised<br/>in Taxes</u></b> | <b><u>Budget<br/>Amount</u></b> | <b><u>Election<br/>Result</u></b> |
|-------------------------------|--|---------------------------------|-----------------------------------|
| 2018-2019                     | \$12,656,365                             | \$19,747,592                    | N/A                               |
| 2017-2018                     | 12,408,201                               | 19,193,762                      | N/A                               |
| 2016-2017                     | 12,164,903                               | 19,060,054                      | N/A                               |
| 2015-2016                     | 11,679,639                               | 18,531,822                      | N/A                               |
| 2014-2015                     | 11,563,999                               | 18,597,846                      | N/A                               |

Source: Annual User-Friendly Budget of the School District and NJ State Department of Education Website – School Election Results

## **Financial Operations**

The following table summarizes information on the changes in general fund revenues and expenditures for the school years ending June 30, 2014 through June 30, 2018 for the general fund. Beginning with the 1993-94 fiscal year, school districts in the State of New Jersey have begun to prepare their financial statements in accordance with Generally Accepted Accounting Principles in the United States.

### **GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEARS ENDED JUNE 30:**

|                                      | <b><u>2018</u></b> | <b><u>2017</u></b> | <b><u>2016</u></b> | <b><u>2015</u></b> | <b><u>2014</u></b> |
|--------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>REVENUES</b>                      |                    |                    |                    |                    |                    |
| Local Sources:                       |                    |                    |                    |                    |                    |
| Local Tax Levy                       | \$12,408,202       | \$12,164,903       | \$11,679,639       | \$11,563,999       | \$11,337,254       |
| Other Local Revenue                  | <u>69,234</u>      | <u>146,517</u>     | <u>202,455</u>     | <u>222,414</u>     | <u>254,782</u>     |
| Total revenues-local sources         | 12,477,436         | 12,311,420         | 11,882,094         | 11,786,413         | 11,592,036         |
| State Sources                        | 7,482,193          | 7,238,359          | 6,957,356          | 6,713,844          | 6,508,365          |
| Federal Sources                      | <u>0</u>           | <u>0</u>           | <u>0</u>           | <u>0</u>           | <u>0</u>           |
| Total Revenues                       | \$19,959,629       | \$19,549,779       | \$18,839,450       | \$18,500,257       | \$18,100,401       |
| <b>EXPENDITURES</b>                  |                    |                    |                    |                    |                    |
| General Fund:                        |                    |                    |                    |                    |                    |
| Instruction                          | \$6,357,861        | \$6,407,977        | \$6,426,305        | \$6,044,319        | \$5,892,690        |
| Undistributed Expenditures           | 13,273,439         | 12,606,909         | 12,189,446         | 11,977,131         | 11,806,686         |
| Capital Outlay                       | <u>145,322</u>     | <u>241,664</u>     | <u>216,309</u>     | <u>148,530</u>     | <u>321,004</u>     |
| Total Expenditures                   | \$19,776,622       | \$19,256,550       | \$18,832,060       | \$18,169,980       | \$18,020,380       |
| Excess (Deficiency) of Revenues      |                    |                    |                    |                    |                    |
| Over/(Under) Expenditures            | 183,007            | 293,229            | 7,390              | 330,277            | 80,021             |
| Other Financing Sources (Uses):      |                    |                    |                    |                    |                    |
| Proceeds of Capital Lease            | 0                  | 0                  | 0                  | 0                  | 79,514             |
| Transfers in                         | 277,877            | 0                  | 0                  | 0                  | 0                  |
| Transfers out                        | <u>0</u>           | <u>0</u>           | <u>(26,983)</u>    | <u>(626,310)</u>   | <u>(346,200)</u>   |
| Total other financing sources (uses) | 277,877            | 0                  | (26,983)           | (626,310)          | (266,686)          |
| Net Change in Fund Balance           | 460,884            | 293,229            | (19,593)           | (296,033)          | (186,665)          |
| Fund Balance, July 1                 | <u>3,483,524</u>   | <u>3,190,295</u>   | <u>3,209,888</u>   | <u>3,505,921</u>   | <u>3,692,586</u>   |
| Fund Balance, June 30                | <u>\$3,944,408</u> | <u>\$3,483,524</u> | <u>\$3,190,295</u> | <u>\$3,209,888</u> | <u>\$3,505,921</u> |

Source: Comprehensive Annual Financial Report of the School District. Statement of Revenues, Expenditures Governmental Funds and Changes  
In Fund Balances on a GAAP basis

### **Capital Leases**

As of June 30, 2018, the Board has no capital leases.

Source: Comprehensive Annual Financial Report of the School District

### **Operating Leases**

As of June 30, 2018, the Board has no operating leases outstanding.

Source: Comprehensive Annual Financial Report of the School District

### **Short Term Debt**

As of June 30, 2018, the Board has no short-term debt outstanding.

Source: Comprehensive Annual Financial Report of the School District

### **Long Term Debt**

The following table outlines the outstanding long-term debt of the Board as of June 30, 2018.

| <b><u>Fiscal Year Ending</u></b> | <b><u>Principal</u></b> | <b><u>Interest</u></b> | <b><u>Total</u></b>     |
|----------------------------------|-------------------------|------------------------|-------------------------|
| 2019                             | <u>\$545,000</u>        | <u>\$10,900</u>        | \$555,900               |
| <b>TOTALS</b>                    | <u><u>\$545,000</u></u> | <u><u>\$10,900</u></u> | <u><u>\$555,900</u></u> |

Source: Comprehensive Annual Financial Report of the School District

## **Debt Limit of the Board**

The debt limitation of the Board is established by statute (N.J.S.A. 18A:24-19). The Board is permitted to incur debt up to 3% of the average equalized valuation for the past three years (See “SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT- Exceptions to Debt Limitation” herein). The following is a summation of the Board’s debt limitation as of June 30, 2018:

|   |                 |
|---|-----------------|
| Average Equalized Real Property Valuation<br>(2016, 2017, and 2018) | \$1,287,255,124 |
|---|-----------------|

### **School District Debt Analysis**

|  |                |
|--|----------------|
| Permitted Debt Limitation (3% of AEVP)                       | \$38,617,654   |
| Less: Bonds and Notes Authorized and Outstanding             | <u>545,000</u> |
| Remaining Limitation of Indebtedness                         | \$38,072,654   |
| Percentage of Net School Debt to Average Equalized Valuation | 0.04%          |

Source: Comprehensive Annual Financial Report of the School District

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## **INFORMATION REGARDING THE TOWNSHIP<sup>1</sup>**

The following material presents certain economic and demographic information of the Township of Logan (the “Township”), in the County of Gloucester (the “County”), State of New Jersey (the “State”).

### **General Information**

The Township is located in the northwest corner of the County. The Township occupies an area of 15,430 acres or approximately 24.10 square miles. It is bordered by Greenwich Township on the northeast, Woolwich Township on the southeast, Salem County on the southwest and the Delaware River on the northwest.

### **Form of Government**

The Township is governed within the Faulkner Act, formally known as the Optional Municipal Charter Law, under the Small Municipality (Plan 3) form of New Jersey municipal government, enacted by direct petition as of January 1, 1984. The government consists of a Mayor and a Township Council comprising four council members, with all positions elected at-large in partisan elections. A Mayor is elected directly by the voters to a four-year term of office. The Township Council members are elected to serve three-year terms on a staggered basis, with either one or two seats up for election each year.

This five-member governing body is empowered to enact local ordinances, to levy municipal taxes and to conduct the affairs of the community. In almost all cases, it can review and approve the actions of other Township committees and agencies. The Mayor and Township Council conducts all of its business during monthly meetings open to the public. All Legislative powers of the Township are exercised by the Mayor and Council. These powers can take the form of a resolution, ordinance or proclamation.

### **Retirement Systems**

All full-time permanent or qualified Township employees who began employment after 1944 must enroll in one of two retirement systems depending upon their employment status. These systems were established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are set by State law. The Division of Pensions, within the New Jersey Department of Treasury (the “Division”), is the administrator of the funds with the benefit and contribution levels set by the State. The Township is enrolled in the Public Employees' Retirement System (“PERS”) and the Police and Firemen's Retirement System (“PFRS”).

### **Pension Information<sup>2</sup>**

Employees who are eligible to participate in a pension plan are enrolled in PERS or PFRS, administered by the Division. The Division annually charges municipalities and other participating

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<sup>1</sup> Source: The Township, unless otherwise indicated.

<sup>2</sup> Source: State of New Jersey Department of Treasury, Division of Pensions and Benefits

governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost. The Township's share of pension costs in 2018, which is based upon the annual billings received from the State, amounted to \$193,294 for PERS and \$457,760 for PFRS.

### **Employment and Unemployment Comparisons**

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the Township, the County, and the State:

|                        | <b><u>Total Labor<br/>Force</u></b> | <b><u>Employed<br/>Labor Force</u></b> | <b><u>Total<br/>Unemployed</u></b> | <b><u>Unemployment<br/>Rate</u></b> |
|------------------------|-------------------------------------|--|------------------------------------|-------------------------------------|
| <b><u>Township</u></b> |                                     |  |                                    |                                     |
| 2017                   | 3,399                               | 3,255                                  | 144                                | 4.2%                                |
| 2016                   | 3,360                               | 3,230                                  | 130                                | 3.9%                                |
| 2015                   | 3,346                               | 3,192                                  | 154                                | 4.6%                                |
| 2014                   | 3,306                               | 3,126                                  | 180                                | 5.4%                                |
| 2013                   | 3,386                               | 3,147                                  | 239                                | 7.1%                                |
| <b><u>County</u></b>   |                                     |  |                                    |                                     |
| 2017                   | 151,568                             | 144,412                                | 7,156                              | 4.7%                                |
| 2016                   | 150,906                             | 143,281                                | 7,625                              | 5.1%                                |
| 2015                   | 149,930                             | 140,845                                | 9,085                              | 6.1%                                |
| 2014                   | 148,892                             | 137,973                                | 10,919                             | 7.3%                                |
| 2013                   | 151,160                             | 137,619                                | 13,541                             | 9.0%                                |
| <b><u>State</u></b>    |                                     |  |                                    |                                     |
| 2017                   | 4,518,838                           | 4,309,708                              | 209,123                            | 4.6%                                |
| 2016                   | 4,530,800                           | 4,305,515                              | 225,262                            | 5.0%                                |
| 2015                   | 4,537,231                           | 4,274,685                              | 262,531                            | 5.8%                                |
| 2014                   | 4,527,177                           | 4,221,277                              | 305,900                            | 6.8%                                |
| 2013                   | 4,548,569                           | 4,173,815                              | 374,738                            | 8.2%                                |

Source: New Jersey Department of Labor, Office of Research and Planning, Division of Labor Market and Demographic Research, Bureau of Labor Force Statistics, Local Area Unemployment Statistics

### **Income (as of 2017)**

|                         | <b><u>Township</u></b> | <b><u>County</u></b> | <b><u>State</u></b> |
|-------------------------|------------------------|----------------------|---------------------|
| Median Household Income | \$105,804              | \$81,489             | \$76,475            |
| Median Family Income    | 116,213                | 98,313               | 94,337              |
| Per Capita Income       | 39,696                 | 36,205               | 39,069              |

Source: US Bureau of the Census, 2017 American Community Survey 5-Year Estimates



## **Population**

The following tables summarize population increases and the decreases for the Township, the County, and the State.

| <b><u>Year</u></b> | <b><u>Township</u></b>   |                        | <b><u>County</u></b>     |                        | <b><u>State</u></b>      |                        |
|--------------------|--------------------------|------------------------|--------------------------|------------------------|--------------------------|------------------------|
|                    | <b><u>Population</u></b> | <b><u>% Change</u></b> | <b><u>Population</u></b> | <b><u>% Change</u></b> | <b><u>Population</u></b> | <b><u>% Change</u></b> |
| 2017 Estimate      | 5,968                    | -1.2%                  | 292,206                  | 1.4%                   | 9,005,644                | 2.4%                   |
| 2010               | 6,042                    | 0.2                    | 288,288                  | 13.2                   | 8,791,894                | 4.5                    |
| 2000               | 6,032                    | 17.2                   | 254,673                  | 10.7                   | 8,414,350                | 8.9                    |
| 1990               | 5,147                    | 67.2                   | 230,082                  | 15.1                   | 7,730,188                | 5.0                    |
| 1980               | 3,078                    | 67.3                   | 199,917                  | 15.8                   | 7,365,001                | 2.7                    |

Source: United States Department of Commerce, Bureau of the Census

## **Largest Taxpayers**

The ten largest taxpayers in the Township and their assessed valuations are listed below:

| <b><u>Taxpayers</u></b>              | <b><u>2018</u></b>               | <b><u>% of Total</u></b>         |
|--------------------------------------|----------------------------------|----------------------------------|
|                                      | <b><u>Assessed Valuation</u></b> | <b><u>Assessed Valuation</u></b> |
| SVF Oldmans Creek Logan LLC          | \$58,380,000                     | 4.22%                            |
| MEPT 1150 Commerce                   | 31,620,000                       | 2.28%                            |
| TR Birch Creek LLC                   | 26,190,000                       | 1.89%                            |
| Cabot Industrial Core Fund Operating | 22,560,000                       | 1.63%                            |
| Tech Data Corp                       | 19,660,000                       | 1.42%                            |
| Liberty Property LTD Partnership     | 19,558,400                       | 1.41%                            |
| Liberty Venture I LP                 | 18,949,800                       | 1.37%                            |
| Prologis NA3 NC IV LLC               | 17,840,000                       | 1.29%                            |
| Duke Realty LP                       | 17,530,100                       | 1.27%                            |
| DP Partners Logan VIII E LLC         | 16,861,500                       | 1.22%                            |
| <b>Total</b>                         | <b><u>\$249,149,800</u></b>      | <b><u>18.00%</u></b>             |

Source: Comprehensive Annual Financial Report of the School District and Municipal Tax Assessor

## **Comparison of Tax Levies and Collections**

| <b><u>Year</u></b> | <b><u>Tax Levy</u></b> | <b><u>Current Year</u></b> | <b><u>Current Year</u></b>    |
|--------------------|------------------------|----------------------------|-------------------------------|
|                    |                        | <b><u>Collection</u></b>   | <b><u>% of Collection</u></b> |
| 2017               | \$27,594,987           | \$27,166,213               | 98.45%                        |
| 2016               | 26,217,536             | 25,838,858                 | 98.56%                        |
| 2015               | 22,987,509             | 22,571,264                 | 98.19%                        |
| 2014               | 22,144,480             | 21,848,987                 | 98.67%                        |
| 2013               | 22,345,038             | 21,983,249                 | 98.38%                        |

Source: Annual Audit Reports of the Township

### **Delinquent Taxes and Tax Title Liens**

| <b><u>Year</u></b> | <b><u>Amount of Tax<br/>Title Liens</u></b> | <b><u>Amount of<br/>Delinquent Tax</u></b> | <b><u>Total<br/>Delinquent</u></b> | <b><u>% of<br/>Tax Levy</u></b> |
|--------------------|---|--|------------------------------------|---------------------------------|
| 2017               | \$527,308                                   | \$276,640                                  | \$803,948                          | 2.91%                           |
| 2016               | 468,160                                     | 326,592                                    | 794,752                            | 3.03%                           |
| 2015               | 440,308                                     | 343,377                                    | 783,685                            | 3.41%                           |
| 2014               | 405,227                                     | 356,252                                    | 761,479                            | 3.44%                           |
| 2013               | 400,367                                     | 356,028                                    | 756,394                            | 3.39%                           |

Source: Annual Audit Reports of the Township

### **Property Acquired by Tax Lien Liquidation**

| <b><u>Year</u></b> | <b><u>Amount</u></b> |
|--------------------|----------------------|
| 2017               | \$347,634            |
| 2016               | 347,634              |
| 2015               | 347,634              |
| 2014               | 347,634              |
| 2013               | 347,634              |

Source: Annual Audit Reports of the Township

### **Tax Rates per \$100 of Net Valuations Taxable and Allocations**

The table below lists the tax rates for Township residents for the past five (5) years.

| <b><u>Year</u></b> | <b><u>Municipal</u></b> | <b><u>Local<br/>School</u></b> | <b><u>County</u></b> | <b><u>Total</u></b> |
|--------------------|-------------------------|--------------------------------|----------------------|---------------------|
| 2018               | \$0.488                 | \$0.941                        | \$0.683              | \$2.112             |
| 2017               | 0.488                   | 1.202                          | 0.817                | 2.507               |
| 2016               | 0.478                   | 1.194                          | 0.794                | 2.466               |
| 2015               | 0.234                   | 1.170                          | 0.776                | 2.180               |
| 2014               | 0.234                   | 1.145                          | 0.735                | 2.114               |

Source: Abstract of Ratables and State of New Jersey – Property Taxes

### **Valuation of Property**

| <b><u>Year</u></b> | <b><u>Aggregate Assessed<br/>Valuation of<br/>Real Property</u></b> | <b><u>Aggregate True<br/>Value of<br/>Real Property</u></b> | <b><u>Ratio of<br/>Assessed to<br/>True Value</u></b> | <b><u>Assessed<br/>Value of<br/>Personal Property</u></b> | <b><u>Equalized<br/>Valuation</u></b> |
|--------------------|---|---|---|---|---------------------------------------|
| 2018               | \$1,384,277,890   | \$1,457,594,914   | 94.97%  | \$0   | \$1,457,594,914                       |
| 2017               | 1,064,176,460   | 1,215,090,728   | 87.58   | 0   | 1,215,090,728                         |
| 2016               | 1,052,335,560   | 1,189,079,729   | 88.50   | 0   | 1,189,079,729                         |
| 2015               | 1,031,326,600   | 1,117,605,765   | 92.28   | 1,981,912   | 1,119,587,677                         |
| 2014               | 1,044,026,281   | 1,146,651,599   | 91.05   | 1,893,488   | 1,148,545,087                         |

Source: Abstract of Ratables and State of New Jersey – Table of Equalized Valuations

### **Classification of Ratables**

The table below lists the comparative assessed valuation for each classification of real property within the Township for the past five (5) years.

| <b><u>Year</u></b> | <b><u>Vacant Land</u></b> | <b><u>Residential</u></b> | <b><u>Farm</u></b> | <b><u>Commercial</u></b> | <b><u>Industrial</u></b> | <b><u>Apartments</u></b> | <b><u>Total</u></b> |
|--------------------|---------------------------|---------------------------|--------------------|--------------------------|--------------------------|--------------------------|---------------------|
| 2018               | \$22,908,900              | \$450,445,500             | \$9,724,900        | \$115,192,800            | \$786,005,790            | \$0                      | \$1,384,277,890     |
| 2017               | 25,965,400                | 400,704,200               | 11,048,700         | 125,684,800              | 500,773,360              | 0                        | 1,064,176,460       |
| 2016               | 19,925,100                | 399,501,400               | 10,859,500         | 119,935,500              | 502,114,060              | 0                        | 1,052,335,560       |
| 2015               | 22,293,100                | 398,884,100               | 11,052,300         | 99,747,800               | 499,349,300              | 0                        | 1,031,326,600       |
| 2014               | 25,939,500                | 398,969,100               | 9,908,000          | 101,380,300              | 507,829,381              | 0                        | 1,044,026,281       |

Source: Abstract of Ratables and State of New Jersey – Property Value Classification

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## **Financial Operations**

The following table summarizes the Township's Current Fund budget for the past five (5) fiscal years ending December 31. The following summary should be used in conjunction with the tables in the sourced documents from which it is derived.

### **Summary of Current Fund Budget**

| <b><u>Anticipated Revenues</u></b>          | <b><u>2014</u></b> | <b><u>2015</u></b> | <b><u>2016</u></b>  | <b><u>2017</u></b>  | <b><u>2018</u></b>  |
|---|--------------------|--------------------|---------------------|---------------------|---------------------|
| Fund Balance Utilized                       | \$2,600,000        | \$2,500,000        | \$2,950,000         | \$2,138,000         | \$2,516,330         |
| Miscellaneous Revenues                      | 4,239,949          | 4,461,901          | 3,847,685           | 3,434,819           | 3,560,149           |
| Receipts from Delinquent Taxes              | 215,000            | 217,000            | 282,000             | 279,000             | 175,000             |
| Amount to be Raised by Taxation             | <u>2,391,824</u>   | <u>2,355,944</u>   | <u>5,030,165</u>    | <u>5,087,476</u>    | <u>6,616,849</u>    |
| Total Revenue:                              | <u>\$9,446,773</u> | <u>\$9,534,845</u> | <u>\$12,109,850</u> | <u>\$10,939,295</u> | <u>\$12,868,328</u> |
| <br>  |                    |                    |                     |                     |                     |
| <b><u>Appropriations</u></b>                |                    |                    |                     |                     |                     |
| General Appropriations                      | \$7,155,071        | \$7,216,134        | \$7,162,661         | \$7,726,356         | \$8,370,623         |
| Operations (Excluded from CAPS)             | 606,732            | 683,430            | 1,052,904           | 1,022,867           | 1,080,791           |
| Deferred Charges and Statutory Expenditures | 25,000             | 25,000             | 140,084             | 17,134              | 0                   |
| Judgments                                   | 0                  | 0                  | 0                   | 0                   | 0                   |
| Capital Improvement Fund                    | 60,000             | 70,000             | 414,916             | 265,000             | 1,198,000           |
| Municipal Debt Service                      | 498,851            | 501,781            | 2,354,846           | 500,079             | 690,384             |
| Reserve for Uncollected Taxes               | <u>1,101,119</u>   | <u>1,038,500</u>   | <u>984,439</u>      | <u>1,407,859</u>    | <u>1,528,530</u>    |
| Total Appropriations:                       | <u>\$9,446,773</u> | <u>\$9,534,845</u> | <u>\$12,109,850</u> | <u>\$10,939,295</u> | <u>\$12,868,328</u> |

Source: Annual Adopted Budgets of the Township

## **Fund Balance**

### **Current Fund**

The following table lists the Township's fund balance and the amount utilized in the succeeding year's budget for the Current Fund for the past five (5) fiscal years ending December 31.

### **Fund Balance - Current Fund**

|                    | <b>Balance</b>      | <b>Utilized in Budget</b>        |
|--------------------|---------------------|----------------------------------|
| <b><u>Year</u></b> | <b><u>12/31</u></b> | <b><u>of Succeeding Year</u></b> |
| 2017               | \$5,155,555         | \$2,516,330                      |
| 2016               | 2,963,034           | 2,138,000                        |
| 2015               | 3,725,471           | 2,950,000                        |
| 2014               | 3,704,993           | 2,500,000                        |
| 2013               | 4,051,883           | 2,600,000                        |

Source: Annual Audit Reports of the Township

## **Township Indebtedness as of December 31, 2017**

### **General Purpose Debt**

|   |                    |
|---|--------------------|
| Serial Bonds                              | \$0                |
| Bond Anticipation Notes                   | 3,976,250          |
| Bonds and Notes Authorized but Not Issued | 797,116            |
| Other Bonds, Notes and Loans              | 27,024             |
| Total:                                    | <u>\$4,800,390</u> |

### **Local School District Debt**

|   |                  |
|---|------------------|
| Serial Bonds                              | \$545,000        |
| Temporary Notes Issued                    | 0                |
| Bonds and Notes Authorized but Not Issued | 0                |
| Total:                                    | <u>\$545,000</u> |

### **Self-Liquidating Debt**

|   |            |
|---|------------|
| Serial Bonds                              | \$0        |
| Bond Anticipation Notes                   | 0          |
| Bonds and Notes Authorized but Not Issued | 0          |
| Other Bonds, Notes and Loans              | 0          |
| Total:                                    | <u>\$0</u> |

### **TOTAL GROSS DEBT**

**\$5,345,390**

|                            |                  |
|----------------------------|------------------|
| Less: Statutory Deductions |                  |
| General Purpose Debt       | \$0              |
| Local School District Debt | 545,000          |
| Self-Liquidating Debt      | 0                |
| Total:                     | <u>\$545,000</u> |

### **TOTAL NET DEBT**

**\$4,800,390**

Source: Annual Debt Statement of the Township

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**Overlapping Debt (as of December 31, 2017)<sup>3</sup>**

| <b><u>Name of Related Entity</u></b> | <b><u>Related Entity<br/>Debt Outstanding</u></b> | <b><u>Township<br/>Percentage</u></b> | <b><u>Township<br/>Share</u></b> |
|--------------------------------------|---|---------------------------------------|----------------------------------|
| Local School District                | \$545,000   | 100.00%                               | \$545,000                        |
| County                               | 228,443,500                                       | 4.62%                                 | <u>10,564,710</u>                |
| Net Indirect Debt                    |   |                                       | \$11,109,710                     |
| Net Direct Debt                      |   |                                       | <u>4,800,390</u>                 |
| Total Net Direct and Indirect Debt   |   |                                       | <b><u>\$15,910,100</u></b>       |

**Debt Limit**

|   |                     |
|---|---------------------|
| Average Equalized Valuation Basis (2015, 2016, 2017)    | \$1,173,925,407     |
| Permitted Debt Limitation (3 1/2%)                      | 41,087,389          |
| Less: Net Debt  | <u>4,800,390</u>    |
| Remaining Borrowing Power                               | <u>\$36,287,000</u> |
| Percentage of Net Debt to Average Equalized Valuation   | 0.409%              |
| Gross Debt Per Capita based on 2010 population of 6,042 | \$885               |
| Net Debt Per Capita based on 2010 population of 6,042   | \$795               |

Source: Annual Debt Statement of the Township

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<sup>3</sup> Township percentage of County debt is based on the Township's share of total equalized valuation in the County.

**APPENDIX B**

**FINANCIAL STATEMENTS OF THE BOARD OF EDUCATION OF  
THE TOWNSHIP OF LOGAN**

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**SCHOOL DISTRICT OF LOGAN TOWNSHIP**

**LOGAN BOARD OF EDUCATION**

Logan Township, New Jersey  
County of Gloucester

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**OF THE**

**LOGAN TOWNSHIP SCHOOL DISTRICT**

**LOGAN TOWNSHIP, NEW JERSEY**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Prepared by**

**Logan Township School District  
Business Office**

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## INTRODUCTORY SECTION

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# Logan Township School District

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School Business Administrator  
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856-467-5133 ext. 307

February 21, 2019

Honorable President and Members  
of the Board of Education  
Logan Township School District  
County of Gloucester, New Jersey

Dear Board Members/Citizens:

The Comprehensive Annual Financial Report (CAFR) of the Logan Township School District for the fiscal year ended June 30, 2018, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Logan Township School District. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the district as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America. All disclosures necessary to enable the reader to gain an understanding of the district's financial activities have been included.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

The Comprehensive Annual Financial Report is presented in four sections as follows:

Introductory Section:

Section contains a Letter of Transmittal, Roster of Officials, Consultants and Advisors, and an Organizational Chart.

Financial Section:

Section contains the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements, Required Supplementary Information (RSI) and Other Supplementary Information.

Statistical Section:

Section contains selected financial trends, revenue and debt capacity, demographic, economic and other operating information, generally presented on a multi-year basis.

**Single Audit Section:**

The School District is required to undergo an annual Single Audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and New Jersey OMB's Circular 15-08 OMB, "*Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*". Information related to this Single Audit, including the independent auditor's report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, if any, are included in the Single Audit Section of this report.

**REPORTING ENTITY AND ITS SERVICES**

The Logan Township School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standard Board (GASB) as established by NCGA Statement No. 3. All funds of the School District are included in this report. The School District has no component units.

The School District provides a full range of educational services appropriate to grade levels Pre-K through 6. These include regular as well as special education for children with special needs. The School District's enrollment, as of October 15<sup>th</sup>, for the current and past nine fiscal years are detailed below.

| <u>Fiscal Year</u> | <u>Student Enrollment</u> | <u>Percent Change</u> |
|--------------------|---------------------------|-----------------------|
| 2017-2018          | 835                       | -0.95%                |
| 2016-2017          | 843                       | -0.82%                |
| 2015-2016          | 850                       | 0.83%                 |
| 2014-2015          | 843                       | 0.48%                 |
| 2013-2014          | 839                       | 0.12%                 |
| 2012-2013          | 838                       | -4.66%                |
| 2011-2012          | 879                       | 0.57%                 |
| 2010-2011          | 874                       | -3.21%                |
| 2009-2010          | 903                       | 0.33%                 |
| 2008-2009          | 900                       | 2.74%                 |

**ECONOMIC CONDITION AND OUTLOOK**

Three large industrial parks are located in Logan Township. The Logistic Center at Logan comprises 1,100 acres and the Pureland Industrial Complex covers 3,000 acres. The third industrial park, the Commodore Business Center, is located along the Rt. 322 industrial corridor partially in Logan Township and partially in adjacent Woolwich Township. Pureland Industrial Park is the largest industrial park in the state and has been hailed as the top "ultra-successful" business park in the U.S. according to Site Selection magazine. The Logan Township population has increased from 3,078 in 1980 to 5,944 in 2017.

For the 2013-14 school year, a re-valuation of the Township's property was completed and is reflected below. It is important to note that while the ratables increase, the tax rate drops due to the fact that the amount the municipality must raise is not changing. The new assessments are simply a foundation used to apportion the tax burden among taxpayers. Therefore, while a revaluation usually means an increase in each assessment, it does mean that taxes will increase for each individual taxpayer. Since then, ratables have increased \$769,976,341. The continuing increase in commercial and industrial ratables has softened the effect of taxes increases on residential property over the years.

- 2012 - \$614,301,549
- 2013 - \$1,048,963,089
- 2014 - \$1,045,919,769
- 2015 - \$1,033,308,512
- 2016 - \$1,052,335,560
- 2017 - \$1,064,176,460
- 2018 - \$1,384,277,890

## **MAJOR INITIATIVES**

Logan Township is an innovative school district, which places a priority on excellence, equity and student growth. The district is extremely proud of the academic achievement of our students as reflected by the ranking we have achieved when compared with other Gloucester County School Districts using the Spring 2018 P.A.R.C.C. assessments. Logan Township students ranked first in the following grades and subjects: Grade 3 English Language Arts (ELA); Grade 4 ELA; Grade 7 ELA, Grade 8 ELA, Grade 4 Math, Grade 5 Math, Grade 8 Math and Algebra. Technology continues to be used to enhance student learning and student growth. The District has a one-on-one digital device (presently Chromebooks) initiative for all students in grades 2 to 8. In addition to this, there are a variety of devices (including iPads and Chromebooks) available to our students in Kindergarten and First Grade for daily use in the classroom. Hatch Tables are used in our Pre-K classes to have students develop language while using technology. Besides these resources, the district has dedicated 3.7 district staff members to provide support for the various technological needs (both in the classroom and in school and district offices) to maintain a 21<sup>st</sup> century technology-centric environment. Technology Education (S.T.E.M./Science, Technology, Engineering and Mathematics) is provided for all students in grades 3 to 8. A pre-engineering class is offered before school to seventh and eighth grade students, while an afterschool pre-engineering class is offered to seventh graders who meet district criteria. Eighth grade students who meet district criteria have the opportunity to enroll in Algebra I & also Italian 1 or Spanish 1. This year, for the first time, a team of administrators and teachers developed “CHOICE” classes for our eighth grade, which run for a full semester. Examples of CHOICE courses include: Coding, Film Studies, Advanced Art Studio, Pre-Engineering, Choir, Band, STEM, Italian 1 and Spanish 1 and Culture. All students in Kindergarten to 7<sup>th</sup> grade have weekly World Language (Spanish or Italian) instruction. After school programs and clubs provide opportunities to participate in drama, choir, dance, art, board games, athletics, and many other extra-curricular areas. Performing Arts activities provide opportunities for students to share their particular talent. As our schools are centered in a culturally diverse community, our faculty is dedicated to ensuring equitable access to all students in each of these programs.

The District strives to remain on the cutting edge in the area of technology in order that our students have the proper technological skills that are required in the 21<sup>st</sup> century workplace environment. We followed a Three-Year Technology Plan for Digital Learning (which is set to be updated in 2019) for each of the three schools, which places a heavy emphasis on using technology for teaching, learning and assessments. The present plan was developed as a result of a tech survey distributed to all district parents and teachers and to students in grades 5 to 8. Logan Township School District is committed to providing an infrastructure, which supports the ever-growing integration of technology to increase effectiveness and efficiency. Over the past five years, with the addition of a full-time Technology Coach and a full-time Curriculum Supervisor to our staff, there is on-going communication and coordination in district to fully integrate technology into daily instruction and usage, thus mirroring tomorrow’s work environment.

The District continues to be a leader in pre-school education. A state grant (ELLI) was used over the past ten years to serve the at-risk population. In 2010, the District was able to utilize ARRA Federal Stimulus Funds to expand the pre-school program to provide a more inclusive educational environment. Recently,

the district applied for and was fortunate enough to be awarded a PEEA grant in the amount of \$654,940 in the 2017-2018 school year, which allowed us to open **four** full-day classrooms for the district's four year-old students. In the summer of 2018, the district applied for and was awarded the PEEA Expansion Grant for a total amount of \$982,410, which expanded full day services to 37 additional three year old students.

The District continues to be proactive in addressing building maintenance issues. Many components of the Five-Year Facility Maintenance Plan have been addressed. These include upgrades to the security cameras to include new placements in corridors and additional placements around the exterior of the Logan Schools building and Center Square School and various safety upgrades to the physical plant on both campuses. Energy-cost savings initiatives include changes to the lighting in several large group areas and hallways in both district buildings. Several years ago, the District was successful in their application for four R.O.D. (Regular Operating District) Grants which, include replacing Logan School's cooling tower, the addition of an HVAC cooling system to the gymnasium, replacing the boiler, and replacing exterior doors at the Logan Schools building.

District curricula are continually being revised by teams of teachers, under the direction of the District Curriculum Supervisor, because the district is committed to maintaining alignment to the New Jersey Student Learning Standards and to the Next Generation Science Standards (NGSS). A continuous upgrading of instructional resources and teacher training, provided as a result of the partnership of the Supervisor of Curriculum and the three schools' principals, succeed in focusing the teaching and learning on the State's Standards. Focus continues to be on implementing the Marzano Causal Framework for Teaching and Learning as the foundation for the successful implementation of the Marzano Teacher Evaluation System. Over the past year, the District has partnered with Rowan University's Center for Access, Success and Equity (C.A.S.E.) in an effort to review the district curricula through a culturally responsive lens.

Professional Learning Opportunities are carefully planned and executed. Training in the various elements of the Marzano Evaluation Model, on the ever-changing technology world, on development of assessments, which inform instruction and on the area of equity are the foci of professional learning opportunities. During the past few years, the District has been able to provide Personalized Professional Learning for teachers by allowing for flexibility in the various professional learning opportunities and the timing of various workshops. The professional staff has responded positively to this type of CHOICE professional learning opportunities. A comprehensive mentor plan outlines services and support provided to teachers new to the profession.

### **INTERNAL ACCOUNTING CONTROLS**

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

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

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

### **BUDGETARY CONTROLS**

In addition to internal accounting controls, the School District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section. An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or included as re-appropriations of fund balance in the subsequent year.

### **ACCOUNTING SYSTEM AND REPORTS**

The School District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The School District's accounting system is organized on the basis of funds. The funds are explained in "Notes to Financial Statements", Note 1.

### **FINANCIAL POLICIES**

The intent of the School Board is to ensure that the School District manages its budget and finance in a fiscally prudent and responsible way by establishing financial policies for the Budget, Fund Balance and the maintenance of adequate reserves. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues except for certain grant revenues, are recognized when susceptible to accrual that is when they become measurable and available. Property taxes, interest and certain General Fund revenues are the significant revenue sources considered susceptible to accrual.

### **OTHER INFORMATION**

#### ***INDEPENDENT AUDIT***

State statutes require an annual audit by independent certified public accountants. The accounting firm of Holman Frenia Allison, P.C., Certified Public Accounts, was appointed by the Board of Education. In addition to meeting the requirements set forth in the State statutes, the audit was also designed to meet the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditor's report on the basic financial statements and combining statements and related major fund supporting statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the Single Audit section of this report.

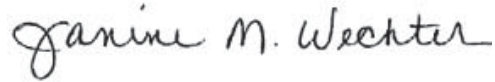
**ACKNOWLEDGEMENTS**

We would like to express our appreciation to the members of the Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the School District and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have accomplished without the efficient and dedicated services of our business office staff.

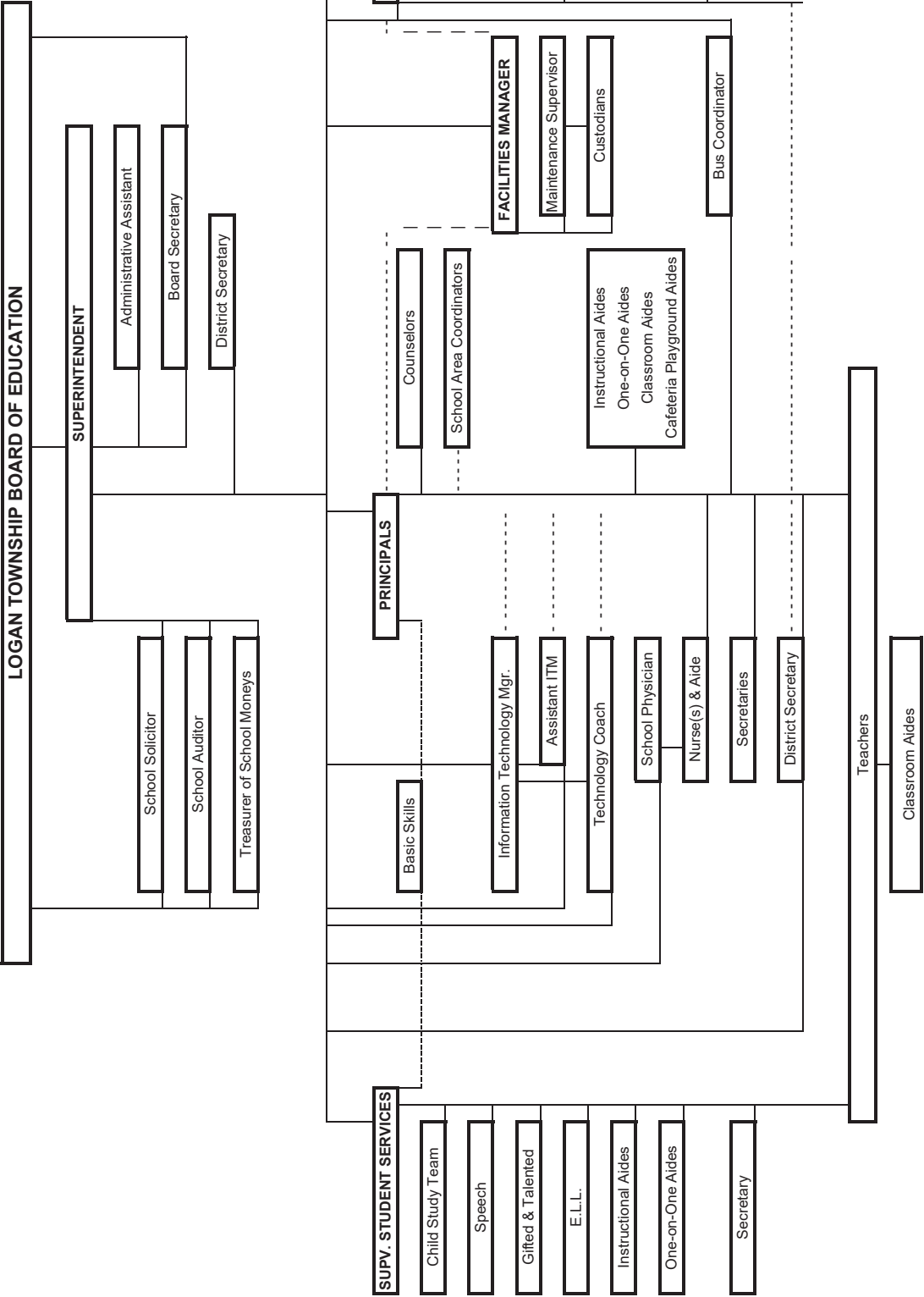
Respectfully submitted,



Superintendent



School Business Administrator



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**LOGAN TOWNSHIP SCHOOL DISTRICT**  
**110 School Lane**  
**Logan Township, New Jersey 08085**

**ROSTER OF OFFICIALS**

**June 30, 2018**

| <b>MEMBERS OF THE BOARD OF EDUCATION</b> | <b>TERM EXPIRES</b> |
|--|---------------------|
| Francis E. Donnelly, Preseident          | 2018                |
| Carolyn W. Kegler, Vice President        | 2018                |
| Kristen Lombardo                         | 2018                |
| John Russell                             | 2019                |
| LynNae Hill                              | 2019                |
| Kelley Mason                             | 2019                |
| Brian Bowen                              | 2020                |
| Nathan DeForest                          | 2020                |
| Kimberly Reid                            | 2020                |

**OTHER OFFICIALS**

Patricia L. Haney, Superintendent

Janine M. Wechter, Business Administrator

Lisa Toff, Board Secretary

Joseph F. Betley, Esq., Solicitor

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**LOGAN TOWNSHIP SCHOOL DISTRICT**  
**LOGAN TOWNSHIP, NEW JERSEY**

**CONSULTANTS AND ADVISORS**

**AUDIT FIRM**

Michael Holt, CPA, PSA  
Holman Frenia Allison, P.C.  
618 Stokes Road  
Medford, New Jersey 08055

**ATTORNEY**

Joseph F. Betley, Esq.  
Capehart & Scatchard  
9000 Midlantic Drive, Suite 300  
P.O. Box 5054  
Mount Laurel, New Jersey 08054-1539

**FISCAL AGENT**

US Bank  
Corporate Trust Services  
EP-MN-WS3W  
60 Livingston Avenue  
St. Paul, Minnesota 55107

**OFFICIAL DEPOSITORY**

Fulton Bank of NJ  
22 Village Center Drive  
Swedesboro, New Jersey 0805

**FINANCIAL ADVISOR**

Capital Financial Advisors, Inc.  
Robbi Acampora  
8000 Midlantic Drive, Suite 110S  
Mt. Laurel, New Jersey 08054

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**FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

Honorable President and Members  
of the Board of Education  
Logan Township School District  
County of Gloucester  
Swedesboro, New Jersey

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Logan Township School District, County of Gloucester, State of New Jersey, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the, Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant

accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Logan Township School District, County of Gloucester, State of New Jersey, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principle*

As discussed in Note 1 to the financial statements, during the fiscal year ended June 30, 2018 the District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions – an amendment of GASB Statement No. 45, 57 & 74. Our opinion is not modified with respect to this matter.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2019 on our consideration of the School District'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 School District's internal control over financial reporting and compliance.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

A handwritten signature in black ink, appearing to read "Michael Holt", with a stylized flourish at the end.

Michael Holt  
Certified Public Accountant  
Public School Accountant, No. 1148

Medford, New Jersey  
February 21, 2019

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**REQUIRED SUPPLEMENTARY INFORMATION - PART I**

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**LOGAN TOWNSHIP SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**(Unaudited)**

As management of the Logan Township School District, New Jersey (School District), we offer readers of the School District's financial statements this narrative overview and analysis of the School District for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

**Overview of the Basic Financial Statements**

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. Comparison to the prior year's activity is provided in this document. The basic financial statements are comprised of three components:

- 1) Government-Wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements**

The *government-wide financial statements* are designed to provide the reader with a broad overview of the financial activities in a manner similar to a private-sector business. The government-wide financial statements include the statement of net position and the statement of net activities.

The *statement of net position* presents information about all of the School District's assets and liabilities. The difference between the assets plus deferred outflows or resources and liabilities plus deferred inflows of resources is reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the net position of the School District changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement even though the resulting cash flows may be recorded in a future period.

Both of the government-wide financial statements distinguish functions of the School District that are supported from taxes and intergovernmental revenues (*governmental activities*) and other functions that are intended to recover most of their costs from user fees and charges (*business-type activities*). Governmental activities consolidate governmental funds including the General Fund, Special Revenue Fund, Capital Projects Fund, and Debt Service Fund. Business-type activities reflect the Food Service Fund.

**Fund Financial Statements**

*Fund financial statements* are designed to demonstrate compliance with financial-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. All of the funds of the School District are divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

**LOGAN TOWNSHIP SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**(Unaudited) (Continued)**

**Overview of the Basic Financial Statements (continued)**

**Fund Financial Statements (continued)**

*Governmental funds* account for essentially the same information reported in the governmental activities of the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating the financial requirements in the near term.

Since the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, a reconciliation is provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

The School District maintains four individual governmental funds. The major funds are the General Fund, the Special Revenue Fund, the Capital Projects Fund, and the Debt Service Fund. They are presented separately in the fund financial statements.

The School District adopts an annual appropriated budget for the General Fund, Special Revenue Fund and the Debt Service Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with budgetary requirements.

*Proprietary funds* are used to present the same functions as the business-type activities presented in the government-wide financial statements. The School District maintains one type of proprietary fund – the Enterprise Fund. The fund financial statements of the enterprise fund provides the same information as the government-wide financial statements, only in more detail.

The School District's one enterprise fund (Food Service Fund) is listed individually and is considered to be a major fund.

*Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's programs.

**Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

**LOGAN TOWNSHIP SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**(Unaudited) (Continued)**

**Financial Analysis of the School District as a Whole**

Table 1 provides a summary of the School Districts net position for the fiscal years 2018 compared to fiscal year 2017.

**Table 1**  
**Summary of Net Position**

|                                  | June 30,<br><u>2018</u> | June 30,<br><u>2017</u> | Increase/<br><u>(Decrease)</u> | Percentage<br><u>Change</u> |
|----------------------------------|-------------------------|-------------------------|--------------------------------|-----------------------------|
| Current & Other Assets           | \$ 4,254,326            | \$ 4,073,115            | \$ 181,211                     | 4.4%                        |
| Capital Assets, Net              | 9,560,900               | 9,887,127               | (326,227)                      | -3.3%                       |
| Total Assets                     | <u>13,815,226</u>       | <u>13,960,242</u>       | <u>(145,016)</u>               | -1.0%                       |
| Deferred Outflow of Resources    | <u>1,487,990</u>        | <u>1,555,283</u>        | <u>(67,293)</u>                | -4.3%                       |
| Current and other Liabilities    | 480,410                 | 401,931                 | 78,479                         | 19.5%                       |
| Noncurrent Liabilities           | 4,711,782               | 5,842,186               | (1,130,404)                    | -19.3%                      |
| Total Liabilities                | <u>5,192,192</u>        | <u>6,244,117</u>        | <u>(1,051,925)</u>             | -16.8%                      |
| Deferred Inflow of Resources     | <u>773,653</u>          | <u>-</u>                | <u>773,653</u>                 | 100.0%                      |
| Net Position:                    |                         |                         |                                |                             |
| Net Investment in Capital Assets | 9,015,900               | 8,799,101               | 216,799                        | 2.5%                        |
| Restricted                       | 4,013,485               | 3,834,204               | 179,281                        | 4.7%                        |
| Unrestricted (Deficit)           | <u>(3,692,014)</u>      | <u>(3,361,897)</u>      | <u>(330,117)</u>               | 9.8%                        |
| Total Net Position               | <u>\$ 9,337,371</u>     | <u>\$ 9,271,408</u>     | <u>\$ 65,963</u>               | 0.7%                        |

**LOGAN TOWNSHIP SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**(Unaudited) (Continued)**

Table 2 shows the changes in net position for fiscal year 2018 compared to fiscal year 2017.

**Table 2**  
**Summary of Changes in Net Position**

|  | June 30,<br><u>2018</u> | June 30,<br><u>2017</u> | Increase/<br><u>(Decrease)</u> | Percentage<br><u>Change</u> |
|--|-------------------------|-------------------------|--------------------------------|-----------------------------|
| <b>Revenues:</b>                       |                         |                         |                                |                             |
| Program Revenues:                      |                         |                         |                                |                             |
| Charges for Services                   | \$ 182,515              | \$ 192,778              | \$ (10,263)                    | -5.3%                       |
| Operating Grants & Contributions       | 6,475,412               | 2,251,107               | 4,224,305                      | 187.7%                      |
| General Revenues:                      |                         |                         |                                |                             |
| Property Taxes                         | 12,798,868              | 12,573,320              | 225,548                        | 1.8%                        |
| Federal & State Aid                    | 5,553,213               | 5,656,435               | (103,222)                      | -1.8%                       |
| Other General Revenues                 | 78,234                  | 158,714                 | (80,480)                       | -50.7%                      |
| Total Revenues                         | <u>25,088,242</u>       | <u>20,832,354</u>       | <u>4,255,888</u>               | <u>20.4%</u>                |
| <b>Function/Program Expenditures:</b>  |                         |                         |                                |                             |
| Regular Instruction                    | 5,641,950               | 5,422,319               | 219,631                        | 4.1%                        |
| Special Education Instruction          | 946,170                 | 891,712                 | 54,458                         | 6.1%                        |
| Basic Skill/Remedial Instruction       | 392,723                 | 389,862                 | 2,861                          | 0.7%                        |
| Other Instruction                      | 52,729                  | 44,692                  | 8,037                          | 18.0%                       |
| Tuition                                | 3,549,861               | 3,309,968               | 239,893                        | 7.2%                        |
| Student & Instruction Related Services | 2,043,561               | 1,839,235               | 204,326                        | 11.1%                       |
| General Administrative                 | 668,669                 | 627,322                 | 41,347                         | 6.6%                        |
| School Administrative Services         | 238,444                 | 268,207                 | (29,763)                       | -11.1%                      |
| Plant Operations & Maintenance         | 1,496,258               | 1,512,407               | (16,149)                       | -1.1%                       |
| Pupil Transportation                   | 1,121,657               | 1,115,518               | 6,139                          | 0.6%                        |
| Unallocated Benefits                   | 8,020,338               | 4,336,054               | 3,684,284                      | 85.0%                       |
| Adjustment to Fixed Assets             | (147,241)               | 166,999                 | (314,240)                      | -188.2%                     |
| Interest & Other Charges               | 23,837                  | 45,388                  | (21,551)                       | -47.5%                      |
| Unallocated Depreciation               | 669,272                 | 633,880                 | 35,392                         | 5.6%                        |
| Food Service                           | 304,051                 | 318,075                 | (14,024)                       | -4.4%                       |
| Total Expenditures                     | <u>25,022,279</u>       | <u>20,921,638</u>       | <u>4,100,641</u>               | <u>19.6%</u>                |
| Change In Net Position                 | 65,963                  | (89,284)                | 155,247                        | -173.9%                     |
| Net Position - Beginning               | 9,271,408               | 9,360,692               | (89,284)                       | -1.0%                       |
| Net Position - Ending                  | <u>\$ 9,337,371</u>     | <u>\$ 9,271,408</u>     | <u>\$ 65,963</u>               | <u>0.7%</u>                 |

### Governmental Activities

During the fiscal year 2018, the net position of governmental activities increased by \$74,147 or 0.81%. The primary reason for the slight increase was through the normal operations of the District.

The assets and deferred outflows of the primary government activities exceeded liabilities and deferred inflows by \$9,227,995, with an unrestricted deficit balance of \$(3,756,883). The deficit in unrestricted net position is primarily due to accounting treatment for compensated absences payable, GASB 68 net pension liability, and the last two state aid payments. In addition, state statutes prohibit school districts from maintaining more than 2% of its adopted budget as unassigned fund balance.

The School District's governmental activities unrestricted net position had GASB 68 pension not been implemented would have been as follows:



**LOGAN TOWNSHIP SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**(Unaudited) (Continued)**

**Table 3**  
**GASB 68 Effect on Unrestricted Net Position**

|  |                     |
|--|---------------------|
| Unrestricted Net Position (With GASB 68)       | \$ (3,756,883)      |
| Add back: PERS Pension Liability               | 3,854,257           |
| Less: Deferred Outflows related to pensions    | (1,487,990)         |
| Add back: Deferred Inflows related to pensions | <u>773,653</u>      |
| Unrestricted Net Position (Without GASB 68)    | <u>\$ (616,963)</u> |

**Business-type Activities**

During the fiscal year 2018, the net position of business-type activities decreased by \$8,184 or 7.0%.

The assets and deferred outflows of the business-type activities exceeded liabilities and deferred inflows by \$109,376.

**General Fund Budgeting Highlights**

Final budgeted revenues were \$17,828,080, which was a decrease of \$(108,328) from the original budget due to state aid cuts. Excluding nonbudgeted revenues, the School District's actual revenues exceeded budgeted revenues by \$20,390.

Final budgeted appropriations were \$19,220,851, which was an increase of \$27,089 from the original budget. The increase is primarily due to prior year reserve for encumbrances, which increase the budget appropriations in the subsequent fiscal year's budget. Excluding nonbudgeted expenditures, the School District's budget appropriations exceeded actual expenditures by \$1,546,143.

The School District's general fund balance – budgetary basis (Exhibit C-1) was \$4,446,304 at June 30, 2018, an increase of \$451,639 from the prior year.

**Governmental Funds**

At the end of the current fiscal year, the School District's governmental funds reported a combined ending fund balance of \$3,873,122, an increase of \$114,416 from the prior year.

*General fund* - During the current fiscal year, the fund balance of the School District's general fund increased by \$460,884 or 13.2% to \$3,944,408 at June 30, 2018, compared to an increase of \$293,229 in fund balance in the prior fiscal year. The primary factor(s) affecting the change in fund balance of the general fund is as follows:

- The District froze spending in some areas due to the uncertainty of our state aid funding because of declining enrollment.
- The District closed capital projects and sent the remaining funds back to the General Fund

**LOGAN TOWNSHIP SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**(Unaudited) (Continued)**

*Special revenue fund* – During the current fiscal year, the fund balance of the School District's special revenue fund decreased by \$(68,591) to \$(71,287) at June 30, 2017, compared to an increase of \$125 in fund balance in the prior fiscal year.

*Capital projects fund* – During the current fiscal year, the fund balance of the School District's capital projects fund decreased by \$277,877 to \$0 at June 30, 2018.

*Debt service fund* - There was no change in the fund balance for the debt service fund.

**Proprietary Funds**

*Food service fund* - During the current fiscal year, the net position of the School District's food service fund decreased by \$(8,184) or 7.0% to \$109,376 at June 30, 2018, compared to a decrease of \$(9,305) in fund balance in the prior fiscal year.

**Capital Assets**

The School District's capital assets for its governmental and business-type activities as of June 30, 2018, totaled \$9,560,900 (net of accumulated depreciation). Capital assets includes land, land improvements, buildings and improvements and equipment. The School District's "Net Investment in Capital Assets" component of net position represents capital assets, net of accumulated depreciation less any outstanding debt associated with the capital assets. There was a net increase in the School District's investment in capital assets for the current fiscal year in the amount of \$216,799. This decrease is primarily due to the current year additions and pay down of debt exceed current year depreciation of capital assets. Table 4 shows fiscal 2018 balances compared to 2017.

**Table 4**  
**Summary of Capital Assets**

| <u>Capital Asset (Net of Depreciation):</u> | June 30,<br><u>2018</u> | June 30,<br><u>2017</u> | Increase/<br><u>(Decrease)</u> | Percentage<br><u>Change</u> |
|---|-------------------------|-------------------------|--------------------------------|-----------------------------|
| Land  | \$ 115,872              | \$ 115,872              | \$ -                           | 0.0%                        |
| Land Improvements                           | 217,508                 | 236,063                 | (18,555)                       | -7.9%                       |
| Building and Improvements                   | 8,573,074               | 9,074,345               | (501,271)                      | -5.5%                       |
| Equipment                                   | 654,446                 | 460,847                 | 193,599                        | 42.0%                       |
|   | <u>\$ 9,560,900</u>     | <u>\$ 9,887,127</u>     | <u>\$ (326,227)</u>            | <u>-3.3%</u>                |

Depreciation expense for the year was \$672,478. Additional information on the School District's capital assets can be found in the notes to the basic financial statements (Note 5) of this report.

**LOGAN TOWNSHIP SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**(Unaudited) (Continued)**

**Debt Administration**

**Long-term debt** – At the end of the current fiscal year, the School District had total bonded debt outstanding of \$545,000, which is a decrease of \$540,000 from the prior year.

Additional information on the School District's long-term obligations can be found in the notes to the basic financial statements (Note 7) of this report.

**Factors on the School District's Future**

- The Logan Township School District is financially stable at the present time. The District is proud of its community support of the public schools. The NJ Department of Education released Accountability Regulations in January 2009. These regulations established additional regulatory authority over district budgets by the Executive County Superintendent, established rules and regulations regarding district travel expenses, administrator compensation, budget preparation, excessive spending, district consolidation, etc.
- State aid has been relatively flat for a number of years and has decreased in recent years; however, the district has been able to maintain programs and staff. The District has also been able to make deposits into capital and maintenance reserves and has continued to pay down long term debt, which has resulted in a decrease in taxes. In some years, the District has been able to keep the tax increase below the 2% tax levy cap. The District considers the impact of tax increases on taxpayers while ensuring we are able to budget sufficient funds to meet our District Goals as well as our Strategic Plan Goals, which drive our budget.
- The future of state aid is uncertain for New Jersey School Districts, especially those with declining enrollment. The District was notified in late June of 2017 and July of 2018 of a loss in state aid for both school years in the amount of \$108,328 and \$232,800, respectively. We were able to absorb this loss by using capital and maintenance reserve funds for some of the projects included in the budget and by reducing other areas of the budget. However, the district will continue to lose funds until the year 2025 and may see an increase in our tuition costs for our high school students due to the allocation of more state aid to our receiving high school. We are monitoring the situation the best we can, while hoping for increased funding for all schools, especially in the area of special education.
- A three-year labor agreement for teachers, aides, and custodians was unanimously approved by the District Board of Education and by the Logan Teacher Education Association (LTEA) and signed on April 14<sup>th</sup>, 2016 which extends until June 30<sup>th</sup>, 2019. The settlement with a 2.5% increase for each of the next three years is considered a reasonable settlement. The District has already begun the negotiations process for the next three-year agreement.
- It is important that the District continues to be able to complete capital improvement projects. It is one of the Board of Education's goals and a budget priority to continue to upgrade and maintain the physical plants of the district. The Board, through the budget process, has deposited funds into its capital and maintenance reserves in previous years. The District continues to budget funds in its operating budget for small capital projects and maintenance projects. During the next several years, we will continue to make this a priority; however, we will most likely have to reduce our spending in this area while we are experiencing state aid reductions. The District has authorized a

**LOGAN TOWNSHIP SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**(Unaudited) (Continued)**

referendum to take place on January 22, 2019 in order to take care of major capital projects that could never fall within our budget cap. The projects include a new roof on one of our buildings, safety and security upgrades, lighting upgrades, HVAC projects, parking lot paving, etc. We hope that the referendum will allow us to take some pressure off of our capital/maintenance budgets during the time we are experiencing a reduction in state aid.

- The District expects limited growth in enrollment over the next few years. The current schools' capacity is sufficient to accommodate this growth. There were plans proposed to the township for the development of large parcels of farmland in the Repaupo area of the township. However, this project has never taken off. It may be years before this proposal, which would have significant impact upon the district, becomes viable.

In conclusion, the Logan Township School District has committed itself to financial excellence for many years. The School District plans to continue its sound fiscal management to meet the challenges of the future.

**Contacting the School Districts Financial Management**

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Office of the Business Administrator, Logan Township School District, 110 School Lane, Logan Township, NJ 08085. Please visit our website at [www.logan.k12.nj.us](http://www.logan.k12.nj.us).

## **BASIC FINANCIAL STATEMENTS**

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## A. Government-Wide Financial Statements

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**LOGAN TOWNSHIP SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

| ASSETS  | GOVERNMENTAL<br>ACTIVITIES | BUSINESS-<br>TYPE<br>ACTIVITIES | TOTAL        |
|---|----------------------------|---------------------------------|--------------|
| Cash & Cash Equivalents                             | \$ 3,063,242               | \$ 76,282                       | \$ 3,139,524 |
| Receivables, Net (Note 4)                           | 214,373                    | 5,310                           | 219,683      |
| Inventory   | -                          | 5,379                           | 5,379        |
| Restricted Cash & Cash Equivalents                  | 889,740                    | -                               | 889,740      |
| Capital Assets, Net (Note 5)                        |                            |                                 |              |
| Non-Depreciable                                     | 115,872                    | -                               | 115,872      |
| Depreciable   | 9,400,521                  | 44,507                          | 9,445,028    |
| Total Assets  | 13,683,748                 | 131,478                         | 13,815,226   |
| DEFERED OUTFLOWS OF RESOURCES                       |                            |                                 |              |
| Related to Pensions (Note 8)                        | 1,487,990                  | -                               | 1,487,990    |
| Total Deferred Outflows of Resources                | 1,487,990                  | -                               | 1,487,990    |
| Total Assets and Deferred Outflows of Resources     | 15,171,738                 | 131,478                         | 15,303,216   |
| LIABILITIES   |                            |                                 |              |
| Accounts Payable                                    | 239,561                    | 17,868                          | 257,429      |
| Accrued Interest on Debt                            | 9,992                      | -                               | 9,992        |
| Prepaid Lunches                                     | -                          | 4,234                           | 4,234        |
| Unearned Revenue                                    | 54,672                     | -                               | 54,672       |
| Due to Other Governments                            | 154,083                    | -                               | 154,083      |
| Noncurrent Liabilities (Note 7):                    |                            |                                 |              |
| Due Within One Year                                 | 545,000                    | -                               | 545,000      |
| Due Beyond One Year                                 | 4,166,782                  | -                               | 4,166,782    |
| Total Liabilities                                   | 5,170,090                  | 22,102                          | 5,192,192    |
| DEFERED INFLOWS OF RESOURCES                        |                            |                                 |              |
| Related to Pensions (Note 8)                        | 773,653                    | -                               | 773,653      |
| Total Deferred Inflows of Resources                 | 773,653                    | -                               | 773,653      |
| Total Liabilities and Deferred Inflows of Resources | 5,943,743                  | 22,102                          | 5,965,845    |
| NET POSITION  |                            |                                 |              |
| Net Investments in Capital Assets                   | 8,971,393                  | 44,507                          | 9,015,900    |
| Restricted For:                                     |                            |                                 |              |
| Debt Service  | 1                          | -                               | 1            |
| Capital Projects                                    | 492,486                    | -                               | 492,486      |
| Maintenance Reserve                                 | 397,254                    | -                               | 397,254      |
| Excess Surplus                                      | 3,123,744                  | -                               | 3,123,744    |
| Unrestricted (Deficit)                              | (3,756,883)                | 64,869                          | (3,692,014)  |
| Total Net Position                                  | \$ 9,227,995               | \$ 109,376                      | \$ 9,337,371 |

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

LOGAN TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

| FUNCTIONS/PROGRAMS                         | NET (EXPENSE) REVENUE AND CHANGES<br>IN NET POSITION |                            |  |                            |                                 | TOTAL        |
|--|--|----------------------------|--|----------------------------|---------------------------------|--------------|
|  | PROGRAM REVENUES                                     |                            |  | GOVERNMENTAL<br>ACTIVITIES | BUSINESS-<br>TYPE<br>ACTIVITIES |              |
|  | EXPENSES   | CHARGES<br>FOR<br>SERVICES | OPERATING<br>GRANTS &<br>CONTRIBUTIONS |                            |                                 |              |
| Governmental Activities:                   |  |                            |  |                            |                                 |              |
| Instruction:                               |  |                            |  |                            |                                 |              |
| Regular                                    | \$ 5,641,950   | \$ -                       | \$ 607,120                             | \$ (5,034,830)             | \$ -                            | (5,034,830)  |
| Special Education                          | 946,170  | -                          | -                                      | (946,170)                  | -                               | (946,170)    |
| Basic Skill/Remedial Instruction           | 392,723  | -                          | -                                      | (392,723)                  | -                               | (392,723)    |
| Other Instruction                          | 52,729   | -                          | -                                      | (52,729)                   | -                               | (52,729)     |
| Support Services & Undistributed Costs:    |  |                            |  |                            |                                 |              |
| Tuition                                    | 3,549,861  | -                          | -                                      | (3,549,861)                | -                               | (3,549,861)  |
| Student & Instruction Related Services     | 2,043,561  | -                          | 273,092                                | (1,770,469)                | -                               | (1,770,469)  |
| School Administrative Services             | 238,444  | -                          | -                                      | (238,444)                  | -                               | (238,444)    |
| General & Business Administrative Services | 668,669  | -                          | -                                      | (668,669)                  | -                               | (668,669)    |
| Plant Operations & Maintenance             | 1,496,258  | -                          | -                                      | (1,496,258)                | -                               | (1,496,258)  |
| Pupil Transportation                       | 1,121,657  | -                          | -                                      | (1,121,657)                | -                               | (1,121,657)  |
| Unallocated Benefits                       | 8,020,338  | -                          | 5,481,848                              | (2,538,490)                | -                               | (2,538,490)  |
| Interest on Long-Term Debt                 | 23,837   | -                          | -                                      | (23,837)                   | -                               | (23,837)     |
| Revaluation of Fixed Assets                | (147,241)  | -                          | -                                      | 147,241                    | -                               | 147,241      |
| Unallocated Depreciation                   | 669,272  | -                          | -                                      | (669,272)                  | -                               | (669,272)    |
| Total Governmental Activities              | 24,718,228   | -                          | 6,362,060                              | (18,356,168)               | -                               | (18,356,168) |

LOGAN TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

| FUNCTIONS/PROGRAMS                          | PROGRAM REVENUES |                            |  |                            | NET (EXPENSE) REVENUE AND CHANGES<br>IN NET POSITION |              |
|---|------------------|----------------------------|--|----------------------------|--|--------------|
|   | EXPENSES         | CHARGES<br>FOR<br>SERVICES | OPERATING<br>GRANTS &<br>CONTRIBUTIONS | GOVERNMENTAL<br>ACTIVITIES | BUSINESS-<br>TYPE<br>ACTIVITIES                      | TOTAL        |
| Business-Type Activities:                   |                  |                            |  |                            |  |              |
| Food Service                                | 304,051          | 182,515                    | 113,352                                | -                          | (8,184)  | (8,184)      |
| Total Business - Type Activities            | 304,051          | 182,515                    | 113,352                                | -                          | (8,184)  | (8,184)      |
| Total Primary Government                    | 25,022,279       | 182,515                    | 6,475,412                              | (18,356,168)               | (8,184)  | (18,364,352) |
| General Revenues:                           |                  |                            |  |                            |  |              |
| Taxes:                                      |                  |                            |  |                            |  |              |
| Property Taxes, Levied for General Purposes |                  |                            |  | 12,408,202                 | -  | 12,408,202   |
| Taxes Levied for Debt Service               |                  |                            |  | 390,666                    | -  | 390,666      |
| Federal & State Restricted                  |                  |                            |  | 181,934                    | -  | 181,934      |
| Federal & State Aid Not Restricted          |                  |                            |  | 5,371,279                  | -  | 5,371,279    |
| Tuition Received                            |                  |                            |  | 40,257                     | -  | 40,257       |
| Miscellaneous Income                        |                  |                            |  | 37,977                     | -  | 37,977       |
| Total General Revenues & Transfers          |                  |                            |  | 18,430,315                 | -  | 18,430,315   |
| Change In Net Position                      |                  |                            |  | 74,147                     | (8,184)  | 65,963       |
| Net Position - Beginning                    |                  |                            |  | 9,153,848                  | 117,560  | 9,271,408    |
| Net Position - Ending                       |                  |                            |  | 9,227,995                  | \$ 109,376   | \$ 9,337,371 |

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

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## B. Fund Financial Statements

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## Governmental Funds

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**LOGAN TOWNSHIP SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2018**

|   | GENERAL<br>FUND     | SPECIAL<br>REVENUE<br>FUND | CAPITAL<br>PROJECTS<br>FUND | DEBT<br>SERVICE<br>FUND | TOTAL               |
|---|---------------------|----------------------------|-----------------------------|-------------------------|---------------------|
| <b>Assets:</b>  |                     |                            |                             |                         |                     |
| Cash & Cash Equivalents   | \$ 2,917,103        | \$ -                       | \$ 277,981                  | \$ 1                    | \$ 3,195,085        |
| Receivables:  |                     |                            |                             |                         |                     |
| State   | 65,319              | -                          | -                           | -                       | 65,319              |
| Federal   | -                   | 136,571                    | -                           | -                       | 136,571             |
| Other   | 12,327              | 156                        | -                           | -                       | 12,483              |
| Due from Other Funds  | 277,981             | -                          | -                           | -                       | 277,981             |
| Restricted Cash & Cash Equivalents                              | 889,740             | -                          | -                           | -                       | 889,740             |
| <b>Total Assets</b>   | <b>\$ 4,162,470</b> | <b>\$ 136,727</b>          | <b>\$ 277,981</b>           | <b>\$ 1</b>             | <b>\$ 4,577,179</b> |
| <b>Liabilities &amp; Fund Balances:</b>                         |                     |                            |                             |                         |                     |
| <b>Liabilities:</b>   |                     |                            |                             |                         |                     |
| Cash Deficit  | \$ -                | \$ 131,843                 | \$ -                        | \$ -                    | \$ 131,843          |
| Accounts Payable  | 205,211             | 34,350                     | -                           | -                       | 239,561             |
| Due to Other Funds  | -                   | -                          | 277,981                     | -                       | 277,981             |
| Unearned Revenue  | 12,851              | 41,821                     | -                           | -                       | 54,672              |
| <b>Total Liabilities</b>  | <b>218,062</b>      | <b>208,014</b>             | <b>277,981</b>              | <b>-</b>                | <b>704,057</b>      |
| <b>Fund Balances:</b>   |                     |                            |                             |                         |                     |
| <b>Restricted for:</b>  |                     |                            |                             |                         |                     |
| Capital Reserve Account   | 492,486             | -                          | -                           | -                       | 492,486             |
| Maintenance Reserve   | 397,254             | -                          | -                           | -                       | 397,254             |
| Excess Surplus  | 1,494,083           | -                          | -                           | -                       | 1,494,083           |
| Excess Surplus Designated<br>for Subsequent Year's Expenditures | 1,629,661           | -                          | -                           | -                       | 1,629,661           |
| Capital Projects Fund   | -                   | -                          | -                           | -                       | -                   |
| Debt Service Fund   | -                   | -                          | -                           | 1                       | 1                   |
| <b>Unassigned Fund Balance:</b>                                 |                     |                            |                             |                         |                     |
| General Fund  | (69,076)            | -                          | -                           | -                       | (69,076)            |
| Special Revenue Fund  | -                   | (71,287)                   | -                           | -                       | (71,287)            |
| <b>Total Fund Balances</b>                                      | <b>3,944,408</b>    | <b>(71,287)</b>            | <b>-</b>                    | <b>1</b>                | <b>3,873,122</b>    |
| <b>Total Liabilities &amp; Fund Balances</b>                    | <b>\$ 4,162,470</b> | <b>\$ 136,727</b>          | <b>\$ 277,981</b>           | <b>\$ 1</b>             |                     |

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

|   |                     |
|---|---------------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$23,685,461 and the accumulated depreciation is \$14,169,068.  | 9,516,393           |
| Deferred outflows and inflows of resources related to pensions and deferred charges or credits on debt refunding are applicable to future reporting periods and therefore are not reported in the funds.  |                     |
| Deferred Outflows related to pensions   | 1,487,990           |
| Deferred Inflows related to pensions  | (773,653)           |
| Long-term liabilities, including net pension liability and bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.   | (4,711,782)         |
| Accrued pension contributions for the June 30, 2017 plan year are not paid with current economic resources and are therefore not reported as a liability in the funds, but are included in accounts payable in the government-wide statement of net position. | (154,083)           |
| Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.  | (9,992)             |
| Net position of Governmental Activities   | <u>\$ 9,227,995</u> |

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

**LOGAN TOWNSHIP SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2018**

|   | GENERAL<br>FUND | SPECIAL<br>REVENUE<br>FUND | CAPITAL<br>PROJECTS<br>FUND | DEBT<br>SERVICE<br>FUND | TOTAL         |
|---|-----------------|----------------------------|-----------------------------|-------------------------|---------------|
| Revenues:   |                 |                            |                             |                         |               |
| Local Sources:  |                 |                            |                             |                         |               |
| Local Tax Levy  | \$ 12,408,202   | \$ -                       | \$ -                        | \$ 390,666              | \$ 12,798,868 |
| Tuition Charges   | 40,257          | -                          | -                           | -                       | 40,257        |
| Miscellaneous   | 28,977          | 9,000                      | -                           | -                       | 37,977        |
| Total Local Sources   | 12,477,436      | 9,000                      | -                           | 390,666                 | 12,877,102    |
| State Sources   | 7,482,193       | 537,493                    | -                           | 181,934                 | 8,201,620     |
| Federal Sources   | -               | 333,719                    | -                           | -                       | 333,719       |
| Total Revenues  | 19,959,629      | 880,212                    | -                           | 572,600                 | 21,412,441    |
| Expenditures:   |                 |                            |                             |                         |               |
| Current:  |                 |                            |                             |                         |               |
| Regular Instruction   | 4,966,239       | 675,711                    | -                           | -                       | 5,641,950     |
| Special Education Instruction                                 | 946,170         | -                          | -                           | -                       | 946,170       |
| Basic Skills/Remedial - Instruction                           | 392,723         | -                          | -                           | -                       | 392,723       |
| Other Instruction   | 52,729          | -                          | -                           | -                       | 52,729        |
| Support Services & Undistributed Costs:                       |                 |                            |                             |                         |               |
| Tuition   | 3,549,861       | -                          | -                           | -                       | 3,549,861     |
| Student & Instruction Related Services                        | 1,811,275       | 235,312                    | -                           | -                       | 2,046,587     |
| School Administrative Services                                | 238,444         | -                          | -                           | -                       | 238,444       |
| General & Business Administrative Services                    | 668,669         | -                          | -                           | -                       | 668,669       |
| Plant Operations & Maintenance                                | 1,496,258       | -                          | -                           | -                       | 1,496,258     |
| Pupil Transportation  | 1,121,657       | -                          | -                           | -                       | 1,121,657     |
| Unallocated Benefits  | 2,284,224       | -                          | -                           | -                       | 2,284,224     |
| On Behalf TPAF Pension and Social Security Contributions      | 2,101,914       | -                          | -                           | -                       | 2,101,914     |
| Capital Outlay  | 145,322         | 37,780                     | -                           | -                       | 183,102       |
| Debt Service:   |                 |                            |                             |                         |               |
| Principal   | -               | -                          | -                           | 540,000                 | 540,000       |
| Interest & Other Charges                                      | 1,137           | -                          | -                           | 32,600                  | 33,737        |
| Total Expenditures  | 19,776,622      | 948,803                    | -                           | 572,600                 | 21,298,025    |
| Excess/(Deficiency) of Revenues Over/<br>(Under) Expenditures | 183,007         | (68,591)                   | -                           | -                       | 114,416       |
| Other Financing Sources/(Uses):                               |                 |                            |                             |                         |               |
| Operating Transfer In   | 277,877         | -                          | -                           | -                       | 277,877       |
| Operating Transfer Out  | -               | -                          | (277,877)                   | -                       | (277,877)     |
| Total Other Financing Sources & Uses                          | 277,877         | -                          | (277,877)                   | -                       | -             |
| Net Change in Fund Balances                                   | 460,884         | (68,591)                   | (277,877)                   | -                       | 114,416       |
| Fund Balance - July 1   | 3,483,524       | (2,696)                    | 277,877                     | 1                       | 3,758,706     |
| Fund Balance - June 30  | \$ 3,944,408    | \$ (71,287)                | \$ -                        | \$ 1                    | \$ 3,873,122  |

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

**LOGAN TOWNSHIP SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

|   |    |         |
|---|----|---------|
| Total Net Change in Fund Balances - Governmental Funds (From B-2) | \$ | 114,416 |
|---|----|---------|

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

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

When capital outlays and other adjustments exceed depreciation, the difference is an addition in the reconciliation (+); when depreciation and other adjustments exceed capital outlays the difference is a reduction to the reconciliation (-)

|                          |    |           |           |
|--------------------------|----|-----------|-----------|
| Depreciation Expense     | \$ | (669,272) |           |
| Capital Asset Adjustment |    | 147,241   |           |
| Capital Outlays          |    | 183,102   | (338,929) |

Governmental funds report School District pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned is reported as pension expense. This is the amount by which pension benefits earned exceeded the School District's pension contributions in the current period.

(246,459)

Repayment of long-term debt principal and obligation of lease purchase agreements are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.

|                        |  |         |         |
|------------------------|--|---------|---------|
| Serial Bonds           |  | 540,000 |         |
| Capital Lease Payments |  | 3,026   | 543,026 |

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation (+).

9,900

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

(7,807)

|   |    |        |
|---|----|--------|
| Change in Net Position of Governmental Activities | \$ | 74,147 |
|---|----|--------|

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

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## Proprietary Funds

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**LOGAN TOWNSHIP SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2018**

|                                   | BUSINESS-TYPE<br>ACTIVITIES -<br>ENTERPRISE FUNDS |
|-----------------------------------|---|
| ASSETS                            | FOOD<br>SERVICE                                   |
| Current Assets:                   |   |
| Cash & Cash Equivalents           | \$ 76,282   |
| Accounts Receivable               |   |
| State                             | 196   |
| Federal                           | 5,114   |
| Inventories                       | 5,379   |
|                                   | <hr/>   |
| Total Current Assets              | 86,971  |
|                                   | <hr/>   |
| Noncurrent Assets:                |   |
| Furniture, Machinery & Equipment  | 201,758   |
| Less: Accumulated Depreciation    | (157,251)   |
|                                   | <hr/>   |
| Total Noncurrent Assets           | 44,507  |
|                                   | <hr/>   |
| Total Assets                      | 131,478   |
|                                   | <hr/>   |
|                                   |   |
| LIABILITIES                       |   |
| Current Liabilities:              |   |
| Accounts Payable                  | 17,868  |
| Prepaid Lunches                   | 4,234   |
|                                   | <hr/>   |
| Total Liabilities                 | 22,102  |
|                                   | <hr/>   |
|                                   |   |
| NET POSITION                      |   |
| Net Investments in Capital Assets | 44,507  |
| Unrestricted                      | 64,869  |
|                                   | <hr/>   |
| Total Net Position                | \$ 109,376  |
|                                   | <hr/>   |

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

**LOGAN TOWNSHIP SCHOOL DISTRICT  
PROPRIETARY FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
AS OF JUNE 30, 2018**

|  | BUSINESS-TYPE<br>ACTIVITIES -<br>ENTERPRISE FUNDS |
|--|---|
|  | <u>FOOD<br/>SERVICE</u>                           |
| Operating Revenues:                            |   |
| Charges for Services:                          |   |
| Daily Sales - Reimbursable Programs            | \$ 132,331  |
| Daily Sales - Nonreimbursable Programs         | <u>50,184</u>                                     |
| Total Operating Revenues                       | <u>182,515</u>                                    |
| Operating Expenses:                            |   |
| Salaries & Benefits                            | 135,351   |
| Supplies & Materials                           | 32,682  |
| Cost of Sales - Reimbursable Programs          | 94,149  |
| Cost of Sales - Non-Reimbursable Programs      | 16,622  |
| Depreciation                                   | 3,206   |
| Miscellaneous                                  | <u>22,041</u>                                     |
| Total Operating Expenses                       | <u>304,051</u>                                    |
| Operating Income/(loss)                        | <u>(121,536)</u>                                  |
| Nonoperating Revenues/(Expenses):              |   |
| State Sources:                                 |   |
| State School Lunch Program                     | 3,262   |
| Federal Sources:                               |   |
| National School Lunch Program                  | 72,684  |
| National School Breakfast Program              | 15,068  |
| Food Distribution Program                      | 22,200  |
| Interest & Investment Revenue                  | <u>138</u>  |
| Total Nonoperating Revenues/(Expenses)         | <u>113,352</u>                                    |
| Income/(Loss) Before Contributions & Transfers | <u>(8,184)</u>                                    |
| Change in Net Position                         | (8,184)   |
| Total Net Position - Beginning                 | <u>117,560</u>                                    |
| Total Net Position - Ending                    | <u><u>\$ 109,376</u></u>                          |

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



**LOGAN TOWNSHIP SCHOOL DISTRICT  
PROPRIETARY FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
AS OF JUNE 30, 2018**

|   | BUSINESS-TYPE<br>ACTIVITIES -<br>ENTERPRISE FUNDS<br><u>FOOD<br/>SERVICE</u> |
|---|--|
| Cash Flows From Operating Activities:                       |  |
| Receipts from Customers                                     | \$ 173,183   |
| Payments to Employees                                       | (135,351)  |
| Payments to Suppliers                                       | <u>(143,294)</u>   |
| Net Cash Provided/(Used) by Operating Activities            | <u>(105,462)</u>   |
| Cash Flows From Noncapital Financing Activities:            |  |
| State & Federal Sources                                     | <u>91,014</u>  |
| Net Cash Provided/(Used) by Noncapital Financing Activities | <u>91,014</u>  |
| Cash Flows From Investing Activities:                       |  |
| Net Cash Provided/(Used) by Investing Activities            | <u>138</u>   |
| Net Cash Provided/(Used) by Investing Activities            | <u>138</u>   |
| Cash Flows from Capital Financing Activities:               |  |
| Purchase of Capital Assets                                  | <u>(15,908)</u>  |
| Net Cash Used by Capital Financing Activities               | <u>(15,908)</u>  |
| Net Increase/(Decrease) in Cash & Cash Equivalents          | (30,218)   |
| Balances - Beginning of Year                                | <u>106,500</u>   |
| Balances - End of Year                                      | <u><u>\$ 76,282</u></u>  |

**Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:**

|  |                            |
|--|----------------------------|
| Operating Income/(Loss)  | \$ (121,536)               |
| Adjustments to Reconcile Operating Income/(Loss) to<br>Net Cash Provided/(Used) by Operating Activities: |                            |
| Depreciation & Net Amortization  | 3,206                      |
| Food Distribution Program  | 22,200                     |
| Changes in Assets & Liabilities:   |                            |
| (Increase)/Decrease in Accounts Receivable   | 3,002                      |
| (Increase)/Decrease in Inventories   | (3,488)                    |
| Increase/(Decrease) in Current Liabilities   | <u>(8,846)</u>             |
| Total Adjustments  | <u>16,074</u>              |
| Net Cash Provided/(Used) by Operating Activities   | <u><u>\$ (105,462)</u></u> |

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

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Fiduciary Fund

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**LOGAN TOWNSHIP SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2018**

| ASSETS                            | PRIVATE PURPOSE         |             | AGENCY    |            | TOTAL      |
|-----------------------------------|-------------------------|-------------|-----------|------------|------------|
|                                   | UNEMPLOYMENT            | SCHOLARSHIP | STUDENT   | PAYROLL    |            |
|                                   | COMPENSATION TRUST FUND |             | ACTIVITY  |            |            |
| Cash & Cash Equivalents           | \$ 57,350               | \$ 6,128    | \$ 24,778 | \$ 322,561 | \$ 410,817 |
| Total Assets                      | 57,350                  | 6,128       | 24,778    | 322,561    | 410,817    |
|                                   |                         |             |           |            |            |
| LIABILITIES                       |                         |             |           |            |            |
| Payroll Deductions & Withholdings | -                       | -           | -         | 317,211    | 317,211    |
| Due to Student Groups             | -                       | -           | 24,778    | -          | 24,778     |
| Flexible Spending                 | -                       | -           | -         | 5,350      | 5,350      |
| Total Liabilities                 | -                       | -           | 24,778    | 322,561    | 347,339    |
|                                   |                         |             |           |            |            |
| NET POSITION                      |                         |             |           |            |            |
| Restricted for:                   |                         |             |           |            |            |
| Unemployment Claims               | 57,350                  | -           | -         | -          | 57,350     |
| Scholarships                      | -                       | 6,128       | -         | -          | 6,128      |
| Total Net Position                | \$ 57,350               | \$ 6,128    | \$ -      | \$ -       | \$ 63,478  |

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

**LOGAN TOWNSHIP SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2018**

| ADDITIONS                            | PRIVATE PURPOSE |                              | TOTAL     |
|--------------------------------------|-----------------|------------------------------|-----------|
|                                      | SCHOLARSHIP     | UNEMPLOYMENT<br>COMPENSATION |           |
| Local Sources:                       |                 |                              |           |
| Transfer from Payroll Agency Account | \$ -            | \$ 16,134                    | \$ 16,134 |
| Investment Earnings:                 |                 |                              |           |
| Interest                             | 27              | 543                          | 570       |
| Total Additions                      | 27              | 16,677                       | 16,704    |
| DEDUCTIONS                           |                 |                              |           |
| Quarterly Contributions Reports      | -               | 1,827                        | 1,827     |
| Scholarships Awarded                 | 150             | -                            | 150       |
| Total Deductions                     | 150             | 1,827                        | 1,977     |
| Change in Net Position               | (123)           | 14,850                       | 14,727    |
| Net Position - Beginning of the Year | 6,251           | 42,500                       | 48,751    |
| Net Position - End of the Year       | \$ 6,128        | \$ 57,350                    | \$ 63,478 |

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

**LOGAN TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**LOGAN TOWNSHIP SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**Note 1. Summary of Significant Accounting Policies**

The financial statements of the Board of Education of Logan Township School District (the ‘District’) have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of more significant accounting policies.

**Reporting Entity**

The Logan Township School District (hereafter referred to as the “District”) is a Type II School District located in the County of Gloucester, State of New Jersey. As a Type II School District, the School District functions independently through a Board of Education. The Board is comprised of nine members elected to three-year terms. These terms are staggered so that three members’ terms expire each year. The purpose of the School District is to educate students in grades kindergarten through eighth at its two schools. The School District has an approximate enrollment at June 30, 2018 of 835 students.

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

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

There were no additional entities required to be included in the reporting entity under the criteria as described above. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

**Component Units**

GASB Statement No.14, The Financial Reporting Entity, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units and GASB Statement No. 61, The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34. The District had no component units as of for the year ended June 30, 2018.

**Government-Wide Financial Statements**

The District’s Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the District accompanied by a total column. Fiduciary activities of the District are not included in these statements.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the District’s assets, deferred outflows of resources, liabilities, and

**LOGAN TOWNSHIP SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**Note 1. Summary of Significant Accounting Policies (continued):**

deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

**Governmental Fund Financial Statements**

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule (Exhibit B-3) is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The District has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. (The District’s deferred outflows of resources and deferred inflows of resources are noncurrent.) The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District, are property tax and intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

**Proprietary Fund Financial Statements**

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and for the non-major funds aggregated. A column representing internal service funds is also presented in these statements. However, internal service funds balances and activities have been combined with the governmental activities in the Government-Wide financial statements.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized

**LOGAN TOWNSHIP SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**Note 1. Summary of Significant Accounting Policies (continued):**

in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

**Fiduciary Fund Financial Statements**

Fiduciary fund financial statements include a Statement of Net Position. The District's fiduciary funds are Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency funds are accounted for on a spending or "economic resources" measurement focus and the accrual basis of accounting as are the proprietary funds explained above.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

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

While government-wide and fund financial statements are presented separately, they are interrelated. The governmental activities column of the government wide statements incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the District's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. However, data from the fiduciary funds is not incorporated in the government-wide financial statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, charges for services, licenses, and interest on notes receivable associated with the current fiscal period are all considered to be susceptible to accrual and accordingly have been recognized as

**LOGAN TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

**Note 1. Summary of Significant Accounting Policies (continued):**

revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available when cash is received.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Food Service Fund and the C.D.A. program are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, employee salaries and benefits, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Internal service funds are used to account for those operations which provide benefits to other funds, departments, or agencies of the primary government and its component unit. Although internal service funds are reported as a proprietary fund in the fund financial statements, it is incorporated into governmental activities in the government-wide financial statements. The District does not maintain any internal service funds.

The District reports the following major governmental funds:

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

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

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

**Special Revenue Fund** - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, Debt

**LOGAN TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

**Note 1. Summary of Significant Accounting Policies (continued):**

Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

**Capital Projects Fund** - The capital projects fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

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

The District reports the following major proprietary funds:

**Food Service Fund** – The food service fund accounts for the financial transactions related to the food service operations of the School District.

Additionally, the District reports the following major fiduciary funds:

**Private Purpose Trust Funds** - Private-purpose trust funds are used to account for the principal and income for trust arrangements that benefit individuals, private organizations, or other governments. The School District currently maintains the following private purpose trust funds:

Unemployment Trust Fund – Revenues consist of employee payroll withholdings, interest income, and contributions through the annual budget process of the School District. Expenditures consist of unemployment reimbursement claims.

Scholarship Fund – Revenues consist of interest income and donations. Expenditures consist of scholarships provided to students.

**Agency Funds** - Agency funds are assets held by a governmental entity (either as trustee or as an agent) for other parties that cannot be used to finance the governmental entity's own operating programs. The district currently maintains Payroll funds and Student Activity Funds as Agency Funds.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

**LOGAN TOWNSHIP SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**Note 1. Summary of Significant Accounting Policies (continued):**

**Budgets/Budgetary Control**

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the county office. In accordance with P.L.2011 c.202, which became effective January 17, 2012, the District eliminated the April annual voter referendum on budgets which met the statutory tax levy cap limitations and the board of education members are elected at the November general election. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2-2(f)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23-2-11.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

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

The budget, as detailed on Exhibit C-1, Exhibit C-2, and Exhibit I-3, includes all amendments to the adopted budget, if any.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounts as presented in the General Fund Budgetary Comparison Schedules and the Special Revenue Fund Budgetary Comparison Schedule to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds. Note that the District does not report encumbrances outstanding at fiscal year-end as expenditures in the general fund since the general fund budget follows modified accrual basis with the exception of the revenue recognition policy for the last state aid payments.

**Encumbrances**

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as assigned fund balances at fiscal year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund for which the District has received advances are reflected in the balance sheet as a reduction of the accounts receivables or as unearned revenue at fiscal year-end.



**LOGAN TOWNSHIP SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**Note 1. Summary of Significant Accounting Policies (continued):**

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

**Cash and Cash Equivalents**

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

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

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

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

**Tuition Payable/Receivable**

Tuition rates for the fiscal year end June 30, 2018 were established by the receiving district based on estimated costs. The charges are subject to adjustment when the final costs have been determined.

**Inventories**

Inventories are valued at cost, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when consumed rather than when purchased.

**Interfund Receivables/Payables**

Interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year. The amounts are eliminated in the governmental and business-type activities, which are presented as Internal Balances. Balances with fiduciary funds are not considered Internal Balances; therefore those balances are reported on the Statement of Net Position.

**LOGAN TOWNSHIP SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**Note 1. Summary of Significant Accounting Policies (continued):**

**Capital Assets**

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation. The District has established a threshold of \$2,000 for capitalization of depreciable assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the District are depreciated or amortized using the straight-line method over the following estimated lives:

|                      |               |
|----------------------|---------------|
| Equipment & Vehicles | 3 – 20 Years  |
| Buildings            | 30 – 50 Years |
| Improvements         | 10 – 50 Years |
| Software             | 5 – 7 Years   |

**Compensated Absences**

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

The entire compensated absences liability is reported on the government-wide financial statements and proprietary fund financial statements. Compensated absences liability is not recorded in the governmental funds. Instead expenditures are recognized in the governmental funds as payments come due each period, for example, as a result of resignations or retirements.

**Unearned Revenue**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measureable and the District is eligible to realize the revenue.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, government fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid



**LOGAN TOWNSHIP SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**Note 1. Summary of Significant Accounting Policies (continued):**

from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources.

**Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumption that affect certain reported amounts reported in the financial statements and accompanying note disclosures. Actual results could differ from those estimates.

**Interfund Activity**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Reimbursements from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

**Fund Balance**

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- Non-spendable – This classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Non-spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School Board did not have any committed resources as of June 30, 2018.
- Assigned – This classification includes amounts that are constrained by the School District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Education or through the Board of Education delegating this responsibility to the business administrator through the budgetary process. This classification also

**LOGAN TOWNSHIP SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**Note 1. Summary of Significant Accounting Policies (continued):**

includes the remaining positive fund balance for all governmental funds except for the General Fund.

- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to consider restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, it is the District's policy to consider amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

**Net Position**

Net position, represents the difference between summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified in the following three components:

- Net Investment in Capital Assets – This components represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for acquisition, construction, or improvement of those assets.
- Restricted – Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- Unrestricted – Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

**Impact of Recently Issued Accounting Principles**

**Adopted Accounting Pronouncements**

The following GASB Statements became effective for the fiscal year ended June 30, 2018:

Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions. This Statement replaces the requirements of Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agency Employers and Agent Multi-Employer Plans, for OPEB Statement No. 74, Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB Plans.

Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, 68 and No. 73. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the

**LOGAN TOWNSHIP SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**Note 1. Summary of Significant Accounting Policies (continued):**

Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This Statement will be effective for the year ended June 30, 2018.

**Recently Issued Accounting Pronouncements**

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 83, Certain Asset Retirement Obligations. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement No. 83 establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management does not expect this Statement to have a material impact on the School District's financial statements.

Statement No. 84, Fiduciary Activities. The Statement intends to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. To that end, Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. Statement No. 84 is effective for reporting periods beginning after December 15, 2018. Management has not yet determined the potential impact on the School District's financial statements.

Statement No. 87, Leases. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. The GASB based the new standard on the principle that leases are financing of the right to use an underlying asset. Statement No. 87 is effective for reporting periods beginning after December 15, 2019. Management has not yet determined the potential impact on the School District's financial statements.

Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. The Governmental Accounting Standards Board (GASB) has issued a new standard with guidance the GASB believes will enhance debt-related disclosures in notes to financial statements, including those addressing direct borrowings and direct placements. The new standard clarifies which liabilities governments should include in their note disclosures related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management has not yet determined the potential impact on the School District's financial statements.

**Bond Premiums, Discounts and Issuance Costs**

In the government-wide financial statements and in the proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when bonds are issued.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

**LOGAN TOWNSHIP SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**Note 1. Summary of Significant Accounting Policies (continued):**

**Deferred Loss on Refunding Debt**

Deferred loss on refunding debt arising from the issuance of the refunding bonds is recorded as deferred outflows of resources. It is amortized in a systematic and rational manner over the shorter of the duration of the related debt or the new debt issues as a component of interest expense.

**Deferred Outflows and Deferred Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Note 2. Cash Deposits and Investments**

**Cash Deposits**

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Board's deposits may not be recovered. Although the Board does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 et seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of GUDPA. Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by FDIC. Public fund owned by the Board in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, student activity may pass to the Board relative to the happening of a future condition. Such funds are shown as Uninsured and Uncollateralized in the schedule below. As of June 30, 2018, the District's bank balance of \$4,565,048 was exposed to custodial credit risk as follows:

|                                |                    |
|--------------------------------|--------------------|
| Insured under FDIC and GUDPA   | \$4,145,059        |
| Uninsured and Uncollateralized | <u>419,989</u>     |
|                                | <u>\$4,565,048</u> |

**LOGAN TOWNSHIP SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**Note 2. Cash Deposits and Investments (continued):**

**Investments**

The School District has no investments at June 30, 2018.

**Note 3. Reserve Accounts**

**A. Capital Reserve**

A capital reserve account was established by the School District by inclusion of \$150,000 in the 1995-1996 original capital budget, for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the School District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a School District may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year-end (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A School District may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant *N.J.S.A.19:60-2*. Pursuant to *N.J.A.C.6:23A-14.1(g)*, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2017 to June 30, 2018 fiscal year is as follows:

|                                 |                   |
|---------------------------------|-------------------|
| Beginning Balance, July 1, 2017 | \$ 266,223        |
| Increased by:                   |                   |
| Interest Earnings               | 3,041             |
| Return of Unspent Funds         | 19,018            |
| Deposits approved by Board      | <u>277,981</u>    |
|                                 | 566,263           |
| Decreased by:                   |                   |
| Budget Withdrawals              | <u>(73,777)</u>   |
| Ending Balance, June 30, 2018   | <u>\$ 492,486</u> |

The June 30, 2018 balance did not exceed the LRFP balance of local support costs of uncompleted capital projects.

**Maintenance Reserve**

The School District established a maintenance reserve account for the accumulation of funds for use as required maintenance of a facility in subsequent fiscal years.

**LOGAN TOWNSHIP SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**Note 3. Reserve Accounts (continued):**

Funds placed in the maintenance reserve account are restricted to maintenance projects in the School District's approved Maintenance Plan (M-1). A School District may increase the balance in the maintenance reserve account by appropriating funds in the annual general fund budget certified for taxes or by transfer by Board resolution at year-end of any unanticipated revenue or unexpended line-item appropriation amounts, or both. The balance in the account cannot at any time exceed four percent of the replacement cost of the school district's school facilities for the current year.

The activity of the maintenance reserve for the July 1, 2017 to June 30, 2018 fiscal year is as follows:

|                                 |                          |
|---------------------------------|--------------------------|
| Beginning Balance, July 1, 2017 | \$ 403,089               |
| Increased by:                   |                          |
| Interest Earnings               | 4,945                    |
| Return of Unspent funds         | <u>23,771</u>            |
|                                 | 431,805                  |
| Decreased by:                   |                          |
| Budget Withdrawals              | <u>(34,551)</u>          |
| Ending Balance, June 30, 2018   | <u><u>\$ 397,254</u></u> |

**Note 4. Accounts Receivable**

Accounts receivable at June 30, 2018 consisted of accounts and intergovernmental grants. All state and federal receivables are considered collectible in full due to the stable condition of state programs and the current fiscal year guarantee of federal funds. Accounts receivable as of fiscal year end for the School District's individual major and fiduciary funds, in the aggregate, are as follows:

| <u>Description</u> | <u>Governmental Funds</u> |                                     |                                      | <u>Total<br/>Governmental<br/>Activities</u> | <u>Proprietary Funds</u>     | <u>Total</u>                        |
|--------------------|---------------------------|-------------------------------------|--------------------------------------|--|------------------------------|-------------------------------------|
|                    | <u>General<br/>Fund</u>   | <u>Special<br/>Revenue<br/>Fund</u> | <u>Capital<br/>Projects<br/>Fund</u> |  | <u>Food Service<br/>Fund</u> | <u>Business-Type<br/>Activities</u> |
| Federal Awards     | \$ -                      | \$ 136,571                          | \$ -                                 | \$ 136,571                                   | \$ 5,114                     | \$ 5,114                            |
| State Awards       | 65,319                    | -                                   | -                                    | 65,319                                       | 196                          | 196                                 |
| Other              | 12,327                    | 156                                 | -                                    | 12,483                                       | -                            | -                                   |
| Total              | <u>\$ 77,646</u>          | <u>\$ 136,727</u>                   | <u>\$ -</u>                          | <u>\$ 214,373</u>                            | <u>\$ 5,310</u>              | <u>\$ 5,310</u>                     |

**LOGAN TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

**Note 5. Capital Assets**

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

|   | Balance<br>July 1,<br><u>2017</u> | <u>Additions</u> | Retirements<br><u>and Transfers</u> | Balance<br>June 30,<br><u>2018</u> |
|---|-----------------------------------|------------------|-------------------------------------|------------------------------------|
| <b>Governmental Activities:</b>                   |                                   |                  |                                     |                                    |
| Capital assets not being depreciated:             |                                   |                  |                                     |                                    |
| Land  | \$ 115,872                        | \$ -             | \$ -                                | \$ 115,872                         |
| Total Capital Assets not being depreciated        | 115,872                           | -                | -                                   | 115,872                            |
| Capital Assets being depreciated:                 |                                   |                  |                                     |                                    |
| Land Improvements                                 | 842,767                           | -                | -                                   | 842,767                            |
| Buildings and Improvements                        | 20,745,679                        | 34,118           | -                                   | 20,779,797                         |
| Equipment   | 1,798,041                         | 148,984          | (21)                                | 1,947,004                          |
| Total Capital Assets being depreciated            | 23,386,487                        | 183,102          | (21)                                | 23,569,568                         |
| Less: Accumulated Depreciation:                   |                                   |                  |                                     |                                    |
| Land Improvements                                 | (606,704)                         | (18,555)         | (3,751)                             | (629,010)                          |
| Buildings and Improvements                        | (11,671,334)                      | (531,638)        | -                                   | (12,202,972)                       |
| Equipment   | (1,368,999)                       | (119,079)        | 151,013                             | (1,337,065)                        |
| Total Accumulated Depreciation                    | (13,647,037)                      | (669,272)        | 147,262                             | (14,169,047)                       |
| Total Capital Assets being depreciated, net       | 9,739,450                         | (486,170)        | 147,241                             | 9,400,521                          |
| Total Governmental Activities Capital Assets, net | \$ 9,855,322                      | \$ (486,170)     | \$ 147,241                          | \$ 9,516,393                       |

|  | Balance<br>July 1,<br><u>2017</u> | <u>Additions</u> | Retirements<br><u>and Transfers</u> | Balance<br>June 30,<br><u>2018</u> |
|--|-----------------------------------|------------------|-------------------------------------|------------------------------------|
| <b>Business-Type Activities:</b>                   |                                   |                  |                                     |                                    |
| Equipment  | \$ 185,850                        | \$ 15,908        | \$ -                                | \$ 201,758                         |
|  | 185,850                           | 15,908           | -                                   | 201,758                            |
| Less: Accumulated Depreciation:                    |                                   |                  |                                     |                                    |
| Equipment  | (154,045)                         | (3,206)          | -                                   | (157,251)                          |
|  | (154,045)                         | (3,206)          | -                                   | (157,251)                          |
| Total Business-Type Activities Capital Assets, net | \$ 31,805                         | \$ 12,702        | \$ -                                | \$ 44,507                          |

**LOGAN TOWNSHIP SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**Note 6. Interfund Receivables, Payables and Transfers**

Individual fund receivables/payables balances at June 30, 2018 are as follows:

| <u>Fund</u>           | <u>Interfund<br/>Receivables</u> | <u>Interfund<br/>Payables</u> |
|-----------------------|----------------------------------|-------------------------------|
| General Fund          | \$ 277,981                       | \$ -                          |
| Capital Projects Fund |                                  | 277,981                       |
|                       | <u>\$ 277,981</u>                | <u>\$ 277,981</u>             |

The interfund receivables and payables above predominately resulted from payment made by certain funds on behalf of other funds. All interfund balances are expected to be repaid within one year.

The summary of interfund transfers is as follows:

| <u>Fund</u>           | <u>Transfers In</u> | <u>Transfers Out</u> |
|-----------------------|---------------------|----------------------|
| General Fund          | \$ 277,877          | \$ -                 |
| Capital Projects Fund | -                   | 277,877              |
|                       | <u>\$ 277,877</u>   | <u>\$ 277,877</u>    |

The purpose of interfund transfers were for the liquidation of prior year capital project balances that were approved to be cancelled and returned to Capital Reserve.

**Note 7. Long-Term Obligations**

During the fiscal year-ended June 30, 2018 the following changes occurred in long-term obligations:

|                          | <u>Balance<br/>July 1, 2017</u> | <u>Additions</u> | <u>Reductions</u>   | <u>Balance<br/>June 30, 2018</u> | <u>Balance<br/>Due Within<br/>One Year</u> |
|--------------------------|---------------------------------|------------------|---------------------|----------------------------------|--|
| Governmental Activities: |                                 |                  |                     |                                  |  |
| General Obligation Bonds | \$ 1,085,000                    | \$ -             | \$ 540,000          | \$ 545,000                       | \$ 545,000                                 |
| Capital Leases           | 3,026                           | -                | 3,026               | -                                | -  |
| Compensated Absences     | 304,718                         | 7,807            | -                   | 312,525                          | -  |
| Net Pension Liability    | 4,449,442                       | -                | 595,185             | 3,854,257                        | -  |
|                          | <u>\$ 5,842,186</u>             | <u>\$ 7,807</u>  | <u>\$ 1,138,211</u> | <u>\$ 4,711,782</u>              | <u>\$ 545,000</u>                          |

For governmental activities, the bonds payable are liquidated from the District's debt service fund. Compensated absences and capital leases are liquidated by the general fund.



**LOGAN TOWNSHIP SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**Note 7. Long-Term Obligations (continued):**

**A. Bonds Payable:**

The voters of the municipality through referendums authorize bonds in accordance with State Law. All bonds are retired in serial installments within the statutory period of usefulness.

On April 20, 2005, the School District issued \$4,840,000 of General Obligation Bonds. The General Obligation Bonds were issued at interest rates varying from 3.00% to 4.00% and mature on July 15, 2018.

Principal and Interest due on the outstanding bonds is as follows:

| Fiscal Year Ending<br><u>June 30,</u> | <u>Principal</u>  | <u>Interest</u>  | <u>Total</u>      |
|---------------------------------------|-------------------|------------------|-------------------|
| 2019                                  | \$ 545,000        | \$ 10,900        | \$ 555,900        |
|                                       | <u>\$ 545,000</u> | <u>\$ 10,900</u> | <u>\$ 555,900</u> |

**Bonds Authorized But Not Issued:**

As of June 30, 2018, the District had no authorized but not issued bonds.

**Note 8. Pension Plans**

**A. Public Employees' Retirement System (PERS)**

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

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

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4

**LOGAN TOWNSHIP SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**Note 8. Pension Plans (Continued):**

**A. Public Employees' Retirement System (PERS) (Continued)**

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

**Contributions** - The contribution policy for PERS is set by *N.J.S.A. 15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2017, the State's pension contribution was less than the actuarial determined amount.

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

**Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources** - At June 30, 2018, the School District reported a liability of \$3,854,257 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2016, to the measurement date of June 30, 2017. The School District's proportion of the net pension liability was based on the School District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The School District's proportion measured as of June 30, 2017, was .01656%, which was an increase of .00153% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized full accrual pension expense of \$399,844 in the government-wide financial statements. This pension expense was based on the pension plans June 30, 2017 measurement date. At June 30, 2018 the School District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

**LOGAN TOWNSHIP SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**Note 8. Pension Plans (Continued):**

**A. Public Employees' Retirement System (PERS) (Continued)**

|   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|---|---|--|
| Differences between Expected<br>and Actual Experience   | \$ 90,754                                 | \$ -                                     |
| Changes of Assumptions  | 776,500                                   | 773,653                                  |
| Net Difference between Projected<br>and Actual Earnings on Pension<br>Plan Investments                              | 26,245                                    | -  |
| Changes in Proportion and Differences<br>between District Contributions and<br>Proportionate Share of Contributions | 440,408                                   | -  |
| School District contributions subsequent<br>to measurement date   | <u>154,083</u>                            | <u>-</u>                                 |
|   | <u>\$ 1,487,990</u>                       | <u>\$ 773,653</u>                        |

\$154,083 reported as deferred outflows of resources resulting from school district contributions subsequent to the measurement date is estimated based on unadjusted 2017-2018 total salaries for PERS employees multiplied by an employer pension contribution rate of 13.37%. The payable is due on April 1, 2019 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Client Year Ending</b> |                   |
|---------------------------|-------------------|
| <u>June 30,</u>           | <u>Amount</u>     |
| 2019                      | \$ 190,454        |
| 2020                      | 227,652           |
| 2021                      | 162,718           |
| 2022                      | 24,022            |
| 2023                      | <u>(44,591)</u>   |
|                           | <u>\$ 560,255</u> |

The amortization of the above other deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

**LOGAN TOWNSHIP SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**Note 8. Pension Plans (Continued):**

**A. Public Employees' Retirement System (PERS) (Continued)**

|  | <b><u>Deferred<br/>Outflow of<br/>Resources</u></b> | <b><u>Deferred<br/>Inflow of<br/>Resources</u></b> |
|--|---|--|
| Differences between Expected<br>and Actual Experience  |   |  |
| Year of Pension Plan Deferral:   |   |  |
| June 30, 2014  | -   | -  |
| June 30, 2015  | 5.72  | -  |
| June 30, 2016  | 5.57  | -  |
| June 30, 2017  | 5.48  | -  |
| Changes of Assumptions   |   |  |
| Year of Pension Plan Deferral:   |   |  |
| June 30, 2014  | 6.44  | -  |
| June 30, 2015  | 5.72  | -  |
| June 30, 2016  | 5.57  | -  |
| June 30, 2017  | -   | 5.48   |
| Net Difference between Projected<br>and Actual Earnings on Pension<br>Plan Investments   |   |  |
| Year of Pension Plan Deferral:   |   |  |
| June 30, 2014  | -   | 5.00   |
| June 30, 2015  | -   | 5.00   |
| June 30, 2016  | 5.00  | -  |
| June 30, 2017  | 5.00  | -  |
| Changes in Proportion and Differences<br>between Bordentown Regional School District Contributions and<br>Proportionate Share of Contributions |   |  |
| Year of Pension Plan Deferral:   |   |  |
| June 30, 2014  | 6.44  | 6.44   |
| June 30, 2015  | 5.72  | 5.72   |
| June 30, 2016  | 5.57  | 5.57   |
| June 30, 2017  | 5.48  | 5.48   |

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.48, 5.57, 5.72 and 6.44 years for the 2017, 2016, 2015, and 2014 amounts, respectively.

**LOGAN TOWNSHIP SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**Note 8. Pension Plans (Continued):**

**A. Public Employees' Retirement System (PERS) (Continued)**

**Actuarial Assumptions** – The collective total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following assumptions:

|                                |                              |
|--------------------------------|------------------------------|
| Inflation                      | 2.25%                        |
| Salary Increases:              |                              |
| Through 2026                   | 1.65% - 4.15% Based on Age   |
| Thereafter                     | 2.65% - 5.15% Based on Age   |
| Investment Rate of Return      | 7.00%                        |
| Mortality Rate Table           | RP-2000                      |
| Period of Actuarial Experience |                              |
| Study upon which Actuarial     |                              |
| Assumptions were Based         | July 1, 2011 - June 30, 2014 |

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rate were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scales. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation

**LOGAN TOWNSHIP SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**Note 8. Pension Plans (Continued):**

**A. Public Employees' Retirement System (PERS) (Continued)**

percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

| <u>Asset Class</u>                | <u>Target<br/>Allocation</u> | <u>Long-Term<br/>Expected Real<br/>Rate of Return</u> |
|-----------------------------------|------------------------------|---|
| Absolute Return/Risk Mitigation   | 5.00%                        | 5.51%   |
| Cash                              | 5.50%                        | 1.00%   |
| U.S. Treasuries                   | 3.00%                        | 1.87%   |
| Investment grade credit           | 10.00%                       | 3.78%   |
| Public High Yield                 | 2.50%                        | 6.82%   |
| Global Diversified Credit         | 5.00%                        | 7.10%   |
| Credit Oriented Hedge Funds       | 1.00%                        | 6.60%   |
| Debt Related Private Equity       | 2.00%                        | 10.63%  |
| Debt Related Real Estate          | 1.00%                        | 6.61%   |
| Private Real Asset                | 2.50%                        | 11.83%  |
| Equity Related Real Estate        | 6.25%                        | 9.23%   |
| U.S. Equity                       | 30.00%                       | 8.19%   |
| Non-U.S. Developed Markets Equity | 11.50%                       | 9.00%   |
| Emerging Markets Equity           | 6.50%                        | 11.64%  |
| Buyouts/Venture Capital           | 8.25%                        | 13.08%  |
|                                   | <u>100.00%</u>               |   |

**Discount Rate** - The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**LOGAN TOWNSHIP SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**Note 8. Pension Plans (Continued):**

**A. Public Employees' Retirement System (PERS) (Continued)**

**Sensitivity of the School District's proportionate share of the Net Pension Liability to Changes in the Discount Rate** - The following presents the School District's proportionate share of the net pension liability as of June 30, 2017, calculated using the discount rate of 5.00% as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

|  | <b>1%<br/>Decrease<br/><u>(4.00%)</u></b> | <b>Current<br/>Discount Rate<br/><u>(5.00%)</u></b> | <b>1%<br/>Increase<br/><u>(6.00%)</u></b> |
|--|---|---|---|
| District's Proportionate Share<br>of the Net Pension Liability | <u>\$ 4,781,468</u>                       | <u>\$ 3,854,257</u>                                 | <u>\$ 3,081,776</u>                       |

**Additional Information** - The following is a summary of the collective balances of the local group at June 30, 2018 and 2017

**Collective Balances at June 30, 2018 and June 30, 2017**

|  | <u>6/30/2018</u> | <u>6/30/2017</u> |
|--|------------------|------------------|
| Actuarial valuation date (including roll forward)            | June 30, 2017    | June 30, 2016    |
| Deferred Outflows of Resources                               | \$ 1,333,907     | \$ 1,401,898     |
| Deferred Inflows of Resources                                | 773,653          | -                |
| Net Pension Liability  | 3,854,257        | 4,449,442        |
| District's portion of the Plan's total net pension Liability | 0.01656%         | 0.01502%         |

**B. Teachers' Pension and Annuity Fund (TPAF)**

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

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



**LOGAN TOWNSHIP SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**Note 8. Pension Plans (Continued):**

**B. Teachers' Pension and Annuity Fund (TPAF) (Continued)**

The following represents the membership tiers for TPAF:

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

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

**Contributions** - The contribution policy for TPAF is set by *N.J.S.A 18A:66* and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.2% in State fiscal year 2017. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2017, the State's pension contribution was less than the actuarial determined amount.

As mentioned previously, the employer contributions for local participating employers are legally required to be funded by the State in accordance with *N.J.S.A 18:66-33*. Therefore, the School District is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the School District does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers.

**Pension Liability and Pension Expense** - The State's proportionate share of the TPAF net pension liability, attributable to the School District as of June 30, 2017 was \$41,316,959. The School District's proportionate share was \$0.

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The State's proportionate share of the net pension liability associated with the District was based on projection of the State's long-term contributions to the pension plan associated with the District relative to the projected contributions by the State associated with all participating school districts, actuarially determined. At June 30, 2017, the State proportionate share of the TPAF net pension liability attributable to the School District was .06128%, which was an increase of .00295% from its proportion measured as of June 30, 2016.



**LOGAN TOWNSHIP SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**Note 8. Pension Plans (Continued):**

**B. Teachers' Pension and Annuity Fund (TPAF) (Continued)**

For the fiscal year ended June 30, 2018, the School District recognized \$3,452,459 in on-behalf pension expense and revenue in the government-wide financial statements, for the State of New Jersey on-behalf TPAF pension contributions. This pension expense and revenue was based on the pension plans June 30, 2017 measurement date.

**Actuarial Assumptions** – The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

|                           |               |
|---------------------------|---------------|
| Inflation Rate            | 2.25%         |
| Salary Increases:         |               |
| 2012-2021                 | Varies based  |
| Thereafter                | on experience |
|                           | Varies based  |
|                           | on experience |
| Investment Rate of Return | 7.00%         |

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

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

**Long-Term Expected Rate of Return** - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

**LOGAN TOWNSHIP SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**Note 8. Pension Plans (Continued):**

**B. Teachers' Pension and Annuity Fund (TPAF) (Continued)**

| <u>Asset Class</u>                | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------------|--------------------------|---|
| Absolute Return/Risk Mitigation   | 5.00%                    | 5.51%   |
| Cash                              | 5.50%                    | 1.00%   |
| U.S. Treasuries                   | 3.00%                    | 1.87%   |
| Investment grade credit           | 10.00%                   | 3.78%   |
| Public High Yield                 | 2.50%                    | 6.82%   |
| Global Diversified Credit         | 5.00%                    | 7.10%   |
| Credit Oriented Hedge Funds       | 1.00%                    | 6.60%   |
| Debt Related Private Equity       | 2.00%                    | 10.63%  |
| Debt Related Real Estate          | 1.00%                    | 6.61%   |
| Private Real Asset                | 2.50%                    | 11.83%  |
| Equity Related Real Estate        | 6.25%                    | 9.23%   |
| U.S. Equity                       | 30.00%                   | 8.19%   |
| Non-U.S. Developed Markets Equity | 11.50%                   | 9.00%   |
| Emerging Markets Equity           | 6.50%                    | 11.64%  |
| Buyouts/Venture Capital           | 8.25%                    | 13.08%  |
|                                   | <u>100.00%</u>           |   |

**Discount Rate** - The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 40% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of the School District's proportionate share of the Net Pension Liability to Changes in the Discount Rate** – As previously mentioned, TPAF has a special funding situation where the State pays 100% of the School District's annual required contribution. The following represents the State's proportionate share of the net pension liability, attributable to the School District calculated using the discount rate of 4.25% as well as what the State's proportionate share of the net pension liability, attributable to the School District's would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

**LOGAN TOWNSHIP SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**Note 8. Pension Plans (Continued):**

**B. Teachers' Pension and Annuity Fund (TPAF) (Continued)**

|   | <b>1%<br/>Decrease<br/>(3.25%)</b> | <b>Current<br/>Discount Rate<br/>(4.25%)</b> | <b>1%<br/>Increase<br/>(5.25%)</b> |
|---|------------------------------------|--|------------------------------------|
| District's Proportionate Share<br>of the Net Pension Liability  | \$ -                               | \$ -   | \$ -                               |
| State of New Jersey's Proportionate<br>Share of Net Pension Liability<br>associated with the District | <u>\$ 49,085,843</u>               | <u>\$ 41,316,959</u>                         | <u>\$ 34,916,918</u>               |
|   | <u>\$ 49,085,843</u>               | <u>\$ 41,316,959</u>                         | <u>\$ 34,916,918</u>               |

**Pension Plan Fiduciary Net Position** - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Additional Information** - The following is a summary of the collective balances of the local group at June 30, 2018 and 2017:

|   | <u>6/30/2018</u>     | <u>6/30/2017</u>     |
|---|----------------------|----------------------|
| Collective Deferred Outflows of Resources | \$ 14,353,461,035.00 | \$ 17,581,004,496.00 |
| Collective Deferred Inflows of Resources  | \$ 11,992,821,439.00 | \$ 300,836,088.00    |
| Collective Net Pension Liability          | \$ 67,670,209,171.00 | \$ 79,028,907,033.00 |
| School District's portion                 | 0.03749%             | 0.03432%             |

**C. Defined Contribution Plan (DCRP)**

**Plan Description** - The Defined Contribution Retirement Program (DCRP) was established July 1, 2007, under the provisions of N.J.S.A. 43:15C-1 et seq. The DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage

Individuals eligible for membership in the DCRP include:

- State or local officials who are elected or appointed on or after July 1, 2007;
- Employees enrolled in the Public Employees' Retirement System (PERS) or Teachers' Pension and Annuity Fund (TPAF) on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits;

**LOGAN TOWNSHIP SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**Note 8. Pension Plans (Continued):**

**C. Defined Contribution Plan (DCRP) (Continued)**

- Employees enrolled in the Police and Firemen's Retirement System (PFRS) or State Police Retirement System (SPRS) after May 21, 2010, who earn salary in excess of established "maximum compensation" limits;
- Employees otherwise eligible to enroll in the PERS or TPAF on or after November 2, 2008, who do not earn the minimum annual salary for PERS or TPAF Tier 3 enrollment but who earn salary of at least \$5,000 annually. The minimum salary in 2017 is \$8,300 and is subject to adjustment in future years.
- Employees otherwise eligible to enroll in the PERS or TPAF after May 21, 2010, who do not work the minimum number of hours per week required for PERS or TPAF Tier 4 or Tier 5 enrollment but who earn salary of at least \$5,000 annually. The minimum number is 35 hours per week for State employees, or 32 hours per week for local government or local education employees

**Contributions** - The contribution policy is set by N.J.S.A. 43:15C-3 and requires active members and contribution employers. When enrolled in the DCRP, members are required to contribute 5.5% of their base salary to a tax-deferred investment account established with Prudential Financial, which jointly administers the DCRP investments with the Division of Pension and Benefits. Member contributions are matched by a 3% contribution from the School District.

For the year ended June 30, 2018, employee contributions totaled \$22,303 and the District recognized pension expense of \$16,423.

**Note 9. Post-Retirement Benefits**

**General Information about the OPEB Plan**

The State of New Jersey reports a liability as a result of its statutory requirements to pay other postemployment (health) benefits for State Health Benefit Local Education Retired Employees Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions. The State Health Benefit Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

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

**LOGAN TOWNSHIP SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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**Note 9. Post-Retirement Benefits (Continued):**

percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits are the responsibility of the individual local education employers.

**Basis of Presentation**

The Schedule presents the State of New Jersey's obligation under NJSA 52:14-17.32f. The Schedule does not purport to be a complete presentation of the financial position or changes in financial position of the State Health Benefit Local Education Retired Employees Plan or the State of New Jersey. The accompanying Schedule was prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of the State of New Jersey to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

**Total Nonemployer OPEB Liability**

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

|                       |  |                              |                              |
|-----------------------|--|------------------------------|------------------------------|
| <b>Inflation Rate</b> | 2.50%  |                              |                              |
|                       | <b><u>TPAF/ABP</u></b>                       | <b><u>PERS</u></b>           | <b><u>PFRS</u></b>           |
| Salary Increases:     |  |                              |                              |
| Through 2026          | 1.55 - 4.55%<br>based on years<br>of service | 2.15 - 4.15%<br>based on age | 2.10 - 8.98%<br>based on age |
| Thereafter            | 2.00 - 5.45%<br>based on years<br>of service | 3.15 - 5.15%<br>based on age | 3.10 - 9.98%<br>based on age |

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount- Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

**LOGAN TOWNSHIP SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**Note 9. Post-Retirement Benefits (Continued):**

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 – June 30, 2015, July 1, 2010 – June 30, 2013, and July 1, 2011 – June 30, 2014 for TPAF, PFRS and PERS, respectively.

**OPEB Obligation and OPEB Expense** – The State's proportionate share of the total Other Post-Employment Benefits Obligations attributable to the School District as of June 30, 2017 was \$36,440,281. The School District's proportionate share was \$0.

The OPEB Obligation was measured as of June 30, 2017, and the total OPEB Obligation used to calculate the OPEB Obligation was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The State's proportionate share of the OPEB Obligation associated with the District was based on projection of the State's long-term contributions to the OPEB plan associated with the District relative to the projected contributions by the State associated with all participating school districts, actuarially determined. At June 30, 2017, the State proportionate share of the OPEB Obligation attributable to the School District was 0.067935%, which was a decrease of 0.000261% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the State of New Jersey recognized an OPEB expense in the amount of \$2,127,021 for the State's proportionate share of the OPEB expense attributable to the School District. This OPEB expense was based on the OPEB plans June 30, 2017 measurement date.

**Healthcare Trend Assumptions**

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

**Discount Rate**

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

**Sensitivity of Total Nonemployer OPEB Liability to changes in discount rate:**

The following presents the total nonemployer OPEB liability as of June 30, 2017 and 2016, respectively, calculated using the discount rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

**LOGAN TOWNSHIP SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**Note 9. Post-Retirement Benefits (Continued):**

|  | <b>June 30, 2017</b>      |                             |                           |
|--|---------------------------|-----------------------------|---------------------------|
|  | At 1%<br>Decrease (2.58%) | At Discount<br>Rate (3.58%) | At 1%<br>Increase (4.58%) |
| State of New Jersey's<br>Proportionate Share of Total OPEB<br>Obligations Associated with<br>the School District | \$ 43,257,242.58          | \$ 36,440,281.00            | \$ 31,033,002.29          |
| State of New Jersey's<br>Total Nonemployer OPEB<br>Liability   | \$ 63,674,362,200.00      | \$53,639,841,858.00         | \$45,680,364,953.00       |
|  | <b>June 30, 2016</b>      |                             |                           |
|  | At 1%<br>Decrease (1.85%) | At Discount<br>Rate (2.85%) | At 1%<br>Increase (3.85%) |
| State of New Jersey's<br>Proportionate Share of Total OPEB<br>Obligations Associated with<br>the School District | \$ 47,249,045.52          | \$ 39,439,239.00            | \$ 33,291,920.23          |
| State of New Jersey's<br>Total Nonemployer OPEB<br>Liability   | \$69,283,705,084.00       | \$57,831,784,184.00         | \$48,817,654,566.00       |

**Sensitivity of Total Nonemployer OPEB Liability to changes in the healthcare trend rate:**

The following presents the total nonemployer OPEB liability as of June 30, 2017 and 2016, respectively, calculated using the healthcare trend rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:



**LOGAN TOWNSHIP SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**Note 9. Post-Retirement Benefits (Continued):**

| <b>June 30, 2017</b>   |                      |                                |                     |
|--|----------------------|--------------------------------|---------------------|
|  | 1% Decrease          | Healthcare Cost<br>Trend Rate* | 1% Increase         |
| State of New Jersey's<br>Proportionate Share of Total OPEB<br>Obligations Associated with<br>the School District | \$ 43,257,242.58     | \$ 36,440,281.00               | \$ 31,033,002.29    |
| State of New Jersey's<br>Total Nonemployer OPEB<br>Liability   | \$ 63,674,362,200.00 | \$53,639,841,858.00            | \$45,680,364,953.00 |
| <b>June 30, 2016</b>   |                      |                                |                     |
|  | 1% Decrease          | Healthcare Cost<br>Trend Rate* | 1% Increase         |
| State of New Jersey's<br>Proportionate Share of Total OPEB<br>Obligations Associated with<br>the School District | \$ 47,249,045.52     | \$ 39,439,239.00               | \$ 33,291,920.23    |
| State of New Jersey's<br>Total Nonemployer OPEB<br>Liability   | \$69,283,705,084.00  | \$57,831,784,184.00            | \$48,817,654,566.00 |

\* See Healthcare Cost Trend Assumptions for details of rates.

**Additional Information**

Collective balances of the Local Group at June 30, 2017 are as follows:

|  | Deferred Outflows of<br>Resources | Deferred Inflows of<br>Resources |
|--|-----------------------------------|----------------------------------|
| Change in Proportion   | \$ 99,843,255.00                  | \$ (99,843,255.00)               |
| Change in Assumptions  | -                                 | (6,343,769,032.00)               |
| Contributions Made in Fiscal Year<br>Year Ending 2018 After June 30,<br>2017 Measurement Date ** | 1,190,373,242.00                  | -                                |
|  | <u>\$ 1,290,216,497.00</u>        | <u>\$ (6,443,612,287.00)</u>     |



**LOGAN TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

**Note 9. Post-Retirement Benefits (Continued):**

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

| Fiscal Year<br>Ending June 30, |                              |
|--------------------------------|------------------------------|
| 2018                           | \$ (742,830,097.00)          |
| 2019                           | (742,830,097.00)             |
| 2020                           | (742,830,097.00)             |
| 2021                           | (742,830,097.00)             |
| 2022                           | (742,830,097.00)             |
| Thereafter                     | <u>(2,629,618,547.00)</u>    |
|                                | <u>\$ (6,343,769,032.00)</u> |

\*\* Employer Contributions made after June 30, 2017 are reported as a deferred outflow of resources, but are not amortized in expense.

**Plan Membership**

At June 30, 2016, the Program membership consisted of the following:

|  | June 30, 2016     |
|--|-------------------|
| Active Plan Members                    | 223,747.00        |
| Inactive Plan Members or Beneficiaries |                   |
| Currently Receiving Benefits           | <u>142,331.00</u> |
|  | <u>366,078.00</u> |

**Changes in the Total OPEB Liability**

The change in the State's Total OPEB liability for the fiscal year ended June 30, 2018 (measurement date June 30, 2017) is as follows:

|   |                             |
|---|-----------------------------|
| <b>Total OPEB Liability</b>                   |                             |
| Service Cost                                  | \$ 2,391,878,884.00         |
| Interest Cost                                 | 1,699,441,736.00            |
| Changes of Assumptions                        | (7,086,599,129.00)          |
| Contributions: Member                         | 45,748,749.00               |
| Gross Benefit Payments                        | <u>(1,242,412,566.00)</u>   |
| Net Change in Total OPEB Liability            | (4,191,942,326.00)          |
| Total OPEB Liability (Beginning)              | <u>57,831,784,184.00</u>    |
| Total OPEB Liability (Ending)                 | <u>\$ 53,639,841,858.00</u> |
| Total Covered Employee Payroll                | 13,493,400,208.00           |
| Net OPEB Liability as a Percentage of Payroll | 398%                        |

**LOGAN TOWNSHIP SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**Note 10. On-Behalf Payments for Fringe Benefits and Salaries**

As previously mentioned, the School District receives on-behalf payments from the State of New Jersey for normal costs and post-retirement medical costs related to the Teachers' Pension and Annuity Fund (TPAF) pension plan. The School District is not legally responsible for these contributions. The on-behalf payments are recorded as revenues and expenditures in the government-wide and general fund financial statements. For the fiscal year ended June 30, 2018, the on-behalf payments for pension, social security, post-retirement medical costs, and long-term disability were \$977,786, \$491,028, \$631,531 and \$1,569, respectively.

**Note 11. Risk Management**

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

**New Jersey Unemployment Compensation Insurance** – The School District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan the School District 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 School District is billed quarterly for amounts due to the State. The following is a summary of School District contributions, reimbursements to the State for benefits paid and the ending balance of the School District's trust fund for the current and previous two years:

| <u>Fiscal Year</u> | <u>Employee<br/>Contributions</u> | <u>Interest<br/>Earnings</u> | <u>Amount<br/>Reimbursed</u> | <u>Ending<br/>Balance</u> |
|--------------------|-----------------------------------|------------------------------|------------------------------|---------------------------|
| 2017-2018          | \$ 16,134                         | \$ 543                       | \$ 1,827                     | \$ 57,350                 |
| 2016-2017          | 12,181                            | 176                          | 15,881                       | 42,500                    |
| 2015-2016          | 13,594                            | 65                           | 4,415                        | 46,024                    |

**Property and Liability Insurance** – The School District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

**Joint Insurance Pool** – The School District also participates in the School Alliance Insurance Fund and, public entity risk pool. The Pool provides its members with the following coverage:

|                                       |                                |
|---------------------------------------|--------------------------------|
| Property – Blanket Building & Grounds | General & Automobile Liability |
| Environmental Impairment Liability    | Workers' Compensation          |
| School Board Legal Liability          | Excess Liability               |
| Employers Liability                   | Comprehensive Crime Coverage   |

**LOGAN TOWNSHIP SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**Note 12. Contingencies**

**State and Federal Grantor Agencies** - The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2018 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying combined financial statements for such contingencies.

**Pending Litigation** – The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District's attorney that resolution of these matters will not have a material adverse effect on the financial condition of the District.

**Note 13. Economic Dependency**

The District receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, could have an effect on the District's programs and activities.

**Note 14. Deferred Compensation**

The School District offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans, which are administered by the entities listed below, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

AXA Equitable  
ING Financial Services

**Note 15. Compensated Absences**

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

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

The liability for vested compensated absences of the governmental fund types is recorded in the statement of net position under governmental activities. The current portion of the compensated absence balance is not considered material to the applicable funds total liabilities, and is therefore not shown separately from the long-term liability balance of compensated absences. The amount at June 30, 2018 is \$312,525.

**LOGAN TOWNSHIP SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**Note 16. Tax Abatements**

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

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

**Note 17. Calculation of Excess Surplus**

The designation for Restricted Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A.18A:7F-7. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year-end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2018 was \$1,494,083.

**Note 18. Fund Balance**

**General Fund** – Of the \$3,944,408 General Fund fund balance at June 30, 2018, \$492,486 has been reserved in the Capital Reserve Account; \$397,254 has been reserved in the Maintenance Reserve Account; \$1,494,083 is restricted for current year excess surplus; \$1,629,661 is restricted for excess surplus – designated for subsequent year's expenditures and \$(69,076) is unassigned.

**Debt Service Fund** – Of the \$1 Debt Service Fund fund balance at June 30, 2017, \$1 is restricted for future debt service payments.

**Note 19. Deficit Fund Balances**

The School District has a deficit fund balance of \$(69,076) in the General Fund and \$(71,287) in the Special Revenue Fund as of June 30, 2018 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the delayed one or more June state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payment(s) in the subsequent fiscal year, the school district cannot recognize the June state aid payment(s) (on the GAAP financial statements) until the year the State records the

**LOGAN TOWNSHIP SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**Note 19. Deficit Fund Balances (continued):**

payable. Due to the timing difference of recording the June state aid payment(s), the General and Special Revenue Fund balance deficit does not alone indicate that the district is facing financial difficulties.

Pursuant to N.J.S.A. 18A:22-44.2 any negative unassigned fund balance that is reported as a direct result from a delay in the June payment(s) of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The School District deficit in the fund statements (modified accrual basis) of \$140,363 is less than the last state aid payment.

**Note 20. Deficit in Net Position**

**Unrestricted Net Position** – The School District had a deficit in unrestricted net position in the amount of \$(3,756,883) at June 30, 2018. The deficit is caused by the implementation of GASB 68 which requires the School District to report their proportionate share of the net pension liability for the Public Employee's Retirement System (PERS) as of June 30, 2018.

**Note 21. Subsequent Events**

Management has reviewed and evaluated all events and transactions that occurred between June 30, 2018 and February 21, 2019, the date the financial statements were available for issuance, for possible disclosure and recognition in the financial statements, and one item has come to the attention of the District that requires disclosure.

On January 22, 2019 residents of Logan Township approved a \$7.8 million bond referendum for various improvements and upgrades to the two school buildings located in the District. The District will fund the capital projects through SDA Grants with the State of New Jersey and by financing through the sale of bonds. As of the date of this report, no debt has been issued.

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## **APPENDIX C**

### **FORM OF APPROVING LEGAL OPINION**

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\_\_\_\_\_, 2019

The Board of Education of  
the Township of Logan in the  
County of Gloucester, New Jersey

Dear Board Members:

We have acted as bond counsel to The Board of Education of The Township of Logan in the County of Gloucester, New Jersey (the "Board of Education") in connection with the issuance by the Board of Education of \$7,870,000 School Bonds dated the date hereof (the "Bonds"). In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to us, as we have deemed necessary.

The Bonds are issued pursuant to (i) Title 18A, Education, Chapter 24 of the New Jersey Statutes, (ii) a proposal adopted by the Board of Education on October 17, 2018 and approved by the affirmative vote of a majority of the legal voters present and voting at the school district election held on January 22, 2019 and (iii) a resolution duly adopted by the Board of Education on February 20, 2019. The Bonds are secured under the provisions of the New Jersey School Bond Reserve Act, N.J.S.A. 18A:56-17 et seq. (P.L. 1980, c.72 , approved July 16, 1980, as amended by P.L. 2003, c. 118, approved July 1, 2003).

In our opinion, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws or application by a court of competent jurisdiction of legal or equitable principles relating to the enforcement of creditors' rights, the Bonds are valid and legally binding general obligations of the Board of Education, and the Board of Education has the power and is obligated to levy *ad valorem* taxes upon all the taxable real property within the school district for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

On the date hereof, the Board of Education has covenanted in its Arbitrage and Tax Certificate (the "Certificate") to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Bonds in order to preserve the tax-exempt status of the Bonds pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 103 of the Code, failure to comply with these requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive

to the date of issuance of the Bonds. In the event that the Board of Education continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the Board of Education in the Certificate, it is our opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. Further, in our opinion, based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. These opinions are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

This opinion is issued as of the date hereof. We assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law or interpretations thereof that may occur after the date of this opinion or for any reason whatsoever.

Very truly yours,