

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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2016**

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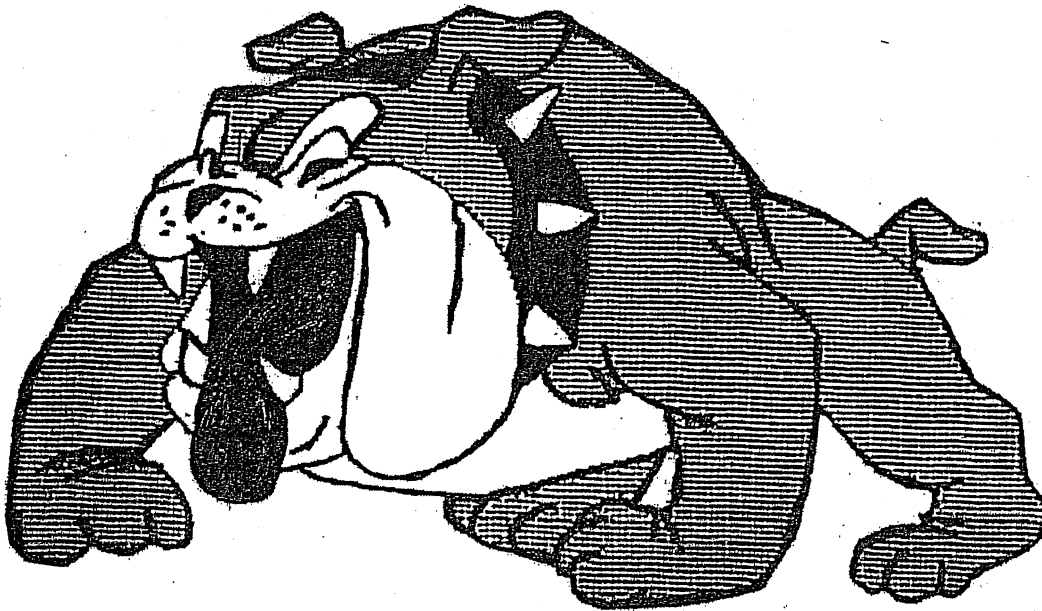
**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
of the**

**Borough of Butler School District**

**Board of Education**

**Butler, New Jersey**

**For the Fiscal Year Ended June 30, 2016**



Prepared by

Borough of Butler School District  
Board of Education  
Finance Office

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COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE BOROUGH OF BUTLER SCHOOL DISTRICT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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**INTRODUCTORY SECTION**

BOARD OF EDUCATION  
**BUTLER PUBLIC SCHOOLS**

HIGH SCHOOL ANNEX BUILDING  
BUTLER, NEW JERSEY 07405

Phone: (973) 492-2025 Fax: (973) 492-1016

**Mario D. Cardinale**  
*Superintendent*

**Barbara J. Murphy**  
*Business Administrator/Board Secretary*

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, 2016, 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 Independent Auditor's Report, the Management's Discussion and Analysis, the Basic Financial Statements and Notes. The statistical section includes selected financial and demographic information, generally presented on a multiyear basis. The District is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

**1) REPORTING ENTITY AND ITS SERVICES:** 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.

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 2015-2016 fiscal year with an average daily enrollment of 1,156.2 students. This enrollment is a 1% increase 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 46.1% of the high school enrollment in the 2015-2016 school year.

<u>Fiscal Year</u>	<u>Average Daily Enrollment Student Enrollment</u>	<u>Percent Change</u>
2015-16	1,156.2	1%
2014-15	1,144.7	1.85%
2013-14	1,123.9	(2.09%)
2012-13	1,147.9	2.3%
2011-12	1,122.0	(0.81%)
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%

**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 is 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, has affected employees receiving health benefits. Employees pay 1.5% of their salary or a percentage of their benefit premium, whichever is higher, over a 4-year period.

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, and the Alliance for Competitive Energy Services (ACES) program, and in compliance with all regulations regarding workshop and travel regulations.

**3) MAJOR INITIATIVE (ACADEMIC): District:**

Butler High School students continue to maintain high levels of performance on a variety of standardized testing – including NJ State required standardized tests in Language Arts Literacy, Mathematics, and Science, various Advanced Placement (AP) tests, SAT (SAT I and SAT II). We are currently analyzing district results from the 2015-2016 PARCC tests. Preliminary analysis indicates growth on a districtwide basis. BHS experienced a high participation rate by our student population. All students in the class of 2017 are on course to satisfy the state standardized testing graduation requirements through PARCC or alternate assessments as outlined by the NJDOE.

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. Once again in the 2015-2016 school year, students who take and “pass” Advanced Placements courses and tests will be eligible to win a new car through a joint initiative “The AP Challenge.” For the Class of 2016, about 88% went on to two or four year colleges or post-secondary technical schools. During the 2015-2016 school year, our high school students also worked in the computer lab using IXL



software, and SAT preparation software to target weaknesses on specific instructional areas in Math and Language Arts/Literacy.

In addition the district has continued for the 2016-2017 school year a specialized " Freshman Studies" program, focusing on career education, communication and team building skills, the development of long range " Career and College Readiness" planning skills, financial literacy, and 21st century technological skills.

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. We offer several co-curricular programs such as student government, yearbook, band, chess, basketball, TREPS, track, and bridge. These types of activities allow each child to participate in a number of activities.

After a lengthy study of other middle school schedules, Richard Butler School initiated a schedule to reflect changes to the language arts and mathematics program in the 2011-2012 school year, which reflected significantly increased instructional time in the areas of language arts and math instruction. The New Jersey Core Curriculum Standards, as well as the Common Core State Standards [CCSS] have evolved to the NJ Student Learning Standards; thus, our staff continues to address the updates through curriculum revisions.

Aaron Decker School adheres to the NJ State Core Curriculum Standards at all grade levels and has transitioned to the Common Core State Standards in Mathematics and Language Arts/Literacy, now known as N.J.S.L.S. 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 N.J.S.L.S. in a smaller group setting with modified strategies.

The Butler School District also provides a Preschool Program Classes for Students with Disabilities. These classes also provide an opportunity for our preschool children with disabilities to work alongside their more typically developing peers. The benefits are evident as the students remain in district and 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 2015-2016 school year, the district continued 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 Standards Based Math, and student well being / mental health topics. 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 2009-10 school year, the district entered into an agreement with a state approved special education private school, Chancellor Academy Outreach – Inclusive Learning Academy (ILA), which opened up a class on the campus of the Aaron Decker Elementary School. In the 2010-2011 school year, the Chancellor Academy Outreach Program - ILA, which generates revenue for the school district, opened a second site at the Richard Butler Middle School. The district now operates three Chancellor Academy Outreach ILA self-contained classes in the Aaron Decker Elementary School, the Richard Butler Middle School and Butler High School.

Special education students in grades 3-12 are using instructional 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. The district continues to offer self-contained classes (PSD, MHD, LLD), as well as replacement (RC) and supportive services for students experiencing regular education mainstream classes throughout all grades in the district.

**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.

**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 Butler Board of Education. 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 re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reserves of fund balance at June 30.

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; the Middlesex Regional Educational Services Commission (MRESC) is utilized for the procurement of Broadband services; Educational Data Services, Inc., the Morris County cooperative purchasing service, is utilized for District educational, office and custodial supplies and maintenance services. The Board participates in ACT (Alliance for Competitive Telecommunications) program for discounted telecommunications services; and SAIF (School Alliance Insurance Fund) and NJSIG (New Jersey Schools Insurance Group), pooled insurance groups for property, liability and workers compensation insurance.

**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 accounting 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, 2016, the District had \$4,541,000 in outstanding bonded debt. On Thursday, April 26, 2012, the Board of Education of the Borough of Butler entered the bond market to refinance the callable maturities of its 2004 School Bond Issue. The sale of Refunding School Bonds was very successful, resulting in total debt savings of \$150,515 through 6/30/2024, at which time the principal is paid. The School Bonds, Series 2009, in the principal amount of \$2,896,000 will be paid up as of 7/1/2024.

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.

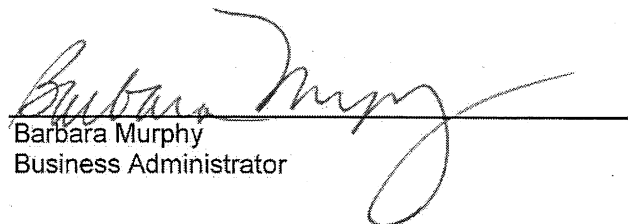
**10) RISK MANAGEMENT:** The Board carries various forms of insurance, including but not limited to general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property, contents, and fidelity bonds. The District participates in a pooled fund for 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, Wielkotz, Cerullo, & Cuva, CPA's, was selected by the Board's audit committee. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". The auditor's report on the basic financial statements and specific required supplemental information is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

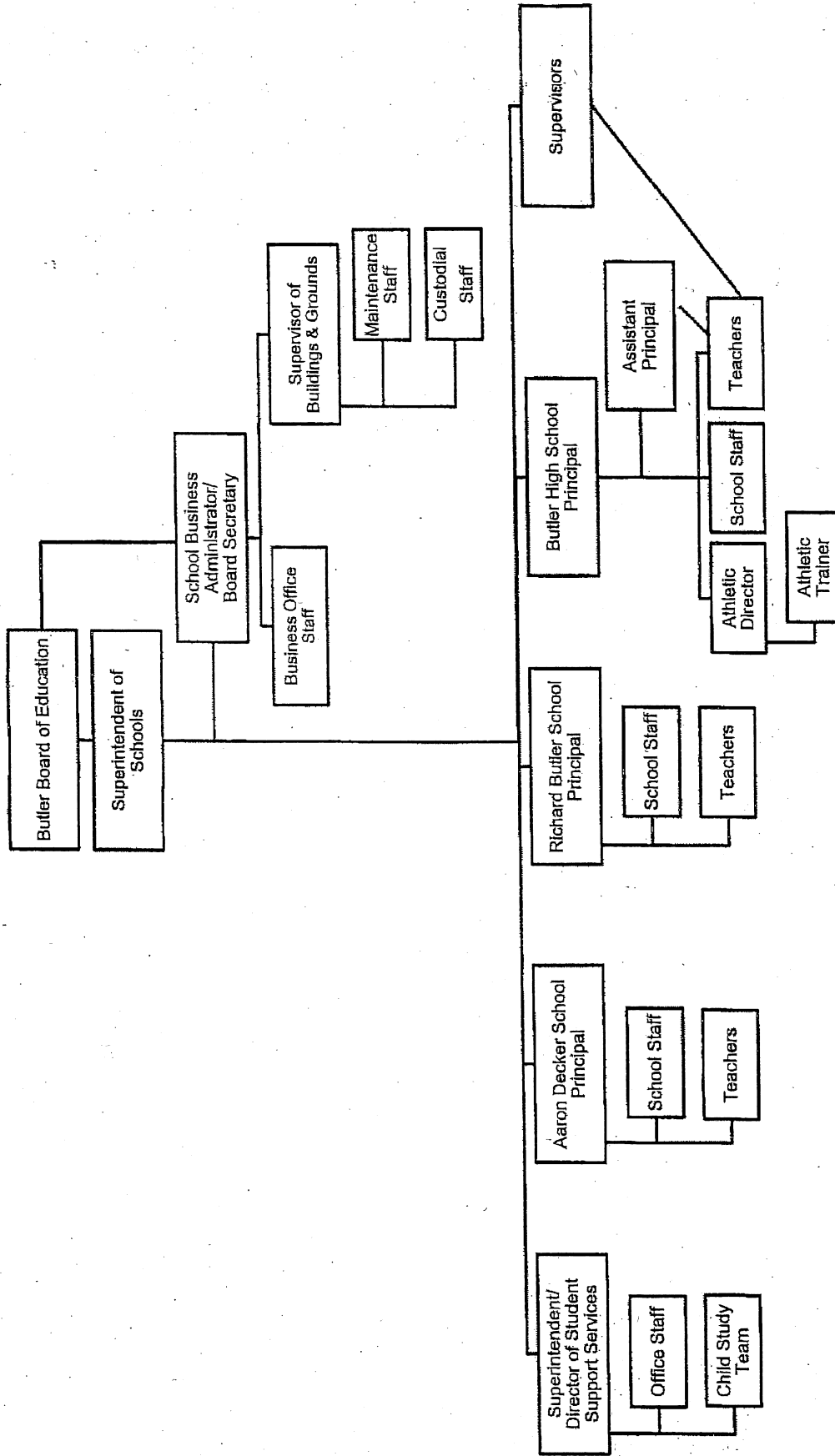
**12) ACKNOWLEDGMENTS:** We would like to express our appreciation to the members of the Butler Borough School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance 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 Cardinale  
Superintendent

  
\_\_\_\_\_  
Barbara Murphy  
Business Administrator

BUTLER SCHOOL DISTRICT ORGANIZATIONAL CHART



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

**ROSTER OF OFFICIALS  
JUNE 30, 2016**

<b><u>Members of the Board of Education</u></b>	<b><u>Term Expires (at Organizational Meeting - first week in January)</u></b>
Matthew Lee - President	January 2019
Tracy Luciani - Vice-President	January 2018
Alison Allison	January 2019
Heather Grecco	January 2019
Julie Ruighaver	January 2018
Karen Smith	January 5, 2017
Cynthia Sokoloff	January 2018
Albert Syracuse	January 5, 2017
Mark Thomas	January 5, 2017
Sheldon Bross (Bloomingdale Representative)	January 5, 2017

**Other Officials**

Alexander Anemone	Superintendent
Barbara Murphy	Board Secretary/ School Business Administrator
James Kozimor	Treasurer of School Monies
Anthony Sciarrillo, Esq., and Jeffrey Merlino, Esq.	Board Attorney - Negotiations
Andrew Li, Esq.	Board Attorney-Sending/Receiving Issues

**BUTLER BOARD OF EDUCATION**  
**Consultants and Advisors**  
**June 30, 2016**

**Architect**

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

**Audit Firm**

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

**Attorney**

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

Sciarrillo, Cornell Merlino, McKeever & Osborne, LLC  
238 St. Paul Street  
Westfield, NJ 07090

**Insurance Agent**

Balken Risk Management Services, LLC  
777 Terrace Avenue, Suite 309  
Hasbrouck Heights, NJ 07604

**Official Depositories**

Lakeland Bank  
and  
State of New Jersey Cash Management Fund

**FINANCIAL SECTION**

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

Charles J. Ferraioli, Jr., MBA, CPA, RMA  
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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Borough of Butler School District, in the County of Morris, State of New Jersey, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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



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

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

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

### **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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, and Schedules related to Accounting and Reporting for Pensions identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Honorable President and  
Members of the Board of Education  
Page 3.

*Other Information*

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 introductory section, combining and individual non-major fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and N.J. OMB Circular 15-08 and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and N.J. OMB Circular 15-08 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and N.J. OMB Circular 15-08 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

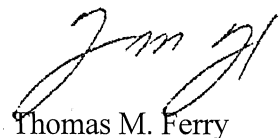
The introductory section and statistical data section has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2016 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

Honorable President and  
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Page 4.

internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Butler Board of Education's internal control over financial reporting and compliance.



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

*Ferraioli, Wielkottz, Cerullo & Cuva, P.A.*  
FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.  
Certified Public Accountants

Newton, New Jersey

November 18, 2016

**REQUIRED SUPPLEMENTARY INFORMATION  
PART I**

BUTLER BOROUGH PUBLIC SCHOOL DISTRICT  
BUTLER BOROUGH

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
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, 2016. 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 2016 fiscal year are as follows:

- ◆ The School District had \$27,988,984 in expenses (see A-2 District-wide Statement of Activities); only \$5,447,095 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 \$16,104,317 and \$7,417,444 respectively, were adequate to provide for these programs.
- ◆ The General Fund had \$24,495,705 in revenues and \$23,468,003 in expenditures. The General Fund's balance increased by \$1,027,702 over 2015. This increase was 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 Position* 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 Position 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 2016 fiscal year?" The Statement of Net Position 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 Position and changes in that position. This change in net position 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 Position 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 Position 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 Position provides the perspective of the School District as a whole. Net position 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 Position  
June 30,**

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
<b>Assets:</b>						
Current and Other Assets	4,232,715	3,396,195	67,150	167,175	4,299,865	3,563,370
Capital Assets, net	<u>12,238,656</u>	<u>12,504,890</u>	<u>62,719</u>	<u>25,038</u>	<u>12,301,375</u>	<u>12,529,928</u>
Total Assets	<u>16,471,371</u>	<u>15,901,085</u>	<u>129,869</u>	<u>192,213</u>	<u>16,601,240</u>	<u>16,093,298</u>
<b>Deferred Outflows of Resources:</b>						
Deferred Outflows of Resources Relate to PERS	860,310	329,477			860,310	329,477
Deferred Amount on Refunding	<u>100,343</u>	<u>112,886</u>			<u>10,343</u>	<u>112,886</u>
<b>Liabilities:</b>						
Current Liabilities	706,979	512,796	26,393	102,355	733,372	615,151
Noncurrent liabilities	<u>9,664,979</u>	<u>9,832,516</u>			<u>9,664,979</u>	<u>9,832,516</u>
Total Liabilities	<u>10,371,958</u>	<u>10,345,312</u>	<u>26,393</u>	<u>102,355</u>	<u>10,398,351</u>	<u>10,447,667</u>
<b>Deferred Inflows of Resources:</b>						
Deferred Inflows of Resources Related to PERS	<u>215,409</u>	<u>384,214</u>			<u>215,409</u>	<u>384,214</u>
<b>Net Position Invested in Capital Assets:</b>						
Net of Debt	7,629,704	7,427,697	62,719	25,038	7,692,423	7,452,735
Restricted	3,869,156	2,525,794			3,869,156	2,525,794
Unrestricted	<u>(4,654,203)</u>	<u>(4,339,569)</u>	<u>40,757</u>	<u>64,820</u>	<u>(4,613,446)</u>	<u>(4,274,749)</u>
Total Net Position	<u>6,844,657</u>	<u>5,613,922</u>	<u>103,476</u>	<u>89,858</u>	<u>6,948,133</u>	<u>5,703,780</u>

Table 2 shows revenue and expense comparisons of 2016 data to that from fiscal year 2015.

**Table 2**  
**Changes in Net Position**  
**June 30,**

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	432,000	612,436	260,849	255,452	692,849	867,888
Operating Grants and Contributions	4,544,995	4,568,198	209,250	145,788	4,754,245	4,713,986
<b>General Revenues:</b>						
Property Taxes	16,104,317	15,379,799			16,104,317	15,379,799
Federal and State Aid not Restricted	7,223,432	6,379,696			7,223,432	6,379,696
State Aid – Restricted for Debt Service	57,973	57,803			57,973	57,803
State Aid – Capital Outlay	136,040	79,099			136,040	79,099
Miscellaneous Income	264,249	529,847	232	185	264,481	530,032
Transfers		(4,107)		4,107		
<b>Total Revenues and Transfers</b>	<b><u>28,763,006</u></b>	<b><u>27,602,771</u></b>	<b><u>470,331</u></b>	<b><u>405,532</u></b>	<b><u>29,233,337</u></b>	<b><u>28,008,303</u></b>
<b>Functions/Programs:</b>						
<b>Governmental Activities</b>						
<b>Instruction:</b>						
Regular	10,621,685	10,237,446			10,621,685	10,237,446
Special Education	2,788,315	2,699,171			2,788,315	2,699,171
Other Special Education	432,774	346,791			432,774	346,791
Other Instruction	512,281	509,382			512,281	509,382
<b>Support Services:</b>						
Tuition	1,865,381	1,478,736			1,865,381	1,478,736
Student & Instruction Related Services	4,176,856	4,268,361			4,176,856	4,268,361
General Administrative Services	656,095	578,490			656,095	578,490
School Administrative Services	1,416,874	1,288,715			1,416,874	1,288,715
Central Services & Administrative Inform. Tech	609,799	512,707			609,799	512,707
Plant Operations and Maintenance	2,776,095	2,750,268			2,776,095	2,750,268
Pupil Transportation	956,432	879,835			956,432	879,835
Capital Outlay – Non-depreciable	27,599	27,599			27,599	27,599
Special Schools Unallocated Benefits		22,300				22,300
Interest on Long Term Debt	12,543	12,543			12,543	12,543
Unallocated Depreciation	655,199	632,751			655,199	632,751
Food Service			456,714	405,373	456,714	405,373
Transfer to Carter School	24,343	12,653			24,343	12,653
<b>Total Expenditures and Transfers</b>	<b><u>27,532,271</u></b>	<b><u>26,257,748</u></b>	<b><u>456,714</u></b>	<b><u>405,373</u></b>	<b><u>27,988,985</u></b>	<b><u>26,663,121</u></b>
<b>Increase/Decrease in Net Position</b>	<b><u>1,230,735</u></b>	<b><u>1,345,023</u></b>	<b><u>13,617</u></b>	<b><u>159</u></b>	<b><u>1,244,352</u></b>	<b><u>1,345,182</u></b>

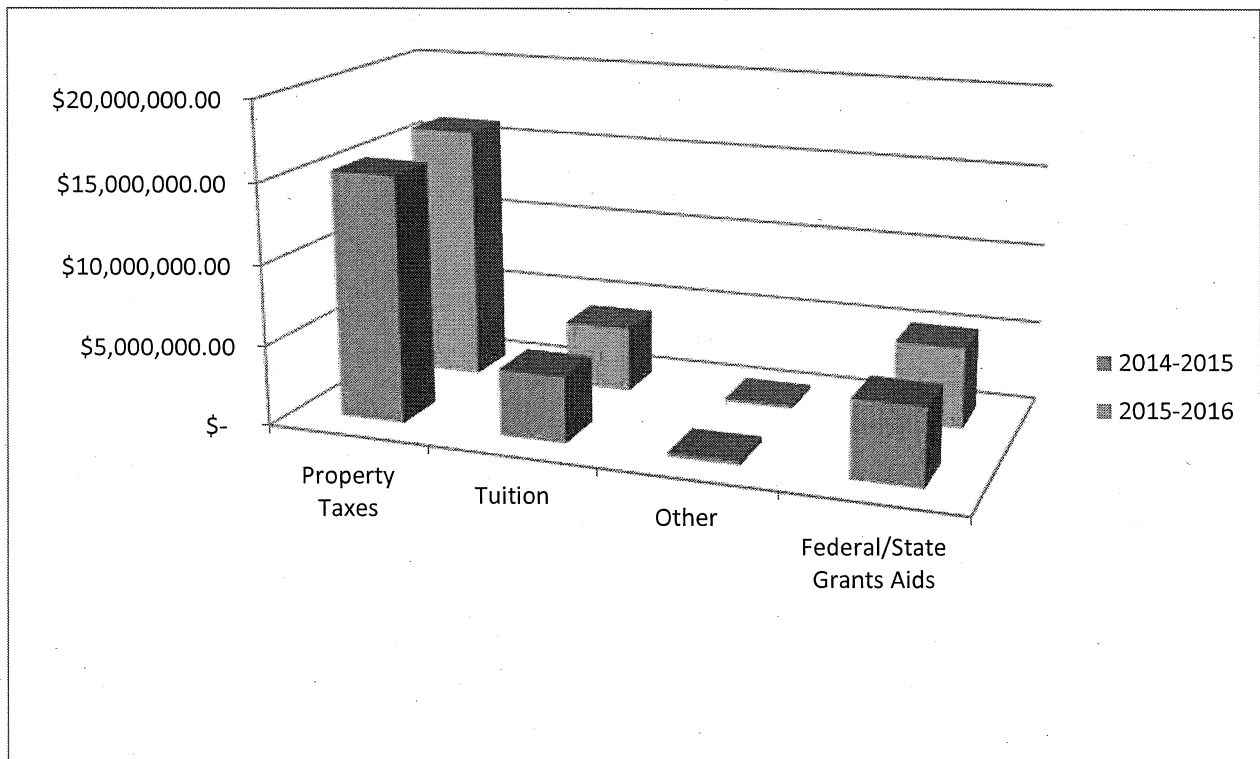


**Governmental Activities**

**-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 62.86% percent of revenues for governmental activities for the Butler Borough Public School District for fiscal year 2016 (see Exhibit B-2). Federal, State, and local grants accounted for another 19.93%. Tuition from other LEA's (mostly from sending District Bloomingdale) in the state accounted for 16.17% percent. The District's total governmental fund revenues were \$25,619,867 for the fiscal year ended June 30, 2016.

**Sources of Revenues for Fiscal Year 2016**

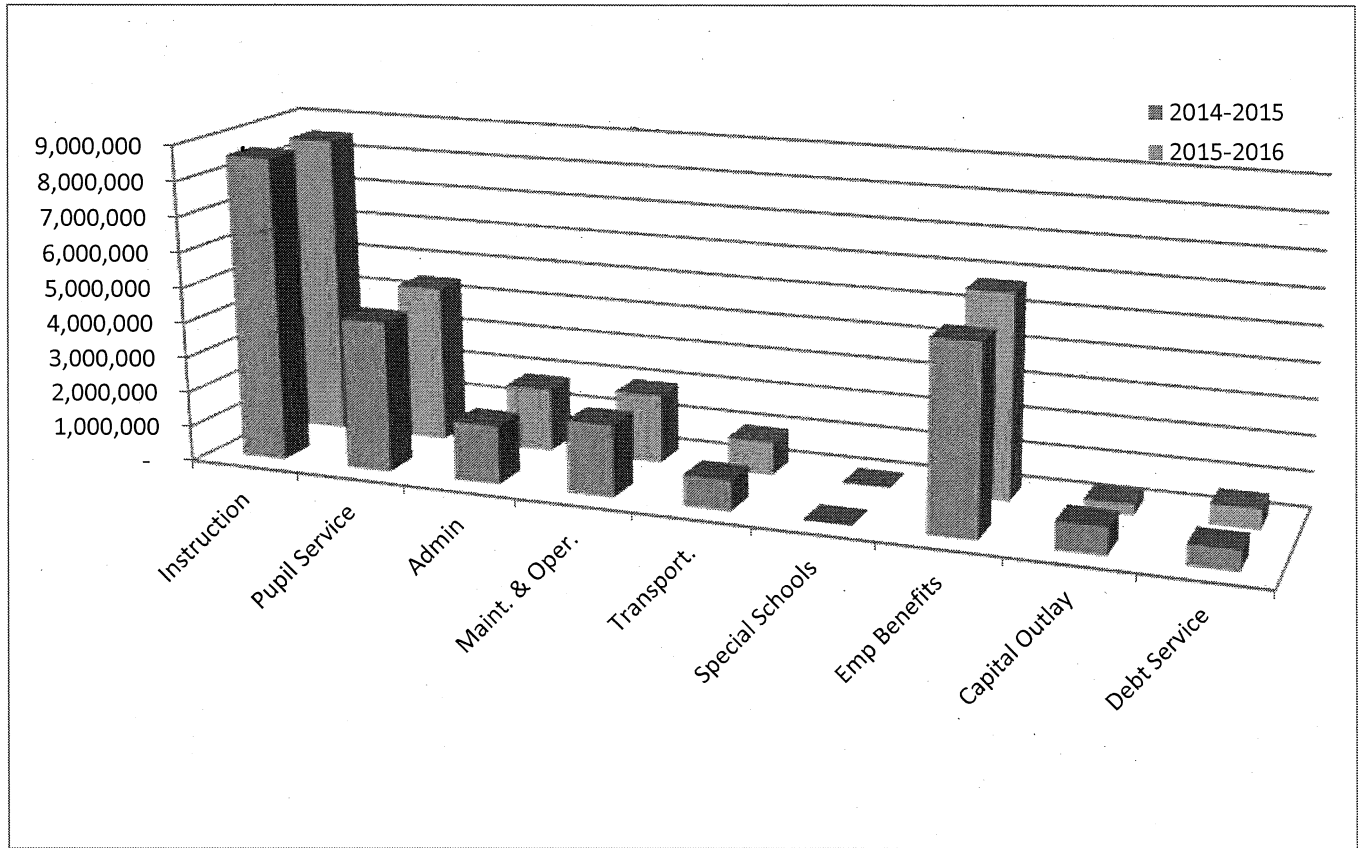


	Property Taxes	Tuition	Other	Federal/State Grants Aids
2014-2015	15,379,799	4,162,861	315,661	4,832,872
2015-2016	16,104,317	4,143,547	265,949	5,106,054

**-Expenses-**

The total cost of all program and services was \$24,494,077. Instruction comprises 34.94% of District expenses. The total for Instruction in 2015-2016 represents a decrease of (.78)% in actual dollar expenditures over the previous year.

**Expenses for Fiscal Year 2016**



	Instruction	Pupil Service	Admin.	Maint. & Operations	Transport.	Special Schools	Employee Benefits	Capital Outlay	Debt Service
2014-2015	8,624,531	4,291,776	1,676,398	2,047,873	879,835	12,653	5,286,363	783,181	583,549
2015-2016	8,557,056	4,479,317	1,818,592	1,970,642	956,432	24,343	5,771,754	329,267	586,674

**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 revenues exceeded expenditures by \$13,618. This is an increase of \$13,459 in the amount of revenues over expenditures in 2015.
- ◆ Charges for services represent \$260,849 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 \$209,483 an increase of \$63,510 over 2015.

## 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 2015 follows, as well as a description of the various expenditure areas.

	<u>Total Cost of Services 2016</u>	<u>Net Cost of Services 2016</u>	<u>Total Cost of Services 2015</u>	<u>Net Cost of Services 2015</u>
<b>Instruction</b>	\$14,355,055	\$11,214,649	\$13,792,791	\$10,510,909
<b>Support services</b>				
Pupils and instructional staff	6,042,236	5,214,424	5,747,097	4,865,820
General administration, school administration, business	2,682,768	2,276,248	2,379,911	2,001,206
Operation and maintenance of facilities	2,776,095	2,173,838	2,750,268	2,133,798
Pupil transportation	956,432	956,432	879,835	879,835
Interest on Long Term Debt	12,543	12,543	12,543	12,543
Unallocated Benefits			22,300	
Transfer to Charter School	24,343	24,343	12,653	12,653
Unallocated Depreciation	655,199	655,199	632,751	632,751
Capital Outlay - Non-depreciable	<u>27,599</u>	<u>27,599</u>	<u>27,599</u>	<u>27,599</u>
Total governmental expenses	<u>\$27,532,271</u>	<u>22,555,276</u>	<u>\$26,257,748</u>	<u>\$21,077,114</u>

The total cost for 2016 is an increase of \$1,274,523 over 2015, or 4.85%. This slight increase is mainly attributed to the increase in Instruction expenditures of \$562,264.

The total net cost for 2016 is an increase of \$1,478,162 over 2015, or 7.01%. This value is again attributed to the increase in increase in Instruction expenditures.

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 \$25,619,867 and expenditures of \$24,494,077.

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, 2016, 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 2015</u>	<u>Percent Increase (Decrease)</u>
Local Sources	\$20,513,812	80.07%	\$655,491	3.30%
State Sources	4,681,743	18.27%	275,692	6.26%
Federal Sources	<u>424,312</u>	<u>1.66%</u>	<u>(2,509)</u>	(0.59)%
Total	<u>\$25,619,867</u>	<u>100.00%</u>	<u>\$928,674</u>	

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, 2016.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2015</u>	<u>Percent Increase/ (Decrease) From 2015</u>
Current:				
Instruction	8,557,056	34.94%	(67,475)	(0.78)%
Undistributed expenditures	15,021,080	61.33%	826,182	5.82%
Capital Outlay	329,267	1.34%	(453,914)	(57.96)%
Debt Service	<u>586,674</u>	<u>2.40%</u>	<u>3,125</u>	0.54%
Total	<u>24,494,077</u>	<u>100.00%</u>	<u>307,918</u>	

### 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 2016, 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 when the need arises in such areas as:

- ◆ 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 \$2,567,713 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 \$372,158 over the budgeted amount.
- ◆ The actual expenditures appear to be \$548,011 higher than expected. Once again, after the removal of the TPAF reported numbers, expenditures are \$1,647,544 less than originally budgeted.

## **Capital Assets**

New capital asset purchases and construction in progress for the year totaled \$329,267. The District upgraded the phone system, replaced aging pocket system cafeteria tables at the elementary school, replaced three aging fire escapes at the high school, and renovated two restrooms at the high school.

## **Debt Administration**

At June 30, 2016 the School district had \$4,541,000 in outstanding debt.

## **For the Future**

The Butler Borough Public School District is in good financial condition. The District is proud of its community support of the public schools. However, future finances are not without challenges as expenses continue to grow and limitations are placed on total spending. The District is concerned with its increasing reliance on property taxes as state aid has remained flat and expenses have risen.

The District is committed to continuing its system of financial planning, budgeting and internal financial controls to meet the challenges 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 Barbara Murphy, School Business Administrator/Board Secretary at Butler Borough Board of Education, High School Annex Building, Butler, NJ 07405 or email at [bmurphy@butlerboe.org](mailto:bmurphy@butlerboe.org).

**BASIC FINANCIAL STATEMENTS**

**DISTRICT-WIDE STATEMENTS**



**BUTLER BOROUGH SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	1,844,028.24	36,198.35	1,880,226.59
Receivables, net	888,426.56	72,422.93	960,849.49
Internal balances	48,435.00	(48,435.00)	-
Inventory		6,963.63	6,963.63
Restricted assets:			
Capital reserve account - cash	1,376,825.65		1,376,825.65
Tuition reserve account - cash	75,000.00		75,000.00
Capital assets:			
Construction in progress	137,033.04		137,033.04
Other capital assets, net	12,101,622.64	62,718.68	12,164,341.32
Total Assets	<u>16,471,371.13</u>	<u>129,868.59</u>	<u>16,601,239.72</u>
<b>DEFERRED OUTFLOWS</b>			
Deferred Outflows of Resources Related to PERS	860,310.00		860,310.00
Deferred amount on refunding	100,343.00		100,343.00
<b>LIABILITIES</b>			
Accounts payable	192,255.00	21,096.60	213,351.60
Contracts Payable	573.00		573.00
Accrued interest on bonds	20,712.56		20,712.56
Unearned revenue	4,009.66	5,296.49	9,306.15
Noncurrent liabilities:			
Due within one year	489,429.10		489,429.10
Due beyond one year	9,664,978.55		9,664,978.55
Total liabilities	<u>10,371,957.87</u>	<u>26,393.09</u>	<u>10,398,350.96</u>
<b>DEFERRED INFLOWS</b>			
Deferred Inflows of Resources Related to PERS	215,409.00		215,409.00
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	7,629,704.09	62,718.68	7,692,422.77
Restricted for:			
Debt Service	1.32		1.32
Capital projects	1,474,913.22		1,474,913.22
Other Purposes	2,394,241.30		2,394,241.30
Unrestricted	(4,654,202.67)	40,756.82	(4,613,445.85)
Total net position	<u>6,844,657.26</u>	<u>103,475.50</u>	<u>6,948,132.76</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, 2016**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
Instruction:							
Regular	6,568,346.35	4,053,338.19	295,068.67	2,167,010.15	(8,159,605.71)		(8,159,605.71)
Special education	1,647,243.36	1,141,071.52	107,871.00	470,454.71	(2,209,989.17)		(2,209,989.17)
Other special instruction	261,185.49	171,588.89		70,940.84	(361,833.54)		(361,833.54)
Other instruction	512,281.24	-	29,060.33	-	(483,220.91)		(483,220.91)
Support services:							
Tuition	1,865,380.73	-		-	(1,865,380.73)		(1,865,380.73)
Student & instruction related services	2,613,936.20	1,562,919.49		827,812.40	(3,349,043.29)		(3,349,043.29)
General administrative services	496,023.68	160,071.20		151,592.09	(504,502.79)		(504,502.79)
School administrative service	834,148.85	582,725.61		254,928.09	(1,161,946.37)		(1,161,946.37)
Central Services and Admin. Infor. Tech.	488,419.06	121,379.94		-	(609,799.00)		(609,799.00)
Plant operations and maintenance	1,970,641.95	805,452.74		602,257.01	(2,173,837.68)		(2,173,837.68)
Pupil transportation	956,432.14	-		-	(956,432.14)		(956,432.14)
Capital Outlay - Non Depreciable	27,599.00	-		-	(27,599.00)		(27,599.00)
Interest on Long term debt	12,543.00	-		-	(12,543.00)		(12,543.00)
Transfer to Charter School	24,343.00	-		-	(24,343.00)		(24,343.00)
Unallocated depreciation and Amortization	-	655,199.22		-	(655,199.22)		(655,199.22)
Total governmental activities	18,278,524.05	9,253,746.80	432,000.00	4,544,995.31	(22,555,275.54)		(22,555,275.54)
<b>Business-type activities:</b>							
Food Service	456,713.62		260,848.85	209,250.43		13,385.66	13,385.66
Total business-type activities	456,713.62		260,848.85	209,250.43		13,385.66	13,385.66
<b>Total primary government</b>	<b>18,735,237.67</b>		<b>692,848.85</b>	<b>4,754,245.74</b>	<b>(22,555,275.54)</b>	<b>13,385.66</b>	<b>(22,541,889.88)</b>
<b>General revenues:</b>							
Taxes:							
Property taxes, levied for general purposes, net					15,575,616.00		15,575,616.00
Taxes Levied for debt service					528,700.76		528,700.76
Federal and State aid not restricted					7,223,431.59		7,223,431.59
State Aid - Restricted for Debt Service					57,973.00		57,973.00
State Aid - Capital Outlay					136,039.91		136,039.91
Investment Earnings					845.80	232.20	1,078.00
Miscellaneous Income					263,403.45		263,403.45
Total general revenues, special items, extraordinary items and transfers					23,786,010.51	232.20	23,786,242.71
Change in Net Position					1,230,734.97	13,617.86	1,244,352.83
<b>Total Net Position - Beginning</b>							<b>5,703,779.93</b>
<b>Net Position - ending</b>							<b>6,948,132.76</b>

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, 2016**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	1,745,366.35		98,660.57	1.32	1,844,028.24
Due from other funds	122,055.27				122,055.27
Receivable from state government	357,911.22				357,911.22
Receivable from federal government		77,609.99			77,609.99
Receivables from other governments	452,885.41				452,885.41
Restricted cash and cash equivalents	1,451,825.65				1,451,825.65
<b>Total assets</b>	<b>4,130,043.90</b>	<b>77,609.99</b>	<b>98,660.57</b>	<b>1.32</b>	<b>4,306,315.78</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Interfund Accounts Payable		73,600.33			73,600.33
Contracts payable			573.00		573.00
Unearned revenue local grants		4,009.66			4,009.66
<b>Total liabilities</b>	<b>-</b>	<b>77,609.99</b>	<b>573.00</b>	<b>-</b>	<b>78,182.99</b>
<b>Fund Balances:</b>					
<b>Assigned to:</b>					
Other Purposes	120,472.92				120,472.92
Designated for Subsequent Year's Expenditures	309,537.00				309,537.00
<b>Restricted for:</b>					
Debt Service				1.32	1.32
Capital Projects			98,087.57		98,087.57
Excess Surplus	1,004,431.38				1,004,431.38
Excess Surplus Designated for for Subsequent Year's Expenditures	884,800.00				884,800.00
Tuition Reserve Account	75,000.00				75,000.00
Capital Reserve Account	1,376,825.65				1,376,825.65
<b>Unassigned:</b>					
General Fund	358,976.95				358,976.95
<b>Total fund balances</b>	<b>4,130,043.90</b>	<b>-</b>	<b>98,087.57</b>	<b>1.32</b>	<b>4,228,132.79</b>
<b>Total liabilities and fund balances</b>	<b>4,130,043.90</b>	<b>77,609.99</b>	<b>98,660.57</b>	<b>1.32</b>	
Amounts reported for <i>governmental activities</i> in the statement of net position (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.					(20,712.56)
Accounts Payable for subsequent Pension payment is not a payable in the funds					(192,255.00)
Deferred Outflows and Inflows of resources are applicable to future periods and therefore are not reported in the funds.					
Deferred Outflows of Resources Related to PERS Pension Liability					860,310.00
Deferred Inflows of Resources Related to PERS Pension Liability					(215,409.00)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$20,780,848.27 and the accumulated depreciation is \$8,500,180.46.					12,280,667.81
Deferred interest costs are not reported as expenditures in the governmental fund in the year of the expenditure.					100,343.00
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.					(10,154,407.65)
<b>Net position of governmental activities</b>					<b>6,886,669.39</b>

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, 2016**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>					
Local sources:					
Local Tax Levy	15,575,616.00			528,700.76	16,104,316.76
Tuition - Other LEA's Within the State	4,143,546.79				4,143,546.79
Other Restricted Miscellaneous Revenue	73,791.90				73,791.90
Interest Earned on Capital Reserve Funds	845.80				845.80
Miscellaneous Income	189,611.55	1,699.52			191,311.07
Total - Local Sources	19,983,412.04	1,699.52	-	528,700.76	20,513,812.32
State sources	4,487,730.06		136,039.91	57,973.00	4,681,742.97
Federal sources	24,562.53	399,749.00			424,311.53
Total revenues	24,495,704.63	401,448.52	136,039.91	586,673.76	25,619,866.82
<b>EXPENDITURES</b>					
Current:					
Regular instruction	5,913,528.28	359,749.40			6,273,277.68
Special education instruction	1,539,372.36				1,539,372.36
Other special instruction	232,125.16				232,125.16
Other instruction	512,281.24				512,281.24
Support services and undistributed costs:					
Tuition	1,865,380.73				1,865,380.73
Student & instruction related services	2,572,237.08	41,699.12			2,613,936.20
General administrative services	496,023.68				496,023.68
School administrative services	834,148.85				834,148.85
Central Services and Admin. Infor. Tech.	488,419.06				488,419.06
Plant operations and maintenance	1,970,641.95				1,970,641.95
Pupil transportation	956,432.14				956,432.14
Unallocated employee benefits	5,771,754.21				5,771,754.21
Capital outlay	291,314.91	-	37,952.34		329,267.25
Transfer to charter school	24,343.00				24,343.00
Debt service:					
Principal				445,000.00	445,000.00
Interest and other charges				141,673.76	141,673.76
Total expenditures	23,468,002.65	401,448.52	37,952.34	586,673.76	24,494,077.27
Net change in fund balances	1,027,701.98	-	98,087.57	-	1,125,789.55
Fund balance—July 1 -	3,102,341.92	-		1.32	3,102,343.24
Fund balance—June 30	4,130,043.90	-	98,087.57	1.32	4,228,132.79

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, 2016**

<b>Total net change in fund balances - governmental funds (from B-2)</b>	1,125,789.55
Amounts reported for governmental activities in the statement of activities (A-2) are different because:	
<p>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.</p>	
<p style="margin-right: 20px;">Depreciation expense (567,902.36)</p> <p style="margin-right: 20px;">Depreciable Capital outlays <u>301,668.25</u></p>	(266,234.11)
<p>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 position and is not reported in the statement of activities. In the current year, these amounts consist of:</p>	
<p style="margin-right: 20px;">Principal Payments on Bonds Payable</p> <p style="margin-right: 20px;">Principal Payments on Capital Leases</p>	<p>445,000.00</p> <p>23,240.72</p>
<p>District pension contributions are reported as expenditures in the governmental funds when made. However, per GASB No. 68 they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.</p>	
<p style="margin-right: 20px;">District Pension Contributions</p> <p style="margin-right: 20px;">Less: Pension Expense <u>194,941.00</u> <u>(304,202.00)</u></p>	<p>(109,261.00)</p>
<p>Per GASB No. 68 Non-employer contributing entities are required to record an increases in revenue and expense for On-behalf TPAF pension payments paid by the State of New Jersey on the Statement of Activities that are in excess of those amounts reported in the fund financial statements</p>	
<p style="margin-right: 20px;">Increase in On-behalf State Aid TPAF Pension</p> <p style="margin-right: 20px;">Increase in On-behalf TPAF Pension Expense</p>	<p>2,711,139.00</p> <p>(2,711,139.00)</p>
<p>The governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>	
	(12,543.00)
<p>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</p>	
	3,290.41
<p>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 (+).</p>	
<p style="margin-right: 20px;">(Increase)/Decrease in Compensated Absences Payable</p>	<p><u>21,452.40</u></p>
<b>Change in net position of governmental activities</b>	<u><u>1,230,734.97</u></u>

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

**BUTLER BOROUGH SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2016**

	Business-type Activities - Enterprise Funds	Internal Service Fund
	Food Service	Academy for Law and Public Safety
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	36,198.35	-
Intergovernmental receivables:		
Federal	23,334.08	
State	653.85	
Other Accounts receivables	-	48,435.00
Inventories	6,963.63	
Total current assets	67,149.91	48,435.00
Noncurrent assets:		
Furniture, machinery & equipment	120,549.61	
Less accumulated depreciation	(57,830.93)	
Total noncurrent assets	62,718.68	-
Total assets	129,868.59	48,435.00
<b>LIABILITIES</b>		
Current liabilities:		
Interfund payable		48,435.00
Accounts payable	21,096.60	-
Unearned Revenue:		
Prepaid Sales	3,465.98	
Federal Food Distribution Program	1,830.51	
Total current liabilities	26,393.09	48,435.00
<b>NET POSITION:</b>		
Restricted for:		
Invested in Capital Assets Net of Related Debt	62,718.68	
Unrestricted	40,756.82	
Total net position	103,475.50	-

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 POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
	Food Service	Academy for Law and Public Safety
Operating revenues:		
Charges for services:		
Daily sales - reimbursable lunch programs	140,703.38	
Daily sales - non-reimbursable lunch programs	116,902.00	
Fees from other LEA's within the State	-	432,000.00
Miscellaneous	8,703.47	
Total operating revenues	<u>266,308.85</u>	<u>432,000.00</u>
Operating expenses:		
Cost of sales- reimbursable	127,954.00	
Cost of sales- non- reimbursable	82,339.79	
Salaries	158,870.93	295,068.67
Employee benefits	1,192.00	107,871.00
Purchased property service		29,060.33
Supplies and Materials	19,874.04	-
Management Fees	16,500.00	
Insurance	12,002.98	
Repairs	26,978.83	
Depreciation	4,331.18	
Miscellaneous	12,740.61	-
Total operating expenses	<u>462,784.36</u>	<u>432,000.00</u>
Operating Income (Loss)	<u>(196,475.51)</u>	<u>-</u>
Nonoperating revenues (expenses):		
State sources:		
State school lunch program	3,692.41	
Federal sources:		
National school lunch program	111,335.44	
Breakfast program	17,341.22	
Food distribution program	35,479.97	
Equipment Assistance Grant	42,012.13	
Interest and investment revenue	232.20	
Total nonoperating revenues (expenses)	<u>210,093.37</u>	<u>-</u>
Change in net position	13,617.86	-
Total Net Position - Balance, beginning of year	<u>89,857.64</u>	<u>-</u>
Total Net position—Ending	<u><u>103,475.50</u></u>	<u><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, 2016**

	Business-type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
	Food Service	Academy for Law and Public Safety
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	264,308.88	432,000.00
Cash payments to employees for services	(158,870.93)	(295,068.67)
Cash payments to suppliers for goods and services	(368,581.24)	(136,931.33)
Net cash provided by (used for) operating activities	<u>(263,143.29)</u>	<u>-</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Sources	4,226.83	
Federal Sources	215,726.06	
Net cash provided by (used for) non-capital financing activities	<u>219,952.89</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	<u>42,012.13</u>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends	<u>232.20</u>	
Net increase (decrease) in cash and cash equivalents	(84,970.33)	-
Balances—Beginning of year	<u>121,168.68</u>	<u>-</u>
Balances—End of year	<u><u>36,198.35</u></u>	<u><u>-</u></u>
Reconciliation of operating income (loss) to net cash provided (used) operating activities:		
Operating Income (Loss)	(195,864.77)	-
Adjustments to reconcile operating loss to net cash provided (used for) operating activities:		
Depreciation	4,331.18	
(Increase ) decrease in inventories	4,352.62	
Increase (decrease) in accounts payable	(78,811.61)	-
( Increase) decrease in interfund payable	3,460.03	-
Increase (decrease) in food distribution program	(610.74)	-
Total adjustments	<u>(67,278.52)</u>	<u>-</u>
Net cash provided by (used for) operating activities	<u><u>(263,143.29)</u></u>	<u><u>-</u></u>

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

**BUTLER BOROUGH SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2016**

	Unemployment Compensation Trust	Private Purpose Scholarship Fund	Agency Fund
<b>ASSETS</b>			
Cash and cash equivalents	113,271.35	109,570.72	498,039.69
	113,271.35	109,570.72	498,039.69
<b>LIABILITIES</b>			
Accrued Salaries and Wages			303,448.64
Flexible Spending			8,637.92
Payable to student groups			92,719.88
Payroll deductions and withholdings			87,323.83
Interfund - General Fund			19.94
Interfund - Unemployment Fund			5,889.48
	-	-	498,039.69
Total liabilities			
<b>NET POSITION</b>			
Held in trust for unemployment claims and other purposes	113,271.35		
Reserved for scholarships		109,570.72	
	113,271.35	109,570.72	

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 POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Unemployment Compensation Trust	Private Purpose Scholarship Fund
<b>ADDITIONS</b>		
Contributions:		
Plan member	19,218.81	
Other		24,591.82
Total Contributions	19,218.81	24,591.82
Investment earnings:		
Interest	213.66	81.78
Net investment earnings	213.66	81.78
Total additions	19,432.47	24,673.60
<b>DEDUCTIONS</b>		
Unemployment claims	11,650.93	
Scholarships awarded		22,203.42
Total deductions	11,650.93	22,203.42
Change in net position	7,781.54	2,470.18
Net position—Beginning of the year	105,489.81	107,100.54
Net position—End of the year	113,271.35	109,570.72

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

**NOTES TO THE FINANCIAL STATEMENTS**

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2015**

**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 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 position 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, 2016**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. Basis of Presentation (continued)**

**District-wide Financial Statements**

The statement of net position 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 position 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, 2016**

**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 position, 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, 2016**

**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 position and changes in net position. 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, Student Activities Fund and Payroll Agency Fund.

**B. Measurement Focus**

**District-wide Financial Statements**

The District-wide statements (i.e., the statement of net position 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 position, except for fiduciary funds.



**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2016**

**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 position. The statement of changes in fund net position 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 unearned 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, 2016**

**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.

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2016**

**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 unearned revenues at fiscal year end.

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

**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, 2016**

**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, 2016, 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, 2016**

**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 position, 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 position 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 position 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>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activity 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, 2016**

**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. Unearned Revenue**

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

Unearned 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. Accounting and Financial Reporting for Pensions**

In fiscal year 2015, the District implemented GASB 68. This Statement amends GASB Statement No. 27. It improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2016**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**P. Accounting and Financial Reporting for Pensions (continued)**

effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and interperiod equity and creating additional transparency. This Statement replaces the requirement of Statement No. 27, *Accounting for Pension by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This statement is effective for periods beginning after June 15, 2015.

The District has also implemented GASB Statement 71, Pension Transition for Contributions made Subsequent to the Measurement Date-an amendment to GASB No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2016**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District has only two items that qualify for reporting in this category, deferred amounts from refunding debt-and deferred amounts related to pensions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies in this category, deferred amounts related to pension.

**R. 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).
- **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.



**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2016**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**R. Fund Balances:**(continued)

- **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.

**S. Net Position**

Net position represents the difference between assets and liabilities. Net position 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 position 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 position are available.

**T. 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.

**U. 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.

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2016**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**V. 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, medical and dental benefits and TPAF on-behalf contributions were allocated based on salaries of that program. 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.

**W. 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.

**X. Recent Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) issued Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27". This statement, which is effective for fiscal periods beginning after June 15, 2014 and was implemented by the District for the year ended June 30, 2015.

The Governmental Accounting Standards Board (GASB) issued Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date-an-amendment of GASB Statement No. 68". The provisions of this statement are required to be applied simultaneously with the provisions of Statement 68 which is effective for periods beginning after June 15, 2014 and was implemented by the District for the year ended June 30, 2015.

The Government Accounting Standards Board issued GASB Statement No. 72, Fair Value Measurement and Application. This statement is effective for fiscal years beginning after June 15, 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement also provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The District is currently reviewing what effect, if any, this Statement might have on future financial statements.

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2016**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**X. Recent Accounting Pronouncements** (continued)

The Government Accounting Standards Board issued GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68. This Statement is effective for fiscal years beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for fiscal years beginning after June 15, 2016. The District is currently reviewing what effect, if any, this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This Statement applies to OPEB plans and basically parallels GASB Statement 67 and replaces GASB Statement 43 and is effective for fiscal years beginning after June 15, 2016. The District is currently reviewing what effect, if any, this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement applies to government employers who provided OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The Statement is effective for fiscal years beginning after June 15, 2017. The District is currently reviewing what effect, if any, this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Government which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from "the American Institute of Certified Public Accountants that is cleared by the GASB. The District is currently reviewing what effect, if any, this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 77, Tax Abatement Disclosures, which improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The District believes this Statement will have no impact on future financial statements.

**Borough of Butler School District  
Notes to the Basic Financial Statements  
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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**X. Recent Accounting Pronouncements (continued)**

The Government Accounting Standards Board issued GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, which establishes the criteria for identifying the applicable pension plans and addresses measurement and recognition for pension liabilities, expense and expenditures; note disclosures of descriptive information about the plan, benefit terms, and contributions items; and required supplementary information presenting required contribution amounts for the past 10 fiscal years. The District is currently reviewing what effect this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 79, Certain External Investment Pools and Pool Participation, which permits qualifying external investment pools to measure pool investments at amortized cost for financial reporting purposes. The District is currently reviewing what effect this Statement might have on future financial statements.

The Government Accounting Standards Board issued GASB Statement No. 80, Blending Requirements for Certain Component Units, which provides clarity about how certain component units incorporated as not-for-profit corporations should be presented in the financial statements of the primary state or local government. The District does not believe this Statement will have any effect on future financial statements.

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 81, Irrevocable Split-Interest Agreements. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The District does not believe this Statement will have any effect on future financial statements.

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 82, Pension Issues - an Amendment of GASB Statements No. 67, No. 68 and No. 73. The objective of this Statement is to address certain issues that have been raised with respect to Statement No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement is effective for reporting periods beginning after June 15, 2016. This statement is effective for fiscal years beginning after June 15, 2016. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice.

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2016**

**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 District's 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, 2016, \$-0- of the District's bank balance of \$4,961,926.50 was exposed to custodial credit risk.

**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.

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2016**

**NOTE 4. RECEIVABLES**

Receivables at June 30, 2016 consisted of accounts and intergovernmental. All receivables are considered collectible in full. A summary of the principal items of receivables follows:

	Governmental Fund Financial Statements	Internal Service Fund	Enterprise Fund	District Wide Financial Statements
State Aid	\$ 357,911.22	\$ -	\$ 653.85	\$358,565.07
Federal Aid	77,609.99	-	23,334.08	100,944.07
Interfunds	122,055.27	-	-	19.94
Other	<u>452,885.41</u>	<u>48,435.00</u>	<u>-</u>	<u>501,849.49</u>
Gross Receivables	<u>1,01,461.89</u>	<u>48,435.00</u>	<u>23,987.93</u>	<u>960,849.49</u>
Less: Allowances for Uncollectables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Receivables, Net	<u>\$1,010,461.89</u>	<u>\$48,435.00</u>	<u>\$23,987.93</u>	<u>\$960,849.49</u>

**NOTE 5. INTERFUND BALANCES AND ACTIVITY**

Balance due to/from other funds at June 30, 2016 consists of the following:

Due to General Fund from the Trust and Agency Fund for interest earned.	\$ 19.94
Due to General Fund from Special Revenue Fund for short-term loans.	73,600.33
Due to General Fund from Internal Service Fund for short-term loan.	<u>48,435.00</u>
	<u>\$122,055.27</u>

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

**Borough of Butler School District**  
**Notes to the Basic Financial Statements**  
**for the fiscal year ended June 30, 2016**

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

<b>Governmental Activities:</b>	<u>Balance</u> <u>6/30/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>Adjustments</u>	<u>Balance</u> <u>6/30/16</u>
Capital Assets, Not Being Depreciated					
Construction in Progress	520,099.08	37,952.34	_____	(421,018.38)	137,033.04
Total Capital Assets, Not Being Depreciated	<u>520,099.08</u>	<u>37,952.34</u>	_____	(421,018.38)	<u>137,033.04</u>
Capital Assets, Being Depreciated					
Building Improvements	15,148,058.55	139,307.70		421,018.38	15,708,384.63
Site Improvements	3,556,837.50	11,000.00			3,567,837.50
Furniture, Equipment and Vehicles	<u>1,214,666.76</u>	<u>113,408.21</u>	(2,494.00)	_____	<u>1,325,580.97</u>
Total Capital Assets, Being Depreciated	<u>19,919,562.81</u>	<u>263,715.91</u>	(2,494.00)	421,018.38	<u>20,601,803.10</u>
Governmental Activities Capital Assets	<u>20,439,661.89</u>	<u>301,668.25</u>	(2,494.00)	_____	<u>20,738,836.14</u>
Less: Accumulated Depreciation:					
Site Improvements	( 1,039,733.61)	(301,419.67)		123,664.52	(1,217,488.76)
Building Improvements	( 6,142,141.58)	(177,755.15)		(123,664.52)	(6,443,561.25)
Furniture, Equipment and Vehicles	<u>( 752,896.91)</u>	<u>( 88,727.54)</u>	2,494.00	_____	<u>( 839,130.45)</u>
Total Accumulated Depreciation	<u>( 7,934,772.10)</u>	<u>(567,902.36)</u>	<u>2,494.00</u>	_____	<u>(8,500,180.46)</u>
Total Capital Assets Being Depreciated, Net	<u>11,984,790.71</u>	<u>(304,186.45)</u>	_____	421,018.38	<u>12,101,622.64</u>
Governmental Activities Capital Assets, Net	<u>12,504,889.79</u>	<u>(266,234.11)</u>	_____	_____	<u>12,238,655.68</u>
<b>Business-Type Activity</b>					
Food Services	<u>78,537.45</u>	<u>42,012.16</u>	_____	_____	<u>120,549.61</u>
Total	<u>78,537.45</u>	<u>42,012.16</u>	_____	_____	<u>120,549.61</u>
Less: Accumulated Depreciation:					
Food Services	<u>( 53,499.75)</u>	<u>( 23,843.03)</u>	_____	_____	<u>( 57,830.93)</u>
Total Accumulated Depreciation	<u>( 53,499.75)</u>	<u>( 23,843.03)</u>	_____	_____	<u>( 57,830.93)</u>
Net Business-Type Activity Capital Assets, Net	<u>25,037.70</u>	<u>45,370.92</u>	_____	_____	<u>70,408.62</u>

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2016**

**NOTE 6. CAPITAL ASSETS (continued)**

Depreciation expense was charged to functions as follows:

Instruction:

Regular Education	\$3,9620.29
Special Education	5,249.63
Student & Instruction Related Services	21,353.02
School Administrative Services	226.47
Plant Operations and Maintenance	20,297.07
Unallocated	<u>516,815.87</u>

Total Depreciation Expense \$567,902.96

**NOTE 7. LONG-TERM OBLIGATION ACTIVITY**

Changes in long-term obligations for the fiscal year ended June 30, 2016 were as follows:

	Balance June 30, 2015	Issued	Retired	Balance June 30, 2016	Due Within One Year	Long-Term Portion
Capital Leases Compensated	91,192.31	-	23,240.72	67,951.59	24,429.10	43,522.49
absences payable	476,908.46	-	21,452.40	455,456.06	-	455,456.06
Net Pension						
Liability -PERS	4,278,415.00	811,585.00	-	5,090,000.00	-	5,090,000.00
School Bonds of 2009	2,401,000.00	-	180,000.00	2,221,000.00	190,000.00	2,031,000.00
Refunding School Bonds of 2012	<u>2,585,000.00</u>	<u>-</u>	<u>265,000.00</u>	<u>2,320,000.00</u>	<u>275,000.00</u>	<u>2,045,000.00</u>
	<u>9,832,515.77</u>	<u>811,585.00</u>	<u>489,693.12</u>	<u>10,154,407.65</u>	<u>489,429.10</u>	<u>9,664,978.55</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, 2016, consisted of the following:

<u>Issue</u>	Original Amount <u>Issued</u>	Issue Date	Interest Rates	Date of Maturity	Principal Balance at June 30, 2016
School Bonds of 2009	3,046,000.00	2/01/2009	2.00-4.00%	7/01/2024	\$2,221,000.00
Refunding Bonds of 2012	2,920,000.00	8/01/2012	2.00-2.56%	2/01/2024	<u>2,320,000.00</u>
					<u>\$4,541,000.00</u>



**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2016**

**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>
2017	\$ 465,000.00	\$128,636.26	\$ 593,636.26
2018	485,000.00	117,523.76	602,523.76
2019	496,000.00	104,308.76	600,308.76
2020	550,000.00	91,018.76	641,018.76
2021	555,000.00	75,543.76	630,543.76
2022-2025	<u>1,990,000.00</u>	<u>131,568.76</u>	<u>2,121,568.76</u>
	<u>\$4,541,000.00</u>	<u>\$648,600.06</u>	<u>\$5,189,600.06</u>

**B. Bonds Authorized but not Issued**

As of June 30, 2016, there were no Authorized but not Issued Bonds.

**NOTE 8. CAPITAL LEASES PAYABLE**

The District is leasing nine copiers with a lease term of five years. The following is a schedule of the future minimum lease payments under this capital lease and the present value of the net minimum lease payments at June 30, 2016:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2017	\$27,270.36
2018	27,270.36
2019	<u>18,180.24</u>
Total Minimum lease payables	72,720.96
Less: Amount representing interest	<u>4,769.37</u>
Present Value of Net Minimum Lease Payments	<u>\$67,951.59</u>

The General Fund will be used to liquidate the Capital Lease.

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2016**

**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 or reports can be accessed on the internet at: [http://www.state.nj.us/treasury/pensions/annrpts\\_archive.htm](http://www.state.nj.us/treasury/pensions/annrpts_archive.htm).

**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.

**Defined Contribution Retirement Program (DCRP)** - The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2008 under the provisions of Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008 (NJSA 43:15C-1 et seq). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by NJSA 43:15C-1 et seq.

**Contribution Requirements Fund Based Statements** - 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 State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS and 5.5% for TPAF of the employee's annual compensation. Pursuant to the provisions of Chapter 78, P.L. 2011, this amount will increase to 6.5% plus an additional 1% phased in over 7 years beginning in the first year. For fiscal year 2012, the member rate will increase in October 2011. The phase in will take place on July 1 of each subsequent fiscal year. Employers are required to contribute at an actuarially determined

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2016**

**NOTE 9. PENSION PLANS (continued)**

rate in all Funds except the 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, 2016 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 AND DCRP, equal to the required contributions for each year as reported in the fund based statements, were as follows:

<u>Year Ending</u>	<u>PERS</u>	<u>DCRP</u>
6/30/16	\$194,941.00	\$26,781.96
6/30/15	188,384.00	26,888.54
6/30/14	178,213.00	34,810.46

The State of New Jersey contribution to TPAF (paid on-behalf of the District) for normal and post retirement benefits have been included in the fund-based statements as revenues and expenditures in accordance with GASB 24, paragraphs 7 through 13, as follows:

<u>Year Ending</u>	<u>Pension Contributions</u>	<u>Post-Retirement Medical Contributions</u>	<u>NCGI Premium</u>
6/30/16	\$665,977.00	\$832,497.00	\$33,175.00
6/30/15	445,685.00	758,428.00	32,065.00
6/30/14	346,160.00	617,670.00	30,554.00

In addition, the post-retirement medical benefits are included in the district-wide financial statements.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$663,906.06 during the year ended June 30, 2016 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been included in the fund-based statements as revenues and expenditures in accordance with GASB 24, paragraphs 7 through 13.

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2016**

**NOTE 9. PENSION PLANS (continued)**

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE DISTRICT-WIDE STATEMENTS PER - GASB NO. 68**

**Public Employees Retirement System (PERS)**

At June 30, 2016, the District reported a liability of \$5,090,000.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.0226746294 percent, which was a decrease of 0.0001768136 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$304,202.00. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$121,430.00	\$ -
Changes of assumptions	546,625.00	-
Net difference between projected and actual earnings on pension plan investments	-	81,837.00
Changes in proportion and differences between District contributions and proportionate share of contributions	-	133,572.00
District contributions subsequent to the measurement date	<u>192,255.00</u>	<u>-</u>
Total	<u>\$860,310.00</u>	<u>\$215,409.00</u>

The \$192,255.00 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2016, the plan measurement date is June 30, 2015) will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2016**

**NOTE 9. PENSION PLANS (continued)**

**Public Employees Retirement System (PERS) (continued)**

Year ended June 30:	
2017	\$106,721.00
2018	106,721.00
2019	169,970.00
2020	96,084.00

**Additional Information**

Local Group Collective balances at June 30, 2015 and 2014 are as follows:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Collective deferred outflows of resources	\$3,578,755,666	\$952,194,675
Collective deferred inflows of resources	993,410,455	1,479,224,662
Collective net pension liability	22,447,996,119	187,227,350,031
District's Proportion	0.0226746294%	0.0228514430%

**Actuarial Assumptions**

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

Inflation	3.04 Percent
Salary Increases:	
2012-2021	2.15-4.40 Percent (based on age)
Thereafter	3.15-5.40 Percent (based on age)
Investment Rate of Return	7.90 Percent

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

**Mortality Rates**

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback one year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2016**

**NOTE 9. PENSION PLANS (continued)**

**Long-Term Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the table on the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Markets	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Returns	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
Reit	4.25%	5.12%
	<u>100.00%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2016**

**NOTE 9. PENSION PLANS (continued)**

**Discount Rate** (continued)

will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate**

The following presents the collective net pension liability of the participating employers as of June 30, 2015 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

	June 30, 2015		
	1% Decrease <u>3.90%</u>	At Current Discount Rate <u>4.90%</u>	1% Increase <u>5.90%</u>
District's proportionate share of the pension liability	6,326,247	5,090,000	4,053,539

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS).

**Teachers Pensions and Annuity Fund (TPAF)**

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2016**

**NOTE 9. PENSION PLANS (continued)**

**Teachers Pensions and Annuity Fund (TPAF) (continued)**

The portion of the TPAF Net Pension Liability that was associated with the District recognized at June 30, 2016 was as follows:

Net Pension Liability:	
District's proportionate share	\$ -
State's proportionate share associated with the District	<u>55,852,379.00</u>
	<u>\$55,852,379.00</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The net pension liability associated with the District was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the proportion of the TPAF net pension liability associated with the District was 0.0883680460%.

For the year ended June 30, 2016, the District recognized on-behalf pension expense and revenue of \$3,410,291.00 for contributions provided by the State in the District-Wide Financial Statements.

**Actuarial Assumptions**

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

Inflation rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90%

**Mortality Rates**

Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.



**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2016**

**NOTE 9. PENSION PLANS (continued)**

**Long-Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2015 are summarized in the table on the following table:

Asset Class	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.53%
US Government Bonds	1.75%	1.39%
US Credit Bonds	13.50%	2.72%
US Mortgages	2.10%	2.54%
US Inflation-Indexed Bonds	1.50%	1.47%
US High Yield Bonds	2.00%	4.57%
US Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Markets Equity	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - Multi Strategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%
	<u>100.00%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 4.13% and 4.68% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2014 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2016**

**NOTE 9. PENSION PLANS (continued)**

**Discount Rate** (continued)

includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

Because the District's proportionate share of the net pension liability is zero, consideration of potential changes in the discount rate is not applicable to the District.

**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, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State 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 2015, the State paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at: <http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf>

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2016**

**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 general liability, automobile coverage; 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, 2016**

**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 expendable 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>
2015-2016	\$ 213.66	\$19,218.81	\$11,650.93	\$113,271.35
2014-2015	50,153.01	29,708.72	41,272.00	105,489.81
2013-2014	80,031.25	2,932.17	41,032.08	66,900.08

**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, 2016**

**NOTE 13. CAPITAL RESERVE ACCOUNT (continued)**

The activity of the capital reserve for the July 1, 2015 to June 30, 2016 fiscal year is as follows:

Beginning balance, July 1, 2015	\$ 575,979.85
Interest earnings	845.80
Deposit:	
Board Resolution	<u>800,000.00</u>
Ending balance, June 30, 2016	<u>\$1,376,825.65</u>

The balance in the capital reserve account at June 30, 2016 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. TUITION RESERVE ACCOUNT**

The tuition reserve account represents a year end fund balance classification to reserve unrestricted fund balance for a foreseeable future tuition adjustment pursuant to N.J.A.C. 6A:23A-17.1(f). The tuition reserve enables the District to reserve fund balance for an anticipated large tuition adjustment. The activity of the tuition reserve for the July 1, 2016 to June 30, 2016 fiscal year is as follows:

Beginning balance, July 1, 2015	<u>\$75,000.00</u>
Ending balance June 30, 2016	<u>\$75,000.00</u>

**NOTE 15. FUND BALANCE APPROPRIATED**

**General Fund [Exhibit B-1]** - Of the \$4,130,043.90 General Fund fund balance at June 30, 2016, \$120,472.92 is reserved for encumbrances; \$1,889,231.38 is reserved as excess surplus in accordance with *N.J.S.A.* 18A:7F-7, \$884,800.00 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2017; \$1,376,825.65 has been reserved in the Capital Reserve Account; \$75,000.00 has been reserved in the Tuition Reserve Account; \$309,537.00 has been appropriated and included as anticipated revenue for the year ending June 30, 2017; and \$358,976.95 is unreserved and undesignated.

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2016**

**NOTE 16. 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, 2016 is \$1,889,231.38. Of this amount, \$1,004,431.38 is the result of current year operation, and \$884,800.00 is the result of prior year operations.

**NOTE 17. INVENTORY**

Inventory in the Food Service Fund at June 30, 2016 consisted of the following:

Food	\$5,214.33
Supplies	<u>1,749.30</u>
	<u>\$6,963.63</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 unearned revenue.

**NOTE 18. CONTINGENT LIABILITIES**

Grant Programs - The school district participates in federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The school district is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation - The District's Counsel has informed us there are two (2) matters they have been engaged to represent the Board which are pending or to which they have devoted substantial attention in the form of legal consultation involving claims by or against, on a contingent liability of, the Board of Education. The outcome or possible outcome has not been supplied to us.

**NOTE 19. SUBSEQUENT EVENT**

The District has evaluated subsequent events through November 18, 2016, the date which the financial statements were available to be issued and no other items were noted for disclosure.

**REQUIRED SUPPLEMENTARY INFORMATION  
PART II**

**BUDGETARY COMPARISON SCHEDULE**



**BUTLER BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Exhibit C-1  
Page 1 of 5

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
<b>Local Sources:</b>					
Local Tax Levy	15,575,616.00	-	15,575,616.00	15,575,616.00	-
Tuition - Other LEA's Within the State	3,921,668.00	-	3,921,668.00	4,143,546.79	221,878.79
Interest Earned on Capital Reserve Funds	300.00	-	300.00	845.80	545.80
Other Restricted Miscellaneous Revenue	110,597.00	3,500.00	114,097.00	73,791.90	(40,305.10)
Unrestricted Miscellaneous Revenue	133,800.00	(3,500.00)	130,300.00	189,611.55	59,311.55
<b>Total - Local Sources</b>	<u>19,741,981.00</u>	<u>-</u>	<u>19,741,981.00</u>	<u>19,983,412.04</u>	<u>241,431.04</u>
<b>State Sources:</b>					
Categorical Security Aid	19,573.00	-	19,573.00	19,573.00	-
School Choice Aid	26,218.00	-	26,218.00	26,218.00	-
Categorical Transportation Aid	45,248.00	-	45,248.00	45,248.00	-
Categorical Special Education Aid	557,857.00	-	557,857.00	557,857.00	-
Equalization Aid	1,269,909.00	-	1,269,909.00	1,269,909.00	-
Additional Adjustment Aid	41,810.00	-	41,810.00	41,810.00	-
PARCC Readiness Aid	9,390.00	-	9,390.00	9,390.00	-
Per Pupil Growth Aid	9,390.00	-	9,390.00	9,390.00	-
Non Public Transportation Aid	-	-	-	13,001.00	13,001.00
Extraordinary Aid	200,000.00	-	200,000.00	312,194.00	112,194.00
On-behalf TPAF Pension and Annuity Fund (non-budgeted)	-	-	-	665,977.00	665,977.00
On-behalf TPAF NCGI Premium (non-budgeted)	-	-	-	33,175.00	33,175.00
On-behalf TPAF Post Retirement Medical (non-budgeted)	-	-	-	832,497.00	832,497.00
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	663,906.06	663,906.06
<b>Total State Sources</b>	<u>2,179,395.00</u>	<u>-</u>	<u>2,179,395.00</u>	<u>4,500,145.06</u>	<u>2,320,750.06</u>
<b>Federal Sources:</b>					
Medicaid Reimbursement	19,031.00	-	19,031.00	24,562.53	5,531.53
<b>Total Federal Sources</b>	<u>19,031.00</u>	<u>-</u>	<u>19,031.00</u>	<u>24,562.53</u>	<u>5,531.53</u>
<b>Total Revenues</b>	<u>21,940,407.00</u>	<u>-</u>	<u>21,940,407.00</u>	<u>24,508,119.63</u>	<u>2,567,712.63</u>
<b>EXPENDITURES:</b>					
<b>Current Expense:</b>					
<b>Regular Programs - Instruction:</b>					
Kindergarten - Salaries of Teachers	273,904.00	0.20	273,904.20	271,804.20	2,100.00
Grades 1-5 - Salaries of Teachers	1,482,313.00	(83,000.00)	1,399,313.00	1,388,798.42	10,514.58
Grades 6-8 - Salaries of Teachers	1,093,709.00	(125,810.28)	967,898.72	950,331.83	17,566.89
Grades 9-12 - Salaries of Teachers	2,508,243.00	255,978.60	2,764,221.60	2,672,961.53	91,260.07
<b>Regular Programs - Home Instruction:</b>					
Salaries of Teachers	6,833.00	-	6,833.00	5,840.00	993.00
Purchased Professional-Educational Services	13,695.00	35,135.50	48,830.50	37,799.55	11,030.95
<b>Regular Programs - Undistributed Instruction:</b>					
Other Salaries for Instruction	177,260.00	(1,521.42)	175,738.58	171,746.70	3,991.88
Purchased Professional-Educational Services	2,000.00	3,950.00	5,950.00	4,756.00	1,194.00
Purchased Technical Services	2,400.00	386.34	2,786.34	2,240.13	546.21
Other Purchased Services (400-500 series)	44,532.00	-	44,532.00	44,531.92	0.08
General Supplies	158,075.00	212,356.65	370,431.65	349,049.48	21,382.17
Textbooks	10,545.00	1,855.00	12,400.00	2,315.93	10,084.07
Other Objects	11,654.10	1,000.00	12,654.10	11,352.59	1,301.51
<b>TOTAL REGULAR PROGRAMS - INSTRUCTION</b>	<u>5,785,163.10</u>	<u>300,330.59</u>	<u>6,085,493.69</u>	<u>5,913,528.28</u>	<u>171,965.41</u>
<b>Learning and/or Language Disabilities:</b>					
Salaries of Teachers	229,803.00	1,801.55	231,604.55	231,602.99	1.56
Other Salaries for Instruction	11,524.00	9.46	11,533.46	11,533.46	-
General Supplies	3,190.00	(514.03)	2,675.97	2,079.00	596.97
<b>Total Learning and/or Language Disabilities</b>	<u>244,517.00</u>	<u>1,296.98</u>	<u>245,813.98</u>	<u>245,215.45</u>	<u>598.53</u>
<b>Multiple Disabilities:</b>					
Salaries of Teachers	107,973.00	120,000.00	227,973.00	223,860.25	4,112.75
Other Salaries for Instruction	30,816.00	(34.60)	30,781.40	30,094.67	686.73
General Supplies	1,000.00	-	1,000.00	999.89	0.11
<b>Total Multiple Disabilities</b>	<u>139,789.00</u>	<u>119,965.40</u>	<u>259,754.40</u>	<u>254,954.81</u>	<u>4,799.59</u>
<b>Resource Room/Resource Center:</b>					
Salaries of Teachers	867,286.00	(47,092.47)	820,193.53	792,450.46	27,743.07
Other Salaries for Instruction	47,019.00	11,029.46	58,048.46	31,159.46	26,889.00
Other Purchases Services	6,991.00	(240.00)	6,751.00	3,448.18	3,302.82
<b>Total Resource Room/Resource Center</b>	<u>921,296.00</u>	<u>(36,303.01)</u>	<u>884,992.99</u>	<u>827,058.10</u>	<u>57,934.89</u>
<b>Preschool Disabilities - Part-Time:</b>					
Salaries of Teachers	50,684.00	(48,076.03)	2,607.97	2,607.97	-
Other Salaries for Instruction	27,800.00	(25,120.00)	2,680.00	2,680.00	-
<b>Total Preschool Disabilities - Part-Time</b>	<u>78,484.00</u>	<u>(73,196.03)</u>	<u>5,287.97</u>	<u>5,287.97</u>	<u>-</u>
<b>Preschool Disabilities - Full-Time:</b>					
Salaries of Teachers	104,485.00	48,076.23	152,561.23	152,561.03	0.20
Other Salaries for Instruction	28,550.00	-	28,550.00	25,120.00	3,430.00
General Supplies	3,500.00	(2,562.00)	938.00	937.99	0.01
<b>Total Preschool Disabilities - Full-Time</b>	<u>136,535.00</u>	<u>45,514.23</u>	<u>182,049.23</u>	<u>178,619.02</u>	<u>3,430.21</u>

**BUTLER BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Home Instruction:					
Salaries of Teachers	39,068.00	-	39,068.00	28,237.01	10,830.99
Purchased Professional - Educational Services	11,278.00	-	11,278.00	-	11,278.00
Total Home Instruction	50,346.00	-	50,346.00	28,237.01	22,108.99
<b>TOTAL SPECIAL EDUCATION - INSTRUCTION</b>	<b>1,570,967.00</b>	<b>57,277.57</b>	<b>1,628,244.57</b>	<b>1,539,372.36</b>	<b>88,872.21</b>
Basic Skills/Remedial - Instruction					
Salaries of Teachers	133,194.00	23,040.00	156,234.00	146,190.61	10,043.39
General Supplies	500.00	-	500.00	500.00	-
Total Basic Skills/Remedial - Instruction	133,694.00	23,040.00	156,734.00	146,690.61	10,043.39
Bilingual Education - Instruction					
Salaries of Teachers	85,235.00	0.13	85,235.13	85,235.00	0.13
General Supplies	498.00	-	498.00	199.55	298.45
Total Bilingual Education - Instruction	85,733.00	0.13	85,733.13	85,434.55	298.58
School-Spon. Co/Extra Curr. Actvts.-Inst					
Salaries	80,251.00	-	80,251.00	70,270.67	9,980.33
Purchased Services (300-500 Series)	6,047.00	(365.00)	5,682.00	5,680.00	2.00
Supplies and Materials	2,000.00	9,986.00	11,986.00	1,851.56	10,134.44
Other Objects	542.00	-	542.00	195.00	347.00
Transfers to Cover Deficit ( Agency Funds)	3,500.00	(2,500.00)	1,000.00	-	1,000.00
Total School-Spon. Co/Extra Curr. Actvts.- Inst	92,340.00	7,121.00	99,461.00	77,997.23	21,463.77
School-Sponsored Athletics - Instruction					
Salaries	256,825.00	-	256,825.00	239,617.55	17,207.45
Purchased Services (300-500 Series)	49,674.00	(13,085.00)	36,589.00	27,091.52	9,497.48
Supplies and Materials	64,041.00	3,191.00	67,232.00	58,400.61	8,831.39
Other Objects	10,860.00	-	10,860.00	9,739.66	1,120.34
Transfers to Cover Deficit ( Agency Funds)	35,712.00	1,000.00	36,712.00	36,612.00	100.00
Total School-Sponsored Athletics - Instruction	417,112.00	(8,894.00)	408,218.00	371,461.34	36,756.66
Before/After School Programs - Instruction:					
Salaries of Teachers	2,100.00	-	2,100.00	1,234.77	865.23
Total Before/After School Programs - Instruction	2,100.00	-	2,100.00	1,234.77	865.23
Total Before/After School Programs	2,100.00	-	2,100.00	1,234.77	865.23
Summer School - Instruction:					
Salaries of Teachers	34,288.00	(6,414.40)	27,873.60	27,873.60	-
Other Salaries of Instruction	14,453.00	(773.00)	13,680.00	13,680.00	-
Purchased Professional & Technical Services	19,200.00	-	19,200.00	19,110.00	90.00
Total Other Instructional Programs - Instruction	67,941.00	(7,187.40)	60,753.60	60,663.60	90.00
Summer School - Support Svcs					
Salaries	732.00	1,919.53	2,651.53	924.30	1,727.23
Total Summer School - Support Svcs	732.00	1,919.53	2,651.53	924.30	1,727.23
Total Summer School	68,673.00	(5,267.87)	63,405.13	61,587.90	1,817.23
<b>Total Instruction</b>	<b>8,155,782.10</b>	<b>373,607.42</b>	<b>8,529,389.52</b>	<b>8,197,307.04</b>	<b>332,082.48</b>
Undistributed Expenditures - Instruction (Tuition)					
Tuition to Other LEAs Within the State - Regular	-	13,500.00	13,500.00	13,496.38	3.62
Tuition to Other LEAs Within the State - Special	136,666.00	1,057.00	137,723.00	129,433.98	8,289.02
Tuition to County Voc. School Dist.- Regular	265,500.00	18,900.00	284,400.00	277,650.00	6,750.00
Tuition to County Voc. School Dist.- Special	32,500.00	(19,500.00)	13,000.00	13,000.00	-
Tuition to CSSD & Reg. Day Schools	384,044.00	(68,326.10)	315,717.90	302,753.18	12,964.72
Tuition to Priv.Sch. For the Disabled W/I State	1,198,929.00	(104,266.90)	1,094,662.10	1,088,074.19	6,587.91
Tuition - State Facilities	39,780.00	1,193.00	40,973.00	40,973.00	-
Total Undistributed Expenditures - Instruction (Tuition)	2,057,419.00	(157,443.00)	1,899,976.00	1,865,380.73	34,595.27
Undist. Expend.-Attendance and Social Work					
Salaries	20,329.00	371.00	20,700.00	20,699.33	0.67
Supplies and Materials	1,000.00	81.00	1,081.00	1,065.64	15.36
Total Undist. Expend.-Attendance and Social Work	21,329.00	452.00	21,781.00	21,764.97	16.03
Undist. Expenditures - Health Services					
Salaries	221,404.00	(3,864.00)	217,540.00	205,986.14	11,553.86
Purchased Professional and Technical Services	33,240.00	(1,155.00)	32,085.00	27,442.84	4,642.16
Other Purchased Services (400-500 Series)	174.00	-	174.00	174.00	-
Supplies and Materials	6,552.00	3,723.35	10,275.35	9,040.90	1,234.45
Other Objects	600.00	-	600.00	255.00	345.00
Total Undist. Expenditures - Health Services	261,970.00	(1,295.65)	260,674.35	242,724.88	17,949.47
Undist. Expend.-Speech, OT, PT and Related Services					
Salaries	138,995.00	(42,520.00)	96,475.00	94,537.27	1,937.73
Purchased Professional - Educational Services	144,131.00	30,520.00	174,651.00	167,167.90	7,483.10
Supplies and Materials	550.00	-	550.00	500.00	50.00
Total Undist. Expend.-Speech, OT, PT and Related Services	283,676.00	(12,000.00)	271,676.00	262,205.17	9,470.83

**BUTLER BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist Expend-Oth Supp Serv Std-Extra Serv					
Salaries	650,961.00	(60,440.02)	590,520.98	454,431.90	136,089.08
Purchased Professional- Educational Services	299,127.00	-	299,127.00	203,383.16	95,743.84
Supplies and Materials	5,655.00	1,803.10	7,458.10	3,638.78	3,819.32
Total Undist Expend-Oth Supp Serv Std-Extra Serv	955,743.00	(58,636.92)	897,106.08	661,453.84	235,652.24
Undist. Expenditures - Guidance					
Salaries of Other Professional Staff	423,296.00	4,044.22	427,340.22	427,171.24	168.98
Salaries of Secretarial and Clerical Assistants	41,741.00	(3,750.00)	37,991.00	37,967.02	23.98
Other Salaries	2,400.00	-	2,400.00	2,100.00	300.00
Purchased Professional- Educational Services	-	1,864.00	1,864.00	1,863.00	1.00
Other Purchased Prof. And Tech. Services	16,965.00	2,135.95	19,100.95	19,072.75	28.20
Other Purchased Services (400-500 series)	1,450.13	460.00	1,910.13	928.39	981.74
Supplies and Materials	7,960.00	(511.05)	7,448.95	7,181.91	267.04
Other Objects	400.00	(160.00)	240.00	120.00	120.00
Total Undist. Expenditures - Guidance	494,212.13	4,083.12	498,295.25	496,404.31	1,890.94
Undist. Expenditures- Child Study Teams					
Salaries of Other Professional Staff	358,336.00	(14,583.30)	343,752.70	343,752.70	-
Salaries of Secretarial and Clerical Assistants	85,098.00	317.00	85,415.00	85,414.72	0.28
Other Purchased Prof. And Tech. Services	69,562.00	(16,669.95)	52,892.05	22,343.06	30,548.99
Misc Pur Serv(400-500 series O/Than Resid Costs)	-	836.45	836.45	836.45	-
Supplies and Materials	4,421.00	-	4,421.00	3,194.70	1,226.30
Total Undist. Expenditures - Child Study Teams	517,417.00	(30,099.80)	487,317.20	455,541.63	31,775.57
Undist. Expend.-Improv. Of Inst. Serv.					
Sal of Supervisor of Instruction	197,406.00	(7,269.48)	190,136.52	189,232.28	904.24
Sal of Secr and Clerical Assist.	17,019.00	-	17,019.00	16,986.84	32.16
Supplies and Materials	1,200.00	-	1,200.00	-	1,200.00
Other Objects	2,000.00	-	2,000.00	1,250.00	750.00
Total Undist. Expend.-Improv. Of Inst. Serv.	217,625.00	(7,269.48)	210,355.52	207,469.12	2,886.40
Undist. Expend.-Edu. Media Serv./Library					
Salaries	137,059.00	7,137.49	144,196.49	132,469.92	11,726.57
Purchased Professional and Technical Services	12,081.00	-	12,081.00	8,145.71	3,935.29
Supplies and Materials	17,065.00	(6,307.55)	10,757.45	8,525.70	2,231.75
Total Undist. Expend.-Edu. Media Serv./Library	166,205.00	829.94	167,034.94	149,141.33	17,893.61
Undist. Expend.-Instr. Staff Training Serv.					
Salaries of Supervisors of Instruction	60,304.00	6,515.32	66,819.32	66,819.32	-
Salaries of Other Professional Staff	5,000.00	-	5,000.00	1,575.00	3,425.00
Purchased Professional - Educational Service	6,250.00	(2,000.00)	4,250.00	300.00	3,950.00
Unused Vac. Payments to Terminated/Retired Staff	-	10,800.00	10,800.00	-	10,800.00
Other Purchased Prof. and Tech. Services	12,420.00	(1,500.00)	10,920.00	6,837.51	4,082.49
Total Undist. Expend.-Instr. Staff Training Serv.	83,974.00	13,815.32	97,789.32	75,531.83	22,257.49
Undist. Expend.-Support Serv.-Gen. Admin.					
Salaries	197,791.00	18,101.00	215,892.00	215,891.46	0.54
Legal Services	36,800.00	13,100.00	49,900.00	36,750.76	13,149.24
Audit Fees	42,420.00	1,530.00	43,950.00	21,500.00	22,450.00
Architectural/Engineering Services	14,500.00	(7,735.00)	6,765.00	4,500.00	2,265.00
Other Purchased Professional Services	17,861.00	(9,975.82)	7,885.18	6,673.13	1,212.05
Purchased Technical Services	11,200.00	-	11,200.00	10,445.25	754.75
Communications/Telephone	79,591.00	8,116.00	87,707.00	84,124.85	3,582.15
BOE Other Purchased Services	1,000.00	150.00	1,150.00	1,144.05	5.95
Misc. Purch Serv (400-500)(Other than 530& 585)	120,544.00	(20,857.00)	99,687.00	97,472.33	2,214.67
General Supplies	3,999.00	375.53	4,374.53	4,333.16	41.37
Miscellaneous Expenditures	3,294.00	(466.71)	2,827.29	2,719.00	108.29
BOE Membership Dues and Fees	11,675.00	(150.00)	11,525.00	10,469.69	1,055.31
Total Undist. Expend.-Support Serv.-Gen. Admin.	540,675.00	2,188.00	542,863.00	496,023.68	46,839.32
Undist. Expend. - Support Serv. - School Admin.					
Salaries of Principals/Asst. Principals/Prog Dir	597,553.00	2,038.17	599,591.17	599,586.98	4.19
Salaries of Other Professional Staff	45,836.00	875.40	46,711.40	46,710.50	0.90
Salaries of Secretarial and Clerical Assistants	184,610.00	(12,706.57)	171,903.43	170,676.84	1,226.59
Other Salaries	2,400.00	-	2,400.00	-	2,400.00
Purchased Professional and Technical Services	-	19,500.00	19,500.00	-	19,500.00
Other Purchased Services (400-500 series)	12,100.00	(5,540.00)	6,560.00	5,125.32	1,434.68
Supplies and Materials	12,807.00	(1,769.19)	11,037.81	7,051.21	3,986.60
Other Objects	5,525.00	-	5,525.00	4,998.00	527.00
Total Undist. Expend. - Support Serv. - School Admin.	860,831.00	2,397.81	863,228.81	834,148.85	29,079.96
Undist. Expend. - Central Services					
Salaries	43,424.00	-	43,424.00	30,201.08	13,222.92
Purchased Professional Services	268,813.00	(1,940.00)	266,873.00	229,150.04	37,722.96
Purchased Technical Services	30,642.00	1,800.00	32,442.00	32,383.29	58.71
Misc. Purchased Services ( 400-500 series)(O/T 594)	9,125.00	(445.00)	8,680.00	6,204.76	2,475.24
Supplies and Material	7,960.00	-	7,960.00	3,099.15	4,860.85
Interest on Lease Purchase Agreements	4,400.00	-	4,400.00	-	4,400.00
Miscellaneous Expenditures	2,550.00	515.00	3,065.00	3,065.00	-
Total Undist. Expend. - Central Services	366,914.00	(70.00)	366,844.00	304,103.32	62,740.68

**BUTLER BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Admin. Info Technology					
Salaries	138,343.00	-	138,343.00	133,506.64	4,836.36
Purchased Technical Services	44,182.00	-	44,182.00	37,269.02	6,912.98
Supplies and Material	11,500.00	38,894.00	50,394.00	13,540.08	36,853.92
Total Undist. Expend. - Admin. Info Technology	<u>194,025.00</u>	<u>38,894.00</u>	<u>232,919.00</u>	<u>184,315.74</u>	<u>48,603.26</u>
Undist. Expend.-Required Maint For Sch Fac.					
Salaries	123,510.00	(3,640.60)	119,869.40	117,775.06	2,094.34
Cleaning, Repair and Maintenance Services	144,719.00	86,184.51	230,903.51	229,520.23	1,383.28
General Supplies	32,418.00	19,845.00	52,263.00	42,834.83	9,428.17
Other Objects	1,500.00	-	1,500.00	-	1,500.00
Total Undist. Expend.-Required Maint For Sch Fac.	<u>302,147.00</u>	<u>102,388.91</u>	<u>404,535.91</u>	<u>390,130.12</u>	<u>14,405.79</u>
Undist. Expend. - Custodial Services					
Salaries	812,022.00	(2,878.62)	809,143.38	795,770.40	13,372.98
Salaries of Non-Instructional Aides	75,289.00	(3,931.80)	71,357.20	44,965.35	26,391.85
Purchased Professional and Technical Services	18,752.00	(389.00)	18,363.00	18,362.00	1.00
Cleaning, Repair and Maintenance Services	47,645.90	36,907.49	84,553.39	59,528.27	25,025.12
Other Purchased Property Services	18,465.00	6,000.00	24,465.00	22,578.12	1,886.88
Insurance	95,110.00	-	95,110.00	90,792.92	4,317.08
Unused Vac. Payments to Terminated/Retired Staff	10,800.00	-	10,800.00	3,760.40	7,039.60
Miscellaneous Purchased Services	7,852.00	700.00	8,552.00	8,498.93	53.07
General Supplies	96,894.00	-	96,894.00	88,318.55	8,575.45
Energy (Natural Gas)	166,788.00	-	166,788.00	104,394.43	62,393.57
Energy (Electricity)	263,406.00	-	263,406.00	193,370.57	70,035.43
Energy (Oil)	3,597.00	-	3,597.00	2,003.92	1,593.08
Other Objects	1,500.00	1,318.00	2,818.00	2,688.00	130.00
Total Undist. Expend. - Custodial Services	<u>1,618,120.90</u>	<u>37,726.07</u>	<u>1,655,846.97</u>	<u>1,435,031.86</u>	<u>220,815.11</u>
Undist Expend.-Care and Upkeep of Grounds					
Salaries	115,469.00	(10,999.96)	104,469.04	100,445.45	4,023.59
Cleaning, Repair, and Maintenance Services	40,282.00	6,475.00	46,757.00	25,806.87	20,950.13
General Supplies	16,798.00	-	16,798.00	13,525.15	3,272.85
Other Objects	200.00	80.00	280.00	110.00	170.00
Total Undist. Expend.-Care and Upkeep of Grounds	<u>172,749.00</u>	<u>(4,444.96)</u>	<u>168,304.04</u>	<u>139,887.47</u>	<u>28,416.57</u>
Undistributed Expenditures - Security:					
General Supplies	-	5,592.50	5,592.50	5,592.50	-
Total Undistributed Expenditures - Security	<u>-</u>	<u>5,592.50</u>	<u>5,592.50</u>	<u>5,592.50</u>	<u>-</u>
Total Undist. Expend.-Oper. And Maint. Of Plant Serv.	<u>2,093,016.90</u>	<u>141,262.52</u>	<u>2,234,279.42</u>	<u>1,970,641.95</u>	<u>263,637.47</u>
Undist. Expend. - Student Transportation Serv.					
Management Fee - ESC & CTSAs Trans. Program	1,890.00	350.00	2,240.00	1,292.95	947.05
Contract. Serv. - Aid in Lieu Pymts-NonPub Sch	75,140.00	-	75,140.00	55,416.98	19,723.02
Contract. Serv. - Aid in Lieu Pymts- Chrtr Sch	1,768.00	-	1,768.00	1,768.00	-
Contract. Serv. - Aid in Lieu Pymts-Choice Sch	5,304.00	-	5,304.00	1,119.73	4,184.27
Contr Serv (Bet. Home and Sch)-Vendors	183,065.00	8,000.00	191,065.00	190,703.18	361.82
Contr Serv(Oth. Than Bet Home & Sch)-Vend	121,618.00	1,251.00	122,869.00	122,811.74	57.26
Contract. Serv. (Sp Ed Sids)-Vendors	132,810.00	(8,602.00)	124,208.00	112,887.13	11,320.87
Contract. Serv. (Reg. Students)-ESCs & CTSAs	41,446.00	42,689.53	84,135.53	77,659.63	6,475.90
Contract. Serv.(Spl. Ed. Students)-ESCs & CTSAs	392,006.00	19,870.00	411,876.00	392,772.80	19,103.20
Total Undist. Expend. - Student Transportation Serv.	<u>955,047.00</u>	<u>63,558.53</u>	<u>1,018,605.53</u>	<u>956,432.14</u>	<u>62,173.39</u>
UNALLOCATED BENEFITS					
Social Security Contributions	264,577.00	50.00	264,627.00	245,243.64	19,383.36
Other Retirement Contributions - PERS	254,847.00	(55,986.12)	198,860.88	194,941.00	3,919.88
Other Retirement Contributions - Regular	36,215.00	-	36,215.00	32,999.42	3,215.58
Unemployment Compensation	38,529.00	-	38,529.00	-	38,529.00
Workmen's Compensation	123,797.00	(16,609.04)	107,187.96	106,745.05	442.91
Health Benefits	3,464,285.00	(337,312.70)	3,126,972.30	2,884,951.08	242,021.22
Tuition Reimbursement	57,604.00	(20,000.00)	37,604.00	29,999.97	7,604.03
Other Employee Benefits	132,620.00	-	132,620.00	81,318.99	51,301.01
TOTAL UNALLOCATED BENEFITS	<u>4,372,474.00</u>	<u>(429,857.86)</u>	<u>3,942,616.14</u>	<u>3,576,199.15</u>	<u>366,416.99</u>
ON-BEHALF CONTRIBUTIONS					
On-behalf TPAF Pension and Annuity Fund (non-budgeted)	-	-	-	665,977.00	(665,977.00)
On-behalf TPAF NCGI Premium (non-budgeted)	-	-	-	33,175.00	(33,175.00)
On-behalf TPAF Post Retirement Medical (non-budgeted)	-	-	-	832,497.00	(832,497.00)
Reimbursed TPAF Social Security Contributions (non-budgeted)	-	-	-	663,906.06	(663,906.06)
TOTAL ON-BEHALF CONTRIBUTIONS	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,195,555.06</u>	<u>(2,195,555.06)</u>
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	<u>4,372,474.00</u>	<u>(429,857.86)</u>	<u>3,942,616.14</u>	<u>5,771,754.21</u>	<u>(1,829,138.07)</u>
Undistributed Expenditures - Food Services					
Transfers to Cover Deficit (Enterprise Fund)	5,626.00	500.00	6,126.00	-	6,126.00
TOTAL UNDISTRIBUTED EXPENDITURES - FOOD SERVICE	<u>5,626.00</u>	<u>500.00</u>	<u>6,126.00</u>	<u>-</u>	<u>6,126.00</u>
TOTAL UNDISTRIBUTED EXPENDITURES	<u>14,448,179.03</u>	<u>(428,691.47)</u>	<u>14,019,487.56</u>	<u>14,955,037.70</u>	<u>(935,550.14)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>22,603,961.13</u>	<u>(55,084.05)</u>	<u>22,548,877.08</u>	<u>23,152,344.74</u>	<u>(603,467.66)</u>

**BUTLER BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>CAPITAL OUTLAY</b>					
<b>Equipment</b>					
Preschool Disabilities - Full Time	3,668.00	(3,668.00)	-	-	-
Undistributed Expenditures - Support Services - Related & Extra.	8,800.00	(1,659.00)	7,141.00	7,141.00	-
Undistributed Expenditures - Care and Upkeep of Grounds	-	11,000.00	11,000.00	11,000.00	-
Undistributed Expenditures - Administration Info Tech.	15,000.00	(15,000.00)	-	-	-
Undistributed Expenditures - Custodial Services	-	6,479.34	6,479.34	6,142.05	337.29
Undistributed Expenditures - Security	-	2,847.66	2,847.66	2,847.66	-
Undist. Expend. -Required Maint for School Fac.	45,040.20	55,084.05	100,124.25	45,040.20	55,084.05
<b>Total Equipment</b>	<b>72,508.20</b>	<b>55,084.05</b>	<b>127,592.25</b>	<b>72,170.91</b>	<b>55,421.34</b>
<b>Facilities Acquisition and Const. Serv.</b>					
Construction Services	81,580.00	-	81,580.00	81,545.00	35.00
Lease Purchase Agreements - Principal	110,000.00	-	110,000.00	110,000.00	-
Assessment for Debt Service on SDA Funding	27,599.00	-	27,599.00	27,599.00	-
<b>Total Facilities Acquisition and Const. Serv.</b>	<b>219,179.00</b>	<b>-</b>	<b>219,179.00</b>	<b>219,144.00</b>	<b>35.00</b>
<b>TOTAL CAPITAL OUTLAY</b>	<b>291,687.20</b>	<b>55,084.05</b>	<b>346,771.25</b>	<b>291,314.91</b>	<b>55,456.34</b>
Transfer to Charter School	24,343.00	-	24,343.00	24,343.00	-
<b>Total Expenditures</b>	<b>22,919,991.33</b>	<b>0.00</b>	<b>22,919,991.33</b>	<b>23,468,002.65</b>	<b>(548,011.32)</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(979,584.33)</b>	<b>(0.00)</b>	<b>(979,584.33)</b>	<b>1,040,116.98</b>	<b>2,019,701.31</b>
<b>Fund Balance, July 1</b>	<b>3,281,593.92</b>	<b>-</b>	<b>3,281,593.92</b>	<b>3,281,593.92</b>	<b>-</b>
<b>Fund Balance, June 30</b>	<b>2,302,009.59</b>	<b>-</b>	<b>2,302,009.59</b>	<b>4,321,710.90</b>	<b>2,019,701.31</b>
<b><u>Recapitulation of excess (deficiency) of revenues under expenditures:</u></b>					
Adjustment for prior year encumbrances	(95,077.33)	-	(95,077.33)	(95,077.33)	-
Budgeted fund Balance	(884,807.00)	-	(884,807.00)	334,348.51	1,219,155.51
Increase in capital reserve:					
Principal	300.00	-	300.00	800,000.00	800,000.00
Interest	(979,584.33)	-	(979,584.33)	845.80	545.80
	<b>(979,584.33)</b>	<b>-</b>	<b>(979,584.33)</b>	<b>1,040,116.98</b>	<b>2,019,701.31</b>
<b>Recapitulation:</b>					
Committed Fund Balance:					
Year End Encumbrances				120,472.92	
Assigned Fund Balance:					
Designated for Subsequent Year's Expenditures				309,537.00	
Restricted Fund Balance:					
Excess Surplus Designated for Subsequent Year's Expenditures				884,800.00	
Excess Surplus				1,004,431.38	
Tuition Reserve				75,000.00	
Capital Reserve				1,376,825.65	
Unassigned Fund Balance				550,643.95	
				<b>4,321,710.90</b>	
<b>Reconciliation to Governmental Fund Statements (GAAP):</b>					
Last State Aid Payments not Recognized on GAAP Basis				(191,667.00)	
Fund Balance per Governmental Funds (GAAP)				4,130,043.90	

**BUTLER BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources	292,148.00	5,709.18	5,709.18	1,699.52	(4,009.66)
Federal Sources		113,915.00	406,063.00	399,749.00	(6,314.00)
<b>Total Revenues</b>	<b>292,148.00</b>	<b>119,624.18</b>	<b>411,772.18</b>	<b>401,448.52</b>	<b>(10,323.66)</b>
<b>EXPENDITURES:</b>					
Instruction					
Personal Services - Salaries	77,958.00	(18,779.44)	59,178.56	59,178.56	-
Other Purchased Services	188,828.00	76,975.00	265,803.00	265,803.00	-
General supplies		38,777.50	38,777.50	34,767.84	4,009.66
<b>Total Instruction</b>	<b>266,786.00</b>	<b>96,973.06</b>	<b>363,759.06</b>	<b>359,749.40</b>	<b>4,009.66</b>
Support Services					
Employee Benefits		16,830.27	16,830.27	16,830.27	-
Purchased professional and technical services	25,362.00	5,820.85	31,182.85	24,868.85	6,314.00
<b>Total Support Services</b>	<b>25,362.00</b>	<b>22,651.12</b>	<b>48,013.12</b>	<b>41,699.12</b>	<b>6,314.00</b>
<b>Total Outflows</b>	<b>292,148.00</b>	<b>119,624.18</b>	<b>411,772.18</b>	<b>401,448.52</b>	<b>10,323.66</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>					

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
PART II**

**BUTLER BOROUGH SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGET COMPARISON SCHEDULES  
BUDGET - TO - GAAP RECONCILIATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

		General Fund		Special Revenue Fund
<b>Sources/inflows of resources</b>				
Actual amounts (budgetary basis) "revenue"				
from the budgetary comparison schedule	[C-1]	24,508,119.63	[C-2]	401,448.52
Difference - budget to GAAP:				
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.		(191,667.00)		
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.		179,252.00		
Total revenue as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2]	24,495,704.63	[B-2]	401,448.52
<b>Uses/outflows of resources</b>				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule				
	[C-1]	23,468,002.65	[C-2]	401,448.52
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	23,468,002.65	[B-2]	401,448.52



**REQUIRED SUPPLEMENTARY INFORMATION  
PART III**

Exhibit L-1

**BUTLER BOROUGH SCHOOL DISTRICT**  
**Schedules of Required Supplementary Information**  
**Schedule of District's Proportionate Share of Net Pension Liability - PERS**  
*Last 10 Fiscal Years\**

Fiscal Year Ending June 30,	District's Proportion Share of the Net Pension Liability (Asset)		District's Proportion Share of the Net Pension Liability (Asset)		District's Covered Payroll -PERS Employee's	District's Proportion Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll		Plan Fiduciary Net Position as a percentage of the total Pension Liability
	Proportion Share of the Net Pension Liability (Asset)	Proportion Share of the Net Pension Liability (Asset)	Proportion Share of the Net Pension Liability (Asset)	Proportion Share of the Net Pension Liability (Asset)		percentage of its Covered Payroll	percentage of the total Pension Liability	
2015	0.0228514430%	\$ 4,278,415	\$ 1,514,085	282.57%	52.08%			
2016	0.0226746294%	5,090,000	1,444,760	352.31%	47.93%			

\* GASB requires that ten years of information be presented. However, since fiscal year 2015 was the first year of GASB 68 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

**BUTLER BOROUGH SCHOOL DISTRICT**  
**Schedules of Required Supplementary Information**  
**Schedule of District's Contributions - PERS**  
*Last 10 Fiscal Years\**

Fiscal Year Ending June 30,	Contractually Required Contribution		Contributions in Relation to the Contractually Required Contributions		Contribution Deficiency (Excess)	District's PERS Covered- Employee Payroll	Contributions as a Percentage of PERS Covered- Employee Payroll
	\$		\$				
2015	188,384		188,384		-	\$1,514,085	12.44%
2016	194,941		194,941		-	1,444,760	13.49%

\* GASB requires that ten years of information be presented. However, since fiscal year 2015 was the first year of GASB 68 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

**BUTLER BOROUGH SCHOOL DISTRICT**  
**Schedules of Required Supplementary Information**  
**Schedule of District's Proportionate Share of Net Pension Liability - TPAF**  
*Last 10 Fiscal Years\**

Fiscal Year Ending June 30,	District's		District's		State's		District's		District's		District's	
	Proportion Share of the Net Pension Liability (Asset)	Proportion Share of the Net Pension Liability (Asset)	Proportion Share of the Net Pension Liability Associated with the District (Asset)	Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability Associated with the District (Asset)	Proportionate Share of the Net Pension Liability Associated with the District (Asset)	Proportion Share of the Net Pension Liability (Asset)	Proportion Share of the Net Pension Liability (Asset)	Proportion Share of the Net Pension Liability as a percentage of its Covered Payroll	Proportion Share of the Net Pension Liability as a percentage of the total Pension Liability	Proportion Share of the Net Pension Liability as a percentage of the total Pension Liability	Proportion Share of the Net Pension Liability as a percentage of the total Pension Liability
2015	0.0890492229%	\$ -	\$ 47,593,911	\$ 8,888,153	\$ 47,593,911	\$ 8,888,153	0.00%	0.00%	0.00%	33.64%	33.64%	33.64%
2016	0.0883680460%	\$ -	55,852,379	8,945,080	55,852,379	8,945,080	0.00%	0.00%	0.00%	28.71%	28.71%	28.71%

\* GASB requires that ten years of information be presented. However, since fiscal year 2015 was the first year of GASB 68 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
PART III**

**BUTLER BOROUGH SCHOOL DISTRICT**  
**Note to Required Schedules of Supplementary Information - Part III**  
**For the fiscal year ended June 30, 2016**

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms

None

Change in assumptions

The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date (4.29%) to the current measurement date (3.80%), resulting in a change in the discount rate from 5.39% to 4.90%. This change in the discount rate is considered to be a change in actuarial assumptions under GASBS No. 68.

TEACHERS PENSION AND ANNUITY FUND (TPAF)

Change in benefit terms

Change in assumptions

The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date (4.29%) to the current measurement date (3.80%), resulting in a change in the discount rate from 4.68% to 4.13%. This change in the discount rate is considered to be a change in actuarial assumptions under GASBS No. 68.

**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, 2016  
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)**

	Total	Title I Part - A	Title II Part - A	Title III English Language Acquisition	Total 2016
	Brought Forward From (Ex. E-1a)	Improving Basic Programs	Teacher/Parent Training & Recruiting		
<b>REVENUES:</b>					
Federal sources	274,144.00	94,964.00	19,100.00	11,541.00	399,749.00
Local sources	1,699.52				1,699.52
<b>Total Revenues</b>	<b>275,843.52</b>	<b>94,964.00</b>	<b>19,100.00</b>	<b>11,541.00</b>	<b>401,448.52</b>
<b>EXPENDITURES:</b>					
Instruction:					
Personal Services - Salaries	-	50,663.20		8,515.36	59,178.56
Other Purchased Services	265,803.00				265,803.00
General supplies	4,271.67	28,376.98		2,119.19	34,767.84
<b>Total instruction</b>	<b>270,074.67</b>	<b>79,040.18</b>	<b>-</b>	<b>10,634.55</b>	<b>359,749.40</b>
Support Services:					
Employee Benefits	-	15,923.82		906.45	16,830.27
Purchased prof. - & Tech. Services	5,768.85		19,100.00		24,868.85
<b>Total support services</b>	<b>5,768.85</b>	<b>15,923.82</b>	<b>19,100.00</b>	<b>906.45</b>	<b>41,699.12</b>
<b>Total Expenditures</b>	<b>275,843.52</b>	<b>94,964.00</b>	<b>19,100.00</b>	<b>11,541.00</b>	<b>401,448.52</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



**BUTLER BOROUGH SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)**

	Total		I.D.E.A.	Preschool	Total Carried Forward To (Ex. E-1)
	Brought Forward From (Ex. E-1b)	Basic			
<b>REVENUES:</b>					
Federal sources	-	265,803.00	8,341.00		274,144.00
Local sources	1,699.52				1,699.52
<b>Total Revenues</b>	<b>1,699.52</b>	<b>265,803.00</b>	<b>8,341.00</b>		<b>275,843.52</b>
<b>EXPENDITURES:</b>					
Instruction:					
Personal Services - Salaries	-				265,803.00
Other Purchased Services	-	265,803.00			4,271.67
General supplies	1,699.52		2,572.15		
<b>Total Instruction</b>	<b>1,699.52</b>	<b>265,803.00</b>	<b>2,572.15</b>		<b>270,074.67</b>
Support Services:					
Employee Benefits	-				5,768.85
Purchased prof. - & Tech. Services	-		5,768.85		
<b>Total support services</b>	<b>-</b>	<b>-</b>	<b>5,768.85</b>		<b>5,768.85</b>
<b>Total Expenditures</b>	<b>1,699.52</b>	<b>265,803.00</b>	<b>8,341.00</b>		<b>275,843.52</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>

**BUTLER BOROUGH SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)**

	Stop and Shop	Local Stores Grant	Play 60 NFL Grant	Total Carried Forward To (Ex. E-1b)
<b>REVENUES:</b>				
Federal sources	1,181.53	150.65	367.34	1,699.52
Local sources				
<b>Total Revenues</b>	<b>1,181.53</b>	<b>150.65</b>	<b>367.34</b>	<b>1,699.52</b>
<b>EXPENDITURES:</b>				
Instruction:				
Personal Services - Salaries				-
Other Purchased Services				-
General supplies	1,181.53	150.65	367.34	1,699.52
<b>Total Instruction</b>	<b>1,181.53</b>	<b>150.65</b>	<b>367.34</b>	<b>1,699.52</b>
Support Services:				
Employee Benefits				-
Purchased prof. - & Tech. Services				-
<b>Total support services</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Expenditures</b>	<b>1,181.53</b>	<b>150.65</b>	<b>367.34</b>	<b>1,699.52</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**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, 2016**

**Expenditures and Other Financing Uses**

Purchased professional and technical services	2,502.34
Construction services	<u>35,450.00</u>
Total Expenditures	<u>37,952.34</u>
 Excess (deficiency) of revenue over (under) expenditures	 (37,952.34)
 Fund balance - beginning	 <u>199,500.92</u>
Fund balance - ending	<u><u>161,548.58</u></u>
 Recapitulation:	
Unrestricted Fund Balance	161,548.58
 Reconciliation to Government Fund Statements (GAAP):	
SDA Grant Receivable not Recognized on GAAP Basis	<u>(63,461.01)</u>
 Fund Balance per Governmental Funds (GAAP)	 <u><u>98,087.57</u></u>

**BUTLER BOROUGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND  
AND PROJECT STATUS - BUDGETARY BASIS  
INSTALLATION OF NEW FIRE ESCAPES AND RENOVATION OF RESTROOMS - BUTLER HIGH SCHOOL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Prior Periods	Current Year	Totals	Revised Authorized Cost
<b>Revenues and Other Financing Sources</b>				
State sources - SDA Grant	278,600.00		278,600.00	278,600.00
Lease Purchase Financing	220,000.00		220,000.00	220,000.00
Transferred - Capital Outlay	110,000.00		110,000.00	110,000.00
Transferred - Capital Reserve Fund	111,000.00		111,000.00	111,000.00
Total Revenues	<u>719,600.00</u>	<u>-</u>	<u>719,600.00</u>	<u>719,600.00</u>
<b>Expenditures and Other Financing Uses</b>				
Purchase professional and technical services	80,614.76	2,502.34	83,117.10	80,614.76
Constructions services	439,484.32	35,450.00	474,934.32	638,985.24
Total expenditures	<u>520,099.08</u>	<u>37,952.34</u>	<u>558,051.42</u>	<u>719,600.00</u>
Excess ( deficiency) or revenues over (under) expenditures	<u>\$ 199,500.92</u>	<u>\$ (37,952.34)</u>	<u>\$ 161,548.58</u>	<u>\$ -</u>

**Additional project information:**

Project Number 0630-020-14-1001

Grant Date	08/06/2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	696,500.00
Additional Authorized Cost	23,100.00
Revised Authorized Cost	719,600.00

Percentage Increase over Original Authorized Cost	3.32%
Percentage completion	77.55%
Original target completion date	02/27/2015
Revised target completion date	09/04/2016

**BUTLER BOROUGH SCHOOL DISTRICT**  
**CAPITAL PROJECTS FUND**  
**SUMMARY SCHEDULE OF PROJECT EXPENDITURES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

PROJECT DESCRIPTION	STATE PLAN NUMBER	APPROPRIATION	EXPENDITURES		UNEXPENDED BALANCE
			PRIOR YEARS	CURRENT YEAR	
<b>INSTALLATION OF NEW FIRE                      ESCAPES AND RENOVATION OF                      RESTROOMS-BUTLER HIGH SCHOOL</b>	0630-020-14-1001	\$ 719,600.00	\$ 520,099.08	\$ 37,952.34	\$ 161,548.58

**BUTLER BOROUGH SCHOOL DISTRICT  
ENTERPRISE FUND  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2016**

	<u>Food Service Program</u>
<u>ASSETS</u>	
CURRENT ASSETS:	
Cash and cash equivalents	36,198.35
Accounts receivable:	
State - Lunch	653.85
Federal - Lunch	20,270.79
Federal - Breakfast	3,063.29
Inventories	<u>6,963.63</u>
 Total current assets	 <u>67,149.91</u>
NONCURRENT ASSETS:	
CAPITAL ASSETS:	
Equipment	120,549.61
Less: accumulated depreciation	<u>(57,830.93)</u>
 Total Capital Assets (Net of Accumulated Depreciation)	 <u>62,718.68</u>
 TOTAL ASSETS	 <u><u>129,868.59</u></u>
<u>LIABILITIES</u>	
CURRENT LIABILITIES:	
Accounts payable	21,096.60
Unearned Revenue	
Prepaid Sales	3,465.98
Federal Food Distribution Program	<u>1,830.51</u>
 TOTAL LIABILITIES	 <u>26,393.09</u>
<u>NET POSITION</u>	
Investment in Capital Assets Net of Related Debt	62,718.68
Unreserved (Deficit)	<u>40,756.82</u>
 TOTAL NET POSITION	 <u><u>103,475.50</u></u>

**BUTLER BOROUGH SCHOOL DISTRICT  
ENTERPRISE FUND  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<b>Food Service Program</b>
<b>OPERATING REVENUES:</b>	
Charges for services:	
Daily sales reimbursable programs:	
School lunch programs	140,703.38
Daily Sales - non-reimbursable programs:	116,902.00
Miscellaneous	8,703.47
Total operating revenues	266,308.85
<b>OPERATING EXPENSES:</b>	
Salaries	158,870.93
Cost of sales- reimbursable	127,954.00
Cost of sales- non- reimbursable	82,339.79
Employee benefits	1,192.00
Supplies and materials	19,874.04
Depreciation	4,331.18
Management Fees	16,500.00
Repairs	26,978.83
Insurance	12,002.98
Miscellaneous	12,740.61
Total operating expenses	462,784.36
<b>OPERATING INCOME (LOSS)</b>	<b>(196,475.51)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
State sources:	
State school lunch program	3,692.41
Federal sources:	
National school lunch program	111,335.44
Breakfast program	17,341.22
Food distribution program	35,479.97
Equipment Assistance Grant	42,012.13
Interest revenue	232.20
Total non-operating revenues (expenses)	210,093.37
<b>CHANGE IN NET POSITION</b>	<b>13,617.86</b>
Total Net Position - Balance, beginning of year	89,857.64
Net Position - End of Year	103,475.50

**BUTLER BOROUGH SCHOOL DISTRICT  
ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Food Service Program</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers	264,308.88
Payments to employees for services	(158,870.93)
Payments to suppliers for goods and services	<u>(368,581.24)</u>
Net cash provided by (used for) operating activities	<u>(263,143.29)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
State Sources	4,226.83
Federal Sources	<u>215,726.06</u>
Net cash provided by (used for) non-capital financing activities	<u>219,952.89</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Purchase of equipment	<u>42,012.13</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest on cash equivalents	<u>232.20</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(84,970.33)</b>
<b>CASH AND CASH EQUIVALENTS, July 1</b>	<b><u>121,168.68</u></b>
<b>CASH AND CASH EQUIVALENTS, June 30</b>	<b><u><u>36,198.35</u></u></b>
 <b>Reconciliation of operating (loss) to net cash provided (used) by operating activities:</b>	
Operating Income (Loss)	(195,864.77)
Adjustments to reconcile operating income (loss) to net cash provided (used for) operating activities:	
Depreciation	4,331.18
Changes in assets and liabilities:	
(Increase)/decrease in inventory	4,352.62
Increase/(decrease) in accounts payable	(78,811.61)
Increase/(decrease) in prepaid sales	3,460.03
Increase/(decrease) in food distribution program	<u>(610.74)</u>
Total adjustments	<u>(67,278.52)</u>
Net cash provided by (used for) operating activities	<u><u>(263,143.29)</u></u>

**Noncash Noncapital Financing Activities:**

During the year, the district received \$34,869.23 of food commodities from the U.S. Department of Agriculture.



**BUTLER BOROUGH SCHOOL DISTRICT  
INTERNAL SERVICE FUND  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2016**

**Academy for  
Law and Public  
Safety**

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ASSETS

CURRENT ASSETS:

Accounts receivable:

Other

48,435.00

Total current assets

48,435.00

TOTAL ASSETS

48,435.00

LIABILITIES

CURRENT LIABILITIES:

Interfund payable

48,435.00

Total Current Liabilities

48,435.00

**BUTLER BOROUGH SCHOOL DISTRICT  
INTERNAL SERVICE FUND  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Academy for Law and Public Safety</u>
<b>OPERATING REVENUES:</b>	
Local sources:	
Fees from other LEA's within the State	432,000.00
	<u>432,000.00</u>
Total operating revenues	<u>432,000.00</u>
<b>OPERATING EXPENSES:</b>	
Salaries	295,068.67
Employee benefits	107,871.00
Purchased professional services	29,060.33
	<u>432,000.00</u>
Total operating expenses	<u>432,000.00</u>
<b>OPERATING INCOME (LOSS)</b>	<u>-</u>
NET POSITION, July 1	<u>-</u>
NET POSITION, June 30	<u><u>-</u></u>

**BUTLER BOROUGH SCHOOL DISTRICT  
INTERNAL SERVICE FUND  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<b>Academy for Law and Public Safety</b>
<b>CASH FLOWS USED BY OPERATING ACTIVITIES:</b>	
Cash receipts from customers	432,000.00
Cash payments to employees for services	(295,068.67)
Cash payments to suppliers for goods and services	(136,931.33)
Net cash used by operating activities	-
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	
CASH AND CASH EQUIVALENTS, July 1	-
CASH AND CASH EQUIVALENTS, June 30	-
 <b>Reconciliation of operating (loss) to net cash provided (used) by operating activities:</b>	
Operating income	-
Adjustments to reconcile operating loss to cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Increase/(decrease) in accounts payable	
(Increase)/decrease in accounts receivable	-
Net cash used by operating activities	-

**BUTLER BOROUGH SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2016**

	Scholarship Funds		Unemployment Compensation Insurance	Agency Fund
	High School Scholarship	M. Williams Memorial Fund		
ASSETS:				
Cash and cash equivalents	108,836.29	734.43	113,271.35	498,039.69
<b>TOTAL ASSETS</b>	<b>108,836.29</b>	<b>734.43</b>	<b>113,271.35</b>	<b>498,039.69</b>

LIABILITIES:	
Payroll deductions and withholdings	87,323.83
Accrued Salaries and Wages	303,448.64
Flexible Spending	8,637.92
Interfund Payable - General Fund	19.94
Interfund Payable - Unemployment Fund	5,889.48
Payable to student groups	92,719.88
Total liabilities	498,039.69

NET POSITION:	
Reserved for unemployment claims	113,271.35
Reserved for Other Purposes	734.43

**BUTLER BOROUGH SCHOOL DISTRICT  
FIDUCIARY FUND  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Scholarship Funds		Unemployment Compensation Insurance Trust
	High School Scholarship	M. Williams Memorial Fund	
<b>ADDITIONS</b>			
Contributions:			
Donations	24,591.82		
Plan Member			19,218.81
Total Contributions	<u>24,591.82</u>	<u>-</u>	<u>19,218.81</u>
Investment Earnings:			
Interest		81.78	213.66
Net Investment Earnings	-	81.78	213.66
Total Additions	<u>24,591.82</u>	<u>81.78</u>	<u>19,432.47</u>
<b>DEDUCTIONS</b>			
Scholarships	22,103.42	100.00	
Unemployment compensation assessments			11,650.93
Total deductions	<u>22,103.42</u>	<u>100.00</u>	<u>11,650.93</u>
CHANGE IN NET POSITION	<u>2,488.40</u>	<u>(18.22)</u>	<u>7,781.54</u>
NET POSITION, July 1	<u>106,347.89</u>	<u>752.65</u>	<u>105,489.81</u>
NET POSITION, June 30	<u><u>108,836.29</u></u>	<u><u>734.43</u></u>	<u><u>113,271.35</u></u>

**BUTLER BOROUGH SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Balance July 1, 2015</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2016</u>
High School Activities Fund	59,177.72	200,334.14	203,538.25	55,973.61
High School Athletic Fund	0.56	43,561.86	43,363.83	198.59
Richard Butler School	28,492.66	78,454.74	76,406.17	30,541.23
Aaron Decker Elementary School	5,187.86	46,577.86	45,759.27	6,006.45
<b>Total all schools</b>	<u>92,858.80</u>	<u>368,928.60</u>	<u>369,067.52</u>	<u>92,719.88</u>

**BUTLER BOROUGH SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

	Balance July 1, 2015	Cash Receipts	Cash Disbursements	Balance June 30, 2016
<b>ASSETS:</b>				
Cash	398,487.74	14,403,485.15	14,396,653.08	405,319.81
<b>TOTAL ASSETS</b>	<u>398,487.74</u>	<u>14,403,485.15</u>	<u>14,396,653.08</u>	<u>405,319.81</u>
<b>LIABILITIES:</b>				
Payroll deductions and withholdings	89,977.02	6,030,964.98	6,033,618.17	87,323.83
Net Payroll	(20.14)	8,045,137.03	8,045,116.89	-
Accrued Salaries and Wages	293,210.71	302,611.16	292,373.23	303,448.64
Flexible Spending	9,372.00	24,553.34	25,287.42	8,637.92
Interfund Payable - Unemployment Fund	5,889.48			5,889.48
Interfund Payable - General Fund	58.67	240.70	279.43	19.94
<b>TOTAL LIABILITIES</b>	<u>398,487.74</u>	<u>14,403,507.21</u>	<u>14,396,675.14</u>	<u>405,319.81</u>

**BUTLER BOROUGH SCHOOL DISTRICT  
GENERAL LONG TERM DEBT ACCOUNT GROUP  
STATEMENT OF SERIAL BONDS  
FOR THE YEAR ENDED JUNE 30, 2016**

Issue	Date of Issue	Amount of Issue	Annual Maturities Date	Amount	Interest Rate	Balance July 1, 2015	Retired	Balance June 30, 2016
School Bonds of 2009	07/01/2009	3,046,000	7/1/2016	190,000	2.750%	2,401,000.00	180,000.00	2,221,000.00
			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%			
Refunding School Bonds of 2012	02/01/12	2,920,000	2/1/2017	275,000	2.000%	2,585,000.00	265,000.00	2,320,000.00
			2/1/2018	285,000	2.526%			
			2/1/2019	295,000	2.000%			
			2/1/2020	300,000	2.000%			
			2/1/2021	300,000	2.000%			
			2/1/2022	295,000	2.150%			
			2/1/2023	290,000	2.250%			
			2/1/2024	280,000	2.375%			
						4,986,000.00	445,000.00	4,541,000.00



**BUTLER BOROUGH SCHOOL DISTRICT  
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Interest Rate Payables</u>	<u>Amount of Original Issue</u>	<u>Balance July 1, 2015</u>	<u>Retired</u>	<u>Balance June 30, 2016</u>
9 Copiers	4.99%	<u>120,430.84</u>	<u>91,192.31</u>	<u>23,240.72</u>	<u>67,951.59</u>

**BUTLER BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	Original Budget	Final Budget	Actual	Variance Positive (Negative Final to Actual)
<b>REVENUES:</b>				
Local sources:				
Local tax levy	528,700.00	528,700.00	528,700.76	0.76
Total revenues - local sources	528,700.00	528,700.00	528,700.76	0.76
State sources:				
Debt service aid type II	57,973.00	57,973.00	57,973.00	-
Total state sources	57,973.00	57,973.00	57,973.00	-
<b>Total Revenues</b>	<b>586,673.00</b>	<b>586,673.00</b>	<b>586,673.76</b>	<b>0.76</b>
<b>EXPENDITURES</b>				
Regular debt service:				
Redemption of principal	445,000.00	445,000.00	445,000.00	-
Interest	141,674.00	141,674.00	141,673.76	0.24
Total regular debt service	586,674.00	586,674.00	586,673.76	0.24
<b>Total Expenditures</b>	<b>586,674.00</b>	<b>586,674.00</b>	<b>586,673.76</b>	<b>0.24</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1.00)	(1.00)	-	1.00
Fund Balances, July 1	1.32	1.32	1.32	-
Fund Balances, June 30	0.32	0.32	1.32	1.00
<b>Recapitulation of excess (deficiency) of revenues under expenditures:</b>				
Budgeted Fund Balance	(1.00)	(1.00)		1.00
<b>Recapitulation:</b>				
Unassigned Fund Balance			1.32	

**STATISTICAL SECTION**

## OUTLINE OF NJ DOE STATISTICAL TABLES SECTION (GASB 44)

Exhibit #

### **Financial Trends Information/Schedules**

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J-2	Changes in Net Position
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J-7	Direct and Overlapping Property Tax Rates
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**BUTLER BOARD OF EDUCATION**  
**Net Position\* by Component**  
 Last Ten Fiscal Years  
*(accrual basis of accounting)*  
**UNAUDITED**

	2007	2008	2009	2010	2011	2012	(Restated)		2014	2015	2016
<b>Governmental activities</b>											
Invested in capital assets, net of related debt	6,426,969	6,551,758	9,750,634	6,991,051	7,131,488	6,881,350	7,041,531	6,997,877	7,427,697	7,629,704	7,629,704
Restricted	1,096,655	1,211,898	(2,000,291)	1,117,637	1,174,857	854,862	871,634	1,940,355	2,525,794	3,869,156	3,869,156
Unrestricted	(17,670)	(224,059)	(105,198)	53,858	5,399	1,167,925	661,333	(160,911)	(4,339,569)	(4,654,203)	(4,654,203)
Total governmental activities net position	7,505,955	7,539,596	7,645,145	8,162,545	8,311,744	8,904,136	8,574,498	8,777,321	5,613,922	6,844,657	6,844,657
<b>Business-type activities</b>											
Invested in capital assets, net of related debt	24,011	20,270	25,259	22,859	23,238	40,602	36,364	32,434	25,038	62,719	62,719
Unrestricted	3,099	2,673	1,683	1,683	1,683	24,034	49,804	69,210	64,820	40,757	40,757
Total business-type activities net position	27,110	22,943	26,942	24,542	24,922	64,636	86,168	101,644	89,858	103,476	103,476
<b>District-wide</b>											
Invested in capital assets, net of related debt	6,450,981	6,572,028	9,775,893	7,013,910	7,154,727	6,921,952	7,077,895	7,030,311	7,452,735	7,692,423	7,692,423
Restricted	1,096,655	1,211,898	(2,000,291)	1,117,637	1,174,532	1,940,320	871,634	1,940,355	2,525,794	3,869,156	3,869,156
Unrestricted	(14,571)	(221,387)	(103,514)	55,541	7,408	106,501	711,137	(91,701)	(4,274,749)	(4,613,446)	(4,613,446)
Total district net position	7,533,065	7,562,540	7,672,087	8,187,087	8,336,666	8,968,772	8,660,666	8,878,965	5,703,780	6,948,133	6,948,133

Source: CAFR Schedule A-1

\* GASB Statement No. 63 became effective for the Fiscal Year Ended June 30, 2013 which changed Net Assets to Net Position.

**BUTLER BOARD OF EDUCATION**  
**Changes in Net Position - Last Ten Fiscal Years**  
*(accrual basis of accounting)*  
**UNAUDITED**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
Governmental activities										
Instruction										
Regular	8,185,661	8,519,834	7,918,877	8,497,246	8,513,283	8,103,959	8,654,822	8,714,393	10,237,446	10,621,685
Special education	1,899,998	2,077,437	1,907,976	2,003,876	1,981,418	1,986,308	2,059,457	2,285,302	2,699,171	2,789,315
Other special education	277,065	292,877	352,899	380,346	180,200	233,048	344,344	357,338	346,791	432,774
Other instruction	529,374	476,157	476,202	521,834	499,713	512,650	627,753	590,624	509,382	512,281
Support services:										
Tuition	890,928	904,426	1,146,319	1,122,267	1,635,041	1,662,078	1,602,025	1,852,073	1,478,736	1,865,381
Student & instruction related services	3,378,562	3,124,369	3,124,369	3,162,058	2,913,323	3,351,044	4,142,056	3,817,929	4,268,361	4,176,866
General administrative services	560,145	619,368	586,584	607,890	687,278	614,691	614,691	602,223	578,490	656,095
School administrative services	1,074,137	1,189,393	1,162,591	1,198,839	1,055,789	1,016,618	1,041,046	1,121,338	1,288,715	1,416,874
Central Services and Admin. Info. Tech.	499,661	573,142	693,654	543,181	592,060	600,847	600,847	460,286	512,707	609,799
Plant operations and maintenance	2,320,754	2,389,635	2,307,900	2,186,367	2,081,170	2,235,827	2,304,991	2,430,032	2,750,268	2,776,085
Pupil transportation	726,250	746,664	797,756	816,402	776,673	800,265	958,715	918,917	879,835	956,432
Special Schools					2,990					
Capital Outlay - Non-depreciable					34,580		25,699	27,599	27,599	27,599
Charter Schools	17,218	23,881	31,298	21,094	20,958	20,958	12,315	12,653	24,343	24,343
Interest on Long term debt	162,860	158,892	150,547	173,159	285,587	194,450	188,732	201,986	12,543	12,543
Unallocated Benefits	65,465	76,557	74,309	96,439	101,774	95,110	24,259	22,300	22,300	22,300
Unallocated depreciation and Amortization	145,970	141,486	6,830	123,896	519,927	416,443	424,698	458,884	632,751	655,199
Unallocated depreciation and Amortization										
Total governmental activities expenses	20,724,068	21,543,436	20,798,103	21,454,994	21,857,782	21,808,681	23,613,935	23,781,239	26,257,748	27,532,271
Business-type activities:										
Food service	480,421	497,129	485,211	500,066	418,290	383,394	380,391	424,353	405,373	456,714
Butler School District Educational Foundation	2,802	1,922	2,109	1,922	1,683	1,683	380,391	424,353	405,373	456,714
Total business-type activities expense	483,223	499,051	487,320	500,066	418,290	385,078	380,391	424,353	405,373	456,714
Total district expenses	21,207,291	22,042,487	21,225,423	21,954,960	22,276,072	22,193,759	23,994,326	24,205,592	26,663,121	27,988,984
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Instruction (tuition)	328,127	308,726	312,159	446,375	531,794	533,962	534,544	554,880	590,136	324,129
Support Services (General Admin. Services)	3,200	2,315	3,200							
Support Services (Central Services & Admin. Info.)	16,200	19,164	30,340						22,300	107,871
Support Services (Unallocated Benefits)	65,465	76,557	74,309						4,568,198	4,544,985
Operating grants and contributions	4,982,568	5,026,279	4,373,068	4,848,087	4,401,601	4,012,409	3,885,909	4,003,753		
Capital Grants and Contributions					19,671					
Total governmental activities program revenues	5,405,561	5,435,040	4,789,875	5,294,462	4,953,066	4,546,371	4,420,453	4,558,633	5,180,634	4,976,995
Business-type activities:										
Charges for services:										
Food service	387,460	371,920	359,049	351,594	306,365	301,180	279,322	291,232	256,452	260,849
Butler School District Educational Foundation	5,060	1,466	1,120						145,778	209,250
Operating grants and contributions	93,651	92,382	91,418	108,174	96,928	101,134	120,139	145,774	437,006	470,099
Total business type activities program revenues	486,171	465,798	451,587	459,768	402,294	402,313	389,461	437,006	401,240	470,099
Total district program revenues	5,891,732	5,900,838	5,241,461	5,754,230	5,355,360	4,948,684	4,819,914	4,995,639	5,581,873	5,447,095
<b>Net (Expense)/Revenue</b>										
Governmental activities	(15,318,507)	(16,108,396)	(15,948,228)	(16,160,432)	(16,904,716)	(17,262,310)	(19,193,482)	(19,222,606)	(21,077,114)	(22,555,276)
Business-type activities	3,148	(33,253)	(35,734)	(40,298)	(15,996)	17,235	19,070	12,653	(4,133)	13,386
Total district-wide net expense	(15,315,359)	(16,141,649)	(15,983,962)	(16,200,730)	(16,920,713)	(17,245,075)	(19,174,412)	(19,209,953)	(21,081,247)	(22,541,890)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Property taxes levied for general purposes, net	10,845,708	11,242,269	11,861,884	12,380,542	13,384,947	13,608,854	13,881,031	14,428,710	14,865,069	15,576,616
Taxes levied for debt service	250,262	302,498	323,759	348,324	434,979	520,956	525,106	501,816	514,730	528,701
Unrestricted grants and contributions	4,359,387	4,504,192	3,750,524	3,918,019	3,127,184	3,762,996	4,283,115	4,098,058	6,379,696	7,223,432
Miscellaneous income	325,358	119,921	156,618	129,624	123,092	434,390	267,889	398,534	666,749	458,262
Transfers	(7,455)	(25,842)	(39,006)	(37,757)	(18,266)	(21,686)	(2,357)	(2,689)	(4,107)	
Total governmental activities	15,773,260	16,142,036	16,053,777	16,738,752	17,053,916	18,305,500	18,984,794	19,425,428	22,422,137	23,786,011

**BUTLER BOARD OF EDUCATION**  
**Changes in Net Position\* - Last Ten Fiscal Years.**  
*(accrual basis of accounting)*  
**UNAUDITED**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Business-type activities:</b>										
Investment earnings	2,960	2,244	725	141	89	79	104	135	185	232
Transfers	7,455	26,842	39,008	37,757	16,286	21,696	2,358	2,689	4,107	
Total business-type activities	10,415	29,086	39,732	37,898	16,376	21,775	2,462	2,824	4,293	232
Total district-wide	15,783,675	16,171,124	16,093,509	16,776,650	17,070,291	18,327,275	18,987,256	19,428,253	22,428,429	23,786,243
<b>Change in Net Position</b>										
Governmental activities	454,753	33,641	105,549	578,320	149,199	1,043,190	(238,688)	202,823	1,345,023	1,230,735
Business-type activities	13,563	(4,167)	3,999	(2,400)	379	39,010	21,532	15,477	159	13,618
Total district	468,316	29,475	109,548	575,920	149,579	1,082,200	(217,156)	218,300	1,345,182	1,244,353

Source: CAFR Schedule A-2

\* GASSB Statement No. 63 became effective for the Fiscal Year Ended June 30, 2013 which changed Net Assets to Net Position.

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

**UNAUDITED**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	929,472	1,125,464	766,367	490,144						
Unreserved	578,560	371,087	486,229	618,064						
Restricted					86,952	759,221	1,329,365	1,803,598	2,231,795	3,341,057
Assigned					832,066	1,085,892	250,575	125,740	293,997	430,010
Unassigned					509,764	508,168	483,314	441,061	576,549	358,977
<b>Total general fund</b>	<b>1,508,032</b>	<b>1,496,551</b>	<b>1,252,595</b>	<b>1,108,208</b>	<b>1,428,782</b>	<b>2,353,282</b>	<b>2,063,254</b>	<b>2,370,399</b>	<b>3,102,342</b>	<b>4,130,044</b>
All Other Governmental Funds										
Reserved								1	1	1
Debt service fund										
Capital projects fund										
Unreserved, reported in:										
Special revenue fund	(1,021)	(1,004)								
Capital projects fund	140,721	81,864	(2,834,872)	616,603	255,780	95,548	13,233			
Debt service fund	26,462	4,570	68,214	10,890	59	93	28,460	11,016		
Total all other governmental funds	<u>166,162</u>	<u>85,430</u>	<u>(2,766,658)</u>	<u>627,493</u>	<u>255,839</u>	<u>95,641</u>	<u>41,693</u>	<u>11,017</u>	<u>1</u>	<u>98,089</u>

Source: CAFR Schedule B-1



**BUTLER BOARD OF EDUCATION**  
**Changes in Fund Balances, Governmental Funds,**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*  
**UNAUDITED**

Fiscal Year Ending June 30,

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Tax levy	\$ 11,095,970	11,544,767	12,185,643	12,728,866	\$ 13,819,926	\$ 14,129,810	14,406,137.00	14,930,526.00	15,379,799	16,104,317
Miscellaneous	4,839,897	4,711,303	4,136,012	4,328,113	4,119,476	3,921,410	3,755,956.00	4,036,394.00	4,478,522	4,409,486
State sources	4,447,935	3,799,793	3,658,689	3,799,793	3,162,239	3,710,723	4,219,403.00	4,090,072.00	4,805,574	424,312
Federal sources	389,481	357,504	344,404	908,928	370,162	577,662	461,564.00	374,879.00	27,298	4,681,743
Total revenue	20,773,282	21,197,159	20,465,653	21,624,596	21,471,803	22,339,605	22,843,060.00	23,431,871.00	24,691,193	25,619,867
<b>Expenditures</b>										
Instruction										
Regular instruction	5,444,760	5,637,960	5,546,178	5,941,556	5,846,475	5,635,075	5,895,412.00	6,008,752.00	6,354,346	6,273,278
Special education instruction	1,272,542	1,379,960	1,345,124	1,395,714	1,386,915	1,391,364	1,358,088.00	1,513,035.00	1,550,000	1,539,372
Other special instruction	182,089	193,016	249,286	265,576	166,341	125,417	228,441.00	171,122.00	210,802	232,125
Other instruction	400,504	353,304	371,368	405,219	384,841	402,678	496,044.00	466,960.00	509,382	512,281
Support Services:										
Tuition	890,928	904,426	1,146,319	1,122,267	1,635,041	1,662,708	1,602,025.00	1,852,073.00	1,478,736	1,865,381
Student & instruction related services	2,389,185	2,428,366	2,352,721	2,352,641	2,141,805	2,562,647	3,126,511.00	2,852,319.00	2,813,040	2,613,936
General administrative services	454,111	510,845	477,397	487,781	576,857	476,764	506,790.00	521,116.00	454,081	496,024
School Administrative services	713,940	788,985	823,909	840,140	725,798	726,923	720,880.00	786,124.00	803,953	834,149
Central Services	340,405	383,554	398,199	380,893	423,952	463,258	494,148.00	424,627.00	418,364	488,419
Plant operations and maintenance	1,786,958	1,852,575	1,871,539	1,791,912	1,698,834	1,864,152	1,888,418.00	2,028,164.00	2,047,873	1,970,642
Pupil transportation	726,250	746,664	796,855	816,402	776,673	800,265	958,715.00	918,917.00	879,835	956,432
Unallocated employee benefits	5,358,387	5,594,458	4,585,538	4,881,638	4,759,184	4,509,803	5,099,626.00	4,931,441.00	5,286,363	5,771,754
Special Schools	17,218	23,881	31,298	21,094	20,958	2,980		12,315.00	12,653	24,343
Charter Schools	115,068	140,062	3,198,893	263,369	525,311	313,267	240,573.00	210,568.00	783,181	329,267
Capital outlay										
Debt Service:										
Principal	155,000	165,000	175,000	180,000	190,000	345,000	410,000.00	410,000.00	430,000	445,000
Interest and Other Charges	165,266	159,453	153,264	175,953	288,536	230,383	159,007.00	165,611.00	153,549	141,674
Total expenditures	20,412,611	21,262,529	23,522,889	21,322,156	21,506,596	21,553,608	23,184,678.00	23,273,144.00	24,186,158	24,494,077
Excess (Deficiency) of revenues over (under) expenditures	360,672	(65,370)	(3,057,036)	302,440	(34,793)	785,997	(341,618)	158,727	505,035	1,125,790
<b>Other Financing sources (uses)</b>										
Capital leases (non-budgeted)										
Bond proceeds				2,985,080				120,431.00	220,000	
Transfers in	4,507	63			59	34		1.00		
Transfers out	(11,962)	(26,906)	(39,008)	(37,757)	(16,345)	(21,730)	(2,357.00)	(2,690.00)	(4,107)	
Total other financing sources (uses)	(7,455)	(26,842)	(39,008)	2,947,323	(16,286)	(21,696)	(2,357.00)	117,742.00	215,893	
Net change in fund balances	\$ 353,216	\$ (92,213)	\$ (3,096,044)	\$ 3,249,763	\$ (51,079)	\$ 764,301	(343,975.00)	276,469.00	720,927	1,125,790
Debt service as a percentage of noncapital expenditures	1.578%	1.536%	1.615%	1.690%	2.281%	2.709%	2.480%	2.496%	2.493%	2.428%

Source: CAFR Schedule B-2

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**  
**General Fund - Other Local Revenue by Source**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting**  
**UNAUDITED**

Fiscal Year Ended June 30,	Interest on Investments	Tuition Revenue	Rentals	Other Restricted Misc.	Misc.	Total
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
2010	8,477	4,195,607			117,488	4,321,572
2011	5,349	3,879,915			225,597	4,110,861
2012	102	3,579,844			336,098	3,916,044
2013	305	3,483,292			250,181	3,733,778
2014	384	3,627,485			257,581	3,885,450
2015	519	4,162,861			118,014	4,281,394
2016	846	4,143,547		73,792	189,612	4,407,796

Source: District Records

**BUTLER BOARD OF EDUCATION**  
**Assessed Value and Actual Value of Taxable Property,**  
**Last Ten Fiscal Years**  
Unaudited

Fiscal Year Ended June 30,	Vacant Land	Residential	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities <sup>a</sup>	Net Valuation Taxable	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
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	1,060,156,595
2011	7,532,500	605,473,100	700	101,063,400	20,911,700	18,980,100	753,951,500	669,437	754,620,937	1.856	1,019,556,016
2012	7,160,300	606,318,500	700	98,223,700	20,911,700	17,678,000	750,292,900	715,384	751,008,284	1.900	981,928,352
2013	7,102,700	605,379,000	700	97,695,600	20,911,700	17,678,000	748,767,700	706,473	749,474,173	1.958	991,769,356
2014	7,453,600	605,039,200	700	97,747,500	20,911,700	17,678,000	748,830,700	728,750	749,559,450	2.022	961,686,586
2015	6,774,700	608,681,800	700	97,210,900	20,911,700	17,678,000	751,257,800	728,750	751,986,550	2.094	961,686,586

Source: Morris County, Abstract of Rates and 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 County Board of Taxation requests Treasury to order a reassessment.

<sup>a</sup> Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies

<sup>b</sup> 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)**  
**Unaudited**

Fiscal Year Ended June 30,	Butler Board of Education			Borough of		Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct	Butler	Morris County	
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	1.249	0.498	1.747	0.814	0.32	2.88
2011	1.370	0.486	1.856	0.852	0.32	3.028
2012	1.830	0.070	1.900	0.883	0.32	3.103
2013	1.889	0.069	1.958	0.900	0.333	3.191
2014	1.954	0.068	2.022	0.914	0.329	3.265
2015	2.024	0.070	2.094	0.934	0.341	3.369

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**

Unaudited

Taxpayer	2016			2006		
	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	1.71%	13,455,000	1	1.90%
Butler Gardens LLC	10,375,000	2	1.38%	11,740,400	2	1.66%
Butler Center Associates	8,324,900	3	1.11%	8,414,100	3	1.19%
1301 Realty Enterprises	7,040,200	4	0.94%	7,576,800	4	1.07%
Butler Plaza Lot One LLC	5,310,500	5	0.71%			
Butler Bowl, Inc.	3,939,100	6	0.53%	2,451,300	9	0.35%
ZZ Group LLC	3,605,000	7	0.48%			
Butler Printing & Lamination	3,596,400	8	0.48%	3,596,400	7	0.51%
Bromat Enterprises	2,949,100	9	0.39%	2,336,200	10	0.33%
MNB Realty Company, LLC	2,276,700	10	0.30%			
Randell Corporation				5,310,500	5	0.75%
River Place at Butler LLC				4,000,000	6	0.57%
1341 Route 23, Inc				3,181,500	8	0.45%
<b>Total</b>	<b>\$ 60,221,900</b>		<b>8.03%</b>	<b>\$ 62,062,200</b>		<b>8.78%</b>

Source: Municipal Tax Assessor's Office.

**BUTLER BOARD OF EDUCATION**  
**Property Tax Levies and Collections,**  
**Last Ten Fiscal Years**  
**Unaudited**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
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%	-
2012	14,129,810	14,129,810	100.00%	-
2013	14,406,137	14,406,137	100.00%	-
2014	14,930,527	14,930,527	100.00%	-
2015	15,379,799	15,379,799	100.00%	-
2016	15,742,057	15,742,057	100.00%	-

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

<sup>a</sup> School taxes are collected by the Municipal Tax Collector. Under New Jersey State Statute, a municipality is required to remit to the school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year.

**BUTLER BOARD OF EDUCATION**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
Unaudited

Fiscal Year Ended June 30,	Governmental Activities			Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	Capital Leases				
2007	3,997,000	-		3,997,000	0.7594%	507.49
2008	3,832,000	-		3,832,000	0.6891%	481.65
2009	3,657,000	-		3,657,000	0.6330%	455.70
2010	6,523,000	-		6,523,000	1.2009%	811.12
2011	6,333,000			6,333,000	1.2212%	839.25
2012	6,236,000			6,236,000	1.1434%	822.47
2013	5,826,000			5,826,000	1.0358%	767.08
2014	5,416,000	113,302		5,529,302	0.9177%	725.82
2015	4,986,000	91,192		5,077,192	0.7973%	660.23
2016	4,541,000	67,952		4,608,952	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-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

**BUTLER BOARD OF EDUCATION**  
**Ratios of Net General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**  
**Unaudited**

General Bonded Debt Outstanding					
Fiscal Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
2007	3,997,000		3,997,000	0.55%	502
2008	3,832,000		3,832,000	0.52%	478
2009	3,657,000		3,657,000	0.48%	455
2010	6,523,000		6,523,000	0.86%	864
2011	6,333,000		6,333,000	0.84%	835
2012	6,236,000		6,236,000	0.83%	821
2013	5,826,000		5,826,000	0.78%	765
2014	5,416,000		5,416,000	0.72%	704
2015	4,986,000		4,986,000	0.66%	655
2016	4,541,000		4,541,000	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.

Deductions are allowable for resources that are restricted to repaying the principal of debt outstanding



**BUTLER BOARD OF EDUCATION**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2016**  
Unaudited

<u>Governmental Unit</u>	<u>Debt Outstanding (1)</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Borough of Butler	5,162,277	100.000%	5,162,277
<b>Other debt</b>			
Morris County	226,745,317	1.018%	2,308,267
Subtotal, overlapping debt			7,470,544
<b>Borough of Butler School District Direct Debt</b>			4,541,000
<b>Total direct and overlapping debt</b>			<u>\$ 12,011,544</u>

**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.

(1) Debt Information as of December 31, 2015.

**BUTLER BOARD OF EDUCATION**  
**Legal Debt Margin Information,**  
**Last Ten Fiscal Years**  
Unaudited

**Legal Debt Margin Calculation for Fiscal Year 2016**

Equalized valuation basis	
2013	953,722,710
2014	1,007,711,883
2015	952,164,512
	<u>2,913,599,105</u>
Average equalized valuation of taxable property	\$ 971,199,702
Debt limit (4 % of average equalization value)	38,847,988
Net bonded school debt as of June 30, 2016	4,541,000
Legal debt margin	<u>\$ 34,306,988</u>

	Fiscal Year,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ 36,188,852	\$ 39,530,921	\$ 41,482,490	\$ 41,693,173	\$ 41,396,644	\$ 40,535,982	\$ 39,727,786	38,903,891	39,296,470	38847988
Total net debt applicable to limit	<u>3,997,000</u>	<u>3,832,000</u>	<u>3,657,000</u>	<u>6,523,000</u>	<u>6,333,000</u>	<u>6,236,000</u>	<u>5,826,000</u>	<u>5,416,000</u>	<u>4,986,000</u>	<u>4,541,000</u>
Legal debt margin	<u>\$ 32,191,852</u>	<u>\$ 35,698,921</u>	<u>\$ 37,825,490</u>	<u>\$ 35,170,173</u>	<u>\$ 35,063,644</u>	<u>\$ 34,299,982</u>	<u>\$ 33,901,786</u>	<u>\$ 33,487,891</u>	<u>\$ 34,310,470</u>	<u>\$ 34,306,988</u>
Total net debt applicable to the limit as a percentage of debt limit	11.04%	9.69%	8.82%	15.65%	15.30%	15.38%	14.66%	13.92%	12.69%	11.69%

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation.

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

<u>Year Ended June 30</u>	<u>School District Population <sup>a</sup></u>	<u>Personal Income in (thousands of dollars) <sup>b</sup></u>	<u>Per Capita Income <sup>c</sup></u>	<u>Unemployment Rate <sup>d</sup></u>
2004	8,005	482,173,170	60,234	4.2%
2005	7,958	495,465,080	62,260	2.9%
2006	7,876	526,329,452	66,827	3.1%
2007	7,956	556,124,400	69,900	2.8%
2008	8,025	577,719,750	71,990	3.7%
2009	8,042	543,188,848	67,544	6.4%
2010	7,546	518,598,850	68,725	6.4%
2011	7,582	545,396,006	71,933	6.2%
2012	7,595	562,462,915	74,057	6.5%
2013	7,618	602,538,092	79,094	6.2%
2014	7,690	636,808,900	82,810	5.7%
2015	7,618	N/A	N/A	3.9%

**Source:**

<sup>a</sup> U.S. Bureau of the Census, Population Division, (Estimates July 1, 2004-2014)

<sup>b</sup> Personal income of the District is Based on the County Information.

<sup>c</sup> U.S. Department of Commerce, County Information 2003-2014.

<sup>d</sup> N.J. Department of Labor.

**BUTLER BOARD OF EDUCATION  
Principal Employers,  
Current Year and Nine Years Ago**

Employer	2016		2007	
	Employees	Percentage of Total Employment	Rank (Optional)	Percentage of Total Employment
	Employees	Employment	Rank (Optional)	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**  
Unaudited

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Instruction										
Regular	80.8	83.6	80.9	79.1	73.3	70.2	74.5	89	91.6	92
Special education	26.7	27.6	26.0	26.0	24.4	31.6	32.2	28.2	27.2	26.5
B.S. / Bilingual	3.0	3.0	4.2	4.7	3.5	1.8	2.8	2.4	4.1	2.8
Other Instruction	0.8	0.6	1.0	1.0	1.1	6.5	8.6	1.8	0.9	1.2
Support Services:										
Student & instruction related services	51.1	43.4	43.8	43.1	36.5	47.4	53.9	62.3	64.3	55
General administrative services	2.1	2.1	2.1	2.1	2.1	2.1	2.2	1.94	1.9	1.8
School administrative services	10.1	11.5	12.5	11.6	9.1	9.2	9.2	9.3	9.3	10
Central Services	4.7	4.9	4.9	4.4	4.5	4.5	4.1	1.5	1	1.2
Administrative Information Technology	0.1	0.5	0.5	0.5	0.5	0.4	0.7	0.7	0.7	0.9
Plant operations and maintenance	23.1	23.0	20.8	20.9	18.3	20.7	21.5	20.5	21	24
Pupil transportation	0.2	-	-	-	-	-	-	-	-	-
Food Service	1.1	1.1	1.1	1.1	-	-	-	-	-	-
<b>Total</b>	<b>203.8</b>	<b>201.3</b>	<b>197.8</b>	<b>194.5</b>	<b>173.3</b>	<b>194.4</b>	<b>209.7</b>	<b>217.6</b>	<b>222.0</b>	<b>215.4</b>

Source: District Budget Records

**BUTLER BOARD OF EDUCATION**  
**Operating Statistics**  
**Last Ten Fiscal Years**  
Unaudited

Pupil/Teacher Ratio

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Elementary	Middle School	High School	Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
2006-2007	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%
2007-2008	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%
2008-2009	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%
2009-2010	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%
2010-2011	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%
2011-2012	1,122.0	20,664,958	18,418	1.62%	104.73	11.89	11.46	9.6	1,122.0	1,076.4	-0.81%	95.94%
2012-2013	1,147.9	22,375,098	19,492	5.83%	114.66	10.40	10.03	9.22	1,147.9	1,100.9	2.31%	95.91%
2013-2014	1,123.9	22,486,965	20,008	2.65%	119.64	10.17	10.83	7.97	1,123.9	1,080.5	-2.09%	96.14%
2014-2015	1,144.7	22,819,428	19,935	-0.37%	123	9.07	11.03	9.76	1,144.7	1,101.5	1.85%	96.22%
2015-2016	1,156.9	23,578,136	20,380	2.24%	125	8.80	10.05	9.9	1,156.9	1,111.8	1.07%	96.10%

Sources: District Records

Note: Enrollment based on annual October district count.

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 at June 30.

**BUTLER BOARD OF EDUCATION**  
**School Building Information**  
**Last Ten Fiscal Years**  
Unaudited

District Building	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Elementary</b>										
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)	364	374	387	382	382	368	390	393	381	386
Enrollment										
<b>Middle School</b>										
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)	307	292	277	260	260	280	299	282	298	272
Enrollment										
<b>High School</b>										
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)	512	536	511	547	547	530	516	509	527.5	533
Enrollment										

Number of Schools at June 30, 2016

Elementary = 1

Middle School = 1

High School = 1

Source: District Facilities Office

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of additions.

\*GASB requires that ten years of statistical data be presented. However, since fiscal year 2005 was first year of GASB 34 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented

**BUTLER BOARD OF EDUCATION**  
**GENERAL FUND**  
**SCHEDULE OF ALLOWABLE MAINTENANCE EXPENDITURES BY SCHOOL FACILITY**  
**UNDISTRIBUTED EXPENDITURES - REQUIRED MAINTENANCE FOR SCHOOL FACILITIES**  
**11-000-261-XXX**  
**Unaudited**

*School Facilities	Project.# (s)	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Butler High School	N/A	213,055	173,417	156,259	151,976	124,313	62,724	73,714	97,167	\$ 63,256	\$ 81,560
Aaron Decker	N/A	93,615	69,382	70,511	55,336	33,649	30,910	25,806	35,565	28,809	58,100
Richard Butler	N/A	83,460	89,693	81,429	63,196	49,370	21,897	24,907	53,160	26,985	48,418
District	N/A					2,370					
Total School Facilities		<u>390,130</u>	<u>332,491</u>	<u>308,199</u>	<u>270,508</u>	<u>209,702</u>	<u>115,531</u>	<u>124,427</u>	<u>185,892</u>	<u>119,051</u>	<u>188,078</u>

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



**BUTLER BOARD OF EDUCATION  
INSURANCE SCHEDULE  
June 30, 2016  
Unaudited**

	<u>Limit</u>	<u>Deductible</u>
Property - Blanket Building & Contents	\$53,758,023.00	\$2,500.00
General Liability ( each occurrence)	5,000,000	\$ 1,000
Crime Coverage - Employee theft	500,000	1,000
Crime Coverage - Forgery or Alteration	50,000	1,000
Faithful Performance of Duty Coverage For Government Employees	500,000	1,000
Commercial Automobile Liability Auto Physical Damage	5,000,000	1,000
Boiler and Machinery	100,000,000	1,000
School Board Legal Liability Limit of Liability	1,000,000	5,000
Employment Practices Liability	1,000,000	5,000
Enviromental Impairment Liability Each Occurance	1,000,000	10,000
Aggregate	25,000,000	
Excess Liability Policy Each Occurance	5,000,000	
NJUEP Excess Liability Each Occurance	30,000,000	
Cyber Liability	Included in SAIF Program	
Public Official Bonds Treasurer - Jim Kozimor	218,000	
Business Administrator - Board Secretary   Barbara Murphy	205,000	

Source: District Records

**SINGLE AUDIT**

# Ferraioli, Wielkocz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA  
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the 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, New Jersey, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 18, 2016.

### ***Internal Control Over Financial Reporting***

In planning and performing our audit on the financial statements, we considered the Borough of Butler Board of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Butler Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Butler Board of Education's internal control.

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

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

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the 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 or the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

***Purpose of this Report***

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



Licensed Public School Accountant  
No. 20CS00209100

*Ferraioli, Wielkatz, Cerullo & Cova, P.A.*  
FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.  
Certified Public Accountants

Newton, New Jersey

November 18, 2016

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

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

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

### Report on Compliance for Each Major State Program

We have audited the Board of Education of the Borough of Butler School District in the County of Morris, New Jersey, compliance with the types of compliance requirements described in the *OMB Compliance Supplements* and the New Jersey State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Borough of Butler Board of Education's major state programs for the fiscal year ended June 30, 2016. The Borough of Butler Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Borough of Butler Board of Education's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and N.J. OMB Circular 15-08. Those standards, the Uniform Guidance and N.J. OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major 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 on compliance for each major state program. However, our audit does not provide a legal determination of the Borough of Butler Board of Education's compliance.

### ***Opinion on Each Major Federal and State Program***

In our opinion, the Borough of Butler Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

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

Management of the Borough of Butler Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Borough of Butler Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 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 state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Honorable President and  
Members of the Board of Education

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The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and N.J. OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.



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

*Ferraioli, Wielkatz, Cerullo & Cova, P.A.*  
FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.  
Certified Public Accountants

Newton, New Jersey

November 18, 2016





**BUTLER BOROUGH SCHOOL DISTRICT**  
**Schedule of Expenditures of State Financial Assistance**  
**for the Fiscal Year Ending June 30, 2016**

State Grantor/Program Title	Project Number	Program or Award Amount	Grant Period From / To	June 30, 2015		Cash Received	Budgetary Expenditures	June 30, 2016 (Accounts Receivable)	Budgetary Receivable	MEMO Cumulative Total Expenditures
				Unearned Revenue (Accts Receivable)	Received					
<b>State Department of Education:</b>										
<b>General Fund:</b>										
Special Education Categorical Aid	16-495-034-5120-089	557,857.00	7/1/15-6/30/16		557,857.00	(557,857.00)			(54,018.00)	* 557,857.00
Equalization Aid	16-495-034-5120-078	1,269,909.00	7/1/15-6/30/16		1,269,909.00	(1,269,909.00)			(122,967.00)	* 1,269,909.00
Transportation Aid	16-495-034-5120-014	45,248.00	7/1/15-6/30/16		45,248.00	(45,248.00)			(4,381.00)	* 45,248.00
School Choice Aid	16-495-034-5120-068	26,218.00	7/1/15-6/30/16		26,218.00	(26,218.00)			(2,539.00)	* 26,218.00
Security Aid	16-495-034-5120-084	19,573.00	7/1/15-6/30/16		19,573.00	(19,573.00)			(1,895.00)	* 19,573.00
Additional Adjustment Aid	16-495-034-5120-085	41,810.00	7/1/15-6/30/16		41,810.00	(41,810.00)			(4,049.00)	* 41,810.00
PARCC Readiness Aid	16-495-034-5120-098	9,390.00	7/1/15-6/30/16		9,390.00	(9,390.00)			(909.00)	* 9,390.00
Per Pupil Growth Aid	16-495-034-5120-097	9,390.00	7/1/15-6/30/16		9,390.00	(9,390.00)			(909.00)	* 9,390.00
Extraordinary Special Education Aid	15-100-034-5120-473	369,763.00	7/1/14-6/30/15	(369,763.00)	369,763.00			(312,194.00)		* 312,194.00
Extraordinary Special Education Aid	16-100-034-5120-473	312,194.00	7/1/15-6/30/16		665,977.00	(665,977.00)				* 665,977.00
On-Behalf TPAF Pension	15-495-034-5094-006	665,977.00	7/1/15-6/30/16		33,175.00	(33,175.00)				* 33,175.00
On-Behalf TPAF NCGI Premium	15-495-034-5094-007	33,175.00	7/1/15-6/30/16		832,497.00	(832,497.00)				* 832,497.00
On-Behalf TPAF Post Retirement Medical	15-495-034-5094-001	832,497.00	7/1/15-6/30/16		16,224.00	(13,001.00)				* 16,318.00
Non-Public Transportation Aid	15-495-034-5120-014	16,224.00	7/1/14-6/30/15	(16,224.00)						
Non-Public Transportation Aid	14-495-034-5120-014	13,001.00	7/1/15-6/30/16		33,615.18					
Reimbursed T.P.A.F. - Social Security	15-495-034-5094-003	676,605.69	7/1/14-6/30/15	(33,615.18)	631,189.84	(663,906.06)		(32,716.22)		* 663,906.06
Reimbursed T.P.A.F. - Social Security	16-495-034-5094-003	663,906.06	7/1/15-6/30/16	(419,602.18)	4,561,836.02	(4,500,145.06)		(357,911.22)	(191,667.00)	* 4,503,462.06
Total General Fund										*
<b>Debt Service Fund:</b>										
School Construction Debt Service Aid	16-100-034-5120-125	57,973.00	7/1/15-6/30/16		57,973.00	(57,973.00)				* 57,973.00
Total Debt Service Fund					57,973.00	(57,973.00)				* 57,973.00
<b>Capital Projects Fund</b>										
New Jersey Schools Development Authority	0630-020-14-1001	278,600.00	N/A		151,677.98	(136,039.91)		(63,461.01)		* 79,099.08
<b>State Department of Agriculture</b>										
<b>Enterprise Fund:</b>										
State School Lunch Program	15-100-010-3350-023	4,068.54	7/1/14-6/30/15	(1,188.27)	1,188.27					* -
State School Lunch Program	16-100-010-3350-023	3,692.41	7/1/15-6/30/16		3,038.56	(3,692.41)		(653.85)		* 4,286.39
Total Enterprise Fund				(1,188.27)	4,226.83	(3,692.41)		(653.85)		* 4,286.39
Total State Financial Assistance				(499,889.53)	4,775,713.83	(4,697,850.38)		(422,026.08)	(191,667.00)	* 4,644,820.53
<b>Less: On-Behalf Pension and Annuity Aid</b>										
Total for State Major Program Determinations				(499,889.53)	3,244,064.83	(3,166,201.38)		(422,026.08)	(191,667.00)	* 3,113,171.53

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

**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 these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and N.J. OMB Circular 15-08. Therefore, some amounts presented in this schedule may differ in 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, those payments are not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the 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 \$(12,415.00) for the general fund and \$-0- 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.

**NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (continued)**

Additionally, as discussed further in Note 5, the State of New Jersey makes contributions on-behalf of the District for TPAF post-retirement medical and pension contributions. The total amount of these contributions during 2016 fiscal year was \$1,531,649.00.

Awards and financial assistance revenues are reported in the Board's financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$24,562.53	\$4,487,730.06	\$4,512,292.59
Special Revenue Fund	399,749.00	-	399,749.00
Capital Projects Fund	-	136,039.91	136,039.91
Debt Service Fund	-	57,973.00	57,973.00
Food Service Fund	<u>205,168.76</u>	<u>3,692.41</u>	<u>209,861.17</u>
Total Financial Awards	<u>\$630,480.29</u>	<u>\$4,685,435.38</u>	<u>\$5,315,915.67</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 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 amount reported as 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, 2016.

The State of New Jersey also makes TPAF post-retirement medical and pension contribution expenditures on behalf of the District. These expenditures are not subject to New Jersey OMB Circular 15-08 because the contributions are made by the State directly and do not have any compliance related requirements, and therefore, have not been included on the Schedule of State Financial Assistance, as directed by the funding agency.

**NOTE 6. INDIRECT COST RATE**

The Borough of Butler School District has elected not to use the 10 percent de minimis Indirect Cost Rate as allowed under the Uniform Guidance.

**BOROUGH OF BUTLER SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

*Section I - Summary of Auditor's Results*

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial  
statements noted?            yes   X   no

Federal Awards

N/A

**BOROUGH OF BUTLER SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

*Section I - Summary of Auditor's Results*

**State Awards Section**

Dollar threshold used to distinguish between type A and type B programs: \_\_\_\_\_ \$750,000 \_\_\_\_\_

Auditee qualified as low-risk auditee?        X   yes      \_\_\_\_\_ no

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

Internal Control over major programs:

1) Material weakness(es) identified?      \_\_\_\_\_ yes        X   no

2) Significant deficiencies identified that are not considered to be material weaknesses?      \_\_\_\_\_ yes        X   none reported

Any audit findings disclosed that are required to be reported in accordance with NJ OMB's Circular 15-08?      \_\_\_\_\_ yes        X   no

Identification of major programs:

<u>State Grant/Project Number(s)</u>	<u>Name of State Program</u>
16-495-034-5120-078	State Aid - Public Cluster
16-495-034-5120-089	Equalization Aid
16-495-034-5120-084	Special Education Categorical Aid
16-495-034-5120-085	Categorical Security Aid
16-495-034-5120-097	Additional Adjustment Aid
16-495-034-5120-098	Per Pupil Growth Aid
	PARCC Readiness

*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, 2016**

**Status of Prior Year Findings**

The prior year audit finding was corrected.