

**SCHOOL DISTRICT OF THE
BOROUGH OF BUTLER
COUNTY OF MORRIS, NEW JERSEY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

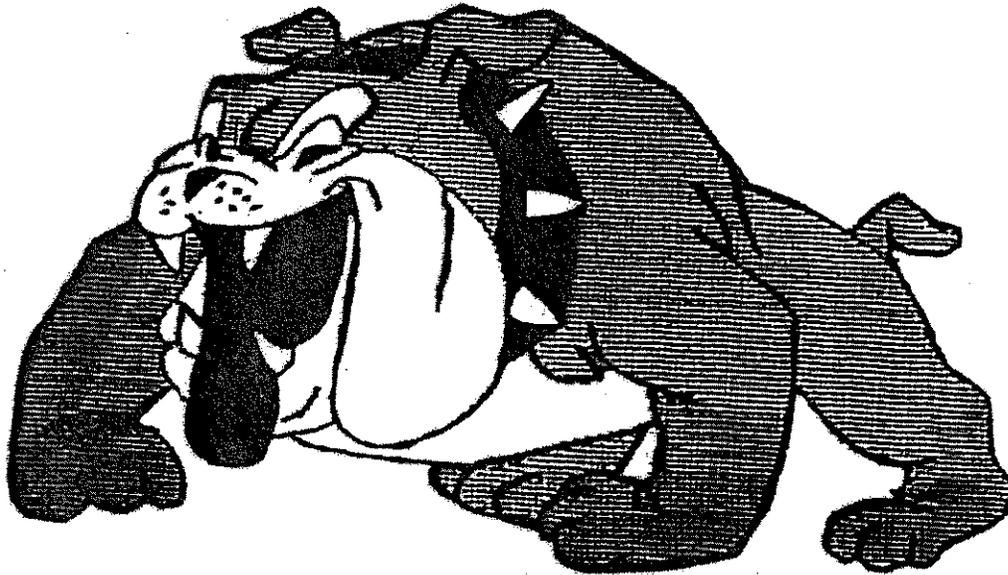
**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
of the**

Borough of Butler School District

Board of Education

Butler, New Jersey

For the Fiscal Year Ended June 30, 2011



Prepared by

Borough of Butler School District
Board of Education
Finance Office

COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE BOROUGH OF BUTLER SCHOOL DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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INTRODUCTORY SECTION

BOARD OF EDUCATION
BUTLER PUBLIC SCHOOLS

HIGH SCHOOL ANNEX BUILDING

BUTLER, NEW JERSEY 07405

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Mario D. Cardinale
Superintendent

DEBRA NALEY-MINENNA
Business Administrator/ Board Secretary

November 30, 2011

The Honorable President and Members
of the Board of Education
Butler Borough School District
County of Morris

Dear Board Members:

The comprehensive annual financial report of the Butler Borough School District (District) for the fiscal year ended June 30, 2011, 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 Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditors' report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Nonprofit Organizations", and the State Treasury Circular Letter 04-04 OMB, "Single Audit Police for Recipients of Federal Grants, State Grants and State Aid Payments". Information related to this single audit, including the auditors' report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the Single Audit Section of this report.

1) REPORTING ENTITY AND ITS SERVICES: Butler Borough School District is an independent reporting entity within the criteria adopted by the GASB as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standard. All funds and account groups of the District are included in this report. The Butler Borough School District and all its schools constitute the District's reporting entity.

The Butler School District encompasses approximately 2.08 square miles. The District is located in the northeastern section of Morris County. It was formed on July 1, 1901, after segregating from the Pequannock Township School District. It is governed by a ten-member Board of Education, nine members of which are elected by District constituents to serve alternating 3-year terms, and one member from its sending district, Bloomingdale, who is appointed on an annual basis by the Bloomingdale Board of Education. As of June 30, 2011 the District employed 119.9 F.T.E. certificated employees and 53.2 F.T.E. regular employees.

The District provides a full range of educational programs pre-school handicapped/K through 12. These include regular and vocational as well as special education for handicapped students. The District currently operates one

elementary, one middle and one high school, and completed the 2010-2011 fiscal year with an average daily enrollment of 1,131.2 students. This enrollment is a 4.85% decrease over the previous year as shown in the ten-year period below. The District received high school students from Bloomingdale, in Passaic County, on a tuition basis. These students comprised 49.2% of the high school enrollment in the 2010-2011 school year.

<u>Fiscal Year</u>	<u>Average Daily Enrollment Student Enrollment</u>	<u>Percent Change</u>
2010-11	1,131.2	(4.85%)
2009-10	1,188.8	1.22%
2008-09	1,174.5	(2.35%)
2007-08	1,202.8	4.66%
2006-07	1,183.3	2.97%
2005-06	1,149.2	(0.99%)
2004-05	1,160.8	1.26%
2003-04	1,146.3	(2.58%)
2002-03	1,176.7	(0.96%)
2001-02	1,188.1	0.34%

2) ECONOMIC CONDITION AND OUTLOOK: Prior legislation enacted, Chapter 62, also known as A1 or the “tax levy cap law”, restricted the allowable tax growth to 4% of the previous year. Other statutes enacted increased the regulatory environment in which the District must operate. These include: Chapter 53 (A5 or the “school district accountability act”), Chapter 63 (“CORE” or the “shared services and executive county superintendent/county superintendent act”), and Chapter 260 (A500 or the “School Funding Reform Act of 2008”). Although the new funding formula is designed to provide state aid to the Districts where economically disadvantaged children are enrolled, rather than mass infusion of aid to Abbott Districts, its success will be only as good as the annual support of the Legislature. The latest tax legislation limit the tax increase to a 2% maximum for the 2011-2012 budget and in future years. The newest legislation, Chapter 78, superseding Chapter 2, will affect employees receiving health benefits. Employees will pay 1.5% of their salary or a percentage of their benefit premium, whichever is higher, over a 4-year period.

The District was informed that the state aid it would receive in the 2009-2010 school year would be the same as that received in 2008-2009. Many cost cutting actions were implemented, including reductions in staffing and programs, to keep the budget within the State guidelines.

After the school election in April 2009, the State informed us that a percentage of the aid the District received was actually from an infusion of ARRA funds from the Federal government; in Butler’s case the amount was \$299,895, 18% of total state aid. This revelation required additional budget changes and reporting compliance requirements. The funds were reported in two new funds: Fund 16-Educational Stabilization Funds in the amount of \$288,718, and Fund 17-Government Stabilization Funds in the amount of \$11,177. For 2011-12, the District will utilize \$83,191 from the Education Jobs Fund.

A new Governor took office in January 2010. After a review of the status of the State’s budget crisis, districts were informed that an amount of 2009-2010 state aid, equal to specific reserves reported by the districts in the prior CAFRA, would be withheld. The District appealed the withholding, as Butler had received approval from the Commissioner of Education to utilize a portion of those reported reserved funds in the fall of 2009 for emergent projects and as the local portion for approved ROD grants. The amount withheld from the Butler School District was reduced to \$312,984. This amount withheld is 4% greater than the amount of funds originally provided through the ARRA ESF and GSF funding.

State aid for 2010-2011 was a dramatic decrease; an amount equal to 5% of the District’s operating budget. The District again struggled to keep the current budget within the State guidelines by implementing many cost cutting actions, including reductions in staffing and programs. For Butler, this amount was a reduction of \$967,800. An additional assessment for SDA funded debt service projects further reduced allotted state aid in an amount of \$34,580.

The outlook for the 2011-2012 budget was just as grim. Districts were informed not to anticipate any increase in state aid over the 2010-2011 levels. Tax levy increases will be restricted to 2%. In a last minute announcement in July of 2011, District were informed of an increase in school aid. Butler received an additional \$193,792, of which \$43,792 was utilized to offset the tax levy. The remaining \$150,000 was deposited in Capital Reserve.

The S1701 legislation, enacted on July 1, 2004, continues to significantly impact the financial future of the District. Allowable budget growth was capped at an annual 2.5% increase, which presented challenges for the District, as fixed costs continue to increase at rates greater than the allowable percent. Allowable fund balance has been reduced to less than the allowable maximum of the General Fund Budget for 2009-2010. Prior to S1701, the minimum was 3%; the maximum 6%. The general fund balance was \$1,336,007.61 on June 30, 2010. Of this amount, \$716,489, plus \$74,880 from the capital reserve accounts, were previously designated for appropriation into the 2010/11 budget. The undesignated fund balance is \$435,328.55.

On March 15, 2007, new legislation, "A-5," (School District Accountability Act) was adopted and became effective immediately. This legislation places more restrictions on the daily operating functions of the district, including training and travel and governs the expenditure of public funds by New Jersey boards of education. The Butler School District is in compliance with the various requirements of the law including: participating in the federal universal service program (E-rate), the ACT telecommunications program, the Alliance for Competitive Energy Services (ACES) program, and the Special Education Medicaid Initiative (SEMI) program, and in compliance with all regulations regarding workshop and travel regulations. In fact, the District is at 97% parental participation compliance benchmarks for SEMI programs, one of only a few districts that have achieved this level as identified in 18A: 55-3.

This is the sixth year of operating the food service program through Pomptonian. The District was required to anticipate and budget for no loss in the food service operation; the actual deficit was \$15,906.87.

The American Recovery and Reinvestment Act, or ARRA, provided additional federal grant funds to the District. In FY10, Title I ARRA provided \$20,149, which was utilized to implement a 3 morning a week targeted pre-school for 3 and 4 year olds. ARRA-IDEA Basic in the amount of \$236,829 was utilized to pay for current out-of-district tuitions, allowing regular budget funds to become available to support the required local 60% funds of the ROD grant for the Technology and Security upgrades. ARRA-IDEA PreSchool, in the amount of \$8,557, was used to augment special education services through the use of a behavioral specialist.

In addition to the mentioned federal grants, the District applied for and received a REMS grant (Readiness and Emergency Management for Schools) under the authority of the federal Safe and Drug Free Schools and Communities Act of ESEA/NCLB. The award was in the amount of \$179,800. Funds were utilized for crisis management planning and training and security upgrades.

The Morris County Executive County Superintendent reviewed the 2010-2011 budget for compliance with the Efficiency Standards, as outlined in NJAC 6A:23A-9.3. The Board was directed to reduce support staff (librarian and guidance secretarial staffing), custodial staffing, eliminate all non-instructional aides and lower administrative costs. The District has also been directed by the Morris County Executive County Superintendent to continue to decrease non-instructional personnel in custodial and aide positions and food service program costs in future budgets.

The proposed budget for 2010-2011 was defeated at the polls. After negotiations with the Town Council, \$50,000 was cut from the tax levy. One result of these discussions is a shared services agreement with the Town for 2010-2011 field maintenance and 2 maintenance positions were, therefore, eliminated. The proposed budget for 2011-2012 was passed at the polls. Additional state aid, as previously mentioned, was utilized to lower the passed tax levy and the balance put into Capital Reserve for future projects.

The Butler Board of Education entered into a shared service agreement with the Bloomingdale Board of Education for librarian services during the 2009-2010 year, at a maximum contract cost of \$2,500. This contract was renewed for the 2010-2011 year and 2011-2012 year. During the spring of 2010, discussion ensued between the two boards regarding other potential sharing of services. In the summer of 2010, the Boards entered into a shared service

agreement for 10 hours a week of a Buildings and Grounds Supervisor and in the fall of 2010 for a new high school special education program (Opportunity Plus). Both were renewed in 2011-2012.

During the 2009-2010 year, the Board of Education entered into a shared service agreement with the Borough of Butler for a storage facility for town recreation and district athletic programs. In the spring of 2010, the entities entered into an agreement for maintenance and use of fields – 50% of the cost up to an annual maximum of \$20,000. As a result of this agreement, two maintenance positions were removed from the 2010-2011 budget. In the spring of 2010, the entities discussed other shared service ventures. In the fall of 2010, an agreement was finalized wherein the town will install the fiber optic cabling between the school buildings, at a cost of \$60,000, a significant savings over other proposals the District received.

Grave concerns exist over future state aid levels, in absence of an alternate revenue source for the replacement of this budget revenue. The economic outlook of the state, as reported by the Governor, is grim. The future outlook for District educational financing continues to depend primarily upon the ability and willingness of the Governor and State Legislature to provide adequate funding for K-12 education.

3a) MAJOR INITIATIVES (ACADEMIC): District:

Butler High School students continue to maintain high levels of performance on a variety of standardized testing – High School Proficiency Assessments (HSPA), various Advanced Placement (AP) tests, SAT (SAT I and SAT II). HSPA results for the 2010-2011 school year also indicate that Butler High School has, once again, exceeded necessary levels of student achievement in attaining the “Annual Yearly Progress” (AYP) levels required of us through the No Child Left Behind (NCLB) legislation. Usually, about 96% of students achieved proficient or advanced proficient scores in the Language Arts portion of the HSPA, while about 80% of general education students achieved proficient or advanced proficient in the Mathematics portion of the HSPA. Our combined SAT scores in verbal, math and writing demonstrate combined totals of approximately 1515 points.

In the 2010-2011 school year, 83 AP exams were administered. Of these exams, 79% achieved a score of three or better. Our students at Butler High School continue to gain local, state and county recognition with regard to achievement in the areas of academics, the arts and athletics. In the 2011-2012 year, students who pass AP tests will be eligible to win a car through a joint initiative “The AP Challenge.” Of the 151 graduating seniors who comprised the Class of 2011, 89% of them went on to two or four year colleges

Richard Butler School serves students in grades 5 through 8. Our goal is to provide a challenging and comprehensive education, which addresses the unique educational, social, physical and emotional needs of each middle school student. There continues to be a commitment to small class size, personalized instruction, in-class support and opportunities for both group and individual student recognition. Due to budget constraints, after school athletic programs have been eliminated. We continue to offer co-curricular programs such as student government, yearbook, band, chess and bridge. This breadth of activities allows each child to participate in a number of activities.

The New Jersey Core Curriculum Standards continue to evolve; thus, our staff continues to address the updates through curriculum revisions. After a lengthy study of other middle school schedules, Richard Butler School will augment its schedule to reflect changes to the language arts and mathematics program for the 2011-2012 school year. Curriculum revisions are occurring to concur with New Jersey moving from state to national standards. Richard Butler School continues to strive to achieve excellence and this is demonstrated in achieving the required performance benchmarks resulting in attaining adequate yearly progress (AYP).

The results of the total student population NJ ASK are as follows:

Grade 5

Language Arts: 38.9% partially proficient, 61.1% proficient, 0.0% advanced proficient

Mathematics: 18.5% partially proficient, 40.7% proficient, 40.7% advanced proficient

Grade 6

Language Arts: 29.1% partially proficient, 69.6% proficient, 1.3% advanced proficient
Mathematics: 20.3% partially proficient, 58.2% proficient, 21.5% advanced proficient

Grade 7

Language Arts: 27.9% partially proficient, 59% proficient, 13.1% advanced proficient
Mathematics: 32.8% partially proficient, 42.6% proficient, 24.6% advanced proficient

Grade 8

Language Arts: 15.3% partially proficient, 67.8% proficient, 16.9% advanced proficient
Mathematics: 35.6% partially proficient, 42.2% proficient, 22.0% advanced proficient
Science: 5.1% partially proficient, 69.5% proficient, 25.4% advanced proficient

Aaron Decker School adheres to the NJ State Core Curriculum Standards at all grade levels and we are presently moving to the Common Core Standards in Mathematics. We have written new Math curriculum, to meet the requirements of the state and to address the Common Core Standards. The 3rd and 4th grade students also work in the computer lab using the Study Island program to target weaknesses on specific strands while Grades K-2 use benchmark assessments to assess progress.

The Aaron Decker School did not make AYP in Language Arts for the 2010-2011 school year. A corrective plan is in place, consisting of additional Basic Skills periods and the addition of both the Achieve 3000 and Acuity programs to support instruction. We will continue to meet the challenges presented to us and increase our efforts, once again, to increase achievement for all students. The NJ Assessment of Skills and Knowledge scores for the 2010-2011 school year are as follows:

Grade 3

Language Arts: Partially Proficient 46.8%, Proficient 53.2%, Advanced Proficient 0.0%
Mathematics: Partially Proficient 8.1%, Proficient 58.1%, Advanced Proficient 33.9%

Grade 4

Language Arts: 39.8% Partially Proficient, 56.8% Proficient, 3.4% Advanced Proficient
Mathematics: 21.3% Partially Proficient, 59.6% Proficient, 19.1% Advanced Proficient
Science: 10.1% Partially Proficient, 40.4% Proficient, 49.4% Advanced Proficient

We continue to provide instructional support for students in Reading, Writing, and Mathematics through our Basic Skills Program. Classroom teachers use differentiated instruction to meet the needs of all students. Our Resource Centers and contained special education classes present the core standards in a smaller group setting with modified strategies.

The Butler School District also provides a Preschool Program for Students with Disabilities and a General Education Preschool that offers students a quality preschool education while focusing on readiness and language development. These classes also provide an opportunity for our preschool children with disabilities to work alongside with their more typically developing peers. The benefits are evident as the students move to the Kindergarten program.

Special Education students also receive a high quality education and demonstrate significant levels of achievement in English, Math, Social Studies and Science. Supportive services programs provide students with an opportunity to participate in and experience success in mainstream academic classes. All district schools also offer special education programs through replacement instruction classes. For the 2011/2012 school year, the district will continue many initiatives, including teacher training, professional development and technology.

Teacher training, or Professional Development, will be provided for both regular education and special education faculty. Faculty in grades Pre K through 12 will be training in Differentiated Instruction, Standards Based Math, Essential Elements of Instruction and Academic Literacy. With upgraded electronic computer software, high school students will also be using SAT instructional software, on-line diagnostic and predictive testing software, as well as differentiated reading software.

During the 2010-2011 school year, the Chancellor Academy Outreach Program, which generates revenue for the school district, also opened a second site at the Richard Butler Middle School. The district now operates two Chancellor Academy Outreach self-contained classes in both the Aaron Decker Elementary School and the Richard Butler Middle School. The district has extended this program to a third site in the Butler High School for the 2011-2012 school year.

Special education youngsters in grades 3-12 will be experiencing instruction software in both special education and regular education classrooms aimed at increasing levels of student learning as shown in math and language arts literacy scores. These software programs include differentiated reading (Achieve 3000) and on-line diagnostic and prescriptive assessment software in the areas of Language Arts Literacy and Math. The district continues to offer self-contained classes (PSD, LLD), as well as replacement (RC) and supportive services for students experiencing regular education mainstream classes throughout all grades in the district.

3b) MAJOR INITIATIVES (FACILITIES):

The Board of Education presented a \$3,372,600 bonding referendum to the voters at a special school election on September 25, 2007. Its purpose was to renovate the outdoor athletic facilities at Butler High School, including an all-weather track, turf surface, and new bleachers at Memorial Field. This proposal was initiated by the condemnation of the bleachers at Hempsted Field. The unusable bleachers were removed at no cost to the taxpayer. The District received 40% in annual debt service aid of the final eligible costs of the project, which were \$1,546,732. The proposal was defeated 547 to 570.

The Board then reached out to the community to ascertain what was "desired." After months of meetings and discussions, the Board voted to present an expanded athletic proposal to the voters on September 30, 2008. The proposal was divided into three questions: (1) complete renovation to Memorial Field complex and Hempsted Field, including an all-weather track, at \$3,046,756 (2) addition of turf field to Memorial Field at \$600,000 (3) renovation of Aaron Decker School Field at \$350,885. Question (1) was passed by a vote of 785 to 725. The Board advertised for a bid opening on April 1, 2009, but rejected all bids. The Board advertised for a re-bid on April 29, 2009 and awarded a contract in the amount of \$2,578,891.12 to the lowest bidder, Applied Landscape Technologies. The project was completed in October 2009. A grand opening celebration was held on April 17, 2010. The renovated fields were utilized in the spring of 2010. Final completion of the interior of the snack stand occurred in the summer of 2010. During the 2010-2011 school year, high school athletes, recreational town teams, and the general public enjoyed the result of this successful bond referendum project.

The District was granted emergent project status by the Commissioner of Education and the Acting Morris County Superintendent of Schools on the replacement of the Butler High School Annex building hot water tank/heater. The project was estimated to cost \$200,000. The project financing included reallocation of 2008-2009 budget funds, plus \$53,020 from Capital Reserve. The project was completed during the summer of 2009. The District has also been awarded a ROD grant for the project, through which the State will pay 40% of the final eligible costs of \$118,677.73.

The District was awarded a ROD grant for the Upgrade of the Technology Infrastructure and the installation of security cameras. The project is estimated at \$543,750 with 40% of the eligible costs to be paid by the State. The Board will fund the local share of the project through the use of additional non-budgeted 2008-2009 Extraordinary

Aid and the use of tuition monies available as a result of IDEA-ARRA grants. The network infrastructure upgrade was accomplished during 2010-2011 and the security cameras have been installed. The final phase will occur during 2011-2012 to integrate all systems into an operational status.

On December 9, 2003, the Butler voters passed the \$8,040,335 referendum. The renovation of all buildings and the high school field, appropriated as follows: High School: \$3,131,448; High School Field: \$435,000; Richard Butler School: \$2,553,831; Aaron Decker School: \$1,920,056. Projects include, but are not limited to, re-roofing, electrical upgrades, window and door replacement, ADA accessible restrooms, elevator installation, and field site work. The cost of bonding to the taxpayers was reduced by \$3,193,097 in NJ School Construction Corporation (SCC/EDA) grants and by the use of \$400,000 from the District's Capital Reserve Fund. The projects at the high school, the high school field, and Richard Butler School are completed. The additional funds at the Aaron Decker School have been utilized to upgrade classroom lighting and the project is completed at the date of this report.

3c) MAJOR INITIATIVES (STAFFING):

In June of 2011, Butler High School bid farewell to its Principal, William Hanisch, as he moved from his educational career to retirement. After a lengthy selection process, involving the Superintendent, Business Administrator, Board members, Administrators, and teaching staff members, Mr. Martin Wall was chosen to lead the High School. Shortly after, John Vogel, High School Vice Principal, also announced his retirement. He was replaced by former teacher and Athletic Director, James Manco. Supervisor of Buildings & Grounds, James Curran, finished his first year.

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

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

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations. The District is in the process of developing an internal control document manual as required by code.

5) BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriate budgets are adopted for the general fund, the special revenue fund, and the debt service 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 are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reserves of fund balance at June 30, 2007.

The District participates in several shared services agreements in order to procure goods and services in the most cost efficient means possible to assure savings to the taxpayer: The A.C.E.S. (Alliance for Competitive Energy Service program), organized by NJSBA, NJASBO and NJASA, is utilized for the provision of natural gas.

Educational Data Services, Inc., the Morris County cooperative purchasing service, is utilized for District educational, office and custodial supplies and maintenance services. The Pittsgrove Township Board of Education cooperative is utilized for the purchase of copy paper. In March 2007, the Board voted to participate in ACT (Alliance for Competitive Telecommunications) program for discounted telecommunications services.

6) ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and accounting groups are explained in "Notes to the Financial Statements", Note 2B.

7) FINANCIAL INFORMATION AT FISCAL YEAR END: As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. A detailed financial analysis of key data is contained in the Management's Discussion and Analysis (M. D. & A.), which follows this letter.

8) DEBT ADMINISTRATION: At June 30, 2011, the District had \$6,333,000 in outstanding bonded debt, as a result of the December 9, 2003 Health & Safety referendum approved by the voters, and the Athletic Complex Referendum on September 30, 2009, will add \$3,046,756 of bonded debt. The Athletic Referendum project has been approved by the Commissioner of Education for annual debt service aid in a total amount of \$788,069, which will reduce the long term cost to the Butler taxpayer. Bond anticipation notes, in the amount of \$1,500,000 were issued December 9, 2008 and redeemed on July 15, 2009. The actual bonds were sold June 4, 2009 at an interest rate of 3.571959%. The first payment on these bonds was July 1, 2011.

The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

The outstanding debt is continually reviewed for reduced financing opportunities in an attempt to reduce the effect of the bonds on the Butler taxpayer.

9) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

10) RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property, contents, and fidelity bonds. The District participates in a pooled fund for its Workers' Compensation Insurance.

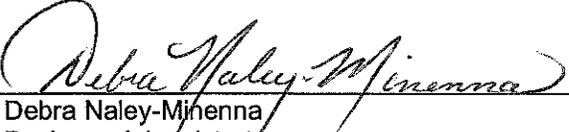
11) OTHER INFORMATION:
Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Ferraioli, Wielkottz, Cerullo & Cuva, CPA's, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1996 and the related OMB Circular A-133 and State Treasury Circular Letter 98-07-OMB. The auditors' report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

12) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Butler Borough School Board 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 been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,

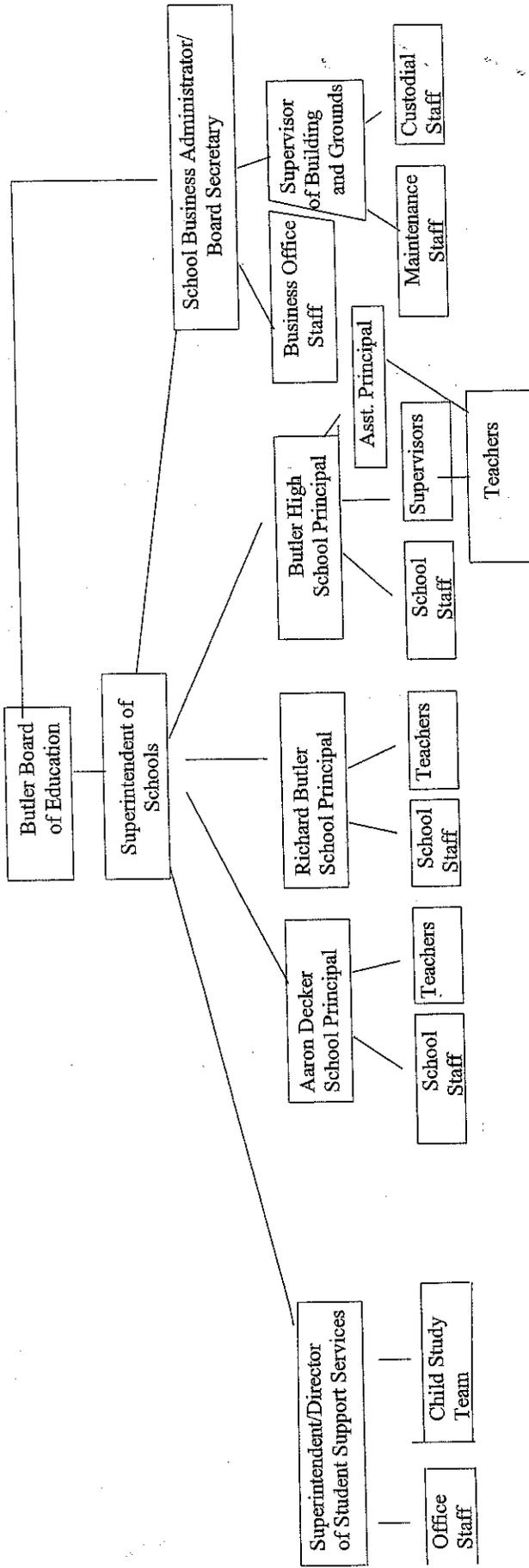


Mario D. Cardinale
Superintendent



Debra Naley-Minenna
Business Administrator

**BUTLER SCHOOL DISTRICT
ORGANIZATIONAL CHART**



**BUTLER BOARD OF EDUCATION
BUTLER, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2011**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Matthew Lee - President	2012
Tracy Luciani - Vice-President	2014
Jay M. Dean	2013
Heather Grecco	2012
Alfred Marion	2014
Michael Puglise	2012
Karen Smith	2013
Cynthia Sokoloff	2014
Sean Walsh	2012
Sheldon Bross (Bloomingdale Representative)	2012

Other Officials

Mario D. Cardinale	Superintendent
Debra Naley-Minenna	Board Secretary/ School Business Administrator
James Kozimor	Treasurer of School Moneys
Anthony Sciarrillo, Esq., and Jeffrey Merlino, Esq.	Board Attorney - Negotiations
John Collins, Esq.	Board Attorney-Sending/Receiving Issues

BUTLER BOARD OF EDUCATION
Consultants and Advisors
June 30, 2011

Architect

Parette/Somjen & Associates, P.C.
439 Route 46 East
Rockaway, NJ 07866

Audit Firm

Ferraioli, Wielkocz, Cerullo & Cuva, P.A.
100B Main Street
Newton, NJ 07860

Attorney

Parker McKay
1009 Lenox Drive
Suite 102A, Bldg. 4 East
Lawrenceville, NJ 08648

Lindabury, McCormick and Eastbrook
53 Cardinal Drive
Westfield, NJ 07091

Insurance Agent

Polaris Galaxy Insurance, LLC
777 Terrace Avenue, Suite 309
Hasbrouck Heights, NJ 07604

Official Depositories

Lakeland Bank
Valley National Bank
and
State of New Jersey Cash Management Fund

FINANCIAL SECTION

Ferraioli, Wielkottz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA
Steven D. Wielkottz, CPA, RMA
James J. Cerullo, CPA, RMA
Paul J. Cuva, CPA, RMA
Thomas M. Ferry, CPA, RMA

Certified Public Accountants
401 Wanaque Avenue
Pompton Lakes, New Jersey 07442
973-835-7900
Fax 973-835-6631

Newton Office
100B Main Street
Newton, N.J. 07860
973-579-3212
Fax 973-579-7128

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Borough of Butler School District
County of Morris, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund and the aggregate remaining fund information of the Board of Education of the Borough of Butler School District, in the County of Morris, State of New Jersey, as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Borough of Butler Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Butler Board of Education's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Butler Board of Education, in the County of Morris, State of New Jersey, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2011 on our consideration of the Borough of Butler Board of Education'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



Honorable President and
Members of the Board of Education
Page 2.

control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and Budgetary Comparison Information on pages 14 through 23 and 58 through 64 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Butler Board of Education's basic financial statements. The accompanying introductory section, and other supplementary information, such as the combining and individual fund financial statements, long-term debt schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and long-term debt schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedules of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Thomas M. Ferry
Licensed Public School Accountant
No. 20CS00209100

Ferraioli, Wielkotz, Cerullo, & Cuva, P.A.

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

November 30, 2011



**REQUIRED SUPPLEMENTARY
INFORMATION - PART I**

BUTLER BOROUGH PUBLIC SCHOOL DISTRICT
BUTLER BOROUGH

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED

The discussion and analysis of Butler Borough Public School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the 2011 fiscal year are as follows:

- ◆ The School District had \$22,276,072 in expenses (see A-2 District-wide Statement of Activities); only \$5,355,360 of these expenses were offset by program specific charges for services, grants or contributions. General revenues, comprised of primarily property taxes, Federal and State Aid in the amounts of \$13,819,926 and \$3,127,184 respectively, were adequate to provide for these programs.
- ◆ The General Fund had \$20,590,325 in revenues and \$20,253,465 in expenditures. The General Fund's balance increased \$320,574 over 2010. This increase was anticipated by the Board of Education and is attributed to the compliance of the district to increasingly restrictive budgeting and expenditure guidelines imposed by the State of New Jersey legislature, prudent and conscientious purchasing practices, and additional use of shared service contracts. (see B-2 Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds)

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Butler Borough Public School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School district, presenting both an aggregate view of the School district's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. In the case of Butler Borough Public school district, the General Fund is by far the most significant fund.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School district as a whole looks at all financial transactions and asks the question, "How did we do financially during the 2011 fiscal year?" The Statement of Net Assets and the Statement of Activities helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the school district as a whole, the financial positions of the School district has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

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

- ◆ Governmental activities – All of the School District's programs and services are reported here including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- ◆ Business-Type Activities – This service is provided on a charge for goods or services basis to recover all the expense of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Enterprise Fund

The enterprise fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

The School District as a Whole

The Statement of Net Assets provides the perspective of the School District as a whole. Net assets may, over time serve as a useful indicator of a government's financial position.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

Table 1

**Net Assets
June 30,**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Assets						
Current and Other Assets	\$ 2,289,754	\$1,896,951	\$28,951	\$ 51,536	\$ 2,318,705	\$1,948,487
Capital Assets, net	<u>13,464,488</u>	<u>13,514,051</u>	<u>23,238</u>	<u>22,859</u>	<u>13,487,726</u>	<u>13,536,910</u>
Total Assets	<u>15,754,242</u>	<u>15,411,002</u>	<u>52,189</u>	<u>74,395</u>	<u>15,806,431</u>	<u>15,485,397</u>
Liabilities						
Current Liabilities	660,109	219,176	27,268	49,853	687,377	269,029
Noncurrent Liabilities	<u>6,782,389</u>	<u>7,029,281</u>			<u>6,782,389</u>	<u>7,029,281</u>
Total Liabilities	<u>7,442,498</u>	<u>7,248,457</u>	<u>27,268</u>	<u>49,853</u>	<u>7,469,766</u>	<u>7,298,310</u>
Net Assets						
Invested in Capital Assets-						
Net of Debt	7,131,488	6,991,051	23,238	22,859	7,154,726	7,013,910
Restricted	1,174,857	1,117,636			1,174,857	1,117,636
Unrestricted	<u>5,399</u>	<u>53,858</u>	<u>1,683</u>	<u>1,683</u>	<u>7,082</u>	<u>55,541</u>
Total Net Assets	<u>\$ 8,311,744</u>	<u>\$8,162,545</u>	<u>\$24,921</u>	<u>\$ 24,542</u>	<u>\$ 8,336,665</u>	<u>\$8,187,087</u>

Table 2 shows revenue and expense comparisons of 2011 data to that from fiscal year 2010.

Table 2
Changes in Net Assets

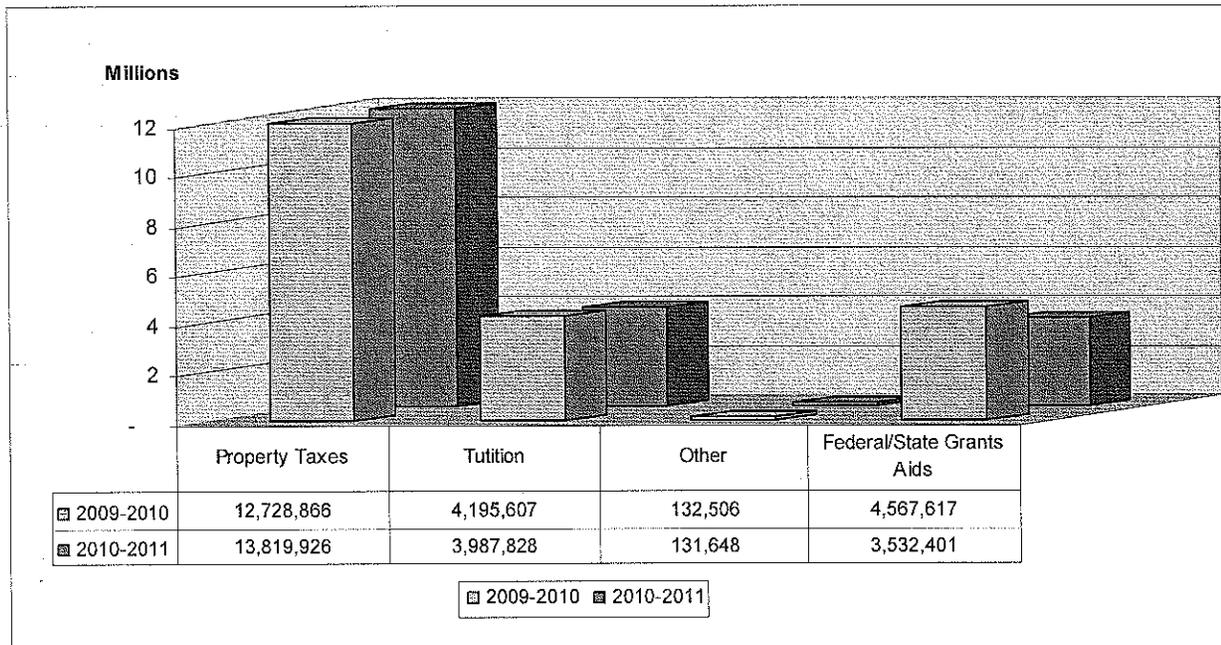
	<u>2011</u>	<u>2010</u>
Revenues		
Program revenues		
Charges for services	\$ 838,159	\$ 797,969
Operating grants and contributions	4,497,529	4,956,261
General revenues		
Property taxes	13,819,926	12,728,866
Grants and entitlements	3,127,184	3,918,019
Capital grants and contributions	19,671	
Other	123,182	129,765
	<u>22,425,651</u>	<u>22,530,880</u>
Program Expenses		
Instruction	11,174,614	11,403,301
Support services		
Pupils and instructional staff	4,548,363	4,284,325
General administration, school administration, business	2,315,137	2,349,910
Operations and maintenance of Facilities	2,081,170	2,186,367
Pupil Transportation	776,673	816,402
Interest on Long term debt	285,586	173,159
Transfer to Charter School	20,958	21,094
Unallocated Benefits	101,774	96,439
Capital Outlay- Non-depreciable	34,580	
Business-type activities	418,290	500,066
Unallocated Depreciation	518,927	123,897
	<u>22,276,072</u>	<u>21,954,960</u>
Total expenses		
Increase in net assets	<u>\$ 149,579</u>	<u>\$ 575,920</u>

Governmental Activities

-Revenues-

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 64.36% percent of revenues for governmental activities for the Butler Borough Public School District for fiscal year 2011 (see Exhibit B-2). Federal, State, and local grants accounted for another 16.45%. Tuition from other LEA's (mostly from sending District Bloomingdale) in the state accounted for 18.57% percent. The District's total governmental fund revenues were \$21,471,803 for the fiscal year ended June 30, 2011.

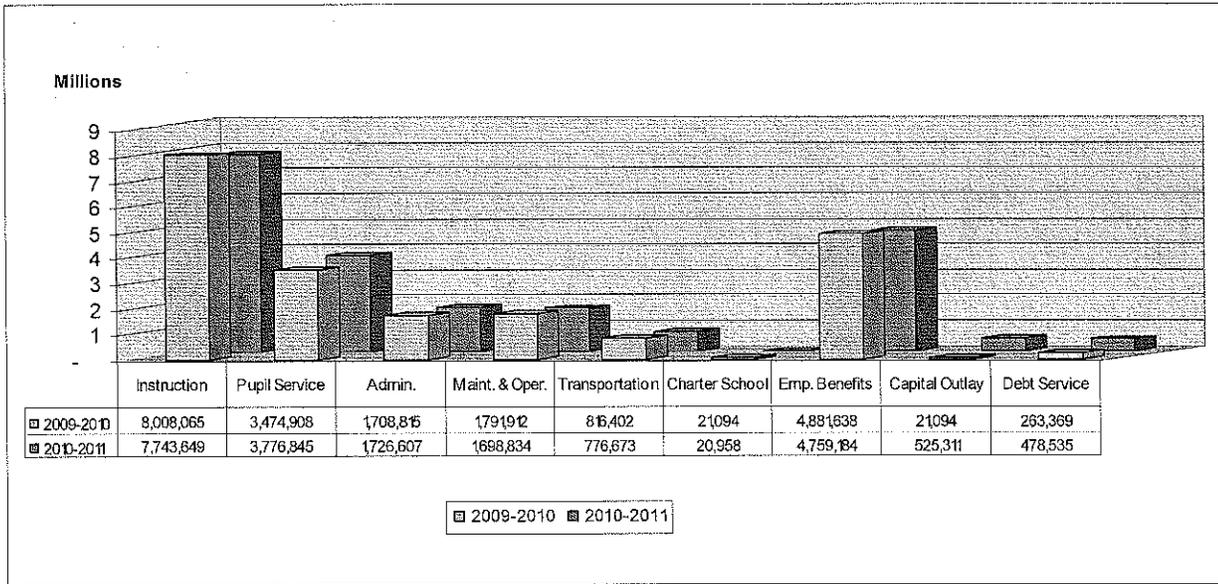
Sources of Revenues for Fiscal Year 2011



-Expenses-

The total cost of all program and services was \$21,506,596. Instruction comprises 36.01% of District expenses. The total for Instruction in 2010-2011 represents a decrease of 3.30% in actual dollar expenditures over the previous year.

Expenses for Fiscal Year 2011



Business-Type Activities

Revenues for the District’s business-type activities (food service program) were comprised of charges for services and federal and state reimbursements.

- ◆ Food service expenditures exceeded revenues by \$15,907. This is a decrease of \$24,250 in the amount of expenses over revenues in 2010.
- ◆ Charges for services represent \$306,365 of revenue. This represents the amount paid by patrons for daily food services.
- ◆ Federal and state reimbursements for meals, including payments for free and reduced lunches, donated commodities and interest income was \$96,018, a decrease of \$12,297 over 2010.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the District’s taxpayers by each of these functions. A comparison to 2010 follows, as well as a description of the various expenditure areas.

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Instruction	\$ 11,174,614	\$ 8,009,546	\$ 11,403,301	\$ 7,952,897
Support services				
Pupils and instructional staff	4,548,363	3,728,808	4,284,325	3,460,655
General administration, school administration, business	2,315,137	1,903,367	2,349,910	1,915,593
Operation and maintenance of facilities	2,081,170	1,524,497	2,186,367	1,600,296
Pupil transportation	776,673	776,673	816,402	816,402
Interest on Long Term Debt	285,586	285,586	173,159	173,159
Unallocated Benefits	101,774	101,774	96,439	96,439
Unallocated Depreciation	518,927	518,927	123,897	123,897
Capital Outlay - Non-depreciable	34,580	34,580		
Transfer to Charter School	20,958	20,958	21,094	21,094
Total governmental expenses	\$ 21,857,782	\$ 16,904,716	\$ 21,454,894	\$ 16,160,432

The total cost for 2011 is a increase of \$402,888 over 2010, or 1.88%. This value is mainly attributed to the increase in unallocated depreciation of \$395,030, interest on long term debt of \$112,427, and a \$34,580 assessment from the State of New Jersey for debt service on SDA funded projects. This increase in offset by decreases in instruction of 6.25%, in operations of 3.42%, and in administration of 1.48%.

The total net cost for 2011 is an increase of \$744,284 over 2010, or 4.61%. This value is again attributed to the increase in unallocated depreciation, interest on long term debt, and the State of N.J. assessment on SDA debt service. There is an increase in pupils and instructional staff of 4.69%, offset by decreases in instruction of 4.26%, and in operations of 0.06%.

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities. Additionally included are extracurricular activities, which include expenses related to student activities provided by the School district which are designed to provide opportunities for students to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development. This section also includes Curriculum and staff development, which includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

General administration, school administration and business include expenses associated with administrative and financial supervision of the District.

Operation and maintenance of facilities activities involve keeping the school grounds, buildings and equipment in an effective working condition.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

The School District's Funds

These funds are accounted for using the modified accrual basis of accounting. All governmental funds (i.e., general fund, special revenue fund, capital projects and debt service fund presented in the fund-based statements) had total revenues of \$21,471,803 and expenditures of \$21,506,596.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds (excluding capital projects) for the fiscal year ended June 30, 2011, and the amount and percentage of increases and decreases in relation to prior year revenues.

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2010</u>	<u>Percent Increase (Decrease)</u>
Local Sources	\$17,939,402	83.55%	\$886,023	5.20%
State Sources	3,162,240	14.73%	(231,478)	(6.82)%
Federal Sources	<u>370,162</u>	<u>1.72%</u>	<u>(538,766)</u>	<u>(59.27)%</u>
Total	\$21,471,804	100.00%	\$115,779	

The decrease in State Sources is primarily attributed to the decrease in the on-behalf TPAF pension contribution.

The following schedule presents a summary of general fund and special revenue fund and capital projects fund expenditures for the fiscal year ended June 30, 2011.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) over 2010</u>	<u>Percent Increase/ (Decrease)</u>
Current:				
Instruction	\$7,743,402	36.01%	\$(264,416)	(3.30) %
Undistributed expenditures	12,738,143	59.23%	64,468	0.51 %
Capital Outlay	525,311	2.44%	518,895	8087.52%
Debt Service	478,535	2.22%	122,582	34.44%
Charter School	<u>20,958</u>	<u>0.10%</u>	<u>(136)</u>	<u>(0.64)%</u>
Total	<u>\$21,506,804</u>	<u>100.00%</u>	<u>\$ 441,393</u>	

The decrease in the undistributed expenditures is primarily attributed to the decrease in the on-behalf TPAF pension contribution.

General Fund Budgeting Highlights

The School district's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of modified accrual and encumbrance accounting. The most significant budgeted fund is the General Fund. Refer to Exhibit C-1 – Budgetary Comparison Schedule.

During the course of the fiscal year 2011, the School District amended its General Fund budget as needed. The School district uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

- ◆ Staffing changes based on student needs.
- ◆ Additional costs for student transportation and out-of district tuitions both in regular education and special education.
- ◆ Accounting changes in maintenance and operations.
- ◆ Changes in appropriations to prevent budget overruns.

While the District's final budget for the general fund anticipated that revenues and expenditures would roughly equal, the actual results for the year show a surplus.

- ◆ Actual revenues appear to be \$1,626,631 more than expected, but once the reimbursement for TPAF pension and social security which are not included in the budgeting process and only reported on the financial statements are removed, revenues actually increased by only \$370,867 over the budgeted amount and include \$53,020 transferred from the Capital Reserve Account utilized for the emergent hot water tank/heater project, and \$38,476 for a new High School special education program that is a shared service agreement with its sending district Bloomingdale.
- ◆ The actual expenditures appear to be \$512,136 higher than expected. Once again, after the removal of the TPAF reported numbers, expenditures are actually \$743,628 less than budgeted.

Capital Assets

New capital asset purchases for the year totaled \$510,402. The purchases include technology, instrumental, athletics, guidance, maintenance, custodial equipment and the athletic field referendum.

Debt Administration

At June 30, 2011 the School district had \$6,333,000 in outstanding debt. During the year, \$59 was earned in interest in the Capital Projects Fund. The Board of Education voted to apply these funds to offset future debt service payments.

Other long-term debt includes amounts for compensated absences, \$449,389.

For the Future

The Butler Borough Public School District is in good financial condition presently. However, future finances are not without challenges expenses continue to grow and state funding is decreased. A major concern is the continued increased reliance on local property taxes and the anticipated impact from the School Funding Reform Act and the Accountability Regulations legislation as currently written.

The 10-11 budget was defeated in the April 2010 School election, resulting in a \$50,000 reduction in the tax levy agreed to by the Board and Council. This followed 3 years of budget defeats, with tax levy reductions of \$50,000, \$55,000, and \$100,000 respectively. At the April 2011 School election, the tax levy presented to the voters for the 2011-2012 budget year passed.

Butler Borough is primarily a residential community, with few ratables; thus the burden is focused on homeowners to foot the tax burden. It is hoped that the contracts the Borough has entered into for new ratables will continue to increase the ratable base significantly enough to lower the impact of future increases on the homeowner. The District is pursuing several shared services agreements with both the Borough and the sending district to reduce costs wherever possible.

In conclusion, the Butler Borough Public School District has committed itself to financial excellence for many years. The School District's system for financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenge of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School district's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Debra Naley-Minenna, School Business Administrator/Board Secretary at Butler Borough Board of Education, High School Annex Building, Butler, NJ 07405 or email at dnm@butlerboe.org.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

BUTLER BOROUGH SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	681,811.15	15,966.19	697,777.34
Receivables, net	1,607,660.19	4,100.76	1,611,760.95
Inventory		8,883.94	8,883.94
Restricted assets:			
Capital reserve account - cash	282.28		282.28
Capital assets:			
Construction in progress	2,112,470.17		2,112,470.17
Other capital assets, net	11,352,018.29	23,238.26	11,375,256.55
Total Assets	<u>15,754,242.08</u>	<u>52,189.15</u>	<u>15,806,431.23</u>
LIABILITIES			
Accounts payable	165,763.89	10,957.03	176,720.92
Contracts Payable	227,644.00		227,644.00
Accrued interest on bonds	54,976.03		54,976.03
Interfund Payable		10,201.81	10,201.81
Payable to state government	1,851.12		1,851.12
Deferred revenue	209,873.62	6,108.67	215,982.29
Noncurrent liabilities:			
Due within one year	794,389.13		794,389.13
Due beyond one year	5,988,000.00		5,988,000.00
Total liabilities	<u>7,442,497.79</u>	<u>27,267.51</u>	<u>7,469,765.30</u>
NET ASSETS			
Invested in capital assets, net of related debt	7,131,488.46	23,238.26	7,154,726.72
Restricted for:			
Debt Service	58.96		58.96
Capital projects	255,780.13		255,780.13
Capital reserves	282.28		282.28
Other Purposes	918,735.88		918,735.88
Unrestricted	5,398.58	1,683.38	7,081.96
Total net assets	<u>8,311,744.29</u>	<u>24,921.64</u>	<u>8,336,665.93</u>

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

**BUTLER BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:								
Instruction:								
Regular	6,258,040.48	2,255,242.68	531,793.91	2,033,576.43	-	(5,947,912.82)		(5,947,912.82)
Special education	1,386,915.18	594,502.57		438,404.46		(1,543,013.29)		(1,543,013.29)
Other special instruction	125,417.29	54,782.92		39,644.46		(140,555.75)		(140,555.75)
Other instruction	384,841.26	114,871.45		121,648.48		(378,064.23)		(378,064.23)
Support services:								
Tuition	1,635,040.70	-		-		(1,635,040.70)		(1,635,040.70)
Student & instruction related services	2,141,804.70	771,518.00		819,555.49		(2,093,767.21)		(2,093,767.21)
General administrative services	581,726.25	105,551.65		182,344.60		(504,933.30)		(504,933.30)
School administrative service	725,797.92	310,001.09		229,425.02		(806,373.99)		(806,373.99)
Central Services and Admin. Infor. Tech.	437,537.17	154,523.00		-		(592,060.17)		(592,060.17)
Plant operations and maintenance	1,698,834.43	382,335.48		537,002.26	19,671.00	(1,524,496.65)		(1,524,496.65)
Pupil transportation	776,672.95	-		-		(776,672.95)		(776,672.95)
Capital Outlay - Non-depreciable	34,580.00	-		-		(34,580.00)		(34,580.00)
Unallocated Benefits	101,774.05	-		-		(101,774.05)		(101,774.05)
Interest on Long term debt	-	285,586.54		-		(285,586.54)		(285,586.54)
Transfer to Charter School	20,958.00	-		-		(20,958.00)		(20,958.00)
Unallocated depreciation	-	518,926.72		-		(518,926.72)		(518,926.72)
Total governmental activities	16,309,940.38	5,547,842.10	531,793.91	4,401,601.19	19,671.00	(16,904,716.38)		(16,904,716.38)
Business-type activities:								
Food Service	418,289.74	-	306,365.34	95,928.27	-		(15,996.13)	(15,996.13)
Total business-type activities	418,289.74	-	306,365.34	95,928.27	-		(15,996.13)	(15,996.13)
Total primary government	16,728,230.12		838,159.25	4,497,529.46	19,671.00	(16,904,716.38)	(15,996.13)	(16,920,712.51)
General revenues:								
Taxes:								
Property taxes, levied for general purposes, net						13,384,947.00		13,384,947.00
Taxes Levied for debt service						434,978.50		434,978.50
Federal and State aid not restricted						3,127,184.01		3,127,184.01
Investment Earnings						5,666.84	89.26	5,756.10
Transfers						(16,286.24)	16,286.24	-
Miscellaneous Income						117,425.51		117,425.51
Total general revenues, special items, extraordinary items and transfers						17,053,915.62	16,375.50	17,070,291.12
Change in Net Assets						149,199.24	379.37	149,578.61
Net Assets—beginning								8,187,087.32
Net Assets—ending								8,336,665.93

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

FUND FINANCIAL STATEMENTS

**BUTLER BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	1,018,398.15		153,751.13	161,038.06	1,333,187.34
Due from other funds	190,324.13	1,000.00	18,240.60		209,564.73
Receivable from state government	282,477.40		497,165.00		779,642.40
Receivable from federal government		362,350.04			362,350.04
Receivables from other governments	68,430.04				68,430.04
Receivables other	12,895.90			57,261.50	70,157.40
Restricted cash and cash equivalents	282.28				282.28
Total assets	<u>1,572,807.90</u>	<u>363,350.04</u>	<u>669,156.73</u>	<u>218,299.56</u>	<u>2,823,614.23</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Cash deficit		336,512.05			336,512.05
Accounts payable	144,026.00	15,113.25	4,900.00		164,039.25
Contracts payable			227,644.00		227,644.00
Due to other funds			180,832.60	18,240.60	199,073.20
Payable to state government		1,851.12			1,851.12
Deferred revenue		9,873.62		200,000.00	209,873.62
Total liabilities	<u>144,026.00</u>	<u>363,350.04</u>	<u>413,376.60</u>	<u>218,240.60</u>	<u>1,138,993.24</u>
Fund Balances:					
Committed to:					
Other Purposes	148,472.93				148,472.93
Assigned to:					
Designated by the Board of Education for Subsequent Year's Expenditures	683,593.00				683,593.00
Debt Service				58.96	58.96
Capital Projects			255,780.13		255,780.13
Restricted for:					
Excess Surplus	86,669.95				86,669.95
Capital Reserve Account	282.28				282.28
Unassigned:					
General Fund	509,763.74				509,763.74
Total fund balances	<u>1,428,781.90</u>	<u>-</u>	<u>255,780.13</u>	<u>58.96</u>	<u>1,684,620.99</u>
Total liabilities and fund balances	<u>1,572,807.90</u>	<u>363,350.04</u>	<u>669,156.73</u>	<u>218,299.56</u>	
Amounts reported for <i>governmental activities</i> in the statement of net assets (A-1) are different because:					
Accrued liability for interest on long-term debt is not due and payable in the current period and is not reported as a liability in the funds.					
					(54,976.03)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$19,750,224.50 and the accumulated depreciation is \$6,285,736.04.					
					13,464,488.46
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.					
					(6,782,389.13)
Net assets of governmental activities					
					<u>8,311,744.29</u>

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

BUTLER BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local sources:					
Local Tax Levy	13,384,947.00			434,978.50	13,819,925.50
Tuition - Other LEA's Within the State	3,879,914.75				3,879,914.75
Other Restricted Miscellaneous Revenue	129,258.14				129,258.14
Interest Earned on Capital Reserve Funds	258.83				258.83
E-Rate Reimbursements	55,865.65				55,865.65
Local Grants		8,556.29			8,556.29
Interest Income	5,349.13		58.88		5,408.01
Miscellaneous Income	40,214.62				40,214.62
Total - Local Sources	17,495,808.12	8,556.29	58.88	434,978.50	17,939,401.79
State sources	3,079,231.75	50,340.63	-	32,667.00	3,162,239.38
Federal sources	15,285.26	354,876.62			370,161.88
Total revenues	20,590,325.13	413,773.54	58.88	467,645.50	21,471,803.05
EXPENDITURES					
Current:					
Regular instruction	5,575,231.69	271,243.40			5,846,475.09
Special education instruction	1,386,915.18				1,386,915.18
Other special instruction	125,417.29				125,417.29
Other instruction	384,841.26				384,841.26
Support services and undistributed costs:					
Tuition	1,492,510.56	142,530.14			1,635,040.70
Student & instruction related services	2,141,804.70				2,141,804.70
General administrative services	576,856.58				576,856.58
School administrative services	725,797.92				725,797.92
Central Services and Admin. Infor. Tech.	423,952.37				423,952.37
Plant operations and maintenance	1,698,834.43				1,698,834.43
Pupil transportation	776,672.95				776,672.95
Unallocated employee benefits	4,759,183.67				4,759,183.67
Capital outlay	164,488.00	-	360,822.58		525,310.58
Transfer to charter school	20,958.00				20,958.00
Debt service:					
Principal				190,000.00	190,000.00
Interest and other charges				288,535.50	288,535.50
Total expenditures	20,253,464.60	413,773.54	360,822.58	478,535.50	21,506,596.22
Excess (Deficiency) of revenues over expenditures	336,860.53	-	(360,763.70)	(10,890.00)	(34,793.17)
OTHER FINANCING SOURCES (USES)					
Transfer in - from Capital Projects Fund				58.88	58.88
Transfer out - to Debt Service			(58.88)		(58.88)
Transfers out - to Enterprise Fund	(16,286.24)				(16,286.24)
Total other financing sources and uses	(16,286.24)	-	(58.88)	58.88	(16,286.24)
Net change in fund balances	320,574.29	-	(360,822.58)	(10,831.12)	(51,079.41)
Fund balance—July 1 -	1,108,207.61	-	616,602.71	10,890.08	1,735,700.40
Fund balance—June 30	1,428,781.90	-	255,780.13	58.96	1,684,620.99

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

BUTLER BOROUGH SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Total net change in fund balances - governmental funds (from B-2) (51,079.41)

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, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.

	Depreciation expense	(456,188.89)	
	Depreciable Capital outlays	<u>490,730.58</u>	
			<u>34,541.69</u>

Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. In the current year, these amounts consist of:

Principal Payments on Bonds Payable	190,000.00
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In the statement of activities, only the gain on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from a sale increase financial resources. Thus, the change in net assets will differ from the change in fund balance by the cost of the asset removed.(-)

	(103,775.00)
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Revenues in the statement of activities which do not provide current financial resources are not reported as revenues in the funds. This amount represents donations	19,671.00
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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 change in accrued interest is a increase in the reconciliation	2,948.96
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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 exceeds the earned amount the difference is an addition to the reconciliation (+).

Decrease in Compensated Absences Payable	<u>56,892.00</u>
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Change in net assets of governmental activities	<u><u>149,199.24</u></u>
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The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

BUTLER BOROUGH SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Business-type Activities - Enterprise Funds			Internal Service Fund
	Food Service	Butler School District Educational Foundation	Totals	Academy for Law and Public Safety
ASSETS				
Current assets:				
Cash and cash equivalents	14,282.81	1,683.38	15,966.19	-
Intergovernmental receivables:				
Federal	3,857.66		3,857.66	
State	243.10		243.10	
Other Accounts receivables	-		-	316,588.78
Inventories	8,883.94		8,883.94	
Total current assets	<u>27,267.51</u>	<u>1,683.38</u>	<u>28,950.89</u>	<u>316,588.78</u>
Noncurrent assets:				
Furniture, machinery & equipment	92,767.88		92,767.88	
Less accumulated depreciation	(69,529.62)		(69,529.62)	
Total noncurrent assets	<u>23,238.26</u>	<u>-</u>	<u>23,238.26</u>	<u>-</u>
Total assets	<u>50,505.77</u>	<u>1,683.38</u>	<u>52,189.15</u>	<u>316,588.78</u>
LIABILITIES				
Current liabilities:				
Cash Deficit				314,864.14
Accounts payable	10,957.03		10,957.03	1,724.64
Interfund Payable:				
General Fund	10,201.81		10,201.81	-
Deferred Revenue:				
Federal Food Distribution Program	6,108.67		6,108.67	
Total current liabilities	<u>27,267.51</u>	<u>-</u>	<u>27,267.51</u>	<u>316,588.78</u>
NET ASSETS				
Restricted for:				
Invested in Capital Assets Net of Related Debt	23,238.26		23,238.26	
Unrestricted	-	1,683.38	1,683.38	
Total net assets	<u>23,238.26</u>	<u>1,683.38</u>	<u>24,921.64</u>	<u>-</u>

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

BUTLER BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Fund		Governmental Activities - Internal Service Fund	
	Butler School District		Academy for Law and Public Safety	
	Food Service	Educational Foundation	Totals	
Operating revenues:				
Charges for services:				
Daily sales - reimbursable lunch programs	304,047.63		304,047.63	
Special functions	2,317.71		2,317.71	
Fees from other LEA's within the State				531,793.91
Total operating revenues	<u>306,365.34</u>	<u>-</u>	<u>306,365.34</u>	<u>531,793.91</u>
Operating expenses:				
Cost of sales	186,038.84		186,038.84	
Salaries	147,881.72	-	147,881.72	411,565.39
Employee benefits	40,663.94		40,663.94	101,774.05
Purchased property service			-	12,538.46
Supplies and Materials	17,113.70	-	17,113.70	4,869.67
Management Fees	15,670.98		15,670.98	
Insurance	1,246.63		1,246.63	
Repairs	4,173.52		4,173.52	
Depreciation	2,495.63		2,495.63	
Miscellaneous	3,004.78	-	3,004.78	1,046.34
Total operating expenses	<u>418,289.74</u>	<u>-</u>	<u>418,289.74</u>	<u>531,793.91</u>
Operating Income (Loss)	<u>(111,924.40)</u>	<u>-</u>	<u>(111,924.40)</u>	<u>-</u>
Nonoperating revenues (expenses):				
State sources:				
State school lunch program	4,039.48		4,039.48	
Federal sources:				
National school lunch program	65,951.86		65,951.86	
Special milk program	677.15		677.15	
Food distribution program	25,259.78		25,259.78	
Interest and investment revenue	89.26		89.26	
Total nonoperating revenues	<u>96,017.53</u>	<u>-</u>	<u>96,017.53</u>	<u>-</u>
Income (Loss) before transfers	<u>(15,906.87)</u>	<u>-</u>	<u>(15,906.87)</u>	<u>-</u>
Transfers in (out)	<u>16,286.24</u>		<u>16,286.24</u>	
Change in net assets	379.37	-	379.37	-
Total net assets - Beginning of year	<u>22,858.89</u>	<u>1,683.38</u>	<u>24,542.27</u>	
Total net assets—Ending	<u>23,238.26</u>	<u>1,683.38</u>	<u>24,921.64</u>	<u>-</u>

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

BUTLER BOROUGH SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Food Service	Butler School District Educational Foundation	Totals	Academy for Law and Public Safety
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	306,365.34	-	306,365.34	284,313.93
Cash payments to employees for services	(147,881.72)	-	(147,881.72)	(411,565.39)
Cash payments to suppliers for goods and services	(262,286.68)	-	(262,286.68)	(120,360.26)
Net cash used for operating activities	<u>(103,803.06)</u>	<u>-</u>	<u>(103,803.06)</u>	<u>(247,611.72)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash received from state and federal reimbursements	70,668.49		70,668.49	
Net cash provided by non-capital financing activities	<u>70,668.49</u>	<u>-</u>	<u>70,668.49</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	2,875.00		2,875.00	
Net cash provided by (used for) capital and related financing activities	<u>2,875.00</u>	<u>-</u>	<u>2,875.00</u>	
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends	89.26		89.26	
Net cash provided by investing activities	<u>89.26</u>	<u>-</u>	<u>89.26</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(35,920.31)	-	(35,920.31)	(247,611.72)
Operating transfer in - General fund	16,286.24		16,286.24	
Balances—Beginning of year	33,916.88	1,683.38	35,600.26	(67,252.42)
Balances—End of year	<u>14,282.81</u>	<u>1,683.38</u>	<u>15,966.19</u>	<u>(314,864.14)</u>
Reconciliation of operating loss to net cash used by operating activities:				
Operating Income (Loss)	(111,924.40)	-	(111,924.40)	
Adjustments to reconcile operating loss to net cash used for operating activities:				
Depreciation	2,495.63		2,495.63	
Food distribution program	25,259.78		25,259.78	
(Increase) decrease in accounts receivable, net	2,396.04		2,396.04	
(Increase) decrease in inventories	555.46		555.46	
(Increase) decrease in accounts payable	(7,304.65)		(7,304.65)	(247,479.98)
(Increase) decrease in interfund payable	(16,286.24)		(16,286.24)	(131.74)
(Increase) decrease in deferred revenue	1,005.32		1,005.32	-
Total adjustments	<u>8,121.34</u>	<u>-</u>	<u>8,121.34</u>	<u>(247,611.72)</u>
Net cash used for operating activities	<u>(103,803.06)</u>	<u>-</u>	<u>(103,803.06)</u>	<u>(247,611.72)</u>

Noncash Noncapital Financing Activities:

During the year, the district received \$ 25,259.78 of food commodities from the U.S. Department of Agriculture.

**BUTLER BOROUGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011**

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Fund</u>	<u>Agency Fund</u>
ASSETS			
Cash and cash equivalents	14,082.76	123,391.86	332,886.26
Interfund Account Receivable - Capital Projects Fund	-		710.28
	<u>14,082.76</u>	<u>123,391.86</u>	<u>333,596.54</u>
LIABILITIES			
Accrued Salaries and Wages			255,225.03
Flexible Spending			5,413.84
Payable to student groups			70,183.19
Payroll deductions and withholdings			1,774.48
Interfund - General Fund			1,000.00
			<u>1,000.00</u>
Total liabilities	-	-	<u>333,596.54</u>
NET ASSETS			
Held in trust for unemployment claims and other purposes	<u>14,082.76</u>		
Reserved for scholarships		<u>123,391.86</u>	

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

**BUTLER BOROUGH SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Unemployment Compensation Trust	Private Purpose Scholarship Fund
ADDITIONS		
Contributions:		
Plan member	16,900.21	
Other	84,000.00	114,395.00
Total Contributions	100,900.21	114,395.00
Investment earnings:		
Interest	27.61	1,246.58
Net investment earnings	27.61	1,246.58
Total additions	100,927.82	115,641.58
DEDUCTIONS		
Unemployment claims	96,235.29	
Scholarships awarded		9,225.00
Total deductions	96,235.29	9,225.00
Change in net assets	4,692.53	106,416.58
Net assets—Beginning of the year	9,390.23	16,975.28
Net assets—End of the year	14,082.76	123,391.86

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

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2011**

NOTE 1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Board of Education (“Board”) of the Borough of Butler School District (“District”) is an instrumentality of the State of New Jersey, established to function as an educational institution. The Borough of Butler School District is a Type II district located in the County of Morris, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of ten members elected to three-year terms. The purpose of the District is to educate students in grades K-12, as well as Butler’s Grade 9-12. A superintendent is appointed by the Board and is responsible for the administrative control of the District. Under existing statutes, the Board’s duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

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 Board holds the corporate powers of the organization
- the Board appoints a voting majority of the organization’s board
- the Board is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Board
- there is a fiscal dependency by the organization on the Board

Based on the aforementioned criteria, the Board has no component units. Furthermore, the Board is not includable in any other reporting entity on the basis of such criteria.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education of the Borough of Butler School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Board also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the board’s accounting policies are described below.

A. Basis of Presentation

The Board’s basic financial statements consist of District-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation (continued)

District-wide Financial Statements

The statement of net assets and the statement of activities display information about the Board as a whole. These statements include the financial activities of the overall District, except for the fiduciary funds. The statements distinguish between those activities of the Board that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the Board at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the governmental activities and for the business-type activities of the Board. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Board, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Board.

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - *government*, *proprietary*, and *fiduciary* - are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models. The various funds of the Board are grouped into the categories governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the Board are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Board's governmental funds:

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation (continued)

GOVERNMENTAL FUNDS (continued)

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

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

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

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

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from sale of bonds, lease purchases and other revenues.

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.

PROPRIETARY FUNDS

The focus of Proprietary Fund measurement is upon determination of net income, changes in net assets, financial position and cash flows. The accounting principles generally accepted in the United States of America applicable are those similar to businesses in the private sector. Proprietary funds are classified as enterprise or internal service. The following is a description of the Proprietary Funds of the Board:

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation (continued)

PROPRIETARY FUNDS (continued)

Enterprise Funds - The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the Board is that the costs (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the Board has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Board's Enterprise Fund is comprised of the Food Service Fund and the Butler District Educational Foundation.

Internal Service Fund

The Internal Service Fund has been established to account for the financing of the Morris County Academy of Law and Public Safety, which is located at Butler High School, provided by Morris County School of Technology for use by various other districts within the County of Morris, as well as for Butler School District itself. Services are provided on a cost-reimbursement basis.

FIDUCIARY FUNDS

Fiduciary Fund - Fiduciary Fund reporting focuses on net assets and changes in net assets. The Fiduciary Funds are used to account for assets held by the Board on behalf of individuals, private organizations, other governments and/or other funds. Fiduciary Funds include the Unemployment Compensation Insurance Fund.

Expendable Trust Fund - An Expendable Trust Fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent. Expendable Trust Funds include Unemployment Compensation Insurance Fund, Student Activities Fund and Payroll Agency Fund.

B. Measurement Focus

District-wide Financial Statements

The District-wide statements (i.e., the statement of net assets and the statement of activities) are prepared using the economic resources measurements focus and the accrual basis of accounting. All assets and liabilities associated with the operation of the Board are included on the statement of net assets, except for fiduciary funds.

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus (continued)

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the District-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the District-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Board finances and meets the cash flow needs of its proprietary activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The District-wide financial statements and the financial statements of the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting (continued)

Revenues - Exchange and Non-exchange Transactions (continued)

Nonexchange transactions, in which the Board receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Board must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Board on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under GAAP, in accordance with GASB No. 33, Accounting and Financial Reporting for Nonexchange Transactions, the last state aid payment is not considered revenue to the school district if the state has not recorded the corresponding expenditure, even though state law dictates recording the revenue.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: ad valorem property taxes, tuition, unrestricted grants and interest.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement of focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

D. Budgets/Budgetary Control

Annual appropriated budgets are adopted in the spring of the preceding year for the general, and special revenue funds. The budgets are submitted to the county superintendents office for approval. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item 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(g)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. The Board of Education did not make any material supplemental budgetary appropriations during the fiscal year.

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets/Budgetary Control (continued)

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and 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.

E. Encumbrances

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

Open encumbrances in the special revenue fund, for which the Board has received advances, are reflected in the balance sheet as deferred revenues at fiscal year end.

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

F. Cash, Cash Equivalents and Investments

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

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

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Cash, Cash Equivalents and Investments (continued)

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

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

G. Tuition Revenues/Receivable

Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs have been determined.

H. Tuition Payable

Tuition charges were established by the receiving district. The charges are subject to adjustment when the final costs have been determined.

I. Inventories

On District-wide financial statements, inventories are presented at cost, which approximates market on a first-in, first-out basis and are expensed when used.

On fund financial statements inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. Inventories of proprietary funds consist of food and goods held for resale, as well as supplies, and are expensed when used.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Short-Term Interfund Receivables/Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

L. Capital Assets

General capital assets are those assets not specifically related to activities reported in the enterprise fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district -wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the enterprise fund are reported both in the business-type activity column of the District-wide statement of net assets and in the fund.

All capital assets acquired or constructed during the year are recorded at actual cost. Donated fixed assets are valued at their estimated fair market value on the date received. The capital assets acquired or constructed prior to June 30, 1993 are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Donated capital assets are valued at their estimated fair market value on the date received. The Board maintains a capitalization threshold of \$2,000.00. The Board does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>	Business-Type Activity <u>Estimated Lives</u>
Sites and Improvements	20 years	N/A
Building and Improvements	7-50 years	N/A
Furniture, Equipment and Vehicles	5-20 years	5-20 years

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. 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 Board 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 Board and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

For the District-wide Statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the Fund Financial Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and District-wide presentations.

N. Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Deferred revenue in the special revenue fund represents cash that has been received but not yet earned. See Note 2(E) regarding the special revenue fund.

O. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements.

In general, governmental 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 judgements, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds, long-term obligations, and capital leases that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

P. Fund Balances:

Fund balance is divided into five classifications based primarily on the extent to which the Board is bound to observe constraints imposed upon the resources in the governmental funds. The classifications are as follows:

- **Nonspendable** fund balance includes amounts that are not in a spendable form (inventory, for example) or are required to be maintained intact (the principal of an endowment fund, for example).

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Fund Balances (continued):

- **Restricted** fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers (for example, grant providers), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use). Effectively, restrictions may be changed or lifted only with the consent of resource providers.
- **Committed** fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the Board's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.
- **Assigned** fund balance comprises amounts *intended* to be used by the Board for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- **Unassigned** fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund. Positive unassigned amounts will be reported only in the general fund.

Q. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Board applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Board, these revenues are sales for food service and program fees. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Contributed Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.

U. Allocation of Indirect Expenses

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. TPAF on-behalf contributions and changes in compensating absences have not been allocated and have been reported as unallocated benefits on the Statement of Activities. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities as unallocated depreciation. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

V. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Districts policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 18A:20-37 that are treated as cash equivalents. As of June 30, 2011, \$-0- of the District's bank balance of \$1,450,152.80 was exposed to custodial credit risk.

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2011**

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

Investments

Investment Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 18A:20-37 limits the length of time for most investments to 397 days.

Credit Risk

New Jersey Statutes 18A:20-37 limit school district investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America; bonds or other obligations of the school districts or bonds or other obligations of the local unit or units within which the school district is located; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk

The district places no limit on the amount the District may invest in any one issuer.

NOTE 4. RECEIVABLES

Receivables at June 30, 2011 consisted of accounts and intergovernmental. All receivables are considered collectible in full. A summary of the principal items of receivables follows:

	<u>Governmental Fund</u>	<u>Internal Service Fund</u>	<u>Enterprise Fund</u>	<u>District Wide Financial Statements</u>
State Aid	\$ 779,642.40	\$ -	\$ 243.10	\$ 779,885.50
Federal Aid	362,350.04	-	3,857.66	366,207.70
Interfunds	209,564.73	-	-	10,491.53
Other	<u>138,587.44</u>	<u>316,588.78</u>	<u>-</u>	<u>455,176.22</u>
Gross Receivables	1,490,144.61	316,588.78	4,100.76	1,611,760.95
Less: Allowances for Uncollectables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Receivables Net	<u>\$1,490,144.61</u>	<u>\$316,588.78</u>	<u>\$4,100.76</u>	<u>\$1,611,760.95</u>

Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2011

NOTE 5. INTERFUND BALANCES AND ACTIVITY

Balance due to/from other funds at June 30, 2011 consists of the following:

Due from Debt Service to Capital Projects Fund for interest income and prior year balances received in Capital Project Fund.	\$ 18,240.60
Due to General Fund from the Capital Projects Fund for monies advanced to cover capital project expenditures.	180,122.32
Due to Agency Fund from the Capital Projects Fund for monies paid from the Agency Fund for Capital Projects.	710.28
Due to Special Revenue Fund from the Student Activities Fund (Agency Fund) for cash receipts deposited in error.	1,000.00
Due to General Fund from the Enterprise Fund for cash receipts and disbursements made from the General Fund.	<u>10,201.81</u>
	<u>\$210,275.01</u>

It is anticipated that all interfunds will be liquidated within the fiscal year.

Interfund Transfers for the year ended June 30, 2011 consisted of the following:

\$16,286.24 from the General Fund to the Enterprise Fund to provide resources for fund the salaries of the Food Service Operations; \$55.88 from the Capital Projects Fund to the Debt Service Fund for interest earnings.

Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2011

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	<u>Balance</u> <u>6/30/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Adjustments</u>	<u>Balance</u> <u>6/30/11</u>
Governmental Activities:					
Capital Assets,					
Not Being Depreciated					
Construction in Progress	11,011,911.44	360,822.58	-	(9,260,263.85)	2,112,470.17
Total Capital Assets,	11,011,911.44	360,822.58	-	(9,260,263.85)	2,112,470.17
Not Being Depreciated					
Capital Assets, Being Depreciated					
Site Improvements	280,490.00	84,817.50	103,775.00	3,421,308.00	3,682,840.50
Building Improvements	7,403,377.25	36,762.92	-	5,779,537.85	13,219,678.02
Furniture, Equipment and Vehicles	653,179.23	27,998.58	5,360.00	59,418.00	735,235.81
Total Capital Assets,	8,337,046.48	149,579.00	109,135.00	9,260,263.85	17,637,754.33
Being Depreciated					
Less: Accumulated Depreciation:					
Site Improvements	(65,687.13)	(183,657.03)	-	-	(249,344.16)
Building Improvements	(5,328,897.16)	(231,023.39)	-	-	(5,559,920.55)
Furniture, Equipment and Vehicles	(440,322.86)	(41,508.47)	(5,360.00)	-	(476,471.33)
Total Accumulated Depreciation	(5,834,907.15)	(456,188.89)	(5,360.00)	-	(6,285,736.04)
Total Capital Assets	2,502,139.33	(306,609.89)	103,775.00	9,260,263.85	11,352,018.29
Being Depreciated, Net					
Governmental Activities	13,514,050.77	54,212.69	103,775.00	-	13,464,488.46
Capital Assets, Net					
 Business-Type Activity					
Food Services	93,092.88	2,875.00	(3,200.00)	-	92,767.88
Total	93,092.88	2,875.00	(3,200.00)	-	92,767.88
Less: Accumulated Depreciation:					
Food Services	(70,233.99)	(2,495.63)	3,200.00	-	(69,529.62)
Total Accumulated Depreciation	(70,233.99)	(2,495.63)	3,200.00	-	(69,529.62)
Net Business-Type Activity	22,858.89	379.37	-	-	23,238.26
Capital Assets, Net					

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2011**

NOTE 6. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

Instruction:

Regular Education	\$ 3,181.25
Special Education	4,216.96
Student Instruction Related Services	17,152.61
School Administrative Services	181.97
Plant Operations and Maintenance	16,304.38
Unallocated	<u>415,151.72</u>

Total Depreciation Expense \$456,188.89

NOTE 7. LONG-TERM OBLIGATION ACTIVITY

Changes in long-term obligations for the fiscal year ended June 30, 2011 were as follows:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences payable	506,281.13	143,408.20	200,300.20	449,389.13	-
School Bonds of 2004	3,477,000.00	-	190,000.00	3,287,000.00	195,000.00
School Bonds of 2009	<u>3,046,000.00</u>	<u>-</u>	<u>-</u>	<u>3,046,000.00</u>	<u>150,000.00</u>
	<u>7,029,281.13</u>	<u>143,408.20</u>	<u>390,300.20</u>	<u>6,782,389.13</u>	<u>345,000.00</u>

A. Bonds Payable

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

Outstanding Bonds Payable at June 30, 2011, consisted of the following:

<u>Issue</u>	<u>Original</u> <u>Amount</u> <u>Issued</u>	<u>Issue</u> <u>Date</u>	<u>Interest</u> <u>Rates</u>	<u>Date of</u> <u>Maturity</u>	<u>Principal</u> <u>Balance at</u> <u>June 30, 2011</u>
School Bonds of 2004	4,447,000.00	2/01/2004	3.75-4.40%	2/01/2024	\$3,287,000.00
School Bonds of 2009	3,046,000.00	2/01/2009	2.00-4.00%	7/01/2024	3,046,000.00

Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2011

NOTE 7. LONG-TERM OBLIGATION ACTIVITY (continued)

A. Bonds Payable (continued)

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 345,000.00	\$ 230,383.00	\$ 575,383.00
2013	360,000.00	220,020.50	580,020.50
2014	380,000.00	209,133.00	589,133.00
2015	400,000.00	197,670.50	597,670.50
2016	415,000.00	185,008.00	600,008.00
2017-2021	2,441,000.00	687,240.00	3,128,240.00
2022-2025	<u>1,992,000.00</u>	<u>167,884.00</u>	<u>2,159,884.00</u>
	<u>\$6,333,000.00</u>	<u>\$1,897,339.00</u>	<u>\$8,230,339.00</u>

B. Bonds Authorized but not Issued

As of June 30, 2011, the Board has \$756.00 Authorized but not Issued Bonds.

NOTE 8. OPERATING LEASES

The District is leasing copiers under operating leases expiring in June 2015.

The following is a schedule of the future minimum lease payments under this capital lease and the net minimum lease payments at June 30, 2011:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>
2012	\$ 44,747.64
2013	44,747.64
2014	44,747.64
2015	<u>31,382.88</u>
	<u>\$165,625.80</u>

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2011**

NOTE 9. PENSION PLANS

Description of Plans - All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

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

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2011**

NOTE 9. PENSION PLANS (continued)

Contribution Requirements - The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by the State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% of PERS and 5.5% for TPAF of the employee's annual compensation. Employers are required to contribute at an actuarially determined rate in all Funds except SACT. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and TPAF. In the PERS and TPAF, the employer contribution includes funding for post-retirement medical premiums.

During the year ended June 30, 2011 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost equals annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost differs from the annual required contribution due to the enactment of Chapter 114, P.L. 1997. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997.

The Board's contribution to PERS, equal to the required contributions for each year, were as follows:

<u>Year Ending</u>	
6/30/11	\$224,284.00
6/30/10	149,308.00
6/30/09	108,517.60

The State of New Jersey contribution to TPAF (paid on-behalf of the District) for normal and post retirement benefits were as follows:

<u>Year Ending</u>	<u>Pension Contributions</u>	<u>Post-Retirement Medical Contributions</u>	<u>NCGI Premium</u>
6/30/11	\$ -	\$576,856.00	\$27,159.00
6/30/10	-	\$579,938.00	\$30,878.00
6/30/09	-	558,212.00	29,260.00

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2011**

NOTE 9. PENSION PLANS: (continued)

During the year ended June 30, 2011, the State of New Jersey contributed \$604,015.00 to the TPAF for NCGI premium contributions and post-retirement medical benefits on behalf of the Board, \$27,159.00 for NCGI premium contributions and \$576,856.00 for post-retirement medical benefits. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$651,748.75 during the year ended June 30, 2011 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. These amounts have been included in the district-wide financial statements, and the fund-based statements as revenues and expenditures in accordance with GASB 24.

Legislation enacted during 1993 provides early retirement incentives for certain members of the TPAF and PERS who met certain age and service requirements and who applied for retirement between certain dates in the 1993 fiscal year. The early retirement incentives include: (a) an additional five years of service credit for employees at least age 50 with a minimum of 25 years of service; (b) free health benefits for employees at least 60 years old with at least 20 years of service; and (c) an addition \$500 per month for two years for employees at least age 60 with 10 but less than 20 years of service. The Board offered the early retirement incentive program (ERIP) to its employees for both PERS and TPAF.

NOTE 10. POST-RETIREMENT BENEFITS:

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2010, there were 87,288 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994 Chapter 62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 Chapter 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. In fiscal year 2010, the State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members.

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2011**

NOTE 11. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). 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:

Equitable Life Assurance	Lincoln National
First Investors	Metlife Resources
Great American Life Insurance Co.	Variable Annuity Life Insurance Co.
Lincoln Investment Planning, Inc.	

NOTE 12. RISK MANAGEMENT

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

Property and Liability Insurance - The 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.

The Butler School District is currently a member of the Pooled Insurance Program of N.J. (the "PIP"). The PIP provides their members with worker's compensation insurance. The PIP is a risk-sharing public entity risk pool that is both an insured and self administered group of school districts, established for the purpose of providing low-cost insurance coverage for their members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective district for the purpose of creating a governing body from which officers for the PIP are elected.

As a member of the PIP, the district could be subject to supplemental assessments in the event of deficiencies. If the assets of the PIP were to be exhausted, members would become responsible for their respective shares of the PIP's liabilities.

The PIP can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with Statement No. 10 of the Government Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2011**

NOTE 12. RISK MANAGEMENT (continued)

Financial Statements are available at the PIP's Administrator's Office, as follows:

Burton Agency (201) 664-0310
44 Bergen Street
P. O. Box 270
Westwood, NJ 07675

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

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

<u>Fiscal year</u>	<u>Interest Earnings/ District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2010-2011	\$84,027.61	\$16,900.21	\$96,235.29	\$14,082.76
2009-2010	20,035.84	17,515.12	42,116.15	9,390.23
2008-2009	20,119.95	17,729.75	36,173.81	13,955.42

NOTE 13. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the District by inclusion of \$380,000.00 during the fiscal year ended June 30, 2001 and \$385,000.00 in subsequent years budgets for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). A 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 of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A 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 to *N.J.S.A. 19:60-2*. Pursuant to *N.J.A.C. 6A: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.

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2011**

NOTE 13. CAPITAL RESERVE ACCOUNT (continued)

The activity of the capital reserve for the July 1, 2010 to June 30, 2011 fiscal year is as follows:

Beginning balance, July 1, 2010	\$ 74,903.45
Interest earnings	258.83
Withdrawals:	
Board Resolution	<u>(74,880.00)</u>
Ending balance, June 30, 2011	<u>\$ 282.28</u>

The balance in the capital reserve account at June 30, 2011 does not exceed the balance of local support costs of uncompleted capital projects in its LFRP. Withdrawals from the capital reserve, where applicable, are for use in a DOE approved facilities project, consistent with the District's Long Range Facilities Plan.

NOTE 14. FUND BALANCE APPROPRIATED

General Fund [Exhibit B-1] - Of the \$1,428,781.90 General Fund fund balance at June 30, 2011, \$148,472.93 is reserved for encumbrances; \$86,669.95 is reserved as excess surplus in accordance with N.J.S.A. 18A:7F-7; \$282.28 has been reserved in the Capital Reserve Account; \$683,593.000 has been appropriated and included as anticipated revenue for the year ending June 30, 2012; and \$509,763.74 is unreserved and undesignated.

Debt Service Fund - The Debt Service Fund fund balance at June 30, 2011 of \$58.96 is unreserved and undesignated.

NOTE 15. CALCULATION OF EXCESS SURPLUS

In accordance with N.J.S.A. 18A:7F-7, as amended, the designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2011 is \$86,344.22. Of this amount, \$86,669.95 is the result of current year operation, and \$-0- is the result of prior year operations.

Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2011

NOTE 16. INVENTORY

Inventory in the Food Service Fund at June 30, 2011 consisted of the following:

Food	\$6,500.29
Supplies	<u>2,383.65</u>
	<u>\$8,883.94</u>

The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by USDA. It is valued at estimated market prices by USDA. The amount of unused commodities at year end is reported on Schedule A as deferred revenue.

NOTE 17. CONTINGENT LIABILITIES

The District's Counsel advises us they are not aware of any litigation claims or assessments pending or threatened against the Board.

**REQUIRED SUPPLEMENTARY STATEMENTS
PART II**

BUDGETARY COMPARISON SCHEDULE

**BUTLER BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Exhibit C-1
Page 1 of 5

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	13,384,947.00	-	13,384,947.00	13,384,947.00	-
Tuition - Other LEA's Within the State	3,879,915.00	38,476.00	3,918,391.00	3,879,914.75	(38,476.25)
Interest Earned on Capital Reserve Funds	12.00	-	12.00	258.83	246.83
Other Restricted Miscellaneous Revenue	49,000.00	-	49,000.00	129,258.14	80,258.14
Interest Income	8,001.00	-	8,001.00	5,349.13	(2,651.87)
E-Rate Reimbursements	19,000.00	-	19,000.00	55,865.65	36,865.65
Miscellaneous Income	2,000.00	-	2,000.00	40,214.62	38,214.62
Total - Local Sources	17,342,875.00	38,476.00	17,381,351.00	17,495,808.12	114,457.12
State Sources:					
Equalization Aid	939,289.00	-	939,289.00	939,289.00	-
Special Education Aid	526,895.00	-	526,895.00	526,895.00	-
Extraordinary Aid	-	-	-	236,989.00	236,989.00
Non Public Transportation Aid	-	-	-	13,050.00	13,050.00
On-behalf TPAF NCGI Premium (non-budgeted)	-	-	-	27,159.00	27,159.00
On-behalf TPAF Post Retirement Medical (non-budgeted)	-	-	-	576,856.00	576,856.00
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	651,748.75	651,748.75
Total State Sources	1,466,184.00	-	1,466,184.00	2,971,986.75	1,505,802.75
Federal Sources:					
Medicaid Reimbursement	8,914.00	-	8,914.00	15,285.26	6,371.26
Total Federal Sources	8,914.00	-	8,914.00	15,285.26	6,371.26
Total Revenues	18,817,973.00	38,476.00	18,856,449.00	20,483,080.13	1,626,631.13
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	-	13,647.00	13,647.00	13,607.00	40.00
Kindergarten - Salaries of Teachers	135,600.00	892.00	136,492.00	136,174.16	317.84
Grades 1-5 - Salaries of Teachers	1,534,631.00	(14,508.00)	1,520,123.00	1,520,122.07	0.93
Grades 6-8 - Salaries of Teachers	934,918.00	(12,213.00)	922,705.00	922,704.84	0.16
Grades 9-12 - Salaries of Teachers	2,676,944.00	(100,790.00)	2,575,254.00	2,567,236.67	8,017.33
Regular Programs - Home Instruction:					
Salaries of Teachers	7,376.00	345.00	7,721.00	7,719.76	1.24
Purchased Professional-Educational Services	2,242.00	1,505.00	3,747.00	1,800.00	1,947.00
Regular Programs - Undistributed Instruction:					
Purchased Professional-Educational Services	8,417.00	(2,428.00)	5,989.00	3,406.20	2,582.80
Purchased Technical Services	465.00	-	465.00	465.00	-
Other Purchased Services (400-500 series)	60,305.00	(6,867.00)	53,438.00	50,408.39	3,029.61
General Supplies	192,953.00	67,604.00	260,557.00	256,859.69	3,697.31
Textbooks	57,937.00	29,469.00	87,406.00	87,301.84	104.16
Other Objects	11,408.03	(1,990.00)	9,418.03	7,891.07	1,526.96
TOTAL REGULAR PROGRAMS - INSTRUCTION	5,622,296.03	(25,334.00)	5,596,962.03	5,575,231.69	21,730.34
SPECIAL EDUCATION - INSTRUCTION					
Learning and/or Language Disabilities:					
Salaries of Teachers	310,933.00	(89,451.00)	221,482.00	220,348.29	1,133.71
General Supplies	1,806.00	110.00	1,916.00	1,575.28	340.72
Textbooks	401.00	1,993.00	2,394.00	2,392.82	1.18
Total Learning and/or Language Disabilities	313,140.00	(87,348.00)	225,792.00	224,316.39	1,475.61
Resource Room/Resource Center:					
Salaries of Teachers	868,532.00	62,443.00	930,975.00	930,972.08	2.92
Other Salaries for Instruction	80,853.00	(13,629.00)	67,224.00	64,525.86	2,698.14
General Supplies	4,900.00	11,658.00	16,558.00	15,988.39	569.61
Textbooks	2,500.00	9,008.00	11,508.00	11,301.35	206.65
Total Resource Room/Resource Center	956,785.00	69,480.00	1,026,265.00	1,022,787.68	3,477.32
Preschool Disabilities - Part-Time:					
Salaries of Teachers	18,188.00	2,377.00	20,565.00	19,567.56	997.44
Other Salaries for Instruction	9,984.00	(9,984.00)	-	-	-
General Supplies	400.00	(66.00)	334.00	323.44	10.56
Total Preschool Disabilities - Part-Time	28,572.00	(7,673.00)	20,899.00	19,891.00	1,008.00
Preschool Disabilities - Full-Time					
Salaries of Teachers	67,868.00	(4,042.00)	63,826.00	63,820.27	5.73
Other Salaries for Instruction	11,634.00	7,893.00	19,527.00	19,526.61	0.39
General Supplies	400.00	116.00	516.00	495.36	20.64
Total Preschool Disabilities - Full-Time	79,902.00	3,967.00	83,869.00	83,842.24	26.76
Home Instruction:					
Salaries of Teachers	26,301.00	7,734.00	34,035.00	32,609.87	1,425.13
Purchased Professional - Educational Services	984.00	2,484.00	3,468.00	3,468.00	-
Total Home Instruction	27,285.00	10,218.00	37,503.00	36,077.87	1,425.13
TOTAL SPECIAL EDUCATION - INSTRUCTION	1,405,684.00	(11,356.00)	1,394,328.00	1,386,915.18	7,412.82

**BUTLER BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**Exhibit C-1
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	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Basic Skills/Remedial - Instruction					
Salaries of Teachers	24,423.00	22,026.00	46,449.00	45,942.29	506.71
Total Basic Skills/Remedial - Instruction	24,423.00	22,026.00	46,449.00	45,942.29	506.71
Bilingual Education - Instruction					
Salaries of Teachers	79,475.00	-	79,475.00	79,475.00	-
Total Bilingual Education - Instruction	79,475.00	-	79,475.00	79,475.00	-
School-Spon. Cocurricular Activities Inst.					
Salaries	64,809.00	-	64,809.00	59,692.73	5,116.27
Purchased Services (300-500 Series)	7,900.00	463.00	8,363.00	3,720.32	4,642.68
Supplies and Materials	5,520.00	(463.00)	5,057.00	2,299.15	2,757.85
Other Objects	925.00	-	925.00	290.00	635.00
Transfers to Cover Deficit (Agency Funds)	20,100.00	-	20,100.00	10,000.00	10,100.00
Total School-Spon. Cocurricular Activities - Inst.	99,254.00	-	99,254.00	76,002.20	23,251.80
School-Spon. Athletics - Inst.					
Salaries	216,488.00	2,906.00	219,394.00	203,288.24	16,105.76
Purchased Services (300-500 Series)	38,115.00	(5,001.00)	33,114.00	21,801.63	11,312.37
Supplies and Materials	47,704.00	-	47,704.00	39,652.65	8,051.35
Other Objects	49,980.00	-	49,980.00	9,096.54	40,883.46
Transfers to Cover Deficit (Agency Funds)	67,243.00	-	67,243.00	35,000.00	32,243.00
Total School-Spon. Athletics - Inst.	419,530.00	(2,095.00)	417,435.00	308,839.06	108,595.94
Total Instruction	7,650,662.03	(16,759.00)	7,633,903.03	7,472,405.42	161,497.61
Undistributed Expenditures - Instruction:					
Tuition to Other LEAs Within the State - Regular	12,772.00	(12,772.00)			-
Tuition to Other LEAS Within the State - Special	34,250.00	12,268.00	46,518.00	45,556.90	961.10
Tuition to County Voc. School Dist - Regular	437,714.00	(5,715.00)	431,999.00	429,883.20	2,115.80
Tuition to County Voc. School Dist - Special	14,604.00	(4,681.00)	9,923.00	9,158.00	765.00
Tuition to CSSD & Regional Day Schools	229,280.00	13,520.00	242,800.00	242,800.00	-
Tuition to Private School for Disabled w/in State	822,590.00	(63,632.00)	758,958.00	726,112.46	32,845.54
Tuition - Other	39,000.00	-	39,000.00	39,000.00	-
Total Undistributed Expenditures - Instruction:	1,590,210.00	(61,012.00)	1,529,198.00	1,492,510.56	36,687.44
Undistributed Expend. - Attend. & Social Work					
Salaries	18,554.00	(160.00)	18,394.00	18,341.48	52.52
Supplies and Materials	3,750.00	-	3,750.00	2,341.91	1,408.09
Total Undistributed Expend. - Attend. & Social Work	22,304.00	(160.00)	22,144.00	20,683.39	1,460.61
Undist. Expend. - Health Services					
Salaries	216,256.00	6,908.00	223,164.00	223,162.98	1.02
Purchased Professional and Technical Services	10,000.00	5,336.00	15,336.00	14,805.49	530.51
Other Purchased Services (400-500 Series)	-	174.00	174.00	173.25	0.75
Supplies and Materials	9,366.00	(1,863.00)	7,503.00	7,033.85	469.15
Other Objects	255.00	78.00	333.00	332.26	0.74
Total Undistributed Expenditures - Health Services	235,877.00	10,633.00	246,510.00	245,507.83	1,002.17
Undist. Expend.-Speech, OT,PT & Related Services					
Salaries	126,900.00	(141.00)	126,759.00	126,428.80	330.20
Purchased Professional - Educational Services	136,992.00	7,626.00	144,618.00	140,006.66	4,611.34
Supplies and Materials	1,818.00	-	1,818.00	1,321.64	496.36
Total Undist. Expend.-Speech, OT, PT & Related Services	265,710.00	7,485.00	273,195.00	267,757.10	5,437.90
Undist. Expend.- Other Supp. Serv. Students - Extra. Serv.					
Salaries	287,917.00	73,748.00	361,665.00	360,186.26	1,478.74
Purchased Professional- Educational Services	179,699.00	(29,611.00)	150,088.00	146,222.74	3,865.26
Supplies and Materials	4,757.90	2,200.00	6,957.90	6,956.29	1.61
Other Object	295.00	1,903.00	2,198.00	2,181.68	16.32
Total Undist. Expend.- Other Supp. Serv. Students - Extra Serv.	472,668.90	48,240.00	520,908.90	515,546.97	5,361.93
Undist. Expend. - Guidance					
Salaries of Other Professional Staff	300,919.00	43,744.00	344,663.00	343,971.55	691.45
Salaries of Secretarial and Clerical Assistants	49,019.00	(2,098.00)	46,921.00	46,920.18	0.82
Other Purchased Prof. And Tech. Services	17,119.00	(5,695.00)	11,424.00	4,147.75	7,276.25
Other Purchased Services (400-500 series)	2,598.00	(1,621.00)	977.00	219.50	757.50
Supplies and Materials	7,426.00	(74.00)	7,352.00	7,265.93	86.07
Other Objects	800.00	-	800.00	160.00	640.00
Total Undist. Expend. - Guidance	377,881.00	34,256.00	412,137.00	402,684.91	9,452.09
Undist. Expend.-Child Study Team					
Salaries of Other Professional Staff	288,300.00	(6,977.00)	281,323.00	279,965.96	1,357.04
Salaries of Secretarial and Clerical Assistants	71,645.00	5,001.00	76,646.00	76,318.97	327.03
Other Purchased Prof. And Tech. Services	3,950.00	3,900.00	7,850.00	6,100.00	1,750.00
Miscellaneous Purchased Services (400-500 series)	2,643.00	(402.00)	2,241.00	641.05	1,599.95
Supplies and Materials	1,500.00	11,177.00	12,677.00	12,406.36	270.64
Other Objects	-	2,000.00	2,000.00	2,000.00	-
Total Undist. Expend. - Child Study Team	368,038.00	14,699.00	382,737.00	377,432.34	5,304.66

**BUTLER BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Exhibit C-1
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	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Improvement of Inst. Serv.					
Salaries of Supervisor of Instruction	141,333.00	2,362.00	143,695.00	143,694.05	0.95
Salaries of Other Professional Staff	-	4,125.00	4,125.00	-	4,125.00
Salaries of Secr and Clerical Assist.	17,356.00	(264.00)	17,092.00	16,939.16	152.84
Other Objects	-	40.00	40.00	40.00	-
Total Undist. Expend. - Improvement of Inst. Serv.	158,689.00	6,263.00	164,952.00	160,673.21	4,278.79
Undist. Expend. - Edn. Media Serv./Sch. Library					
Salaries	70,924.00	1,679.00	72,603.00	71,222.65	1,380.35
Purchased Professional and Technical Services	5,393.00	489.00	5,882.00	5,283.45	598.55
Other Purchased Services (400-500 Series)	12,000.00	5,053.00	17,053.00	16,776.65	276.35
Supplies and Materials	18,272.00	536.00	18,808.00	17,362.50	1,445.50
Total Undist. Expend. - Edu. Media Serv./Sch. Library	106,589.00	7,757.00	114,346.00	110,645.25	3,700.75
Undist. Expend. - Instructional Staff Training Serv.					
Salaries of Supervisors of Instruction	35,326.00	68.00	35,394.00	35,393.73	0.27
Salaries of Other Professional Staff	-	1,400.00	1,400.00	1,400.00	-
Purchased Professional - Educational Service	1,200.00	(800.00)	400.00	-	400.00
Other Purchased Prof. and Tech. Services	-	1,225.00	1,225.00	975.00	250.00
Other Purchased Services (400-500 series)	11,277.00	(6,352.00)	4,925.00	2,881.80	2,043.20
Supplies and Materials	-	224.00	224.00	223.17	0.83
Total Undist. Expend. - Instructional Staff Training Serv.	47,803.00	(4,235.00)	43,568.00	40,873.70	2,694.30
Undist. Expend. - Supp. Serv. - General Admin.					
Salaries	239,958.00	1,963.00	241,921.00	241,644.70	276.30
Legal Services	66,318.00	2,301.00	68,619.00	68,618.77	0.23
Audit Fees	32,592.25	-	32,592.25	15,661.25	16,931.00
Other Purchased Professional Services	6,023.66	10,567.00	16,590.66	12,508.39	4,082.27
Purchased Technical Services	4,200.00	3,579.00	7,779.00	7,778.50	0.50
Communications/Telephone	97,065.00	(12,000.00)	85,065.00	80,199.68	4,865.32
BOE Other Purchased Services	4,430.00	(4,430.00)	-	-	-
Other Purchased Services (400-500 series)	61,210.00	2,303.00	63,513.00	60,776.74	2,736.26
General Supplies	6,086.00	2,409.00	8,495.00	5,209.63	3,285.37
Judgments Against the School District	70,083.32	4,819.00	74,902.32	70,911.87	3,990.45
Miscellaneous Expenditures	14,374.00	(287.00)	14,087.00	13,547.05	539.95
Total Undist. Expend. - Supp. Serv. - General Admin.	602,340.23	11,224.00	613,564.23	576,856.58	36,707.65
Undist. Expend. - Support Serv. - School Admin.					
Salaries of Principals/Assistant Principals	477,720.00	12,222.00	489,942.00	489,941.35	0.65
Salaries of Other Professional Staff	43,342.00	3,827.00	47,169.00	47,168.80	0.20
Salaries of Secretarial and Clerical Assistants	171,659.00	517.00	172,176.00	172,174.34	1.66
Purchased Professional and Technical Services	4,360.00	(4,360.00)	-	-	-
Other Purchased Services (400-500 series)	14,119.00	(11,433.00)	2,686.00	2,635.86	50.14
Supplies and Materials	8,232.00	778.00	9,010.00	8,855.77	154.23
Other Objects	5,693.00	(224.00)	5,469.00	5,021.80	447.20
Total Undist. Expend. - Support Serv. - School Admin.	725,125.00	1,327.00	726,452.00	725,797.92	654.08
Undist. Expend. - Central Services					
Salaries	301,854.00	-	301,854.00	296,769.75	5,084.25
Purchased Professional Services	-	15,292.00	15,292.00	15,292.00	-
Purchased Technical Services	6,730.00	-	6,730.00	6,630.10	99.90
Misc. Purchased Services (400-500 series)	16,055.00	(419.00)	15,636.00	11,986.48	3,649.52
Supplies and Material	12,350.00	(40.00)	12,310.00	8,859.86	3,450.14
Miscellaneous Expenditures	2,737.00	459.00	3,196.00	2,546.00	650.00
Total Undist. Expend. - Central Services	339,726.00	15,292.00	355,018.00	342,084.19	12,933.81
Undist. Expend. - Admin. Info. Tech					
Salaries	57,601.00	-	57,601.00	56,987.52	613.48
Purchased Technical Services	11,314.00	(35.00)	11,279.00	5,718.20	5,560.80
Supplies and Material	26,438.87	-	26,438.87	19,127.47	7,311.40
Other Object	-	35.00	35.00	34.99	0.01
Total Undist. Expend. - Admin. Info. Tech.	95,353.87	-	95,353.87	81,868.18	13,485.69
Undist. Expend. - Required Maint for School Facilities					
Cleaning, Repair and Maintenance Services	183,715.00	(42,301.51)	141,413.49	112,870.94	28,542.55
General Supplies	10,990.00	-	10,990.00	1,614.05	9,375.95
Other Objects	-	2,092.00	2,092.00	1,046.00	1,046.00
Total Undist. Expend. - Required Maint for School Facilities	194,705.00	(40,209.51)	154,495.49	115,530.99	38,964.50

**BUTLER BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**Exhibit C-1
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	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Oth. Oper. & Maint. of Plant					
Salaries	907,106.00	(52,811.49)	854,294.51	849,150.91	5,143.60
Salaries of Non-Instructional Aides	-	22,970.00	22,970.00	21,288.14	1,681.86
Purchased Professional and Technical Services	7,747.00	-	7,747.00	4,338.00	3,409.00
Cleaning, Repair and Maintenance Services	37,879.00	-	37,879.00	23,706.81	14,172.19
Rental of Land & Bldg. Oth. Than Lease Pur Agrmt	1.00	-	1.00	1.00	-
Other Purchased Property Services	20,402.00	-	20,402.00	7,363.88	13,038.12
Insurance	77,116.00	-	77,116.00	77,116.00	-
Miscellaneous Purchased Services	2,964.00	-	2,964.00	-	2,964.00
General Supplies	136,038.00	(12,550.00)	123,488.00	84,114.11	39,373.89
Energy (Electricity)	212,023.00	58,667.00	270,690.00	248,879.08	21,810.92
Energy (Natural Gas)	308,067.00	(122,735.00)	185,332.00	145,870.25	39,461.75
Energy (Gasoline)	5,048.00	-	5,048.00	3,623.16	1,424.84
Other Objects	1,575.00	(160.00)	1,415.00	1,300.00	115.00
Total Undist. Expend. - Other Oper. & Maint. Of Plant	1,715,966.00	(106,619.49)	1,609,346.51	1,466,751.34	142,595.17
Undistributed Expenditures - Care of Upkeep of Grounds					
Salaries	46,435.00	2,494.00	48,929.00	48,574.63	354.37
Cleaning, Repair, and Maintenance Services	-	67,051.00	67,051.00	56,696.84	10,354.16
General Supplies	62,917.00	(4,458.00)	58,459.00	11,120.63	47,338.37
Other Objects	160.00	-	160.00	160.00	-
Total Care and Upkeep of Grounds	109,352.00	65,247.00	174,599.00	116,552.10	58,046.90
Total Undist. Expend. - Oper. & Maint. Plant Services	2,020,023.00	(81,582.00)	1,938,441.00	1,698,834.43	239,606.57
Undist. Expend. - Student Transportation Serv.					
Management Fee - ESC & CTSA Transportation Program	1,415.00	-	1,415.00	1,281.65	133.35
Contracted Services - (Bet. Home and Sch) - Vendors	204,871.00	-	204,871.00	201,988.30	2,882.70
Contracted Services - (Other than Bet. Home & Sch) - Vendors	130,000.00	(12,605.00)	117,395.00	107,594.60	9,800.40
Contracted Services - (Bet. Home and Sch) - Joint Agreements	4,420.00	-	4,420.00	3,830.13	589.87
Contracted Services - (Sp Ed Stds) - Vendors	108,654.00	(26,591.00)	82,063.00	70,696.62	11,366.38
Contract Services - (Sp Ed Stds) - Joint Agreements	4,050.00	-	4,050.00	916.67	3,133.33
Contract Services - (Reg. Students) - ESCS & CTSAS	40,201.00	7,654.00	47,855.00	46,706.01	1,148.99
Contract Services - (Spl. Ed. Students) - ESCS & CTSAS	298,946.00	(7,363.00)	291,583.00	282,515.63	9,067.37
Contract Services - Aid in Lieu of Payments - NonPub Sch	69,836.00	-	69,836.00	60,259.34	9,576.66
Contract Services - Aid in Lieu of Payments - Charter School	884.00	-	884.00	884.00	-
Total Undist. Expend. - Student Transportation Serv.	863,277.00	(38,905.00)	824,372.00	776,672.95	47,699.05
UNALLOCATED BENEFITS					
Social Security Contributions	208,141.00	(5,567.00)	202,574.00	201,685.41	888.59
Other Retirement Contributions - Regular	171,945.00	60,650.00	232,595.00	232,594.00	1.00
Unemployment Compensation	58,160.00	25,840.00	84,000.00	84,000.00	-
Workmen's Compensation	155,573.00	-	155,573.00	155,573.00	-
Health Benefits	2,820,788.00	(103,349.00)	2,717,439.00	2,701,575.51	15,863.49
Tuition Reimbursement	64,500.00	(24,500.00)	40,000.00	28,724.12	11,275.88
Other Employee Benefits	71,578.00	29,317.00	100,895.00	99,267.88	1,627.12
TOTAL UNALLOCATED BENEFITS	3,550,685.00	(17,609.00)	3,533,076.00	3,503,419.92	29,656.08
On-behalf TPAF NCGI Premium (non-budgeted)	-	-	-	27,159.00	(27,159.00)
On-behalf TPAF Post Retirement Medical (non-budgeted)	-	-	-	576,856.00	(576,856.00)
Reimbursed TPAF Social Security Contributions (non-budgeted)	-	-	-	651,748.75	(651,748.75)
TOTAL ON-BEHALF CONTRIBUTIONS	-	-	-	1,255,763.75	(1,255,763.75)
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	3,550,685.00	(17,609.00)	3,533,076.00	4,759,183.67	(1,226,107.67)
TOTAL UNDISTRIBUTED EXPENDITURES	11,842,300.00	(46,327.00)	11,795,973.00	12,595,613.18	(799,640.18)
TOTAL GENERAL CURRENT EXPENSE	19,492,962.03	(63,086.00)	19,429,876.03	20,068,018.60	(638,142.57)
CAPITAL OUTLAY					
Equipment					
Regular Programs - Instruction:					
Grades 6-8	2,175.00	-	2,175.00	2,175.00	-
Special Education - Instruction					
School - Sponsored and Other Instructional Programs	10,483.58	2,095.00	12,578.58	12,578.58	-
Undistributed Expenditures - School Administration	2,693.00	-	2,693.00	-	2,693.00
Undistributed Expenditures - Support Services - Students	-	4,500.00	4,500.00	4,500.00	-
Undistributed Expenditures - Care and Upkeep of Grounds	9,349.00	-	9,349.00	4,395.00	4,954.00
Undistributed Expenditures - Custodial Services	-	4,350.00	4,350.00	4,350.00	-
Total Equipment	24,700.58	10,945.00	35,645.58	27,998.58	7,647.00

**BUTLER BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Exhibit C-1
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	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Facilities Acquisition and Construction Services					
Construction Services	144,454.00	67,232.00	211,686.00	101,909.42	109,776.58
Other Objects	34,580.00		34,580.00	34,580.00	
Total Facilities Acquisition and Construction Services	<u>179,034.00</u>	<u>67,232.00</u>	<u>246,266.00</u>	<u>136,489.42</u>	<u>109,776.58</u>
TOTAL CAPITAL OUTLAY	<u>203,734.58</u>	<u>78,177.00</u>	<u>281,911.58</u>	<u>164,488.00</u>	<u>117,423.58</u>
Transfer to Charter School	<u>17,573.00</u>	<u>3,385.00</u>	<u>20,958.00</u>	<u>20,958.00</u>	<u>-</u>
Total Expenditures	<u>19,714,269.61</u>	<u>18,476.00</u>	<u>19,732,745.61</u>	<u>20,253,464.60</u>	<u>(520,718.99)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(896,296.61)</u>	<u>20,000.00</u>	<u>(876,296.61)</u>	<u>229,615.53</u>	<u>1,105,912.14</u>
Other Financing Sources:					
Operating Transfer out - Enterprise Fund	<u>(4,869.00)</u>	<u>(20,000.00)</u>	<u>(24,869.00)</u>	<u>(16,286.24)</u>	<u>8,582.76</u>
Total Other Financing Sources:	<u>(4,869.00)</u>	<u>(20,000.00)</u>	<u>(24,869.00)</u>	<u>(16,286.24)</u>	<u>8,582.76</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	<u>(901,165.61)</u>	<u>-</u>	<u>(901,165.61)</u>	<u>213,329.29</u>	<u>1,114,494.90</u>
Fund Balance, July 1	<u>1,336,007.61</u>		<u>1,336,007.61</u>	<u>1,336,007.61</u>	
Fund Balance, June 30	<u>434,842.00</u>	<u>-</u>	<u>434,842.00</u>	<u>1,549,336.90</u>	<u>1,114,494.90</u>
Recapitulation of excess (deficiency) of revenues under expenditures:					
Adjustment for prior year encumbrances	<u>(109,808.61)</u>		<u>(109,808.61)</u>	<u>(109,808.61)</u>	<u>-</u>
Budgeted fund Balance	<u>(716,489.00)</u>		<u>(716,489.00)</u>	<u>397,759.07</u>	<u>1,114,248.07</u>
Budgeted Withdrawal from Capital Reserve	<u>(74,880.00)</u>		<u>(74,880.00)</u>	<u>(74,880.00)</u>	<u>-</u>
Increase in capital reserve:					
Interest	<u>12.00</u>		<u>12.00</u>	<u>258.83</u>	<u>246.83</u>
	<u>(901,165.61)</u>	<u>-</u>	<u>(901,165.61)</u>	<u>213,329.29</u>	<u>1,114,494.90</u>
Recapitulation:					
Committed Fund Balance:					
Year End Encumbrances				148,472.93	
Assigned Fund Balance:					
Designated for Subsequent Year's Expenditures				683,593.00	
Restricted Fund Balance:					
Excess Surplus				86,669.95	
Capital Reserve				282.28	
Unassigned Fund Balance				<u>630,318.74</u>	
				1,549,336.90	
Reconciliation to Governmental Fund Statements (GAAP):					
Last State Aid Payments not Recognized on GAAP Basis				<u>(120,555.00)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>1,428,781.90</u>	

**BUTLER BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources	3,000.00	12,637.84	15,637.84	8,422.47	(7,215.37)
State Sources	63,090.00	(8,240.00)	54,850.00	52,998.88	(1,851.12)
Federal Sources	284,772.00	275,224.39	559,996.39	413,497.66	(146,498.73)
Total Revenues	350,862.00	279,622.23	630,484.23	474,919.01	(155,565.22)
EXPENDITURES:					
Instruction					
Personal Services - Salaries	25,108.00	39,771.77	64,879.77	50,566.98	14,312.79
Instruction Purchased Services	24,116.00	(4,491.00)	19,625.00	19,554.92	70.08
Other Purchased Services	192,036.00	(1,674.00)	190,362.00	190,362.00	-
General supplies	44,780.00	(5,355.23)	39,424.77	19,172.71	20,252.06
Total Instruction	286,040.00	28,251.54	314,291.54	279,656.61	34,634.93
Support Services					
Personal Services - Salaries	3,629.00	71,800.00	71,800.00	25,869.76	45,930.24
Employee Benefits		18,551.41	22,180.41	9,780.09	12,400.32
Purchased professional and technical services	61,193.00	78,230.60	139,423.60	97,006.29	42,417.31
Other Purchased Prof. Services		18,569.00	18,569.00	9,393.59	9,175.41
Supplies and Materials		64,219.68	64,219.68	53,212.67	11,007.01
Total Support Services	64,822.00	251,370.69	316,192.69	195,262.40	120,930.29
Total Expenditures	350,862.00	279,622.23	630,484.23	474,919.01	155,565.22
Total Outflows	350,862.00	279,622.23	630,484.23	474,919.01	155,565.22
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	-	-	-	-	-

**BUTLER BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGET COMPARISON SCHEDULES
BUDGET - TO - GAAP RECONCILIATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

		General Fund			Special Revenue Fund
Sources/inflows of resources					
Actual amounts (budgetary basis) "revenue"					
from the budgetary comparison schedule	[C-1]	20,483,080.13	[C-2]		474,919.01
Difference - budget to GAAP:					
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.					
Add: Prior Year Encumbrances					133.82
Less: Current Year Encumbrances					(61,279.29)
 The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognized the related expense (GASB 33).					
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.		(120,555.00)			
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.		227,800.00			
Total revenue as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2]	20,590,325.13	[B-2]		413,773.54
 Uses/outflows of resources					
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule					
Differences - budget to GAAP					
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.					
Add: Prior Year Encumbrances					133.82
Less: Current Year Encumbrances					(61,279.29)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	20,269,750.84	[B-2]		413,773.54

OTHER SUPPLEMENTARY INFORMATION

**BUTLER BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Total	Title I Part - A Improving Basic Programs Carryover	Title II Part - A Teacher/Parent Training & Recruiting	Title I Part - A Improving Basic Programs Carryover	Title II Part - A Teacher/Parent Training & Recruiting	Title II Part - D Enhancing Technology Thru Educ.	Title IV Safe & Drug Free Schools Carryover	Total 2011
REVENUES:								
Federal sources	337,995.74	40,055.78	14,840.90	14,736.96	14,840.90	130.00	195.68	413,497.66
State sources	52,998.88							52,998.88
Local sources	8,422.47							8,422.47
Total Revenues	399,417.09	40,055.78	14,840.90	14,736.96	14,840.90	130.00	195.68	474,919.01
EXPENDITURES:								
Instruction:								
Personal Services - Salaries	2,771.50	34,947.21		12,848.27				50,566.98
Instruction Purchased Services	19,554.92							19,554.92
Other Purchased Services	190,362.00					130.00		190,362.00
General supplies	19,042.71							19,172.71
Total instruction	231,731.13	34,947.21	-	12,848.27	-	130.00	-	279,656.61
Support Services:								
Personnel services - Salaries	25,869.76							25,869.76
Employee Benefits	2,782.83	5,108.57		1,888.69				9,780.09
Purchased prof. - & Tech. Services	83,206.29		8,257.40		5,542.60			97,006.29
Other purchased services	2,810.09		6,583.50				195.68	9,393.59
Supplies and Materials	53,016.99							53,212.67
Total support services	167,685.96	5,108.57	14,840.90	1,888.69	5,542.60	-	195.68	195,262.40
Total Expenditures	399,417.09	40,055.78	14,840.90	14,736.96	5,542.60	130.00	195.68	474,919.01
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)								

**BUTLER BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Total Brought Forward From (Ex. E-1b)	ARRA				I.D.E.A.		Total Carried Forward To (Ex. E-1)
		ARRA Title I Part - A Improving Basic Programs Carryover	ARRA		I.D.E.A.			
			Basic Carryover	Preschool Carryover	Basic	Preschool		
REVENUES:								
Federal sources	84,770.95	2,685.15	1,500.00	57.00	234,436.00	6,085.64	8,461.00	337,995.74
State sources	52,998.88							52,998.88
Local sources	8,422.47							8,422.47
Total Revenues	146,192.30	2,685.15	1,500.00	57.00	234,436.00	6,085.64	8,461.00	399,417.09
EXPENDITURES:								
Instruction:								
Personal Services - Salaries	833.50	1,938.00						2,771.50
Instruction Purchased Services	19,554.92							19,554.92
Other Purchased Services	-	463.43	1,275.00		185,854.00	4,508.00		190,362.00
General supplies	15,726.64					1,577.64		19,042.71
Total Instruction	36,115.06	2,401.43	1,275.00	-	185,854.00	6,085.64	-	231,731.13
Support Services:								
Personnel services - Salaries	25,869.76							25,869.76
Employee Benefits	2,499.11	283.72						2,782.83
Purchased prof. - & Tech. Services	26,106.29			57.00	48,582.00		8,461.00	83,206.29
Other purchased services	2,585.09		225.00					2,810.09
Supplies and Materials	53,016.99							53,016.99
Total support services	110,077.24	283.72	225.00	57.00	48,582.00	-	8,461.00	167,685.96
Total Expenditures	146,192.30	2,685.15	1,500.00	57.00	234,436.00	6,085.64	8,461.00	399,417.09
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	-	-	-	-	-	-	-	-

**BUTLER BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Total Brought Forward (Ex. E-1c)	Readiness & Emergency Management For Schools		Non-Public		Non Public Auxiliary Services Chapter 192		Non Public Handicapped Services Chapter 193		Total Carried Forward To (Ex. E-1a)
		Nursing	Textbook	Comp. Ed.	Examination & Classification	Corrective Speech	Supplemental Instruction			
REVENUES:										
Federal sources	-	84,770.95								84,770.95
State sources	-	11,045.00	8,637.67	14,066.00				5,945.48	5,488.92	52,998.88
Local sources	8,422.47									8,422.47
Total Revenues	8,422.47	84,770.95	11,045.00	14,066.00	8,637.67	7,815.81	5,945.48	5,488.92	146,192.30	
EXPENDITURES:										
Instruction:										
Personal Services - Salaries	833.50									833.50
Instruction Purchased Services	-			14,066.00					5,488.92	19,554.92
Other Purchased Services	-									-
General supplies	7,088.97		8,637.67							15,726.64
Total Instruction	7,922.47	-	8,637.67	14,066.00	-	-	-	5,488.92	36,115.06	
Support Services:										
Personnel services - Salaries	-	25,869.76								25,869.76
Employee Benefits	-	2,499.11								2,499.11
Purchased prof. - & Tech. Services	-	1,300.00	11,045.00					5,945.48		26,106.29
Other purchased services	-	2,585.09								2,585.09
Supplies and Materials	500.00	52,516.99								53,016.99
Total support services	500.00	84,770.95	11,045.00	-	-	7,815.81	5,945.48	-	110,077.24	
Total Expenditures	8,422.47	84,770.95	11,045.00	14,066.00	8,637.67	7,815.81	5,945.48	5,488.92	146,192.30	
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-

**BUTLER BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Office Max Grant	ONE	Target Grant	PNC Award	MSG Grant	Papermill Grant	Slam Dunk Trash Grant	Play 60 Grant	Stop/Shop Grant	Total Carried Forward To (Ex. E-1b)
REVENUES:										
Federal sources										
State sources	53.33	49.43	434.33	6.93	3,159.79	500.00	500.00	2,784.63	934.03	8,422.47
Local sources										
Total Revenues	53.33	49.43	434.33	6.93	3,159.79	500.00	500.00	2,784.63	934.03	8,422.47
EXPENDITURES:										
Instruction:										
Personal Services - Salaries					833.50					833.50
Instruction Purchased Services										
Other Purchased Services	53.33	49.43	434.33	6.93	2,326.29	500.00		2,784.63	934.03	7,088.97
General supplies										
Total Instruction	53.33	49.43	434.33	6.93	3,159.79	500.00	-	2,784.63	934.03	7,922.47
Support Services:										
Personnel services - Salaries										
Employee Benefits										
Purchased prof. - & Tech. Services										
Other purchased services										
Supplies and Materials							500.00			500.00
Total support services	-	-	-	-	-	-	500.00	-	-	500.00
Total Expenditures	53.33	49.43	434.33	6.93	3,159.79	500.00	500.00	2,784.63	934.03	8,422.47
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)										

**BUTLER BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Revenue and Other Financing Sources

Interest Income	58.88
Total Revenues	58.88

Expenditures and Other Financing Uses

Purchased professional and technical services	12,790.03
Construction services	254,532.98
Equipment Purchases	93,499.57
Total Expenditures	360,822.58
Excess (deficiency) of revenue over (under) expenditures	(360,763.70)

Other Financing Sources (Uses)**Operating Transfer Out:**

Interest transferred to Debt Service Fund	(58.88)
Excess (deficiency) of revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(360,822.58)

Fund balance - beginning	616,602.71
Fund balance - ending	255,780.13

BUTLER BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND
AND PROJECT STATUS - BUDGETARY BASIS
2004 DISTRICT WIDE BUILDING AND SITE IMPROVEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources				
State sources - SCC Grant	3,193,097.00		3,193,097.00	3,193,097.00
Bond proceeds and transfers	4,447,238.00		4,447,238.00	4,447,238.00
Transferred - Capital Reserve Fund	400,000.00		400,000.00	400,000.00
Total Revenues	<u>8,040,335.00</u>	<u>-</u>	<u>8,040,335.00</u>	<u>8,040,335.00</u>
Expenditures and Other Financing Uses				
Purchase professional and technical services	1,273,916.69	12,790.03	1,286,706.72	1,286,706.72
Constructions services	5,246,051.00	9,388.98	5,255,439.98	5,319,130.16
Equipment purchases	1,433,223.75	1,274.37	1,434,498.12	1,434,498.12
Total expenditures	<u>7,953,191.44</u>	<u>23,453.38</u>	<u>7,976,644.82</u>	<u>8,040,335.00</u>
Excess (deficiency) or revenues over (under) expenditures	<u>\$ 87,143.56</u>	<u>\$ (23,453.38)</u>	<u>\$ 63,690.18</u>	<u>\$ -</u>
Additional project information:				
Project Number	Butler H.S. 0630-020-1437 Richard Butler E.S. 0630-030-0941 Butler H.S. 0630-020-03-0942 Aaron Decker E.S. 0630-025-0943			
Grant Date	12/9/2003			
Bond Authorization Date	12/9/2003			
Bonds Authorized	4,447,238.00			
Bonds Issued	4,447,000.00			
Original Authorized Cost	8,040,335.00			
Additional Authorized Cost				
Revised Authorized Cost	8,040,335.00			
Percentage Increase over Original Authorized Cost	0.00%			
Percentage completion	99.21%			
Original target completion date	Aug-05			
Revised target completion date	Jun-12			

**BUTLER BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND
AND PROJECT STATUS - BUDGETARY BASIS
TECHNOLOGY AND SECURITY UPGRADES - BUTLER HIGH SCHOOL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources				
State sources - SCC Grant	119,140.00		119,140.00	119,140.00
Transferred - Capital Reserve Fund	178,710.00		178,710.00	178,710.00
Total Revenues	297,850.00	-	297,850.00	297,850.00
Expenditures and Other Financing Uses				
Purchase professional and technical services			-	2,700.00
Constructions services		138,199.00	138,199.00	138,199.00
Equipment purchases	14,290.85	42,906.20	57,197.05	156,951.00
Total expenditures	14,290.85	181,105.20	195,396.05	297,850.00
Excess (deficiency) or revenues over (under) expenditures	\$ 283,559.15	\$ (181,105.20)	\$ 102,453.95	\$ -
Additional project information:				
Project Number	0630-025-09-1002			
Grant Date	6/19/2009			
Bond Authorization Date				
Bonds Authorized				
Bonds Issued	-			
Original Authorized Cost	297,850.00			
Additional Authorized Cost	-			
Revised Authorized Cost	297,850.00			
Percentage Increase over Original Authorized Cost	0.00%			
Percentage completion	65.60%			
Original target completion date	Jun-11			
Revised target completion date	Jun-12			

**BUTLER BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND
AND PROJECT STATUS - BUDGETARY BASIS
TECHNOLOGY AND SECURITY UPGRADES - AARON DECKER ELEMENTARY SCHOOL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State sources - SCC Grant	38,950.00		38,950.00	38,950.00
Transferred - Capital Reserve Fund	58,425.00		58,425.00	58,425.00
Total Revenues	<u>97,375.00</u>	<u>-</u>	<u>97,375.00</u>	<u>97,375.00</u>
Expenditures and Other Financing Uses				
Purchase professional and technical services			-	2,700.00
Constructions services		56,659.00	56,659.00	56,659.00
Equipment purchases		21,941.10	21,941.10	38,016.00
Total expenditures	<u>-</u>	<u>78,600.10</u>	<u>78,600.10</u>	<u>97,375.00</u>
Excess (deficiency) or revenues over (under) expenditures	<u>\$ 97,375.00</u>	<u>\$ (78,600.10)</u>	<u>\$ 18,774.90</u>	<u>\$ -</u>

Additional project information:

Project Number 0630-025-09-1003

Grant Date	6/19/2009
Bond Authorization Date	
Bonds Authorized	
Bonds Issued	-
Original Authorized Cost	97,375.00
Additional Authorized Cost	-
Revised Authorized Cost	97,375.00

Percentage Increase over Original Authorized Cost	0.00%
Percentage completion	80.72%
Original target completion date	Jun-11
Revised target completion date	Jun-12

**BUTLER BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND
AND PROJECT STATUS - BUDGETARY BASIS
TECHNOLOGY AND SECURITY UPGRADES - BUTLER MIDDLE SCHOOL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources				
State sources - SCC Grant	59,410.00		59,410.00	59,410.00
Transferred - Capital Reserve Fund	89,115.00		89,115.00	89,115.00
Total Revenues	148,525.00	-	148,525.00	148,525.00
Expenditures and Other Financing Uses				
Purchase professional and technical services			-	2,700.00
Constructions services		50,286.00	50,286.00	50,286.00
Equipment purchases		27,377.90	27,377.90	95,539.00
Total expenditures	-	77,663.90	77,663.90	148,525.00
Excess (deficiency) or revenues over (under) expenditures	\$ 148,525.00	\$ (77,663.90)	\$ 70,861.10	\$ -

Additional project information:

Project Number 0630-025-09-1004

Grant Date	6/19/2009
Bond Authorization Date	
Bonds Authorized	
Bonds Issued	-
Original Authorized Cost	148,525.00
Additional Authorized Cost	-
Revised Authorized Cost	148,525.00

Percentage Increase over Original Authorized Cost	0.00%
Percentage completion	52.29%
Original target completion date	Jun-11
Revised target completion date	Jun-12

**BUTLER BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

PROJECT DESCRIPTION	STATE PLAN NUMBER	APPROPRIATION	EXPENDITURES		UNEXPENDED BALANCE
			PRIOR YEARS	CURRENT YEAR	
2004 District Wide Building and Site Improvements	*	\$ 8,040,335.00	\$ 7,953,191.44	\$ 23,453.38	\$ 63,690.18
Athletic Field Renovation Project	0630-020-08-1000	3,046,756.00	3,046,000.00		756.00
Technology and Security Upgrades - Butler High School	0630-025-09-1002	297,850.00	14,290.85	181,105.20	102,453.95
Technology and Security Upgrades - Aaron Decker Elementary School	0630-025-09-1003	97,375.00		78,600.10	18,774.90
Technology and Security Upgrades - Butler Middle School	0630-025-09-1004	148,525.00		77,663.90	70,861.10
		\$ 11,630,841.00	\$ 11,013,482.29	\$ 360,822.58	\$ 256,536.13
				Project Balance	256,536.13
				Unfunded Authorizations	(756.00)
				Fund Balance (Deficit) - June 30, 2011	255,780.13

* Contains various State Plan Numbers:
 Butler H.S. 0630-020-1437
 Richard Butler E.S. 0630-030-0941
 Butler H.S. 0630-020-03-0942
 Aaron Decker E.S. 0630-025-03-0943

BUTLER BOROUGH SCHOOL DISTRICT
ENTERPRISE FUND
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011

	<u>Food Service Program</u>	<u>Butler School District Educational Foundation</u>	<u>Totals</u>
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and cash equivalents	14,282.81	1,683.38	15,966.19
Accounts receivable:			
State - Lunch	243.10		243.10
Federal - Lunch	3,828.10		3,828.10
Federal - Milk	29.56		29.56
Inventories	8,883.94		8,883.94
	<u>27,267.51</u>	<u>1,683.38</u>	<u>28,950.89</u>
NONCURRENT ASSETS:			
CAPITAL ASSETS:			
Equipment	92,767.88		92,767.88
Less: accumulated depreciation	<u>(69,529.62)</u>		<u>(69,529.62)</u>
	<u>23,238.26</u>	<u>-</u>	<u>23,238.26</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>23,238.26</u>	<u>-</u>	<u>23,238.26</u>
TOTAL ASSETS	<u><u>50,505.77</u></u>	<u><u>1,683.38</u></u>	<u><u>52,189.15</u></u>
<u>LIABILITIES</u>			
CURRENT LIABILITIES:			
Accounts payable	10,957.03		10,957.03
Interfund Payable:			
General Fund	10,201.81		10,201.81
Deferred Revenue			
Federal Food Distribution Program	6,108.67		6,108.67
	<u>27,267.51</u>	<u>-</u>	<u>27,267.51</u>
TOTAL LIABILITIES	<u><u>27,267.51</u></u>	<u><u>-</u></u>	<u><u>27,267.51</u></u>
<u>NET ASSETS</u>			
Investment in Capital Assets Net of Related Debt	23,238.26		23,238.26
Unreserved (Deficit)		1,683.38	1,683.38
TOTAL NET ASSETS	<u><u>23,238.26</u></u>	<u><u>1,683.38</u></u>	<u><u>24,921.64</u></u>

**BUTLER BOROUGH SCHOOL DISTRICT
ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Food Service Program	Butler School District Educational Foundation	Totals
OPERATING REVENUES:			
Local sources:			
Daily sales reimbursable programs:			
School lunch programs	304,047.63		304,047.63
Total daily sales	304,047.63	-	304,047.63
Daily Sales - non-reimbursable programs:			
Special functions	2,317.71		2,317.71
Total operating revenues	306,365.34	-	306,365.34
OPERATING EXPENSES:			
Salaries	147,881.72		147,881.72
Cost of food	186,038.84		186,038.84
Employee benefits	40,663.94		40,663.94
Supplies and materials	17,113.70		17,113.70
Depreciation	2,495.63		2,495.63
Management Fees	15,670.98		15,670.98
Repairs	4,173.52		4,173.52
Insurance	1,246.63		1,246.63
Miscellaneous	3,004.78		3,004.78
Total operating expenses	418,289.74	-	418,289.74
OPERATING INCOME (LOSS)	(111,924.40)	-	(111,924.40)
NON-OPERATING REVENUES:			
State sources:			
State school lunch program	4,039.48		4,039.48
Federal sources:			
National school lunch program	65,951.86		65,951.86
Special milk program	677.15		677.15
Food distribution program	25,259.78		25,259.78
Interest revenue	89.26		89.26
Total non-operating revenues	96,017.53	-	96,017.53
NET INCOME (LOSS) BEFORE OPERATING TRANSFERS	(15,906.87)	-	(15,906.87)
Operating transfer in - General fund	16,286.24		16,286.24
NET INCOME (LOSS)	379.37	-	379.37
NET ASSETS - Beginning of year	22,858.89	1,683.38	24,542.27
NET ASSETS - End of Year	23,238.26	1,683.38	24,921.64

**BUTLER BOROUGH SCHOOL DISTRICT
ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Food Service Program	Butler School District Educational Foundation	Totals
CASH FLOWS USED BY OPERATING ACTIVITIES:			
Cash receipts from customers	306,365.34		306,365.34
Cash payments to employees for services	(147,881.72)		(147,881.72)
Cash payments to suppliers for goods and services	(262,286.68)		(262,286.68)
Net cash used by operating activities	(103,803.06)	-	(103,803.06)
CASH FLOWS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES:			
Cash received from state and federal reimbursements	70,668.49		70,668.49
Net cash provided by noncapital financing activities	70,668.49	-	70,668.49
CASH FLOW USED BY CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of equipment	2,875.00		2,875.00
CASH FLOW PROVIDED BY INVESTING ACTIVITIES:			
Interest on cash equivalents	89.26		89.26
NET INCREASE IN CASH AND CASH EQUIVALENTS	(35,920.31)	-	(35,920.31)
Operating transfer in - General fund	16,286.24		16,286.24
CASH AND CASH EQUIVALENTS, July 1	33,916.88	1,683.38	35,600.26
CASH AND CASH EQUIVALENTS, June 30	14,282.81	1,683.38	15,966.19
Reconciliation of operating (loss) to net cash provided (used) by operating activities:			
Operating Income (Loss)	(111,924.40)	-	(111,924.40)
Adjustments to reconcile operating loss to cash provided (used) by operating activities:			
Depreciation	2,495.63		2,495.63
Food distribution program	25,259.78		25,259.78
Changes in assets and liabilities:			
(Increase)/decrease in accounts receivable	2,396.04		2,396.04
(Increase)/decrease in inventory	555.46		555.46
Increase/(decrease) in accounts payable	(7,304.65)		(7,304.65)
Increase/(decrease) in interfund payable	(16,286.24)		(16,286.24)
Increase/(decrease) in deferred revenue	1,005.32		1,005.32
Net cash used by operating activities	(103,803.06)	-	(103,803.06)

Noncash Noncapital Financing Activities:

During the year, the district received \$ 25,259.78 of food commodities from the U.S. Department of Agriculture.

**BUTLER BOROUGH SCHOOL DISTRICT
INTERNAL SERVICE FUND
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011**

**Academy for
Law and Public
Safety**

ASSETS

CURRENT ASSETS:

Accounts receivable:

Other

316,588.78

Total current assets

316,588.78

TOTAL ASSETS

316,588.78

LIABILITIES

CURRENT LIABILITIES:

Cash Deficit

314,864.14

Accounts payable

1,724.64

Total Current Liabilities

316,588.78

**BUTLER BOROUGH SCHOOL DISTRICT
INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Academy for Law and Public Safety</u>
OPERATING REVENUES:	
Local sources:	
Fees from other LEA's within the State	531,793.91
	<hr/>
Total operating revenues	531,793.91
	<hr/>
OPERATING EXPENSES:	
Salaries	411,565.39
Employee benefits	101,774.05
Purchased property services	12,538.46
Supplies and materials	4,869.67
Miscellaneous	1,046.34
	<hr/>
Total operating expenses	531,793.91
	<hr/>
OPERATING INCOME (LOSS)	-
	<hr/>
 NET ASSETS, July 1	 -
	<hr/>
NET ASSETS, June 30	-
	<hr/> <hr/>

**BUTLER BOROUGH SCHOOL DISTRICT
INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Academy for Law and Public Safety</u>
CASH FLOWS USED BY OPERATING ACTIVITIES:	
Cash receipts from customers	284,313.93
Cash payments to employees for services	(411,565.39)
Cash payments to suppliers for goods and services	<u>(120,360.26)</u>
Net cash used by operating activities	<u>(247,611.72)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(247,611.72)
CASH AND CASH EQUIVALENTS, July 1	<u>(67,252.42)</u>
CASH AND CASH EQUIVALENTS, June 30	<u><u>(314,864.14)</u></u>
Reconciliation of operating (loss) to net cash provided (used) by operating activities:	
Operating income	-
Adjustments to reconcile operating loss to cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Increase/(decrease) in accounts payable	(131.74)
(Increase)/decrease in accounts receivable	<u>(247,479.98)</u>
Net cash used by operating activities	<u><u>(247,611.72)</u></u>

**BUTLER BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011**

	Scholarship Funds		Unemployment Compensation Insurance	Agency Fund
	High School Scholarship	M. Williams Memorial Fund		
ASSETS:				
Cash and cash equivalents	122,458.25	933.61	14,082.76	332,886.26
Interfund Receivable - Capital Projects Fund				710.28
TOTAL ASSETS	<u>122,458.25</u>	<u>933.61</u>	<u>14,082.76</u>	<u>333,596.54</u>
LIABILITIES:				
Payroll deductions and withholdings				1,774.48
Accrued Salaries and Wages				255,225.03
Flexible Spending				5,413.84
Interfund Payable - Special Revenue Fund				1,000.00
Payable to student groups				70,183.19
Total liabilities				<u>333,596.54</u>
NET ASSETS:				
Reserved for unemployment claims			<u>14,082.76</u>	
Reserved for Other Purposes	<u>122,458.25</u>	<u>933.61</u>		

**BUTLER BOROUGH SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Scholarship Funds		Unemployment Compensation Insurance Trust
	High School Scholarship	M. Williams Memorial Fund	
OPERATING REVENUES:			
Local sources:			
Donations	114,395.00		
Deductions from employees' salaries			16,900.21
Interest on investments	1,164.88	81.70	27.61
Board unemployment contributions			84,000.00
Total operating revenues	<u>115,559.88</u>	<u>81.70</u>	<u>100,927.82</u>
OPERATING EXPENSES:			
Scholarships	9,150.00	75.00	
Unemployment compensation assessments			96,235.29
Total operating expenses	<u>9,150.00</u>	<u>75.00</u>	<u>96,235.29</u>
OPERATING INCOME (LOSS)	<u>106,409.88</u>	<u>6.70</u>	<u>4,692.53</u>
NET ASSETS, July 1	<u>16,048.37</u>	<u>926.91</u>	<u>9,390.23</u>
NET ASSETS, June 30	<u><u>122,458.25</u></u>	<u><u>933.61</u></u>	<u><u>14,082.76</u></u>

**BUTLER BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

	Balance July 1, 2010	Cash Receipts	Cash Disbursements	Balance June 30, 2011
Interfund-Special Revenue Fund		1,000.00		1,000.00
High School Activities Fund	44,602.24	177,855.86	183,937.14	38,520.96
High School Athletic Fund	545.43	50,291.49	50,262.31	574.61
Richard Butler School	22,443.49	48,988.22	45,580.18	25,851.53
Aaron Decker Elementary School	3,465.32	21,301.83	19,531.06	5,236.09
	<u>71,056.48</u>	<u>299,437.40</u>	<u>299,310.69</u>	<u>71,183.19</u>
Total all schools	<u>71,056.48</u>	<u>299,437.40</u>	<u>299,310.69</u>	<u>71,183.19</u>

**BUTLER BOROUGH SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

	Balance July 1, 2010	Cash Receipts	Cash Disbursements	Balance June 30, 2011
ASSETS:				
Cash	237,751.71	12,872,568.30	12,848,616.94	261,703.07
Interfund Receivable - Capital Projects Fund			710.28	710.28
TOTAL ASSETS	<u>237,751.71</u>	<u>12,872,568.30</u>	<u>12,849,327.22</u>	<u>262,413.35</u>
LIABILITIES:				
Payroll deductions and withholdings	919.32	5,034,453.88	5,033,598.72	1,774.48
Net Payroll		7,508,466.31	7,508,466.31	-
Accrued Salaries and Wages	228,294.01	254,484.34	227,553.32	255,225.03
Flexible Spending	8,538.38	58,000.20	61,124.74	5,413.84
Due to Unemployment Compensation Account		16,900.21	16,900.21	-
Interfund Payable - General Fund		263.36	263.36	-
TOTAL LIABILITIES	<u>237,751.71</u>	<u>12,872,568.30</u>	<u>12,847,906.66</u>	<u>262,413.35</u>

**BUTLER BOROUGH SCHOOL DISTRICT
GENERAL LONG TERM DEBT ACCOUNT GROUP
STATEMENT OF SERIAL BONDS
FOR THE YEAR ENDED JUNE 30, 2011**

Issue	Date of Issue	Amount of Issue	Annual Maturities Date	Amount	Interest Rate	Balance July 1, 2010	Retired	Balance June 30, 2011
School Bonds of 2004	02/01/2004	4,447,000	2/1/2012	195,000	3.750%	3,477,000.00	190,000.00	3,287,000.00
			2/1/2013	205,000	3.750%			
			2/1/2014	215,000	3.750%			
			2/1/2015	225,000	3.750%			
			2/1/2016	235,000	3.750%			
			2/1/2017	245,000	4.000%			
			2/1/2018	260,000	4.000%			
			2/1/2019	270,000	4.000%			
			2/1/2020	280,000	4.125%			
			2/1/2021	290,000	4.250%			
			2/1/2022	290,000	4.250%			
			2/1/2023	290,000	4.375%			
2/1/2024	287,000	4.400%						
School Bonds of 2009	07/01/2009	3,046,000	7/1/2011	150,000	2.000%	3,046,000.00	190,000.00	3,046,000.00
			7/1/2012	155,000	2.000%			
			7/1/2013	165,000	2.000%			
			7/1/2014	175,000	2.000%			
			7/1/2015	180,000	2.750%			
			7/1/2016	190,000	2.750%			
			7/1/2017	200,000	3.000%			
			7/1/2018	201,000	3.000%			
			7/1/2019	250,000	3.500%			
			7/1/2020	255,000	4.000%			
			7/1/2021	265,000	4.000%			
			7/1/2022	275,000	4.000%			
7/1/2023	285,000	4.000%						
7/1/2024	300,000	4.000%						
						3,046,000.00		3,046,000.00
						6,523,000.00	190,000.00	6,333,000.00

**BUTLER BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
AS OF JUNE 30, 2011**

	Original Budget	Final Budget	Actual	Variance Positive (Negative Final to Actual)
REVENUES:				
Local sources:				
Local tax levy	434,978.50	434,978.50	434,978.50	-
Total revenues - local sources	434,978.50	434,978.50	434,978.50	-
State sources:				
Debt service aid type II	32,667.00	32,667.00	32,667.00	-
Total state sources	32,667.00	32,667.00	32,667.00	-
Total Revenues	467,645.50	467,645.50	467,645.50	-
EXPENDITURES				
Regular debt service:				
Redemption of principal	190,000.00	190,000.00	190,000.00	-
Interest	288,535.50	288,535.50	288,535.50	-
Total regular debt service	478,535.50	478,535.50	478,535.50	-
Total Expenditures	478,535.50	478,535.50	478,535.50	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,890.00)	(10,890.00)	(10,890.00)	-
Other Financing Sources:				
Operating Transfers In:				
Interest Earned in Capital Projects Fund			58.88	58.88
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(10,890.00)	(10,890.00)	(10,831.12)	58.88
Fund Balances, July 1	10,890.08	10,890.08	10,890.08	-
Fund Balances, June 30	0.08	0.08	58.96	58.88
Recapitulation of excess (deficiency) of revenues under expenditures:				
Budgeted fund Balance	(10,890.00)	(10,890.00)	10,831.12	58.88

STATISTICAL SECTION

OUTLINE OF NJ DOE STATISTICAL TABLES SECTION (GASB 44)

Exhibit #

Financial Trends Information/Schedules

J-1	Net Assets by Component
J-2	Changes in Net Assets
J-3	Fund Balances-Governmental Funds
J-4	Changes in Fund Balances. Governmental Funds
J-5	General Fund Other Local Revenue by Source

Revenue Capacity Information

J-6	Assessed Value and Estimated Actual Value of Taxable Property
J-7	Direct and Overlapping Property Tax Rates
J-8	Principal Property Taxpayers (Current year and nine years ago)
J-9	Property Tax Levies and Collections

Debt Capacity Information

J-10	Ratios or Outstanding Debt by Type
J-11	Ratios of General Bonded Debt Outstanding
J-12	Direct and Overlapping Governmental Activities Debt
J-13	Legal Debt Margin Information

Demographic and Economic Information

J-14	Demographic and Economic Statistics
J-15	Principal Employers, Current and Nine Years Ago

Operating Information

J-16	Full-time Equivalent District Employees by Function/Program
J-17	Operating Statistics
J-18	School Building Information
J-19	Schedule of Allowable Maintenance Expenditures by School
J-20	Insurance Schedule

BUTLER BOARD OF EDUCATION

**Net Assets by Component,
Last Ten Fiscal Years (*)
(accrual basis of accounting)**

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	
Governmental activities										
Invested in capital assets, net of related debt	2,825,791	2,812,529	5,344,345	6,349,976	6,426,969	6,551,758	9,750,634	6,991,051	7,131,488	
Restricted	449,850	7,278,659	1,390,963	850,068	1,096,655	1,211,898	(2,000,291)	1,117,637	1,174,657	
Unrestricted	476,570	(3,174,707)	(126,960)	(148,842)	(17,670)	(224,059)	(105,198)	53,858	5,399	
Total governmental activities net assets	3,752,210	6,916,481	6,608,348	7,051,202	7,505,955	7,539,596	7,645,145	8,162,545	8,311,744	
Business-type activities										
Invested in capital assets, net of related debt	12,172	14,990	16,876	12,706	24,011	20,270	25,259	22,859	23,238	
Unrestricted	9,878	51	(6,887)	840	3,099	2,673	1,663	1,663	1,663	
Total business-type activities net assets	22,050	15,041	7,989	13,546	27,110	22,943	26,942	24,542	24,922	
District-wide										
Invested in capital assets, net of related debt	2,837,963	2,827,519	5,361,221	6,362,682	6,450,981	6,572,028	9,775,893	7,013,910	7,154,727	
Restricted	449,850	7,278,659	1,390,963	850,068	1,096,655	1,211,898	(2,000,291)	1,117,637	1,174,632	
Unrestricted	486,447	(3,174,656)	(135,847)	(148,001)	(14,571)	(221,387)	(103,514)	55,541	7,408	
Total district net assets	3,774,261	6,931,522	6,616,337	7,064,749	7,533,065	7,562,540	7,672,087	8,187,087	8,336,666	

(*) GASB requires that ten years of statistical data be presented. However, since fiscal year 2003 was the first year of GASB 34 implementation ten years is not presented. Each year, thereafter, an additional year's data will be included until ten years of data is presented

Source: CAFR Schedule A-1

BUTLER BOARD OF EDUCATION

Changes in Net Assets, Last Ten Fiscal Years (*)
(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	
Expenses										
Governmental activities										
Instruction										
Regular	6,047,894	6,437,182	7,371,779	7,598,914	8,185,681	8,519,834	7,918,877	8,513,283		
Special education	1,279,091	1,375,750	1,608,873	1,660,427	1,889,998	2,077,437	1,907,976	1,981,418		
Other special education	181,357	135,981	247,401	237,163	277,065	282,877	352,889	180,200		
Other instruction	375,119	388,594	483,966	485,435	529,374	476,157	476,202	499,713		
Support Services:										
Tuition	574,802	721,564	690,303	844,034	890,928	904,426	1,146,319	1,635,041		
Student & instruction related services	2,332,795	2,392,234	2,887,310	2,993,763	3,378,562	3,355,669	3,124,360	2,913,323		
General administrative services	441,275	511,686	557,543	524,948	560,145	619,386	586,584	687,278		
School administrative services	887,752	916,065	943,102	986,342	1,074,137	1,189,393	1,162,591	1,035,799		
Central Services and Admin. Info. Tech.	356,840	291,286	422,841	448,921	499,661	573,142	693,654	592,060		
Plant operations and maintenance	1,626,795	1,856,318	1,960,153	2,159,217	2,320,754	2,388,635	2,307,900	2,081,170		
Pupil transportation	544,419	627,005	618,328	671,402	726,250	746,664	797,756	776,673		
Capital Outlay - Non-depreciable								34,580		
Charter Schools		7,966	8,063	21,096	17,218	23,881	31,298	20,958		
Interest on Long term debt	1,102,141	72,576	174,482	168,562	162,860	156,892	150,547	285,587		
Unallocated Benefits	153,262	1,301,280	48,257	66,840	65,465	76,557	74,309	101,774		
Unallocated depreciation and Amortization		140,782	140,782	210,866	145,970	141,486	6,830	518,927		
Total governmental activities expenses	15,903,542	17,176,270	18,163,183	19,077,931	20,724,068	21,543,436	20,738,103	21,857,782		
Business-type activities:										
Food service	431,183	438,115	425,808	486,605	480,421	497,129	485,211	418,290		
Butler School District Educational Foundation				1,325	2,802	1,922	2,109			
Total business-type activities expense	431,183	439,115	425,808	487,929	483,223	499,051	487,320	418,290		
Total district expenses	16,334,725	17,615,385	18,588,990	19,565,860	21,207,291	22,042,487	21,225,423	22,276,072		
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction (tuition)	126,911	187,093	223,896	290,539	328,127	308,726	312,159	531,794		
Support Services (General Admin. Services)	1,895	3,311	3,575	3,009	3,200	2,315	30,340			
Support Services (Central Services & Admin. Info.)	35,317	8,863	11,598	18,903	16,200	19,164	74,309			
Support Services (Unallocated Benefits)	13,739	36,806	48,257	66,840	65,465	76,557	74,309			
Operating grants and contributions	3,813,899	3,876,748	4,000,335	4,878,889	4,992,568	5,028,279	4,373,068	4,401,601		
Capital Grants and Contributions				149,645				19,671		
Total governmental activities program revenues	3,991,861	4,114,821	4,287,658	5,207,825	5,405,561	5,435,040	4,789,875	4,953,066		
Business-type activities:										
Charges for services										
Food service	296,477	329,973	343,676	375,283	387,460	371,920	359,049	306,365		
Butler School District Educational Foundation				2,165	5,060	1,496	1,120			
Operating grants and contributions	70,982	78,996	70,073	88,108	93,851	92,382	91,418	95,928		
Total business-type activities program revenues	367,459	408,969	413,749	465,536	486,371	465,798	451,587	402,294		
Total district program revenues	4,359,320	4,523,790	4,701,407	5,673,361	5,891,932	5,900,838	5,241,461	5,355,360		

BUTLER BOARD OF EDUCATION

Changes in Net Assets, Last Ten Fiscal Years (*)
(accrual basis of accounting)

	Fiscal Year Ending June 30,							
	2003	2004	2005	2006	2007	2008	2009	2011
Net (Expense)/Revenue								
Governmental activities	(11,911,681)	(13,061,449)	(13,875,524)	(13,870,106)	(15,318,507)	(16,108,396)	(15,948,228)	(16,904,716)
Business-type activities	(63,724)	(30,145)	(12,059)	(22,393)	3,148	(33,253)	(35,734)	(15,996)
Total district-wide net expense	(11,975,405)	(13,091,594)	(13,887,583)	(13,892,499)	(15,315,359)	(16,141,649)	(15,983,962)	(16,920,713)
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Property taxes levied for general purposes, net	9,043,116	9,514,444	9,517,144	10,189,908	10,845,708	11,242,269	11,861,884	13,384,947
Taxes levied for debt service			321,328	285,328	250,262	302,498	323,759	434,979
Unrestricted grants and contributions	3,000,182	6,597,926	3,553,955	3,671,707	4,359,387	4,504,192	3,750,524	3,127,184
Miscellaneous income	104,479	117,439	151,452	192,833	325,358	119,921	156,618	123,092
Transfers	(75,000)	(4,030)	(4,274)	(26,815)	(7,455)	(26,842)	(39,008)	(16,286)
Total governmental activities	12,072,777	16,225,719	13,539,605	14,312,961	15,773,260	16,142,038	16,053,777	17,053,916
Business-type activities:								
Investment earnings	158	301	732	1,136	2,960	2,244	725	89
Transfers	75,000	4,090	4,274	26,815	7,455	26,842	39,008	16,286
Total business-type activities	75,158	4,391	5,006	27,951	10,415	29,086	39,732	16,376
Total district-wide	12,147,935	16,230,110	13,544,612	14,340,912	15,783,675	16,171,124	16,093,509	17,070,291
Change in Net Assets								
Governmental activities	161,087	3,164,271	(335,919)	442,855	454,753	33,641	105,549	149,199
Business-type activities	11,434	(25,754)	(7,052)	5,557	13,563	(4,167)	3,999	379
Total district	172,521	3,138,516	(342,971)	448,412	468,316	29,475	109,548	149,579

Source: CAFR Schedule A-2

(*) GASB requires that ten years of statistical data be presented. However, since fiscal year 2003 was the first year of GASB 34 implementation ten years is not presented. Each year, thereafter, an additional year's data will be included until ten years of data is presented.

BUTLER BOARD OF EDUCATION

Fund Balances, Governmental Funds,
Last Ten Fiscal Years (*)
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	
General Fund										
Reserved	463,504	136,722	331,946	574,953	929,472	1,125,464	766,367	490,144		
Unreserved	1,159,672	1,158,535	415,999	471,767	578,560	371,087	486,229	618,064	86,952	
Restricted									148,473	
Committed									683,593	
Assigned									509,764	
Unassigned										
Total general fund	1,623,177	1,295,257	747,945	1,046,720	1,508,032	1,496,551	1,252,595	1,108,208	1,428,782	
All Other Governmental Funds										
Reserved										
Unreserved, reported in:										
Special revenue fund	(2,919)	(991)	(985)	(858)	(1,021)	(1,004)				
Capital projects fund	45,491	7,141,937	1,059,017	183,157	140,721	81,864	(2,834,872)	616,603	255,780	
Debt service fund		35,563	105,567	91,959	26,462	4,570	68,214	10,890	59	
Total all other governmental funds	42,572	7,176,510	1,163,599	274,258	166,162	85,430	(2,766,658)	627,493	255,839	

Source: CAFR Schedule B-1

(*) GASB requires that ten years of statistical data be presented. However, since fiscal year 2003 was the first year of GASB 34 implementation ten years is not presented. Each year, thereafter, an additional year's data will be included until ten years of data is presented.

BUTLER BOARD OF EDUCATION

Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2002	2003	2004	2005	2006
Revenues					
Tax levy	\$ 8,540,552	\$ 9,043,116	\$ 9,514,444	\$ 9,838,472	\$ 10,475,236
Miscellaneous	3,313,596	3,496,755	3,556,877	3,739,223	4,422,702
State sources	2,842,591	3,150,761	6,698,167	3,644,567	3,754,374
Federal sources	261,783	271,144	339,070	321,951	366,354
Other sources	2,154				
Total revenue	<u>14,960,676</u>	<u>15,961,776</u>	<u>20,108,558</u>	<u>17,544,214</u>	<u>19,018,665</u>
Expenditures					
Instruction					
Regular Instruction	4,778,781	4,887,768	5,075,050	5,280,041	5,243,438
Special education instruction	1,023,056	1,035,119	1,095,760	1,152,424	1,160,794
Other special instruction	122,956	146,482	107,623	175,685	163,345
Other instruction	271,635	326,517	328,994	384,590	372,950
Support Services:					
Tuition	542,021	574,802	721,564	690,303	844,034
Student & instruction related services	1,901,559	1,953,544	1,968,424	2,152,127	2,172,049
General administrative services	366,549	387,830	482,407	462,531	438,354
School Administrative services	667,136	703,942	715,649	676,424	692,248
Central Services	241,989	258,150	264,152	296,645	319,210
Plant operations and maintenance	1,302,971	1,409,529	1,603,723	1,569,686	1,702,495
Pupil transportation	539,958	544,064	627,005	618,328	671,402
Unallocated employee benefits	2,497,090	3,285,440	3,727,946	4,198,619	4,517,179
Charter Schools			7,966	8,063	21,096
Capital outlay	752,491	217,911	1,019,187	6,113,369	942,930
Debt Service:					
Principal				145,000	150,000
Interest and Other Charges				176,328	170,891
Total expenditures	<u>15,008,192</u>	<u>15,731,098</u>	<u>17,745,450</u>	<u>24,100,162</u>	<u>19,582,416</u>
Excess (Deficiency) of revenues over (under) expenditures	(47,516)	230,678	2,363,108	(6,555,948)	(563,752)
Other Financing sources (uses)					
Capital leases (non-budgeted)	144,768				
Bond proceeds			4,447,000		
Transfers in	365,919		500,434	70,004	21,954
Transfers out	(429,583)	(75,000)	(504,524)	(74,278)	(48,770)
Total other financing sources (uses)	<u>81,104</u>	<u>(75,000)</u>	<u>4,442,910</u>	<u>(4,274)</u>	<u>(26,815)</u>
Net change in fund balances	<u>\$ 33,588</u>	<u>\$ 155,678</u>	<u>\$ 6,806,018</u>	<u>\$ (6,560,222)</u>	<u>\$ (590,567)</u>
Debt service as a percentage of noncapital expenditures	0.000%	0.000%	0.000%	1.786%	1.722%

Source: District Records

Note: Noncapital expenditures are total expenditures less capital outlay.

Central Services and Administrative information Technology account classifications were added beginning with year end June 30, 2005.

Prior to June 30, 2005, Central Services and Administrative Information Technology were combined in Other Support Services as Business and Other Support Services.

BUTLER BOARD OF EDUCATION

Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2007	2008	2009	2010	2011
Revenues					
Tax levy	\$ 11,095,970	11,544,767	12,185,643	12,728,866	\$ 13,819,926
Miscellaneous	4,839,897	4,711,303	4,136,012	4,328,113	4,119,476
State sources	4,447,935	4,583,585	3,799,793	3,658,689	3,162,239
Federal sources	389,481	357,504	344,404	908,928	370,162
Other sources					
Total revenue	<u>20,773,282</u>	<u>21,197,159</u>	<u>20,465,853</u>	<u>21,624,596</u>	<u>21,471,803</u>
Expenditures					
Instruction					
Regular Instruction	5,444,760	5,637,960	5,546,178	5,941,556	5,846,475
Special education instruction	1,272,542	1,379,980	1,345,124	1,395,714	1,386,915
Other special instruction	182,089	193,016	249,286	265,576	125,417
Other instruction	400,504	353,304	371,368	405,219	384,841
Support Services:					
Tuition	890,928	904,426	1,146,319	1,122,267	1,635,041
Student & instruction related services	2,389,185	2,428,366	2,352,721	2,352,641	2,141,805
General administrative services	454,111	510,845	477,397	487,781	576,857
School Administrative services	713,940	788,985	823,909	840,140	725,798
Central Services	340,405	383,554	398,199	380,893	423,952
Plant operations and maintenance	1,786,958	1,852,575	1,871,539	1,791,912	1,698,834
Pupil transportation	726,250	746,664	796,855	816,402	776,673
Unallocated employee benefits	5,358,387	5,594,458	4,585,538	4,881,638	4,759,184
Charter Schools	17,218	23,881	31,298	21,094	20,958
Capital outlay	115,068	140,062	3,198,893	263,369	525,311
Debt Service:					
Principal	155,000	165,000	175,000	180,000	190,000
Interest and Other Charges	165,266	159,453	153,264	175,953	288,536
Total expenditures	<u>20,412,611</u>	<u>21,262,529</u>	<u>23,522,889</u>	<u>21,322,156</u>	<u>21,506,596</u>
Excess (Deficiency) of revenues over (under) expenditures	360,672	(65,370)	(3,057,036)	302,440	(34,793)
Other Financing sources (uses)					
Capital leases (non-budgeted)				2,985,080	
Bond proceeds					59
Transfers in	4,507	63			
Transfers out	(11,962)	(26,906)	(39,008)	(37,757)	(16,345)
Total other financing sources (uses)	<u>(7,455)</u>	<u>(26,842)</u>	<u>(39,008)</u>	<u>2,947,323</u>	<u>(16,286)</u>
Net change in fund balances	<u>\$ 353,216</u>	<u>\$ (92,213)</u>	<u>\$ (3,096,044)</u>	<u>\$ 3,249,763</u>	<u>\$ (51,079)</u>
Debt service as a percentage of noncapital expenditures	1.578%	1.536%	1.615%	1.690%	2.281%

BUTLER BOARD OF EDUCATION

General Fund - Other Local Revenue by Source
Last Ten Fiscal Years*(modified accrual basis of accounting)*

Fiscal Year Ended June 30,	Interest on Investments	Tuition Revenue	Rentals	Transportation	Misc.	Total
2002	23,923	3,240,686	875		48,112	3,313,596
2003	13,390	3,427,519			55,846	3,496,755
2004	73,523	3,435,245			48,109	3,556,877
2005	97,631	3,585,471			56,121	3,739,223
2006	66,107	4,228,818			127,777	4,422,702
2007	83,996	4,513,919			241,981	4,839,897
2008	40,289	4,589,502	500		79,069	4,709,360
2009	9,360	3,979,245			79,109	4,067,714
	8,477	4,195,607			117,488	4,321,572
2011	5,349	3,879,915			225,597	4,110,861

Source: District Records

BUTLER BOARD OF EDUCATION

Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Vacant Land	Residential	Cfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2001	9,891,200	226,784,100	600	37,714,100	12,288,700	8,849,200	295,527,900	548,362	296,076,262	2.840	528,685,277
2002	7,410,100	240,417,500	600	37,518,400	12,143,000	9,297,000	306,786,600	512,719	307,299,319	2.864	581,253,348
2003	6,831,700	574,889,200	700	78,673,000	23,292,200	19,752,700	703,439,500	983,845	704,423,345	1.319	656,772,259
2004	7,147,200	574,723,400	700	79,590,700	23,097,900	20,033,100	704,593,000	927,864	705,520,864	1.389	724,864,879
2005	13,642,100	576,221,200	700	76,451,000	21,464,600	19,376,900	707,156,500	779,570	707,936,070	1.421	798,697,961
2006	9,790,500	576,504,800	700	91,338,000	21,098,000	19,503,000	718,235,000	636,438	718,871,438	1.503	919,323,327
2007	10,799,500	585,016,500	700	91,864,700	21,111,700	19,503,000	728,296,100	585,133	728,881,233	1.554	1,054,446,887
2008	16,397,800	586,831,500	700	95,096,200	21,111,700	19,503,000	738,940,900	618,978	739,559,878	1.604	1,063,094,765
2009	12,121,500	604,646,100	700	97,291,800	21,111,700	19,503,000	754,674,800	668,180	755,342,980	1.649	1,046,415,419
2010	9,011,100	607,178,300	700	101,070,800	20,911,700	19,503,000	757,675,600	669,437	758,345,037	1.747	1,060,156,695

Source: District records Tax list summary & Municipal Tax Assessor

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation. Reassessment occurs when ordered by the County Board of Taxation

a Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies

b Tax rates are per \$100

BUTLER BOARD OF EDUCATION

Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years*(rate per \$100 of assessed value)*

Fiscal Year Ended June 30,	Butler Board of Education					Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Borough of Butler	Morris County	
2001	2.840		2.840	1.15	0.54	4.53
2002	2.864		2.864	1.15	0.56	4.57
2003	1.319		1.319	0.54	0.28	2.13
2004	0.758	0.631	1.389	0.56	0.29	2.24
2005	0.813	0.608	1.421	0.63	0.30	2.35
2006	0.925	0.578	1.503	0.674	0.323	2.50
2007	1.005	0.549	1.554	0.708	0.348	2.61
2008	1.086	0.518	1.604	0.757	0.336	2.70
2009	0.785	0.864	1.649	0.778	0.325	2.75
2010	0.498	1.249	1.747	0.814	0.32	2.88

Source: District Records and Municipal Tax Collector

Note:

NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the pre-budget year net budget by more than the spending growth limitation calculation.

- a The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net valuation taxable.
- b Rates for debt service are based on each year's requirements.

BUTLER BOARD OF EDUCATION

**Principal Property Tax Payers,
Current Year and Nine Years Ago**

Taxpayer	2010			2001		
	Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Inland Western Sutler Kinnelon LLC	12,805,000	1	1.69%			
Butler Gardens LLC	11,440,000	2	1.51%	6,462,200	1	2.18%
Butler Center Associates	8,414,100	3	1.11%	4,365,700	2	1.47%
Randell Corporation	5,310,500	4	0.70%	2,705,900	5	0.91%
1301 Realty Enterprises	4,816,100	5	0.64%	3,914,200	4	1.32%
Butler Bowl, Inc.	3,939,100	6	0.52%	1,774,900	7	0.60%
Butler Printing & Lamination	3,596,400	7	0.47%	1,725,800	8	0.58%
1341 Route 23, Inc.	3,181,500	8	0.42%			
MNB Realty CO, LLC	2,807,200	9	0.37%			
1301 Realty Enterprises	2,760,700	10	0.36%			
Town & Country @ Butler				4,284,000	3	1.45%
K.B. Associates				1,886,600	6	0.64%
Bromat Enterprises				1,095,000	9	0.37%
D & G Group, LLC				1,050,700	10	0.35%
Total	\$ 59,070,600		8.51%	\$ 29,265,000		9.87%

Source: District CAFR & Municipal Tax Assessor

BUTLER BOARD OF EDUCATION

Property Tax Levies and Collections,
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2002	8,540,552	8,540,552	100.00%	-
2003	9,043,116	9,043,116	100.00%	-
2004	9,514,444	9,514,444	100.00%	-
2005	9,838,472	9,838,472	100.00%	-
2006	10,475,236	10,475,236	100.00%	-
2007	11,095,970	11,095,970	100.00%	-
2008	11,544,767	11,544,767	100.00%	-
2009	12,185,643	12,185,643	100.00%	-
2010	12,728,866	12,728,866	100.00%	-
2011	13,819,926	13,819,926	100.00%	-

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

Note: School taxes are collected by the Municipal Tax Collector. Under New Jersey State a municipality is required to remit to the school district the entire property tax amount voted upon or certified prior to the end of the school.

BUTLER BOARD OF EDUCATION

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Governmental Activities		Total District	Percentage of Personal Income	Per Capita ^a
	General Obligation Bonds ^b	Capital Leases			
2002	-	127,056	127,056	0.0283%	16.06
2003	-	99,608	99,608	0.0218%	12.34
2004	4,447,000	71,071	4,518,071	0.9850%	561.60
2005	4,302,000	41,401	4,343,401	0.8858%	541.23
2006	4,152,000	-	4,152,000	0.8221%	520.37
2007	3,997,000	-	3,997,000	0.7356%	502.89
2008	3,832,000	-	3,832,000	0.6676%	475.97
2009	3,657,000	-	3,657,000	0.6298%	450.48
2010	6,523,000	-	6,523,000	1.1884%	811.12
2011	6,333,000	-	6,333,000	N/A	N/A

Source: District CAFR Schedules I-1, I-2

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

- a** See Exhibit NJ J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.
- b** Includes Early Retirement Incentive Plan (ERIP) refunding

BUTLER BOARD OF EDUCATION

Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2002		-	-	0.00%	-
2003		-	-	0.00%	-
2004	4,447,000	-	4,447,000	0.63%	554
2005	4,302,000	-	4,302,000	0.61%	539
2006	4,152,000	-	4,152,000	0.58%	522
2007	3,997,000		3,997,000	0.55%	496
2008	3,832,000		3,832,000	0.52%	472
2009	3,657,000		3,657,000	0.48%	455
2010	6,523,000		6,523,000	0.86%	N/A
2011	6,333,000		6,333,000	N/A	N/A

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

a See Exhibit NJ J-6 for property tax data.

b Population data can be found in Exhibit NJ J-14.

BUTLER BOARD OF EDUCATION

**Direct and Overlapping Governmental Activities Debt
As of June 30, 2011**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes Borough of Butler	6,673,784	100.000%	6,673,784
Other debt Morris County	249,234,104	1.036%	2,582,055
Subtotal, overlapping debt			9,255,839
Borough of Butler School District Direct Debt			6,333,000
Total direct and overlapping debt			\$ 15,588,839

Sources: Borough of Butler Finance Officer, Morris County Finance Office and Utility Authorities

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Butler. This process recognizes that, when considering the District's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping payment.

a For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the district's boundaries and dividing it by each unit's total taxable value.

BUTLER BOARD OF EDUCATION

**Legal Debt Margin Information,
Last Ten Fiscal Years**

Legal Debt Margin Calculation for Fiscal Year 2011

Equalized valuation basis	
2010	\$ 1,015,514,810
2009	1,046,415,419
2008	1,042,818,092
[A]	\$ 3,104,748,321
[A/3]	\$ 1,034,916,107
[B]	41,396,644 ^a
[C]	6,333,000
[B-C]	\$ 35,063,644

Average equalized valuation of taxable property

Debt limit (4 % of average equalization value)
Net bonded school debt
Legal debt margin

	Fiscal Year,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2010
Debt limit	\$ 20,382,462	\$ 22,430,714	\$ 25,079,788	\$ 27,108,808	\$ 31,983,876	\$ 36,188,852	39,530,921	41,482,490	41,693,173	\$ 41,396,644
Total net debt applicable to limit	-	-	447,000	4,302,000	4,152,000	3,997,000	3,832,000	3,657,000	6,523,000	6,333,000
Legal debt margin	\$ 20,382,462	\$ 22,430,714	\$ 24,632,788	\$ 22,806,808	\$ 27,831,876	\$ 32,191,852	35,698,921	37,825,490	35,170,173	35,063,644
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	1.78%	15.87%	12.96%	11.04%	9.69%	8.82%	15.65%	15.30%

Source: Abstract of Rates and District Records.

^a Limit set by NJSA 18A:24-19 for a K through 8 district; other % limits would be applicable for other districts

BUTLER BOARD OF EDUCATION
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population ^a	Personal Income (thousands of dollars) ^b	Per Capita Personal Income ^c	Unemployment Rate ^d
2001	7,911	448,340,103	56,673	3.2%
2002	8,069	456,180,915	56,535	5.0%
2003	8,045	458,709,810	57,018	4.9%
2004	8,025	490,335,525	61,101	4.2%
2005	7,979	505,046,763	63,297	2.9%
2006	7,948	543,357,072	68,364	3.1%
2007	8,051	574,036,300	71,300	2.8%
2008	8,118	580,656,186	71,527	3.7%
2009	8,042	548,874,542	68,251	6.4%
2010	N/A	N/A	N/A	6.4%

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal income had been estimated based upon the municipal population and per capita personal income presented

^c Per Capita Personal Income provided by U.S. Department of Commerce, Bureau of Economic Analysis.

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

BUTLER BOARD OF EDUCATION

**Principal Employers,
Current Year and Nine Years Ago**

Employer	2010		2002		
	Employees	Rank (Optional)	Percentage of Total Employment	Rank (Optional)	Percentage of Total Employment

No data is available to complete this schedule.

BUTLER BOARD OF EDUCATION

Full-time Equivalent District Employees by Function/Program,

Last Ten Fiscal Years

<u>Function/Program</u>	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Instruction										
Regular	76.7	77.5	74.6	80.4	80.4	80.8	83.6	80.9	79.1	73.3
Special education	23.0	23.9	35.7	34.5	25.3	26.7	27.6	26.0	26.0	24.4
B.S. / Bilingual	2.0	3.0	3.0	3.0	3.0	3.0	3.0	4.2	4.7	3.5
Other Instruction	N/A	0.4	0.4	0.4	0.8	0.8	0.6	1.0	1.0	1.1
Support Services:										
Student & instruction related services	35.3	35.7	32.4	42.6	44.1	51.1	43.4	43.8	43.1	36.5
General administrative services	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
School administrative services	11.0	11.0	10.8	10.1	10.1	10.1	11.5	12.5	11.6	9.1
Central Services	5.0	5.0	4.9	4.8	4.7	4.7	4.9	4.9	4.4	4.5
Administrative Information Technology	N/A	N/A	N/A	0.5	0.1	0.1	0.5	0.5	0.5	0.5
Plant operations and maintenance	23.1	23.1	23.1	23.1	23.1	23.1	23.0	20.8	20.9	18.3
Pupil transportation	N/A	N/A	N/A	0.2	0.2	0.2	-	-	-	-
Food Service	9.8	9.8	9.8	9.8	1.1	1.1	1.1	1.1	1.1	-
Total	188.0	191.5	196.8	211.5	195.0	203.8	201.3	197.8	194.5	173.3

Source: District Personnel Records

BUTLER BOARD OF EDUCATION

Operating Statistics

Last Ten Fiscal Years

Pupil/Teacher Ratio

Fiscal Year	Enrollment	Operating Expenditures		Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
		a					Elementary School	Middle School	High School				
2002	1,188.1	14,255,701	11,999	2.16%	101.95	13.01	9.53	12:02	1,188.1	1,135.2	0.34%	95.55%	
2003	1,176.7	15,513,187	13,184	9.88%	101.95	12.73	9.92	11:73	1,176.7	1,120.3	-0.96%	95.21%	
2004	1,146.3	16,726,263	14,592	10.68%	100.95	12.82	10:61	10:96	1,146.3	1,091.2	-2.58%	95.19%	
2005	1,160.8	17,665,465	15,218	4.30%	102.20	13.65	10:23	10:81	1,160.8	1,106.7	1.26%	95.34%	
2006	1,149.2	18,318,595	15,940	4.74%	101.40	12.76	11:56	10:36	1,149.2	1,093.5	-1.00%	95.15%	
2007	1,183.3	19,977,277	16,883	5.91%	101.8	12.87	11:67	10:85	1,183.3	1,130.2	2.97%	95.51%	
2008	1,202.8	20,798,014	17,291	2.42%	106.6	12.72	10:59	10:81	1,202.8	1,150.6	1.65%	95.60%	
2009	1,174.5	19,995,732	17,025	-1.54%	101.67	13.40	10:14	11:23	1,174.5	1,126.8	-2.35%	95.94%	
2010	1,188.8	20,702,834	17,415	2.29%	102.44	13.11	10:00	11:56	1,188.8	1,136.2	1.22%	95.58%	
2011	1,131.2	20,502,749	18,125	4.08%	94.9	13:78	9:99	11:85	1,131.2	1,080.8	-4.85%	95.54%	

Sources: District records

Note:

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff are reported as Full time equivalents of certificated staff & includes High School Staff shared with the Morris County School of Technology Academy for Law Public Safety.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

BUTLER BOARD OF EDUCATION

School Building Information

Last Ten Fiscal Years

District Building	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<u>Elementary</u>										
Aaron Decker (1966)	48,700	48,700	48,700	48,700	48,700	48,700	48,700	48,700	48,700	48,700
Square Feet	340	340	340	340	340	340	340	340	340	340
Capacity (students)	383	386	357	373	348	364	374	387	382	382
Enrollment										
<u>Middle School</u>										
Richard Butler (1954)	54,710	54,710	54,710	54,710	54,710	54,710	54,710	54,710	54,710	54,710
Square Feet	330	330	330	330	330	330	330	330	330	330
Capacity (students)	256	270	289	282	319	307	292	277	260	260
Enrollment										
<u>High School</u>										
Butler (1906)	134,530	134,530	134,530	134,530	134,530	134,530	134,530	134,530	134,530	134,530
Square Feet	541	541	541	541	541	541	541	541	541	541
Capacity (students)	550	521	501	506	482	512	536	511	547	547
Enrollment										

Number of Schools at June 30, 2011

Elementary = 1

Middle School = 1

High School = 1

Source: District records, ASSA

Note: Year of original construction is shown in parentheses.

Enrollment is based on the end of year School Register Summary Report.

Capacity for all years is based on the 2005 Department of Education functional Capacity.

BUTLER BOARD OF EDUCATION

GENERAL FUND
 SCHEDULE OF ALLOWABLE MAINTENANCE EXPENDITURES BY SCHOOL FACILITY
 LAST NINE FISCAL YEARS
 UNAUDITED

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

*School Facilities	Project # (s)	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Butler High School	N/A	62,724	73,714	97,167	63,256	\$ 81,560	\$ 73,866	\$ 57,753	\$ 79,299	\$ 72,298	\$ 118,141
Aaron Decker	N/A	30,910	25,806	35,565	28,809	58,100	26,985	28,006	36,765	25,239	42,048
Richard Butler	N/A	21,897	24,907	53,160	26,985	48,418	31,696	32,737	39,654	24,442	47,225
Total School Facilities		115,531	124,427	185,892	119,051	188,078	132,547	118,496	155,718	121,979	205,414

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

Source: District Records

BUTLER BOARD OF EDUCATION
INSURANCE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED

	<u>Limit</u>	<u>Deductible</u>
Property - Blanket Building & Contents	\$42,177,546.00	\$5,000.00
Comprehensive General Liability (each occurrence)	1,000,000	
Comprehensive Crime Coverage - Employee theft	500,000	5,000
Comprehensive Crime Coverage - Forgery or Alteration	50,000	1,000
 Boiler and Machinery Property Damage	 100,000,000	 1,000
 School Board Legal Liability Limit of Liability Employment Practices Liability	 1,000,000 1,000,000	 15,000
 Faithful Performance of Duty Coverage For Government Employees	 250,000	 5,000
 Commercial Automobile Liability	 1,000,000	 1,000
 Public Official Bonds Treasurer - Jim Kozimor Business Administrator - Board Secretary Debra Naley-Minnena	 218,000 10,000	 N/A N/A
 Enviromental Impairment Liability Each Occurance Aggregate Program Aggregate	 1,000,000 3,000,000 20,000,000	 15,000
 Excess Liability Policy Each Occurance	 9,000,000	
 Additional Excess Liability Policy Each Occurance Aggregate	 50,000,000 50,000,000	
 Travel Accident Policy (Accident Death Dismemberment and Paralysis Benefit) Principal Sum Aggregate Limit	 100,000 500,000	

Source: District Records

SINGLE AUDIT SECTION

Ferraioli, Wielkottz, Cerullo & Cuva, P.A.

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

Honorable President and
Members of the Board of Education
Borough of Butler School District
County of Morris
Butler, New Jersey

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Board of Education of the Borough of Butler School District in the County of Morris, State of New Jersey as of and for the fiscal year ended June 30, 2011, which collectively comprise the basic financial statements of the Board of Education of the Borough of Butler School District in the County of Morris and have issued our report thereon dated November 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

Management of the Borough of Butler Board of Education is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Borough of Butler Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Butler Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough of Butler Board of Education's internal control over financial reporting.

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



Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

However, we noted certain matters that we reported to the Board of Education of the Borough of Butler School District in a separate report entitled, *Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance* dated November 30, 2011.

This report is intended solely for the information and use of the audit committee, management, the Borough of Butler Board of Education, the New Jersey State Department of Education, and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Thomas M. Ferry, C.P.A.
Licensed Public School Accountant
No. 20CS00209100

Ferraioli, Wielkotz, Cerullo, + Cuva, P.A.
FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

November 30, 2011



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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND N.J. OMB CIRCULAR 04-04

Honorable President and
Members of the Board of Education
Borough of Butler School District
County of Morris
Butler, New Jersey

Compliance

We have audited the Board of Education of the Borough of Butler School District in the County of Passaic, State of New Jersey, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2011. Borough of Butler Board of Education's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Borough of Butler Board of Education's management. Our responsibility is to express an opinion on the Borough of Butler School District Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the provisions the New Jersey State Treasury Circular Letter 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Borough of Butler Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Borough of Butler Board of Education's compliance with those requirements.

In our opinion, the Board of Education of the Borough of Butler School District, in the County of Morris, State of New Jersey, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2011.



Internal Control Over Compliance

The management of the Board of Education of the Borough of Butler School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered Borough of Butler Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133 and NJ OMB Circular 04-04 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Borough of Butler Board of Education's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. The Borough of Butler Board of Education's responses to the findings identified in our audit are described in the accompanying schedule of finding and questioned costs. We did not audit the Borough of Butler Board of Education's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, the Borough of Butler Board of Education, the New Jersey State Department of Education, and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Thomas M. Ferry, C.P.A.
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No. 20CS00209100

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FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

November 30, 2011

BUTLER BOROUGH SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
for the Fiscal Year Ending June 30, 2011

Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period From/To	June 30, 2010		June 30, 2011	
				(Accounts Receivable)	Deferred Revenue	(Accounts Receivable)	Deferred Revenue
					Cash Received	Budgetary Expenditures	
U.S. Department of Agriculture							
Passed - through State Department of Education:							
Enterprise Fund:							
10.550	N/A	26,265.10	7/1/10-6/30/11	(5,344.18)	26,265.10	(25,259.78)	6,108.67
10.555	N/A	70,479.69	7/1/09-6/30/10		5,344.18		
10.555	N/A	65,951.86	7/1/10-6/30/11	(47.64)	62,123.76	(65,951.86)	(3,828.10)
10.556	N/A	681.29	7/1/09-6/30/10		47.64		
10.556	N/A	677.15	7/1/10-6/30/11	(5,391.82)	647.59	(677.15)	(29.56)
					94,428.27	(91,888.79)	(3,857.66)
					5,103.35		6,108.67
					5,103.35		
					15,285.26	(15,285.26)	
					15,285.26	(15,285.26)	
U.S. Department of Education							
Passed - through State Department of Education:							
General Fund:							
93.778	N/A	15,285.26	7/1/10-6/30/11		15,285.26		
					15,285.26		
U.S. Department of Education							
Passed - through State Department of Education:							
Special Revenue Fund:							
84.010	NCLB0630-11	64,663.00	9/1/10-8/31/11			(40,055.78)	(40,055.78)
84.010	NCLB0630-10	69,328.00	9/1/09-8/31/10	(54,591.04)	48,038.62	(14,736.96)	(21,289.38)
84.010	NCLB0630-09	68,025.00	9/1/08-8/31/09	(41,416.00)	40,991.00		(425.00)
84.389	ARRA0630-10	20,149.00	9/1/09-8/31/10			(2,685.15)	(2,685.15)
84.367	NCLB0630-11	30,735.00	9/1/10-8/31/11			(14,840.90)	(14,840.90)
84.367	NCLB0630-10	30,248.00	9/1/09-8/31/10	(24,705.40)	24,705.40	(5,542.60)	(5,542.60)
84.367	NCLB0630-09	30,520.00	9/1/08-8/31/09	(28,358.82)	28,358.82		
84.318	NCLB0630-11	139.00	9/1/10-8/31/11			(130.00)	(130.00)
84.318	NCLB0630-10	695.00	9/1/09-8/31/10	(600.00)	600.00		
84.318	NCLB0630-09	569.00	9/1/08-8/31/09	(569.00)	569.00		
84.186	NCLB0630-10	2,690.00	9/1/09-8/31/10	(2,479.32)	2,479.32	(195.68)	(195.68)
84.186	NCLB0630-09	2,843.00	9/1/08-8/31/09	(2,843.00)	2,843.00		
84.184E	N/A	179,800.00	9/1/10-8/31/11				
84.391	ARRA0630-10	236,829.00	9/1/09-8/31/10			(84,770.95)	(84,770.95)
84.392	ARRA0630-10	8,557.00	9/1/09-8/31/10	(5,404.85)	5,404.85	(1,500.00)	(1,500.00)
84.027	IDEA063011	238,331.00	9/1/10-8/31/11			(57.00)	(57.00)
84.027	IDEA063010	235,177.00	9/1/09-8/31/10	(20,066.99)	20,066.99	(234,436.00)	(234,436.00)
84.027	IDEA063009	240,328.00	9/1/08-8/31/09	(75,519.00)	75,023.00	(6,085.64)	(6,085.64)
84.173	IDEA063011	8,461.00	9/1/10-8/31/11			(8,461.00)	(8,461.00)
84.173	IDEA063009	8,158.00	9/1/08-8/31/09	(8,158.00)	8,158.00		
				(264,711.42)	257,238.00	(413,497.66)	(420,971.08)
				(270,103.24)	366,951.55	(520,671.71)	(424,828.74)
				5,103.35			6,108.67

See accompanying notes to Schedules of Expenditures of Federal awards and State Financial Assistance.

BUTLER BOROUGH SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance
for the Fiscal Year Ending June 30, 2011

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From / To	June 30, 2010		June 30, 2011		MEMO	
				Deferred Revenue (Accts Receivable)	Due to Grantor at	Adjustments/ Repayment of Prior Years' Balances	(Accounts Receivable)		Due to Grantor at
State Department of Education:									
General Fund:									
Special Education Categorical Aid	11-495-034-5120-089	526,895.00	7/1/10-6/30/11			526,895.00		43,323.00	526,895.00
Equalization Aid	11-495-034-5120-078	939,289.00	7/1/10-6/30/11			939,289.00		77,232.00	939,289.00
Extraordinary Special Education Costs Aid	10-100-034-5120-473	216,506.00	7/1/09-6/30/10	(216,506.00)		216,506.00			
Extraordinary Special Education Costs Aid	11-100-034-5120-473	236,989.00	7/1/10-6/30/11				(236,989.00)		236,989.00
Reimbursement of Non-Public Transportation	10-495-034-5120-014	11,275.00	7/1/09-6/30/10	(11,275.00)		11,275.00			
Reimbursement of Non-Public Transportation	11-495-034-5120-014	13,050.00	7/1/10-6/30/11				(13,050.00)		13,050.00
On-Behalf TPAF - Post Retirement Medical	11-495-034-5095-001	576,856.00	7/1/10-6/30/11			576,856.00			576,856.00
On-Behalf TPAF - NCGI Premium	11-495-034-5095-007	27,159.00	7/1/10-6/30/11			27,159.00			27,159.00
Reimbursed T.P.A.F. - Social Security	11-495-034-5095-002	651,748.75	7/1/10-6/30/11			619,310.35	(32,438.40)		651,748.75
Total General Fund				(227,781.00)		2,917,290.35	(282,477.40)		2,971,986.75
Debt Service Fund:									
Debt Service Aid Type II	11-100-034-5120-125	32,667.00	7/1/10-6/30/11			32,667.00			32,667.00
Total Debt Service Fund						32,667.00			32,667.00
Capital Projects Fund									
New Jersey Schools Development Authority	0630-025-09-1003	38,950.00	N/A						38,950.00
New Jersey Schools Development Authority	0630-030-09-1004	59,410.00	N/A						59,410.00
New Jersey Schools Development Authority	0630-020-09-1002	119,140.00	N/A						119,140.00
New Jersey Schools Development Authority	0630-020-09-1001	47,471.00	N/A	(47,471.00)					47,471.00
Additional state school building aid - EDA Grant	04-542-003-0020-824	3,206,017.00	N/A	(232,194.00)					3,206,017.00
Total Capital Projects Fund				(232,194.00)					3,206,017.00
Special Revenue Fund:									
N.I. Nonpublic Aid:									
Textbook Aid	11-100-034-5120-064	9,322.00	7/1/10-6/30/11			9,322.00		684.33	9,322.00
Auxiliary Services (Chapter 192):									
Compensatory Education	10-100-034-5120-067	15,335.00	7/1/09-6/30/10		10,556.50				(4,778.50)
Compensatory Education	11-100-034-5120-067	14,066.00	7/1/10-6/30/11			14,066.00			14,066.00
Nonpublic Nursing	11-100-034-5120-070	11,045.00	7/1/10-6/30/11			11,045.00			11,045.00
Handicapped Services (Chapter 193):									
Supplemental Instruction	11-100-034-5120-066	5,559.00	7/1/10-6/30/11			5,559.00		70.08	5,488.92
Supplemental Instruction	10-100-034-5120-066	8,761.00	7/1/09-6/30/10		4,062.24				(4,701.24)
Examination and Classification	10-100-034-5120-066	11,336.00	7/1/09-6/30/10		2,564.62				(8,771.38)
Examination and Classification	11-100-034-5120-066	7,817.00	7/1/10-6/30/11			7,817.00		1.19	7,818.19
Corroative Speech	11-100-034-5120-066	7,041.00	7/1/10-6/30/11			7,041.00		1,095.52	5,945.48
Total Special Revenue Fund					17,183.36	54,850.00	(17,183.36)		52,998.88
State Department of Agriculture									
Enterprise Fund:									
National School Lunch Program	11-100-010-3350-023	4,039.48	7/1/10-6/30/11			3,796.38	(243.10)		3,553.28
National School Lunch Program	10-100-010-3350-023	5,401.02	7/1/09-6/30/10	(409.98)		409.98			5,001.02
Total Enterprise Fund				(409.98)		4,206.36	(243.10)		3,963.26
Total State Financial Assistance				(507,855.98)		3,009,013.71	(779,885.50)	1,851.12	3,566,218.65

NOTE 1. GENERAL

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance include the activity of all Federal and State Award programs of the Board of Education, Borough of Butler School District. The Board of Education is defined in Note 1 to the Board's financial statements. All Federal and State Awards received directly from federal and state agencies, as well as Federal Awards and State Financial Assistance passed through other government agencies is included on the Schedule of Expenditures of Federal Awards and State Financial Assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of Federal Awards and State Financial Assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes 2 (C) and 2(D) to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$107,245.00 for the general fund and \$(61,145.47) for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's financial statements on a GAAP basis as follows:

NOTE 3. RELATIONSHIP TO FINANCIAL STATEMENTS (continued)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 15,285.26	\$3,079,231.75	\$3,094,517.01
Special Revenue Fund	354,876.62	50,340.63	405,217.25
Debt Service Fund	-	32,667.00	32,667.00
Food Service Fund	<u>91,888.79</u>	<u>4,039.48</u>	<u>95,928.27</u>
Total Financial Awards	<u>\$462,050.67</u>	<u>\$3,166,278.86</u>	<u>\$3,628,329.53</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amounts reported as TPAF Pension Contributions represents the amount paid by the State on behalf of the District for the year ended June 30, 2011. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2011.

**BOROUGH OF BUTLER SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal Control over major programs:

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

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

Any audit findings disclosed that are required to be reported
 In accordance with section .510(a) of Circular A-133? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.184E</u>	<u>Readiness & Emergency Management for Schools</u>
<u>84.027</u>	<u>I.D.E.A. - Part B - Basic</u>
<u>84.173</u>	<u>I.D.E.A. - Part B - Preschool</u>
<u>84.391</u>	<u>A.R.R.A. - I.D.E.A. Part B</u>
<u>84.392</u>	<u>A.R.R.A. - I.D.E.A. - Preschool</u>

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk audited? yes X no

**BOROUGH OF BUTLER SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Section I - Summary of Auditor's Results

State Awards Section

Dollar threshold used to distinguish between type A
and type B programs:

 \$300,000

Auditee qualified as low-risk auditee?

 X yes no

Internal Control over major programs:

1) Material weakness(es) identified?

 yes X no

2) Significant deficiencies identified?

 yes X none reported

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

 unqualified

Any audit findings disclosed that are required to be reported
in accordance with NJ OMB Circular Letter 04-04?

 yes X no

Identification of major programs:

STATE GRANT/PROJECT NUMBER(S)

NAME OF STATE PROGRAM

 11-495-034-5120-089

 Special Education Categorical Aid

 11-495-034-5095-002

 TPAF Social Security

 11-100-034-5120-078

 Equalization Aid

 11-495-034-5095-001

 On-Behalf TPAF Contribution - Post

 Retirement Medical

**BOROUGH OF BUTLER SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(continued)**

Section II - Financial Statement Findings

NONE

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

NONE

**BOROUGH OF BUTLER SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Status of Prior Year Findings

There were no prior year audit findings.