

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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2017**

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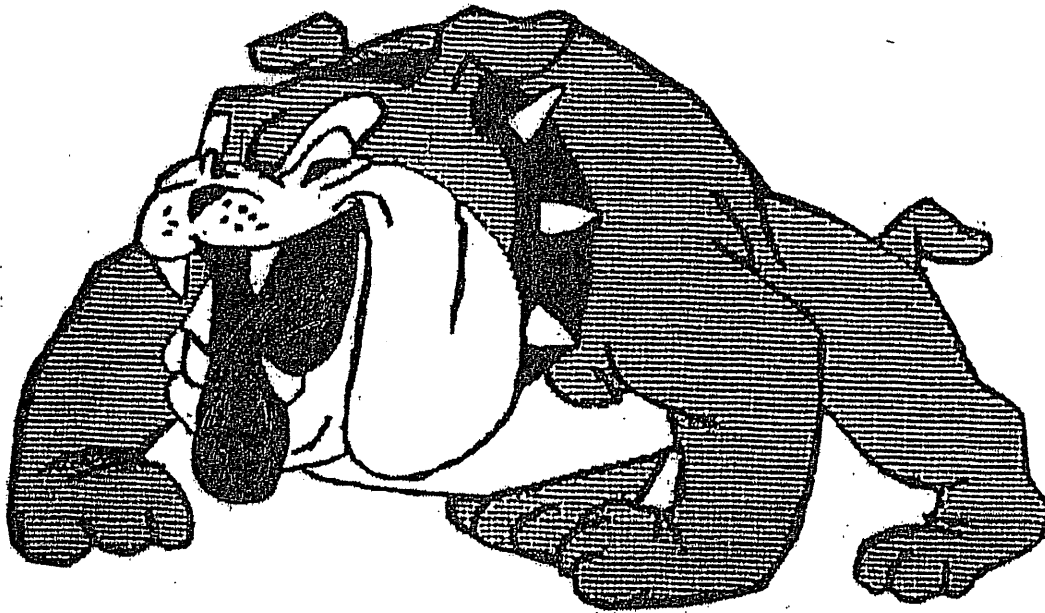
**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
of the**

**Borough of Butler School District**

**Board of Education**

**Butler, New Jersey**

**For the Fiscal Year Ended June 30, 2017**



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, 2017

TABLE OF CONTENTS

**INTRODUCTORY SECTION**

	<u>Page</u>
Letter of Transmittal .....	1 - 5
Organizational Chart .....	6
Roster of Officials .....	7
Consultants and Advisors .....	8

**FINANCIAL SECTION**

Independent Auditor's Report .....	9 - 12
------------------------------------	--------

**Required Supplementary Information - Part I**

Management's Discussion and Analysis .....	13 - 21
--	---------

**Basic Financial Statements**

A. District-wide Financial Statements:

A-1 Statement of Net Position .....	22
A-2 Statement of Activities .....	23

B. Fund Financial Statements:

Governmental Funds:

B-1 Balance Sheet .....	24
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balance .....	25
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	26

Proprietary Funds:

B-4 Statement of Net Position .....	27
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Position .....	28
B-6 Statement of Cash Flows .....	29

Fiduciary Funds:

B-7 Statement of Fiduciary Net Position .....	30
B-8 Statement of Changes in Fiduciary Net Position .....	31

<b><u>Notes to the Basic Financial Statements</u></b> .....	<b>32 - 69</b>
---	----------------

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE BUTLER BOROUGH SCHOOL DISTRICT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS (Continued)

**FINANCIAL SECTION (Continued)**

Page

**Required Supplementary Information - Part II**

C.	Budgetary Comparison Schedule		
	C-1 Budgetary Comparison Schedule - General Fund .....		70 - 75
	C-2 Budgetary Comparison Schedule - Special Revenue Fund .....		76

**Notes to the Required Supplementary Information - Part II**

	C-3 Budgetary Comparison Schedule - Budget-to-GAAP Reconciliation .....		77
--	---	--	----

**Required Supplementary Information - Part III**

L.	Schedules Related to Accounting and Reporting for Pensions (GASB 68)		
	L-1 Schedule of District's Proportionate Share of Net Pension Liability - PERS .....		78
	L-2 Schedule of District Contributions - PERS .....		79
	L-3 Schedule of the District's Proportionate Share of Net Pension Liability - TPAF .....		80

**Notes to the Required Supplementary Information - Part III**

	L-4 Note to Required Schedules of Supplementary Information .....		81
--	---	--	----

**Other Supplementary Information**

D.	School Based Budget Schedules (if applicable):		
	D-1 Combining Balance Sheet .....		N/A
	D-2 Blended Resource Fund - Schedule of Expenditures Allocated by Resource Type - Actual .....		N/A
	D-3 Blended Resource Fund - Schedule of Blended Expenditures - Budget and Actual .....		N/A
E.	Special Revenue Fund:		
	E-1 Combining Schedule of Program Revenues and Expenditures Special Revenue Fund - Budgetary Basis .....		82
	E-1a Combining Schedule of Program Revenues and Expenditures Special Revenue Fund - Budgetary Basis .....		83
	E-1b Combining Schedule of Program Revenues and Expenditures Special Revenue Fund - Budgetary Basis .....		84
	E-2 Demonstrably Effective Program Aid Schedule of Expenditures - Budgetary Basis .....		N/A
	E-3 Early Childhood Program Aid Schedule of Expenditures - Budgetary Basis .....		N/A

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE BUTLER BOROUGH SCHOOL DISTRICT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS (Continued)

<b><u>Other Supplementary Information (Continued)</u></b>	<b><u>Page</u></b>
E. Special Revenue Fund:(continued)	
E-4 Distance Learning Network Aid Schedule of Expenditures - Budgetary Basis .....	N/A
E-5 Instructional Supplemental Aid - Schedule of Expenditures - Budgetary Basis .....	N/A
F. Capital Projects Fund:	
F-1 Summary Schedule of Revenues, Expenditures and Changes in Fund Balance .....	85
F-1a Schedule of Project Revenues, Expenditures, Project Balance, and Project Status - Budgetary Basis - Installation of New Fire Escapes and Renovation of Restrooms - Butler High School .....	86
F-1b Schedule of Project Revenues, Expenditures, Project Balance, and Project Status - Budgetary Basis - Renovation of High School Auditorium, ADS Boiler Replacement and District-Wide Asbestos Abatement .....	87
F-2 Summary Schedule of Projected Expenditures .....	88
G. Proprietary Funds:	
Enterprise Fund:	
G-1 Statement of Net Position .....	89
G-2 Statement of Revenues, Expenses and Changes in Fund Net Position .....	90
G-3 Statement of Cash Flows .....	91
Internal Service Fund:	
G-4 Statement of Net Position .....	92
G-5 Statement of Revenues, Expenses and Changes in Fund Net Position .....	93
G-6 Statement of Cash Flows .....	94
H. Fiduciary Funds:	
H-1 Combining Statement of Fiduciary Net Position .....	95
H-2 Combining Statement of Changes in Fiduciary Net Position .....	96
H-3 Schedule of Receipts and Disbursements - Student Activity Agency Fund .....	97
H-4 Schedule of Receipts and Disbursements - Payroll Agency Fund .....	98
I. Long-Term Debt:	
I-1 Statement of Serial Bonds .....	99
I-2 Schedule of Obligations under Capital Leases .....	100
I-3 Budgetary Comparison Schedule - Debt Service Fund .....	101

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE BUTLER BOROUGH SCHOOL DISTRICT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS (Continued)

<b>STATISTICAL SECTION (Unaudited)</b>	<u>Page</u>
<b>Outline of NJ DOE Statistical Tables Section (GASB 44)</b> .....	102
 <b>Financial Trends</b>	
J-1 Net Position by Component .....	103
J-2 Changes in Net Position .....	104 - 105
J-3 Fund Balances - Governmental Funds .....	106
J-4 Changes in Fund Balances - Governmental Funds .....	107
J-5 General Fund - Other Local Revenue by Source .....	108
 <b>Revenue Capacity</b>	
J-6 Assessed Value and Estimated Actual Value of Taxable Property .....	109
J-7 Direct and Overlapping Property Tax Rates .....	110
J-8 Principal Property Taxpayers .....	111
J-9 Property Tax Levies and Collections .....	112
 <b>Debt Capacity</b>	
J-10 Ratios of Outstanding Debt by Type .....	113
J-11 Ratios of Net General Bonded Debt Outstanding .....	114
J-12 Direct and Overlapping Governmental Activities Debt .....	115
J-13 Legal Debt Margin Information .....	116
 <b>Demographic and Economic Information</b>	
J-14 Demographic and Economic Statistics .....	117
J-15 Principal Employers .....	118
 <b>Operating Information</b>	
J-16 Full-time Equivalent District Employees by Function/Program .....	119
J-17 Operating Statistics .....	120
J-18 School Building Information .....	121
J-19 Schedule of Allowable Maintenance Expenditures by School Facility .....	122
J-20 Insurance Schedule .....	123



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE BUTLER BOROUGH SCHOOL DISTRICT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS (Continued)

<b>SINGLE AUDIT SECTION</b>		<u>Page</u>
K-1	Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	124 - 125
K-2	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 .....	126 - 128
K-3	Schedule of Expenditures of Federal Awards .....	129
K-4	Schedule of Expenditures of State Financial Assistance .....	130
K-5	Notes to Schedules of Expenditures of Federal and State Awards .....	131 - 132
K-6	Schedule of Findings and Questioned Costs .....	133 - 134
K-7	Schedule of Financial, Federal and State Findings .....	135
K-8	Summary Schedule of Prior Year Audit Findings .....	136

## **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, Members  
Of the School District and  
Citizens of Butler Borough  
Butler Public Schools  
County of Morris  
Butler, New Jersey 07405

November 9, 2017

Dear Board Members:

The comprehensive annual financial report of the Butler Borough School District (District) for the fiscal year ended June 30, 2017, 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 Butler Public Schools. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Independent Auditor's Report, Management's Discussion and Analysis and basic financial statements including the government-wide financial statements presented in accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments". The basic financial statements also include individual fund financial statements, Notes to the Financial Statements and Required Supplementary Information (RSI). 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 the Single Audit Act and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations", and the New Jersey OMB Circular 04-04, "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 established by NCGA Statement No. 13. All funds of the District are included in this report. The Butler Borough Public Schools and all its schools constitute the District's reporting entity. Butler Borough School District 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 services and programs appropriate to grade levels pre-school handicapped/K through 12. These include regular, as well as special education for handicapped youngsters. The

The District provides a full range of educational services and programs appropriate to grade levels pre-school handicapped/K through 12. These include regular, as well as special education for handicapped youngsters. The District currently operates one elementary, one middle and one high school, and completed the 2016-2017 fiscal year with an average daily enrollment of 1,191.7 students. This enrollment is a 3.07% increase over the previous year as shown in the ten-year period below. It is expected that the district's enrollment will remain steady or decrease slightly over the next five years. The District received high school students from Bloomingdale, in Passaic County, on a tuition basis. These students comprised 49.3% of the high school enrollment in the 2016-2017 school year.

<u>Fiscal Year</u>	<u>Average Daily Enrollment Student Enrollment</u>	<u>Percent Change</u>
2016-17	1,191.7	3.07%
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%

**2) ECONOMIC CONDITION AND OUTLOOK:** The Butler School District encompasses approximately 2.08 square miles. The District is located in the northeastern section of Morris County. Butler was incorporated as a borough by an act of the New Jersey Legislature on March 13, 1901, from portions of Pequannock Township. As of the 2010 United States Census, there were 7,539 people, 3,031 households, and 1,976 families residing in the borough. The High School consists of 3 buildings, built in 1902, 1922, and 1937 respectively. Richard Butler Middle School was built in 1954. Aaron Decker School was built in 1966. The Borough's total assessed valuations for fiscal year 2017 were \$819,994,650. Residential properties account for 92% of the assessed valuations, and the median home value was \$252,520. The District is in a strong economic position as indicated by its AA long term rating. The District's primary funding sources are property tax revenue, tuition received from Bloomingdale for their High School students, and state aid. As a result of a significant surplus at the end of the year, the district was able to add \$1 million to its Capital Reserve Fund. It is anticipated that some of these funds will be allocated to the much needed auditorium renovation at Butler High School, and the addition of a handicapped accessible restroom in the High School Arts building.

**3) MAJOR INITIATIVES (Capital Improvements): District:** In 2016-2017, the district began a two year Energy Savings Improvement Plan, whereby the energy savings realized from the project would fully fund the projects themselves. The Energy Conservation Measures included districtwide LED lighting upgrades and occupancy sensors, building envelop upgrades, PC power management, plug load controls, walk in cooler controls, and replacement boilers at the High School and Richard Butler Middle School. In an effort to make Butler High School handicapped accessible, two wheel chair lifts and an elevator were installed. This will enable the district to offer programs to more wheel chair bound students in the future.

**4) 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 2017 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 2018 are on course to satisfy the state standardized testing graduation requirements through PARCC or alternate assessments as outlined by the NJDOE. In 2017, Butler High School was again ranked in the top 50% of all schools in the state.

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 2016-2017 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 2017, 86% went on to two or four year colleges or post-secondary technical schools. During the 2016-2017 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. We have a 1:1 Chrome book initiative planned for implementation at Butler High School in 2017-2018.

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. In 2016-2017, we implemented a 1:1 Chromebook initiative for all students at Richard Butler School.

Aaron Decker School has transitioned to the NJ Student Learning Standards 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 2016-2017 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.

The district has an agreement with a state approved special education private school, Chancellor Academy Outreach – Inclusive Learning Academy (ILA), which operates self-contained classes on all three campuses, Aaron Decker Elementary School, Richard Butler Middle School and Butler High School, which generates revenue for the school district and offers a program alternative for our students.

The district was able to begin a 1:1 chrome book initiative for all students in grades 5 to 8 at Richard Butler School in 2016-17. In the 2017-18 school year, that initiative will continue and include all students in grades 3 to 12. Special education students in grades 3 to12 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.

**5) 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.

**6) 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. Project length budgets are approved for the capital improvements and are accounted for in the Capital Projects Fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or 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; 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.

**7) 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. These funds are explained in "Notes to the Financial Statements".

**8) POLICY CHANGES:** The District revised its busing policy and eliminated courtesy busing, except along hazardous routes. This had a significant impact on the current period's financial statements.

**9) 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. 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; and New Jersey's OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. The auditors' report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

The District's ongoing upgrades to all of its buildings insures that its physical plant is able to accommodate the District's current and anticipated future student population needs, and meet all current building safety standards and building codes. The District deems the current available capital reserve funds adequate to meet future capital needs as they arise.

Long-Term Financial Planning- The District intends to prepare future budgets within the two percent tax cap levy plus allowable exceptions if applicable, as mandated by the State of New Jersey. Additionally, the District continually monitors its ability to refinance its outstanding long-term obligations to capitalize on favorable market conditions.

**10) AWARDS:** Butler High School was honored to be on the 7<sup>th</sup> Annual Honor Roll for AP courses. The award means that more students are participating and performing well on the AP exams.

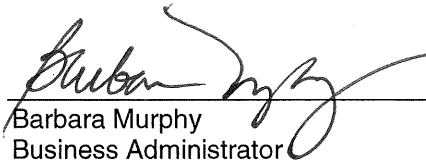
**11) ACKNOWLEDGMENTS:** We would like to express our appreciation to the members of the Butler Borough School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance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



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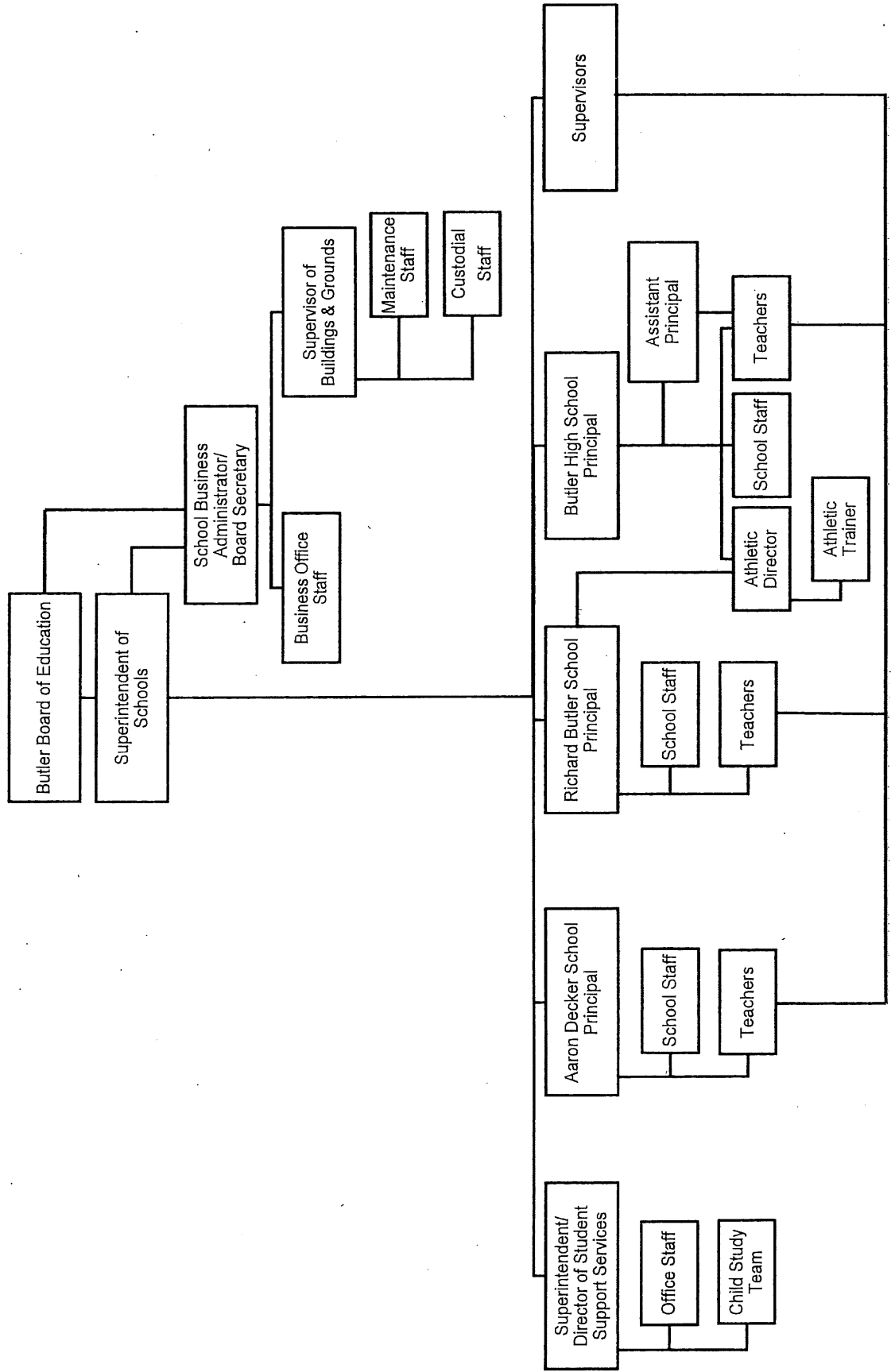
Mario Cardinale  
Superintendent



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Barbara Murphy  
Business Administrator

BUTLER SCHOOL DISTRICT ORGANIZATIONAL CHART





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

**ROSTER OF OFFICIALS  
JUNE 30, 2017**

<b><u>Members of the Board of Education</u></b>	<b><u>Term Expires (at Organizational Meeting - first week in January)</u></b>
Tracy Luciani - President	January 4, 2018
Karen Smith - Vice-President	January 2020
Alison Allison	January 2019
Heather Grecco	January 2019
Jason Karpowich	January 2020
Cynthia Sokoloff	January 4, 2018
Albert Syracuse	January 4, 2018
Jane Tadros	January 4, 2018
Mark Thomas	January 2020
Sheldon Bross (Bloomingdale Representative)	January 4, 2018

**Other Officials**

Mario Cardinale	Interim 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, 2017**

**Architect**

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

**Audit Firm**

Ferraioli, Wielkotz, 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

State of New Jersey Cash Management Fund

Sterling National Bank

**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, 2017, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the 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, 2017, 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 the schedule of expenditures of state financial assistance as required by 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 the schedule of expenditures of state financial assistance as required by 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 the schedule of expenditures of state financial assistance as required by 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 9, 2017 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  
Members of the Board of Education  
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 9, 2017

**REQUIRED SUPPLEMENTARY INFORMATION**  
**PART I**



BUTLER BOROUGH PUBLIC SCHOOL DISTRICT  
BUTLER BOROUGH

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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, 2017. 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 2016-2017 fiscal year are as follows:

- ◆ The School District had \$30,666,466 in expenses (see A-2 District-wide Statement of Activities, Governmental Activities); only \$5,633,118 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 \$16,549,830 and \$9,179,574 respectively, were adequate to provide for these programs.
- ◆ The General Fund had \$26,058,191 in revenues and \$25,065,789 in expenditures. The General Fund's fund balance decreased by \$383,938 over 2017. This decrease was attributed to transfer to Capital Projects from Capital Reserve, as the district moves to replace the boilers at Aaron Decker School and renovate the High School Auditorium. (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 2017 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 will essentially match the information provided in statements for the District as a whole.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and fund financial statements.

### **Other Information**

In addition to the basic financial statements, this report also presents certain required supplementary information concerning the District’s budget process. The district adopts an annual expenditure budget for General, Special Revenue and Debt Service Funds. A budgetary comparison statement has been provided for each of these funds as required supplementary information. The required supplementary information can be found following the Notes to the Financial Statements.

Combining Statements and schedules are presented immediately following the major budgetary comparisons if required.

## Government- Wide Financial Analysis

The Statement of Net Position provides the perspective of the School District as a whole, showing assets and deferred outflows of resources versus liabilities and deferred inflows of resources and the difference between them (net position). Net position may, over time serve as a useful indicator of a government's financial position. In the case of the Butler Public Schools, assets and deferred outflows of resources exceeded liabilities by \$7,902,149 and \$6,948,133 at June 30, 2017 and 2016 respectively.

By far the largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment): less any related debt used to acquire those assets that is still outstanding. The district uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1 provides a summary of the District's net position as of June 30, 2017, and 2016.

**Table 1  
Net Position  
June 30, 2017 and 2016**

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Assets:</b>						
Current and Other Assets	5,034,858	4,232,715	43,634	67,150	10,113,350	4,299,865
Capital Assets, net	<u>12,767,450</u>	<u>12,238,656</u>	<u>58,987</u>	<u>62,719</u>	<u>12,826,437</u>	<u>12,301,375</u>
<b>Total Assets</b>	<b><u>17,802,308</u></b>	<b><u>16,471,371</u></b>	<b><u>102,621</u></b>	<b><u>129,869</u></b>	<b><u>17,904,929</u></b>	<b><u>16,601,240</u></b>
<b>Deferred Outflows of Resources:</b>						
Deferred Outflows of Resources Relate to PERS	1,893,152	860,310	-	-	1,893,152	860,310
Deferred Amount on Refunding	<u>87,800</u>	<u>100,343</u>	<u>-</u>	<u>-</u>	<u>87,800</u>	<u>10,343</u>
<b>Liabilities:</b>						
Current Liabilities	1,181,017	706,979	7,742	26,393	1,188,759	733,372
Noncurrent liabilities	<u>10,520,651</u>	<u>9,664,979</u>	<u>-</u>	<u>-</u>	<u>10,520,651</u>	<u>9,664,979</u>
<b>Total Liabilities</b>	<b><u>11,701,668</u></b>	<b><u>10,371,958</u></b>	<b><u>7,742</u></b>	<b><u>26,393</u></b>	<b><u>11,709,410</u></b>	<b><u>10,398,351</u></b>
<b>Deferred Inflows of Resources:</b>						
Deferred Inflows of Resources Related to PERS	<u>272,321</u>	<u>215,409</u>	<u>-</u>	<u>-</u>	<u>272,321</u>	<u>215,409</u>
<b>Net Investment in Capital Assets:</b>						
Net of Debt	8,647,927	7,629,704	56,987	62,719	8,704,914	7,692,423
Restricted	4,108,685	3,869,156	-	-	4,108,685	3,869,156
Unrestricted	<u>(4,947,342)</u>	<u>(4,654,203)</u>	<u>35,892</u>	<u>40,757</u>	<u>(4,911,450)</u>	<u>(4,613,446)</u>
<b>Total Net Position</b>	<b><u>7,809,270</u></b>	<b><u>6,844,657</u></b>	<b><u>92,879</u></b>	<b><u>103,476</u></b>	<b><u>7,902,149</u></b>	<b><u>6,948,133</u></b>

The District's combined net position increased by \$ 954,016 during the year ended June 30, 2017. This was an increase of 13.7% from the prior year.

Table 2 shows changes in net position for fiscal years ended June 30, 2017 and 2016.

**Table 2**  
**Changes in Net Position**  
**June 30, 2017 and 2016**

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	346,500	432,000	277,123	260,849	623,623	692,849
Operating Grants and Contributions	5,286,618	4,544,995	171,999	209,250	5,458,617	4,754,245
<b>General Revenues:</b>						
Property Taxes	16,549,830	16,104,317	-	-	16,549,830	16,104,317
Federal and State Aid not Restricted	9,120,521	7,223,432	-	-	9,120,521	7,223,432
State Aid – Restricted for Debt Service	59,053	57,973	-	-	59,053	57,973
State Aid – Capital Outlay	-	136,040	-	-	-	136,040
Miscellaneous Income	198,865	264,249	124	232	198,989	264,481
Transfers	-	-	-	-	-	-
<b>Total Revenues and Transfers</b>	<b><u>31,561,387</u></b>	<b><u>28,763,006</u></b>	<b><u>449,246</u></b>	<b><u>470,331</u></b>	<b><u>32,010,633</u></b>	<b><u>29,233,337</u></b>
<b>Functions/Programs:</b>						
<b>Governmental Activities</b>						
Instruction:						
Regular	12,179,409	10,621,685	-	-	12,179,409	10,621,685
Special Education	3,200,743	2,788,315	-	-	3,200,743	2,788,315
Other Special Education	468,999	432,774	-	-	468,999	432,774
Other Instruction	534,331	512,281	-	-	534,331	512,281
<b>Support Services:</b>						
Tuition	1,947,125	1,865,381	-	-	1,947,125	1,865,381
Student & Instruction Related Services	4,706,411	4,176,856	-	-	4,706,411	4,176,856
General Administrative Services	691,364	656,095	-	-	691,364	656,095
School Administrative Services	1,550,794	1,416,874	-	-	1,550,794	1,416,874
Central Services & Administrative Inform. Tech	668,895	609,799	-	-	668,895	609,799
Plant Operations and Maintenance	2,979,830	2,776,095	-	-	2,979,830	2,776,095
Pupil Transportation	858,588	956,432	-	-	858,588	956,432
Capital Outlay – Non-depreciable	137,099	27,599	-	-	137,099	27,5
Interest on Long Term Debt	12,543	12,543	-	-	12,543	12,543
Unallocated Depreciation	705,993	655,199	-	-	705,993	655,199
Food Service	-	-	459,843	456,714	459,843	456,714
Transfer to Carter School	<u>24,342</u>	<u>24,343</u>	-	-	<u>24,342</u>	<u>24,343</u>
<b>Total Expenses and Transfers</b>	<b><u>30,666,466</u></b>	<b><u>27,532,271</u></b>	<b><u>459,843</u></b>	<b><u>456,714</u></b>	<b><u>31,126,309</u></b>	<b><u>27,988,985</u></b>
<b>Increase/Decrease in Net Position</b>	<b><u>894,921</u></b>	<b><u>1,230,735</u></b>	<b><u>(10,597)</u></b>	<b><u>13,617</u></b>	<b><u>884,324</u></b>	<b><u>1,244,352</u></b>
<b>Net Position – Beginning (as previously reported)</b>	<b>6,844,657</b>	<b>5,613,922</b>	<b>103,475</b>	<b>89,858</b>	<b>6,948,133</b>	<b>5,703,780</b>
<b>Net Position Restatement (Note 17)</b>	<b><u>69,692</u></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b><u>69,692</u></b>	<b>-</b>
<b>Net Position – Beginning (restated)</b>	<b><u>6,914,349</u></b>	<b><u>5,613,922</u></b>	<b><u>103,475</u></b>	<b><u>89,858</u></b>	<b><u>7,017,824</u></b>	<b><u>5,703,780</u></b>
<b>Net Position – Ending</b>	<b><u>7,809,270</u></b>	<b><u>6,844,657</u></b>	<b><u>92,879</u></b>	<b><u>103,475</u></b>	<b><u>7,902,149</u></b>	<b><u>6,948,133</u></b>

## **Governmental Activities**

The District's total governmental activities' revenues, which includes State and Federal Grants, were \$31,561,387 for the year ended June 30, 2017 an increase of \$2,798,381 or 9.7% over the previous year. A significant amount of this increase is attributable to the adjustment to the on-behalf TPAF contribution to recognize the actuarially determined amount that should have been contributed by the State on-behalf of the District. This adjustment which impacts both the revenue and expenses of the governmental activities was \$4,158,596. Property taxes of \$16,549,830 represent 52.4% percent of revenues. Another significant portion of revenues came from State, Federal and Tuition from Other LEAs; total State, Federal, Tuition from other LEAs was \$14,466,192. Another source of revenues is miscellaneous income, which includes items such as rentals, prior year refunds, interest, etc. which amounts to \$198,865 or less than 1% of total revenues.

The total cost of all governmental program and services was \$30,666,466. The District's expenses are predominantly related to educating and caring for students. Instruction totaled \$16,383,482 (53%) of total expenses. Support services totaled \$13,403,007 or 44% of total expenses. The remaining expenses relate to capital outlay, interest on long term debt, transfers to charter schools, and unallocated depreciation and amortization and total \$879,977 or 3% of total expenses.

Total governmental activities revenues surpassed expenses, increasing net position \$894,921 over the previous year.

## **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 were less than expenditures resulting in a decrease in net position of \$10,597.
- ◆ Charges for services represent \$277,123 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 \$172,123 a decrease of \$37,301 over 2016.

**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 2016 follows, as well as a description of the various expenditure areas.

**Table 3**

	<u>Total Cost of Services 2017</u>	<u>Net Cost of Services 2017</u>	<u>Total Cost of Services 2016</u>	<u>Net Cost of Services 2016</u>
<b>Instruction</b>	16,383,482	12,895,739	\$14,355,055	\$11,214,649
<b>Support services</b>				
Pupils and instructional staff	6,653,536	5,659,566	6,042,236	5,214,424
General administration, school administration, business	2,911,053	2,438,393	2,682,768	2,276,248
Operation and maintenance of facilities	2,979,830	2,301,084	2,776,095	2,173,838
Pupil transportation	858,588	858,588	956,432	956,432
Interest on Long Term Debt	12,543	12,543	12,543	12,543
Unallocated Benefits				
Transfer to Charter School	24,342	24,342	24,343	24,343
Unallocated Depreciation	705,993	705,993	655,199	655,199
Capital Outlay - Non-depreciable	<u>137,099</u>	<u>137,099</u>	<u>27,599</u>	<u>27,599</u>
Total governmental expenses	<u><u>\$30,666,466</u></u>	<u><u>\$25,033,347</u></u>	<u><u>\$27,532,271</u></u>	<u><u>\$22,555,276</u></u>

The total cost for 2017 is an increase of \$3,134,196 over 2016, or 11.38%. This increase is mainly attributed to the increase in indirect expenses allocated for employee benefits related to GASB No. 68.

The total net cost for 2017 is an increase of \$2,478,071 over 2016, or 11%. This value is again mainly attributed to the increase in indirect expenses allocated for employee benefits related to GASB No. 68.

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 \$27,055,718 and expenditures of \$26,667,591.

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, 2017, 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 2016</u>	<u>Percent Increase/ (Decrease) from 2016</u>
Local Sources	21,635,360	79.97%	1,121,548	5.47%
State Sources	4,980,861	18.41%	299,118	6.39%
Federal Sources	<u>439,497</u>	<u>1.62%</u>	<u>15,185</u>	3.58%
Total	<u>\$27,055,718</u>	<u>100.00%</u>	<u>\$1,435,851</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, 2017.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2016</u>	<u>Percent Increase/ (Decrease) From 2016</u>
Current:				
Instruction	9,013,203	33.80%	456,147	5.33%
Undistributed expenditures	15,862,796	59.48%	841,716	5.60%
Capital Outlay	1,197,956	4.49%	868,688	263.82%
Debt Service	593,636	2.23%	<u>6,963</u>	1.19%
Total	<u>26,667,591</u>	<u>100.00%</u>	<u>2,173,514</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 2017, 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 \$2,811,229 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 \$306,653 over the budgeted amount. This was mainly attributable to a significant increase in tuition collected for homeless students who moved into district, and an increase in Extraordinary Aid from the state.

- ◆ The actual expenditures appear to be \$440,485 higher than expected. Once again, after the removal of the TPAF reported numbers, expenditures are \$2,064,090 less than originally budgeted. This is mainly attributed to a decrease in private school for the disabled tuitions due to students moving out of district mid-year. Also, we had a few staff members out on long term disability and therefore salaries decreased. In addition, the health benefits costs increases were predicted to go up by 15%, and they increased by 9%.



## **Capital Assets**

New capital asset purchases and construction in progress for the year totaled \$1,060,857. The District installed and elevator and two wheelchair lifts in the high school, completed asbestos abatement of three boiler rooms in preparation for new boilers, and purchased Pre- K disabled equipment and a server. Additional information on capital assets may be found in Note 6 to the financial statements.

## **Debt Administration**

At June 30, 2017 the School district had \$4,076,000 in outstanding bonded debt. Additional information may be found in Note 7 of the financial statements.

## **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, 2017**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	3,025,184	28,981	3,054,165
Receivables, net	1,008,052	9,195	1,017,247
Inventory		5,458	5,458
Restricted assets:			
Capital reserve account - cash	1,001,621		1,001,621
Capital assets:			
Construction in progress	741,309		741,309
Other capital assets, net	12,026,141	56,987	12,083,128
Total Assets	<u>17,802,307</u>	<u>100,621</u>	<u>17,902,928</u>
<b>DEFERRED OUTFLOWS</b>			
Deferred Outflows of Resources Related to PERS	1,893,152		1,893,152
Deferred amount on refunding	87,800		87,800
Total Deferred Outflows	<u>1,980,952</u>	<u>-</u>	<u>1,980,952</u>
<b>LIABILITIES</b>			
Accounts payable	201,868		201,868
Contracts Payable	418,025		418,025
Accrued interest on bonds	50,446		50,446
Unearned revenue	-	7,742	7,742
Noncurrent liabilities:			
Due within one year	510,678		510,678
Due beyond one year	10,520,651		10,520,651
Total liabilities	<u>11,701,668</u>	<u>7,742</u>	<u>11,709,410</u>
<b>DEFERRED INFLOWS</b>			
Deferred Inflows of Resources Related to PERS	272,321		272,321
<b>NET POSITION</b>			
Net Investment in Capital Assets	8,647,927	56,987	8,704,914
Restricted for:			
Debt Service	2		2
Capital projects	1,872,345		1,872,345
Other Purposes	2,236,338		2,236,338
Unrestricted	(4,947,342)	35,892	(4,911,450)
Total net position	<u>7,809,270</u>	<u>92,879</u>	<u>7,902,149</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, 2017**

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>							
<b>Instruction:</b>							
Regular	6,766,985	5,412,425	209,569	2,481,466	(9,488,375)	-	(9,488,375)
Special education	1,794,154	1,406,589	107,871	579,025	(2,513,847)	-	(2,513,847)
Other special instruction	264,233	204,766	-	80,752	(388,247)	-	(388,247)
Other instruction	534,331	-	29,060	-	(505,271)	-	(505,271)
<b>Support services:</b>							
Tuition	1,947,125	-	-	-	(1,947,125)	-	(1,947,125)
Student & instruction related services	2,791,682	1,914,729	-	993,970	(3,712,441)	-	(3,712,441)
General administrative services	514,571	176,794	-	176,690	(514,674)	-	(514,674)
School administrative service	861,949	688,846	-	295,970	(1,254,824)	-	(1,254,824)
Central Services and Admin. Infor. Tech.	526,250	142,645	-	-	(668,895)	-	(668,895)
Plant operations and maintenance	1,976,699	1,003,131	-	678,746	(2,301,084)	-	(2,301,084)
Pupil transportation	858,588	-	-	-	(858,588)	-	(858,588)
Capital Outlay - Non Depreciable	137,099	-	-	-	(137,099)	-	(137,099)
Interest on Long term debt	12,543	-	-	-	(12,543)	-	(12,543)
Transfer to Charter School	24,342	-	-	-	(24,342)	-	(24,342)
Unallocated depreciation and Amortization	-	705,993	-	-	(705,993)	-	(705,993)
<b>Total governmental activities</b>	<b>19,010,550</b>	<b>11,655,915</b>	<b>346,500</b>	<b>5,286,618</b>	<b>(25,033,347)</b>	<b>-</b>	<b>(25,033,347)</b>
<b>Business-type activities:</b>							
Food Service	459,843	-	277,123	171,999	-	(10,721)	(10,721)
<b>Total business-type activities</b>	<b>459,843</b>	<b>-</b>	<b>277,123</b>	<b>171,999</b>	<b>-</b>	<b>(10,721)</b>	<b>(10,721)</b>
<b>Total primary government</b>	<b>19,470,394</b>	<b>11,655,915</b>	<b>623,623</b>	<b>5,458,617</b>	<b>(25,033,347)</b>	<b>(10,721)</b>	<b>(25,044,069)</b>
<b>General revenues:</b>							
Taxes:							
Property taxes, levied for general purposes, net					16,015,246	-	16,015,246
Taxes Levied for debt service					534,584	-	534,584
Federal and State aid not restricted					9,120,521	-	9,120,521
State Aid - Restricted for Debt Service					59,053	-	59,053
Investment Earnings					1,135	124	1,260
Miscellaneous Income					197,156	-	197,156
Contracts Payable Cancelled					(573)	-	(573)
<b>Total general revenues</b>					<b>25,928,269</b>	<b>124</b>	<b>25,928,393</b>
Change in Net Position					894,921	(10,597)	884,324
<b>Net Position - Beginning (Restated)</b>					<b>6,914,349</b>	<b>103,476</b>	<b>7,017,824</b>
<b>Net Position - ending</b>					<b>7,809,270</b>	<b>92,879</b>	<b>7,902,149</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, 2017**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents.	1,736,432	-	1,288,749	2	3,025,184
Due from other funds	21,771	-	-	-	21,771
Receivable from state government	441,340	-	-	-	441,340
Receivable from federal government	-	21,751	-	-	21,751
Receivables from other governments	544,941	-	-	-	544,941
Restricted cash and cash equivalents	1,001,621	-	-	-	1,001,621
<b>Total assets</b>	<b>3,746,106</b>	<b>21,751</b>	<b>1,288,749</b>	<b>2</b>	<b>5,056,609</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Interfund Loans Payable	-	21,751	-	-	21,751
Contracts payable	-	-	418,025	-	418,025
<b>Total liabilities</b>	<b>-</b>	<b>21,751</b>	<b>418,025</b>	<b>-</b>	<b>439,776</b>
<b>Fund Balances:</b>					
<b>Committed to:</b>					
Capital Reserve Account	1,001,621	-	-	-	1,001,621
<b>Restricted for:</b>					
Debt Service	-	-	-	2	2
Capital Projects	-	-	870,724	-	870,724
Excess Surplus	1,147,309	-	-	-	1,147,309
Excess Surplus Designated for for Subsequent Year's Expenditures	1,004,432	-	-	-	1,004,432
<b>Assigned to:</b>					
Other Purposes	55,423	-	-	-	55,423
Designated for Subsequent Year's Expenditures	29,174	-	-	-	29,174
<b>Unassigned:</b>					
General Fund	508,147	-	-	-	508,147
<b>Total fund balances</b>	<b>3,746,106</b>	<b>-</b>	<b>870,724</b>	<b>2</b>	<b>4,616,833</b>
<b>Total liabilities and fund balances</b>	<b>3,746,106</b>	<b>21,751</b>	<b>1,288,749</b>	<b>2</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.					(50,446)
Accounts Payable for subsequent Pension payment is not a payable in the funds					(201,868)
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					1,893,152
Deferred Inflows of Resources Related to PERS Pension Liability					(272,321)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$21,946,703 and the accumulated depreciation is \$9,179,253.					12,767,450
Deferred interest costs are not reported as expenditures in the governmental fund in the year of the expenditure.					87,800
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.					(11,031,329)
<b>Net position of governmental activities</b>					<b>7,809,270</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, 2017**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>					
Local sources:					
Local Tax Levy	16,015,246	-	-	534,584	16,549,830
Tuition - Other LEA's Within the State	4,798,021	-	-	-	4,798,021
Tuition - Individuals	84,707	-	-	-	84,707
Other Restricted Miscellaneous Revenue	53,838	-	-	-	53,838
Interest Earned on Capital Reserve Funds	1,135	-	-	-	1,135
Miscellaneous Income	143,318	4,510	-	-	147,828
Total - Local Sources	21,096,266	4,510	-	534,584	21,635,360
State sources	4,921,808	-	-	59,053	4,980,861
Federal sources	40,117	399,380	-	-	439,497
Total revenues	26,058,191	403,890	-	593,637	27,055,718
<b>EXPENDITURES</b>					
Current:					
Regular instruction	6,207,409	350,007	-	-	6,557,416
Special education instruction	1,686,283	-	-	-	1,686,283
Other special instruction	235,173	-	-	-	235,173
Other instruction	534,331	-	-	-	534,331
Support services and undistributed costs:					
Tuition	1,947,125	-	-	-	1,947,125
Student & instruction related services	2,737,799	53,882	-	-	2,791,682
General administrative services	514,571	-	-	-	514,571
School administrative services	861,949	-	-	-	861,949
Central Services and Admin. Infor. Tech.	526,250	-	-	-	526,250
Plant operations and maintenance	1,976,699	-	-	-	1,976,699
Pupil transportation	858,588	-	-	-	858,588
Unallocated employee benefits	6,361,591	-	-	-	6,361,591
Capital outlay	593,680	-	604,276	-	1,197,956
Transfer to charter school	24,342	-	-	-	24,342
Debt service:					
Principal	-	-	-	465,000	465,000
Interest and other charges	-	-	-	128,636	128,636
Total expenditures	25,065,789	403,890	604,276	593,636	26,667,591
Excess (Deficiency) of revenues over expenditures	992,402	0	(604,276)	1	388,127
<b>OTHER FINANCING SOURCES (USES)</b>					
Capital Reserve Transfer to Capital Projects	(1,475,000)	-	1,475,000	-	-
Capital Projects Cancelled to General Fund	98,661	-	(98,661)	-	-
Contracts Payable Canceled	-	-	573	-	573
Total other financing sources and uses	(1,376,339)	-	1,376,912	-	573
Net change in fund balances	(383,938)	0	772,637	1	388,700
Fund balance—July 1 -	4,130,044	-	98,088	1	4,228,133
Fund balance—June 30	3,746,106	0	870,724	2	4,616,833

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, 2017**

**Total net change in fund balances - governmental funds (from B-2)** 388,700

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

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

	Depreciation expense	(601,754)	
	Depreciable Capital outlays	<u>1,060,857</u>	
			<u>459,102</u>

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

	Principal Payments on Bonds Payable	465,000
	Principal Payments on Capital Leases	24,429

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.

	District Pension Contributions	193,834	
	Less: Pension Expense	<u>(546,942)</u>	
	Increase/(Decrease) in Pension Expense		(353,108)

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

	Increase in On-behalf State Aid TPAF Pension	4,158,596
	Increase in On-behalf TPAF Pension Expense	(4,158,596)

In the statement of activities, costs related to the issuance of long-term debt are deferred and amortized over the term of the debt. In the governmental funds, the issuance costs are reported upon issuance of the debt. This amount represents the current year amortization of the costs related to the issuance of long-term debt in previous years.

(12,543)

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 decrease in the reconciliation

(29,734)

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 (+).

	(Increase)/Decrease in Compensated Absences Payable	<u>(46,925)</u>
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**Change in net position of governmental activities**

894,921

**BUTLER BOROUGH SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2017**

	Business-type Activities - Enterprise Funds
	Food Service
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	28,981
Intergovernmental receivables:	
Federal	8,961
State	234
Inventories	5,458
Total current assets	43,634
Noncurrent assets:	
Furniture, machinery & equipment	120,550
Less accumulated depreciation	(63,563)
Total noncurrent assets	56,987
Total assets	100,621
<b>LIABILITIES</b>	
Unearned Revenue:	
Prepaid Sales	5,497
Federal Food Distribution Program	2,246
Total current liabilities	7,742
<b>NET POSITION:</b>	
Restricted for:	
Net Investment in Capital Assets	56,987
Unrestricted	35,892
Total net position	92,879

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, 2017**

	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	145,359	-
Daily sales - non-reimbursable lunch programs	130,679	-
Fees from other LEA's within the State	-	346,500
Miscellaneous	1,085	-
Total operating revenues	<u>277,123</u>	<u>346,500</u>
Operating expenses:		
Cost of sales- reimbursable	162,108	-
Cost of sales- non- reimbursable	53,637	-
Salaries	148,627	209,569
Employee benefits	22,041	107,871
Purchased property service	-	29,060
Supplies and Materials	19,889	-
Management Fees	16,500	-
Insurance	13,184	-
Repairs	7,282	-
Depreciation	5,732	-
Miscellaneous	10,846	-
Total operating expenses	<u>459,843</u>	<u>346,500</u>
Operating Income (Loss)	<u>(182,720)</u>	<u>-</u>
Nonoperating revenues (expenses):		
State sources:		
State school lunch program	3,748	-
Federal sources:		
National school lunch program	120,578	-
Breakfast program	19,606	-
Food distribution program	28,066	-
Interest and investment revenue	124	-
Total nonoperating revenues (expenses)	<u>172,123</u>	<u>-</u>
Income (Loss) before contributions and transfers	<u>(10,597)</u>	<u>-</u>
Total Net Position - Balance, beginning of year	<u>103,476</u>	<u>-</u>
Total Net position—Ending	<u><u>92,879</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, 2017**

	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	279,154	346,500
Cash payments to employees for services	(148,627)	(209,569)
Cash payments to suppliers for goods and services	(324,660)	(136,931)
Net cash provided by (used for) operating activities	<u>(194,134)</u>	<u>-</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Sources	4,169	-
Federal Sources	182,624	-
Net cash provided by (used for) non-capital financing activities	<u>186,792</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends	124	-
Net increase (decrease) in cash and cash equivalents	(7,217)	-
Balances—Beginning of year	36,198	-
Balances—End of year	<u>28,981</u>	<u>-</u>
Reconciliation of operating income (loss) to net cash provided (used) operating activities:		
Operating Income (Loss)	(182,720)	-
Adjustments to reconcile operating loss to net cash provided (used for) operating activities:		
Depreciation	5,732	-
(Increase ) decrease in inventories	1,505	-
Increase (decrease) in accounts payable	(21,097)	-
( Increase) decrease in interfund payable	2,031	-
Increase (decrease) in food distribution program	415	-
Total adjustments	<u>(11,414)</u>	<u>-</u>
Net cash provided by (used for) operating activities	<u>(194,134)</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, 2017**

	Unemployment Compensation Trust	Private Purpose Scholarship Fund	Agency Fund
<b>ASSETS</b>			
Cash and cash equivalents	116,844	353,057	425,247
	<u>116,844</u>	<u>353,057</u>	<u>425,247</u>
<b>LIABILITIES</b>			
Accrued Salaries and Wages	-	-	305,629
Flexible Spending	-	-	8,174
Payable to student groups	-	-	93,165
Payroll deductions and withholdings	-	-	18,279
	<u>-</u>	<u>-</u>	<u>425,247</u>
Total liabilities	-	-	425,247
<b>NET POSITION</b>			
Held in trust for unemployment claims and other purposes	116,844		
	<u>116,844</u>		
Reserved for scholarships		353,057	
		<u>353,057</u>	

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

**BUTLER BOROUGH SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Fund</u>
<b>ADDITIONS</b>		
Contributions:		
Plan member	19,865	-
Other	-	267,232
Total Contributions	<u>19,865</u>	<u>267,232</u>
Investment earnings:		
Interest	230	604
Net investment earnings	<u>230</u>	<u>604</u>
Total additions	<u>20,095</u>	<u>267,836</u>
<b>DEDUCTIONS</b>		
Unemployment claims	16,522	-
Scholarships awarded	-	24,350
Total deductions	<u>16,522</u>	<u>24,350</u>
Change in net position	3,573	243,486
Net position—Beginning of the year	<u>113,271</u>	<u>109,571</u>
Net position—End of the year	<u><u>116,844</u></u>	<u><u>353,057</u></u>

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, 2016**

**NOTE 1. 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. 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.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significance) should be included in the financial reporting entity. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include elementary schools and a middle school, located in the Borough of Butler. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

**B. 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, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. 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, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. 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, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. 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.

**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.

**C. 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, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. 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.

**D. 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**

***1. Program Revenues***

Amounts reported as program revenues in the district-wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, unrestricted state aid, investment earnings and miscellaneous revenues.

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Basis of Accounting (continued)**

**Revenues - Exchange and Non-exchange Transactions (continued)**

**2. *Property Taxes***

Property taxes are levied pursuant to law and are collected by the municipality and are transferred to the District as requested. Property tax revenues are recognized in the year they are levied and become available. Property taxes collected in advance of the year-end for which they are levied and transferred to the District are reported as deferred inflows of resources. The tax bills are mailed annually in June by the municipal tax collector and are levied and due in four quarterly installments on August 1, November 1, February 1 and May 1 of the fiscal year. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on the 11<sup>th</sup> day of the 11<sup>th</sup> month of the fiscal year levied, the collector in the municipality shall subject to the provisions of the New Jersey Statutes enforce the lien by placing the property on a tax sale. The municipality may institute annual "in rem" tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property.

**3. *Tuition Revenues and Expenditures***

Tuition Revenues - Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs are determined and certified by the State Department of Education.

Tuition Expenditures - Tuition charges for the fiscal years 2015-2016 and 2016-2017 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

**4. *Proprietary Funds, Operating and Non-Operating Revenues and Expenses***

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

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. 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.

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.

**F. Encumbrances**

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

Open encumbrances in the special revenue fund, for which the 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.

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. Cash, Cash Equivalents and Investments**

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost 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.

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.

**H. 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.

**I. Tuition Payable**

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

**J. 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.

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**K. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2017, 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.

**L. 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.

**M. 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. 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, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**N. 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.

**O. 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 1(F) regarding the special revenue fund.

**P. 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.

**Q. 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 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

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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.

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, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**R. 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.

**S. 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.

*Excess Surplus - Designated for Subsequent Year's Expenditures* - This restriction was created in accordance with NJSA 18A:7F-7 to represent to June 30, 2016 audited excess surplus that was appropriated in the 2017-2018 original budget certified for taxes.

*Excess Surplus* - This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2017 audited excess surplus that is required to be appropriated in the 2018-2019 original budget certified for taxes.

*Capital Reserve* - This restriction was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures (See Note 3.)

*Capital Projects* - Represents fund balance restricted specifically for capital acquisitions and improvements in the Capital Projects Fund.

*Debt Service* - Represents fund balance restricted specifically for the repayment of long-term debt principal and interest in the Debt Service Fund.

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

- **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.

*Year-End Encumbrances* - Represent outstanding purchase orders for goods or services approved by management for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

*Designated for Subsequent Year's Expenditures* - This designation was created to dedicate the portion of fund balance appropriated in the adopted 2017-2018 District budget certified for taxes.

- **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.

**T. 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.

**U. Operating Revenues and Expenses**

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

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**V. 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.

**W. 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.

**X. 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.

**Y. Recent Accounting Pronouncements**

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 had no transactions of this type for the year ended June 30, 2017.

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.

**Borough of Butler School District**  
**Notes to the Basic Financial Statements**  
**for the fiscal year ended June 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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 Governments*, 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.

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.

**Borough of Butler School District**  
**Notes to the Basic Financial Statements**  
**for the fiscal year ended June 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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. 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.

In November 2016, the Government Accounting Standards Board issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflows of resources for asset retirement obligations (AROs). The District does not believe this Statement will have any effect on future financial statements.

In January 2017, the Government Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify component units and postemployment benefit arrangements that are fiduciary activities. The District is currently evaluating the effects, if any, this Statement may have on future financial statements.

In March 2017, the Government Accounting Standards Board issued GASB Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during the implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues relating to blending component units, goodwill, fair value measurement and application, and postemployment benefits. 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, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The District is currently reviewing what effect, if any, this Statement might have on future financial statements.

**NOTE 2. 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, 2017, \$-0- of the District's bank balance of \$5,716,950 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, 2017**

**NOTE 3. RECEIVABLES**

Receivables at June 30, 2017 consisted of accounts and intergovernmental. All receivables are considered collectible in full. A summary of the principal items of receivables follows:

	Governmental Fund Financial <u>Statements</u>	Internal Service <u>Fund</u>	Enterprise <u>Fund</u>	District Wide Financial <u>Statements</u>
State Aid	\$ 441,340	\$ -	\$ 234	\$ 441,574
Federal Aid	21,751	-	8,961	30,712
Interfunds	21,771	-	-	20
Other	<u>544,941</u>	<u>-</u>	<u>-</u>	<u>544,941</u>
Gross Receivables	<u>1,029,803</u>	<u>-</u>	<u>9,195</u>	<u>1,017,247</u>
Less: Allowances for Uncollectables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Receivables, Net	<u>\$1,029,803</u>	<u>\$ -</u>	<u>\$9,195</u>	<u>\$1,017,247</u>

**NOTE 4. INTERFUND BALANCES AND ACTIVITY**

Balance due to/from other funds at June 30, 2017 consists of the following:

Due to General Fund from the Trust and Agency Fund for interest earned.	\$ 20
Due to General Fund from Special Revenue Fund for short-term loans.	<u>21,751</u>
	<u>\$21,771</u>

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

During the year ended June 30, 2017, there was a transfer of \$1,475,000 from the General Fund to the Capital Projects Fund to fund the local share of Capital Projects. In addition, there was a transfer from the Capital Projects Fund to the General Fund, in the amount of \$98,661, representing cancellation of various capital projects.

**Borough of Butler School District**  
**Notes to the Basic Financial Statements**  
**for the fiscal year ended June 30, 2017**

**NOTE 5. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

<b>Governmental Activities:</b>	<u>Balance 6/30/16</u>	<u>Additions</u>	<u>Deductions</u>	<u>Adjustments</u>	<u>Balance 6/30/17</u>
Capital Assets, Not Being Depreciated					
Construction in Progress	<u>137,033</u>	<u>604,276</u>			<u>741,309</u>
Total Capital Assets, Not Being Depreciated	<u>137,033</u>	<u>604,276</u>			<u>741,309</u>
Capital Assets Being Depreciated					
Building & Improvements	15,708,385	369,210			16,077,595
Site Improvements	3,567,838				3,567,838
Furniture, Equipment and Vehicles	<u>325,581</u>	<u>87,371</u>		<u>147,009</u>	<u>1,559,961</u>
Total Capital Assets Being Depreciated	<u>19,601,804</u>	<u>456,581</u>		<u>147,009</u>	<u>21,205,394</u>
Governmental Activities Capital Assets	<u>20,738,837</u>	<u>1,060,857</u>		<u>147,009</u>	<u>21,946,703</u>
Less: Accumulated Depreciation:					
Site Improvements	(1,217,489)	(178,030)			(1,395,519)
Building Improvements	(6,443,561)	(310,696)			(6,754,257)
Furniture, Equipments and Vehicles	<u>(839,130)</u>	<u>(113,029)</u>		<u>(77,318)</u>	<u>(1,029,477)</u>
Total Accumulated Depreciation	<u>(8,500,180)</u>	<u>(601,755)</u>		<u>(77,318)</u>	<u>(9,179,253)</u>
Total Capital Assets Being Depreciated, Net	<u>12,101,624</u>	<u>(145,174)</u>		<u>69,691</u>	<u>12,026,141</u>
Governmental Activities Capital Assets, Net	<u>12,238,657</u>	<u>459,102</u>		<u>69,691</u>	<u>12,767,450</u>
<b>Business Type Activity</b>					
Food Services	<u>120,550</u>				<u>120,550</u>
Total	<u>120,550</u>				<u>120,550</u>
Less Accumulated Depreciation:					
Food Service	<u>(57,831)</u>	<u>(5,732)</u>			<u>(63,563)</u>
Total Accumulated Depreciation	<u>(57,831)</u>	<u>(5,732)</u>			<u>(63,563)</u>
Net Business-Type Activity Capital Assets, Net	<u>62,719</u>	<u>(5,732)</u>			<u>56,987</u>

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 5. CAPITAL ASSETS (continued)**

Depreciation expense was charged to functions as follows:

Instruction:

Regular Education	\$ 4,196
Special Education	5,563
Student & Instruction Related Services	22,626
School Administrative Services	240
Plant Operations and Maintenance	21,507
Unallocated	<u>547,623</u>

Total Depreciation Expense	<u>\$601,755</u>
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**NOTE 6. LONG-TERM OBLIGATION ACTIVITY**

Changes in long-term obligations for the fiscal year ended June 30, 2017 were as follows:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Increases</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>	<u>Long-Term</u> <u>Portion</u>
Capital Leases	67,952	-	24,429	43,523	25,678	17,845
Compensated Absences Payable	455,456	46,925	-	502,381	-	502,381
Net Pension Liability -PERS	5,090,000	1,319,425	-	6,409,425	-	6,409,425
School Bonds of 2009	2,221,000	-	190,000	2,031,000	200,000	1,831,000
Refunding School Bonds of 2012	<u>2,320,000</u>	<u>-</u>	<u>275,000</u>	<u>2,045,000</u>	<u>285,000</u>	<u>1,760,000</u>
	<u>10,154,408</u>	<u>1,366,350</u>	<u>489,429</u>	<u>11,031,329</u>	<u>510,678</u>	<u>10,520,651</u>

For the governmental activities, the liabilities for compensated absences, capital leases and net position liability are generally liquidated by the general fund.

**A. Bonds Payable**

The Board issued General Obligation Bonds to provide funds for the acquisition and construction of major capital facilities and other capital assets.

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.

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 6. LONG-TERM OBLIGATION ACTIVITY (continued)**

**A. Bonds Payable (continued)**

Outstanding Bonds Payable at June 30, 2017, consisted of the following:

<u>Issue</u>	<u>Original Amount Issued</u>	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Date of Maturity</u>	<u>Principal Balance at June 30, 2017</u>
School Bonds of 2009 (Various School Renovations)	3,0546,000	2/01/2009	2.00-4.00%	7/01/2024	\$2,031,000
Refunding Bonds of 2012 (Refunding School Bonds of 2004)	2,920,000	8/01/2012	2.00-2.56%	2/01/2024	<u>2,045,000</u>
					<u>\$4,076,000</u>

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 485,000	\$ 117,524	\$ 602,524
2019	496,000	104,309	600,309
2020	550,000	91,019	641,019
2021	555,000	75,544	630,544
2022	560,000	59,144	619,144
2023-2025	<u>1,430,000</u>	<u>72,425</u>	<u>1,502,425</u>
	<u>\$4,076,000</u>	<u>\$519,965</u>	<u>\$4,595,965</u>

**B. Bonds Authorized but not Issued**

As of June 30, 2017, there were no Authorized but not Issued Bonds.

**NOTE 7. 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, 2017:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2018	\$27,271
2019	<u>18,180</u>
Total Minimum lease payables	45,451
Less: Amount representing interest	<u>(1,928)</u>
Present Value of Net Minimum Lease Payments	<u>\$43,523</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, 2017**

**NOTE 8. 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.

**Benefits Provided**

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

The following represents the membership tiers for TPAF:

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

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 8. PENSION PLANS (continued)**

more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**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.

**Benefits Provided**

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

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 8. PENSION PLANS (continued)**

Defined Contribution Retirement Program

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

Contributions Requirements Fund Based Statements

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>
6/30/17	\$193,834	\$28,215
6/30/16	194,941	26,782
6/30/15	188,384	26,889

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>	<u>Long-Term Disability</u>
6/30/17	\$967,798	\$835,614	\$35,066	\$1,986
6/30/16	665,977	832,497	33,175	-
6/30/15	445,685	758,428	32,065	-

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

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 8. PENSION PLANS (continued)**

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$664,112 during the year ended June 30, 2017 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.

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

**Public Employees Retirement System (PERS)**

At June 30, 2017, the District had a liability of \$6,409,425 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016, 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 governmental entities, actuarially determined. At June 30, 2016, the District's proportion was 0.0216409378 percent, which was a decrease of 0.0010336916 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$546,942. At June 30, 2017, deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$119,196	\$ -
Changes of assumptions	1,327,691	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	244,397	272,321
District contributions subsequent to the measurement date	<u>201,868</u>	<u>-</u>
Total	<u>\$1,893,152</u>	<u>\$272,321</u>

The \$201,868 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, 2017, the plan measurement date is June 30, 2016) will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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, 2017**

**NOTE 8. PENSION PLANS (continued)**

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

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

Year ended June 30:	
2017	\$380,777
2018	380,777
2019	441,143
2020	370,625
2021	117,961

**Changes in Proportion**

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

**Additional Information**

Local Group Collective balances at June 30, 2016 and June 30, 2015 are as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Collective deferred outflows of resources	\$8,685,338,380	\$3,578,755,666
Collective deferred inflows of resources	870,133,595	993,410,455
Collective net pension liability	29,617,131,759	22,447,996,119
District s Proportion	0.0216409378%	0.0226746294 %

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 8. PENSION PLANS (continued)**

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

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

**Actuarial Assumptions**

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which rolled forward to June 30, 2016. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	3.08 Percent
Salary Increases:	
Through 2016	1.65-4.15 Percent (based on age)
Thereafter	2.65-5.15 Percent (based on age)
Investment Rate of Return	7.65 Percent

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

**Mortality Rates**

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

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 8. PENSION PLANS (continued)**

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

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

**Long-Term Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) 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, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Markets	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Returns	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%
	<u>100.00%</u>	

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 8. PENSION PLANS (continued)**

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

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

**Discount Rate**

The discount rate used to measure the total pension liability was 3.98% and 4.90% as of June 30, 2016 and 2015, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% and 3.80% as of June 30, 2016 and 2015, 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 will be made based on the contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, 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, 2016, 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:

	<u>June 30, 2016</u>		
	1% Decrease <u>2.98%</u>	At Current Discount Rate <u>3.98%</u>	1% Increase <u>4.98%</u>
District's proportionate share of the pension liability	\$7,854,002	\$6,409,425	\$5,216,801

**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). The financial report may be accessed at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 8. PENSION PLANS (continued)**

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

**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.

The portion of the TPAF Net Pension Liability that was associated with the District recognized at June 30, 2017 was as follows:

Net Pension Liability:	
District's proportionate share	\$ -0-
State's proportionate share associated with the District	<u>68,694,816</u>
	<u>\$68,694,816</u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016. 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, 2016, the proportion of the TPAF net pension liability associated with the District was 0.0873242514%.

For the year ended June 30, 2017, the District recognized on-behalf pension expense and revenue of \$5,161,460 for contributions provided by the State in the District-Wide Financial Statements.

**Actuarial Assumptions**

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. 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. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 8. PENSION PLANS (continued)**

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

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

**Actuarial Assumptions (continued)**

Inflation rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.65%

**Mortality Rates**

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

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

**Long-Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 8. PENSION PLANS (continued)**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.39%
US Government Bonds	1.50%	1.28%
US Credit Bonds	13.00%	2.76%
US Mortgages	2.00%	2.38%
US Inflation-Indexed Bonds	1.50%	1.41%
US High Yield Bonds	2.00%	4.70%
US Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Markets Equity	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%
	<u>100.00%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 3.22% and 4.13% as of June 30, 2016 and 2015, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% and 3.80% as of June 30, 2016 and 2015, 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 will be made based on the contribution rate in the most recent fiscal year. The State contributed 30% of the actuary determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2026, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 8. PENSION PLANS (continued)**

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

**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 9. 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, 2016, there were 110,512 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 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 employer paid 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. The State paid \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

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/financia1/2015divisioncombined.pdf>



**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 10. 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 11. 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, 2017**

**NOTE 11. 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>
2016-2017	\$ 230	\$19,865	\$16,522	\$116,844
2015-2016	214	19,219	11,651	113,271
2014-2015	50,153	29,709	41,272	105,490

**NOTE 12. CAPITAL RESERVE ACCOUNT**

A capital reserve account was established by the District by inclusion of \$380,000 during the fiscal year ended June 30, 2001 and \$385,000 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, 2017**

**NOTE 12. CAPITAL RESERVE ACCOUNT (continued)**

The activity of the capital reserve for the July 1, 2016 to June 30, 2017 fiscal year is as follows:

Beginning balance, July 1, 2016	\$1,376,825
Capital Projects Excess Transferred back	98,661
Budgeted Withdrawal from Capital Reserve	(1,475,000)
Interest earnings	1,135
Deposit:	
Board Resolution	<u>1,000,000</u>
Ending balance, June 30, 2017	<u>\$1,001,621</u>

The balance in the capital reserve account at June 30, 2017 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 13. 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, 2017 fiscal year is as follows:

Beginning balance, July 1, 2016	\$ 75,000
Budgeted Withdrawal from Tuition Reserve	<u>(75,000)</u>
Ending balance June 30, 2017	<u>\$ -</u>

**NOTE 14. FUND BALANCE APPROPRIATED**

**General Fund [Exhibit B-1]** - Of the \$3,746,106 General Fund fund balance at June 30, 2017, \$55,423 is reserved for encumbrances; \$2,151,741 is reserved as excess surplus in accordance with *N.J.S.A.* 18A:7F-7, \$1,004,432 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2018; \$1,001,621 has been reserved in the Capital Reserve Account; \$29,174 has been appropriated and included as anticipated revenue for the year ending June 30, 2018; and \$508,147 is unreserved and unassigned.

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**NOTE 15. CALCULATION OF EXCESS SURPLUS**

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

The excess fund balance at June 30, 2017 is \$2,151,741. Of this amount, \$1,147,309 is the result of current year operation, and \$1,004,432 is the result of prior year operations.

**NOTE 16. INVENTORY**

Inventory in the Food Service Fund at June 30, 2017 consisted of the following:

Food	\$3,931
Supplies	<u>1,527</u>
	<u>\$5,458</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 17. RESTATEMENT**

Net position for June 30, 2016 were restated in the amount of \$69,692 to adjust capital assets net of depreciation for the updated fixed asset report, dated July 18, 2017. This resulted in restatement of net position as of June 30, 2017, as follow:

	<u>Governmental Activities</u>
Net Position at June 30, 2016	\$6,844,657
Prior Period Adjustment of Capital Assets, Net of Depreciation	<u>69,692</u>
Net Position at June 30, 2016 (Restated)	<u>\$6,914,349</u>

**Borough of Butler School District  
Notes to the Basic Financial Statements  
for the fiscal year ended June 30, 2017**

**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 9, 2017, 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, 2017**

**Exhibit C-1  
Page 1 of 6**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
<b>Local Sources:</b>					
Local Tax Levy	16,015,246	-	16,015,246	16,015,246	-
Tuition - Other LEA's Within the State	4,799,559	-	4,799,559	4,798,021	(1,538)
Tuition - From Individuals	-	-	-	84,707	84,707
Interest Earned on Capital Reserve Funds	300	-	300	1,135	835
Other Restricted Miscellaneous Revenue	57,907	-	57,907	53,838	(4,069)
Unrestricted Miscellaneous Revenue	143,800	-	143,800	143,318	(482)
<b>Total - Local Sources</b>	<b>21,016,812</b>	<b>-</b>	<b>21,016,812</b>	<b>21,096,266</b>	<b>79,454</b>
<b>State Sources:</b>					
Categorical Security Aid	23,261	-	23,261	23,261	-
School Choice Aid	26,218	-	26,218	26,218	-
Categorical Transportation Aid	53,072	-	53,072	53,072	-
Categorical Special Education Aid	567,259	-	567,259	567,259	-
Equalization Aid	1,257,952	-	1,257,952	1,257,952	-
Additional Adjustment Aid	41,810	-	41,810	41,810	-
PARCC Readiness Aid	9,390	-	9,390	9,390	-
Per Pupil Growth Aid	9,390	-	9,390	9,390	-
Professional Learning Community Aid	9,610	-	9,610	9,610	-
Host District Aid	180	-	180	180	-
Non Public Transportation Aid	-	-	-	13,398	13,398
Extraordinary Aid	200,000	-	200,000	394,911	194,911
On-behalf TPAF Pension and Annuity Fund (non-budgeted)	-	-	-	967,798	967,798
On-behalf TPAF NCGI Premium (non-budgeted)	-	-	-	35,066	35,066
On-behalf TPAF Post Retirement Medical (non-budgeted)	-	-	-	835,614	835,614
On-behalf TPAF Long-Term Disability Insurance	-	-	-	1,986	1,986
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	664,112	664,112
<b>Total State Sources</b>	<b>2,198,142</b>	<b>-</b>	<b>2,198,142</b>	<b>4,911,027</b>	<b>2,712,885</b>
<b>Federal Sources:</b>					
Medicaid Reimbursement	21,227	-	21,227	38,191	16,964
ARRA/SEMI Revenue	-	-	-	1,926	1,926
<b>Total Federal Sources</b>	<b>21,227</b>	<b>-</b>	<b>21,227</b>	<b>40,117</b>	<b>18,890</b>
<b>Total Revenues</b>	<b>23,236,181</b>	<b>-</b>	<b>23,236,181</b>	<b>26,047,410</b>	<b>2,811,229</b>
<b>EXPENDITURES:</b>					
<b>Current Expense:</b>					
<b>Regular Programs - Instruction:</b>					
Kindergarten - Salaries of Teachers	280,900	-	280,900	274,117	6,783
Grades 1-5 - Salaries of Teachers	1,609,179	(76,529)	1,532,650	1,477,731	54,920
Grades 6-8 - Salaries of Teachers	1,088,004	-	1,088,004	1,037,772	50,233
Grades 9-12 - Salaries of Teachers	2,796,762	(5,648)	2,791,114	2,696,056	95,058
<b>Regular Programs - Home Instruction:</b>					
Salaries of Teachers	7,100	-	7,100	3,461	3,639
Purchased Professional-Educational Services	41,740	6,000	47,740	36,799	10,941
<b>Regular Programs - Undistributed Instruction:</b>					
Other Salaries for Instruction	204,374	(16,062)	188,312	175,681	12,631
Purchased Professional-Educational Services	2,000	5,760	7,760	7,655	106
Purchased Technical Services	2,700	-	2,700	1,661	1,039
Other Purchased Services (400-500 series)	44,534	51	44,585	44,583	2
General Supplies	154,854	255,783	410,637	350,223	60,414
Textbooks	44,281	64,883	109,163	93,306	15,858
Other Objects	8,400	256	8,656	8,365	292
<b>TOTAL REGULAR PROGRAMS - INSTRUCTION</b>	<b>6,284,828</b>	<b>234,494</b>	<b>6,519,322</b>	<b>6,207,409</b>	<b>311,913</b>
<b>SPECIAL EDUCATION - INSTRUCTION</b>					
<b>Learning and/or Language Disabilities:</b>					
Salaries of Teachers	232,672	4,183	236,855	236,854	1
Other Salaries for Instruction	11,870	66	11,936	11,935	1
General Supplies	2,575	-	2,575	2,427	148
<b>Total Learning and/or Language Disabilities</b>	<b>247,117</b>	<b>4,249</b>	<b>251,366</b>	<b>251,217</b>	<b>149</b>
<b>Multiple Disabilities:</b>					
Salaries of Teachers	232,960	(61,939)	171,021	170,298	723
Other Salaries for Instruction	31,038	-	31,038	30,467	571
Purchased Professional-Educational Services	-	68,000	68,000	68,000	-
General Supplies	1,000	-	1,000	985	15
<b>Total Multiple Disabilities</b>	<b>264,998</b>	<b>6,061</b>	<b>271,059</b>	<b>269,749</b>	<b>1,310</b>



**BUTLER BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Exhibit C-1  
Page 2 of 6**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Resource Room/Resource Center:					
Salaries of Teachers	812,454	104,749	917,203	913,677	3,526
Other Salaries for Instruction	32,084	1,818	33,902	5,234	28,668
Other Purchases Services	8,503	(52)	8,451	5,915	2,535
Total Resource Room/Resource Center	853,041	106,515	959,556	924,827	34,729
Preschool Disabilities - Full- Time					
Salaries of Teachers	159,723	-	159,723	159,722	1
Other Salaries for Instruction	43,466	-	43,466	42,970	496
General Supplies	3,500	(2,104)	1,396	898	498
Total Preschool Disabilities - Full- Time	206,689	(2,104)	204,585	203,589	996
Home Instruction:					
Salaries of Teachers	38,885	11,800	50,685	36,901	13,784
Purchased Professional - Educational Services	6,000	(6,000)	-	-	-
Total Home Instruction	44,885	5,800	50,685	36,901	13,784
<b>TOTAL SPECIAL EDUCATION - INSTRUCTION</b>	<b>1,616,730</b>	<b>120,521</b>	<b>1,737,251</b>	<b>1,686,283</b>	<b>50,968</b>
Basic Skills/Remedial - Instruction					
Salaries of Teachers	148,377	1,320	149,697	148,841	856
General Supplies	500	-	500	-	500
Total Basic Skills/Remedial - Instruction	148,877	1,320	150,197	148,841	1,356
Bilingual Education - Instruction					
Salaries of Teachers	86,185	-	86,185	86,183	2
General Supplies	498	-	498	149	350
Total Bilingual Education - Instruction	86,683	-	86,683	86,332	352
School-Spon. Co/Extra Curr. Actvts. -Inst					
Salaries	80,986	(7,835)	73,151	64,279	8,872
Purchased Services (300-500 Series)	6,047	6,940	12,987	12,864	123
Supplies and Mmaterials	13,373	4,058	17,431	17,356	76
Other Objects	195	-	195	195	-
Transfers to Cover Deficit ( Agency Funds)	1,000	2,735	3,735	2,811	924
Total School-Spon. Co/Extra Curr. Actvts. - Inst	101,601	5,898	107,499	97,504	9,995
School-Sponsored Athletics - Instruction					
Salaries	268,164	-	268,164	249,642	18,522
Purchased Services (300-500 Series)	46,891	(2,775)	44,116	30,905	13,211
Supplies and Materials	51,196	5,667	56,863	54,543	2,320
Other Objects	12,360	-	12,360	11,238	1,122
Transfers to Cover Deficit ( Agency Funds)	35,712	988	36,700	36,200	500
Total School-Sponsored Athletics - Instruction	414,323	3,880	418,203	382,528	35,675
Before/After School Programs - Instruction:					
Salaries of Teachers	2,100	-	2,100	-	2,100
Total Before/After School Programs - Instruction	2,100	-	2,100	-	2,100
Total Before/After School Programs	2,100	-	2,100	-	2,100
Summer School - Instruction:					
Salaries of Teachers	34,288	(5,378)	28,910	25,720	3,190
Other Salaries of Instruction	14,886	4,463	19,349	19,349	0
Purchased Professional & Technical Services	19,200	-	19,200	9,230	9,970
Total Other Instructional Programs - Instruction	68,374	(915)	67,459	54,299	13,160
Summer School - Support Svcs					
Salaries	925	-	925	-	925
Total Summer School - Support Svcs	925	-	925	-	925
Total Summer School	69,299	(915)	68,384	54,299	14,085
Total Instruction	8,724,441	365,198	9,089,639	8,663,196	426,443
Undistributed Expenditures - Instruction (Tuition)					
Tuition to Other LEAs Within the State - Regular	15,296	(13,000)	2,296	-	2,296
Tuition to Other LEAS Within the State - Special	103,051	(14,558)	88,493	88,493	-
Tuition to County Voc. School Dist.- Regular	332,150	-	332,150	309,044	23,106
Tuition to County Voc. School Dist.- Special	21,000	-	21,000	7,000	14,000
Tuition to CSSD & Reg. Day Schools	458,656	42,090	500,746	500,690	56
Tuition to Priv.Sch. For the Disabled W/I State	1,628,097	(254,618)	1,373,479	1,041,897	331,582
Total Undistributed Expenditures - Instruction (Tuition)	2,558,250	(240,086)	2,318,164	1,947,125	371,039

**BUTLER BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Exhibit C-1  
Page 3 of 6**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend.-Attendance and Social Work					
Salaries of Secretarial and Clerical Assistants	20,671	(22)	20,649	18,669	1,980
Supplies and Materials	1,000	456	1,456	1,455	1
Total Undist. Expend.-Attendance and Social Work	<u>21,671</u>	<u>434</u>	<u>22,105</u>	<u>20,124</u>	<u>1,981</u>
Undist. Expenditures - Health Services					
Salaries	227,359	(6,760)	220,599	201,328	19,271
Purchased Professional and Technical Services	31,090	3,450	34,540	28,362	6,178
Other Purchased Services (400-500 Series)	174	-	174	-	174
Supplies and Materials	13,573	1,392	14,965	14,128	837
Other Objects	560	(10)	550	270	280
Total Undist. Expenditures - Health Services	<u>272,756</u>	<u>(1,928)</u>	<u>270,828</u>	<u>244,089</u>	<u>26,739</u>
Undist. Expend.-Speech, OT, PT and Related Services					
Salaries	128,129	-	128,129	124,380	3,749
Purchased Professional - Educational Services	162,890	2,265	165,155	159,480	5,675
Supplies and Materials	550	-	550	355	195
Total Undist. Expend.-Speech, OT, PT and Related Services	<u>291,569</u>	<u>2,265</u>	<u>293,834</u>	<u>284,215</u>	<u>9,619</u>
Undist Expend-Oth Supp Serv Std-Extra Serv					
Salaries	707,409	8,535	715,944	532,668	183,276
Purchased Professional- Educational Services	286,113	(25,000)	261,113	223,818	37,295
Supplies and Materials	5,595	7,600	13,195	10,872	2,323
Total Undist Expend-Oth Supp Serv Std-Extra Serv	<u>999,117</u>	<u>(8,865)</u>	<u>990,252</u>	<u>767,359</u>	<u>222,894</u>
Undist. Expenditures - Guidance					
Salaries of Other Professional Staff	434,668	(1,292)	433,376	425,280	8,096
Salaries of Secretarial and Clerical Assistants	38,204	2,950	41,154	40,521	633
Other Salaries	2,401	-	2,401	2,100	301
Other Purchased Prof. And Tech. Services	19,465	13,239	32,704	28,508	4,196
Other Purchased Services (400-500 series)	1,290	499	1,789	1,430	359
Supplies and Materials	7,810	699	8,509	8,484	25
Other Objects	385	-	385	120	265
Total Undist. Expenditures - Guidance	<u>504,223</u>	<u>16,095</u>	<u>520,318</u>	<u>506,443</u>	<u>13,875</u>
Undist. Expenditures- Child Study Teams					
Salaries of Other Professional Staff	352,682	(8,813)	343,869	330,856	13,013
Salaries of Secretarial and Clerical Assistants	89,744	4,321	94,065	90,488	3,577
Other Purchased Prof. And Tech. Services	73,512	(5,705)	67,807	45,091	22,716
Other Pur Serv(400-500 series)	900	46	946	945	1
Supplies and Materials	4,371	(46)	4,325	1,763	2,563
Total Undist. Expenditures - Child Study Teams	<u>521,209</u>	<u>(10,197)</u>	<u>511,012</u>	<u>469,142</u>	<u>41,870</u>
Undist. Expend.-Improv. Of Inst. Serv.					
Sal of Supervisor of Instruction	192,924	(3,828)	189,096	186,413	2,682
Sal of Secr and Clerical Assist.	17,388	-	17,388	16,721	667
Other Purch Services (400-500)	-	450	450	415	35
Other Objects	2,070	(820)	1,250	1,250	-
Total Undist. Expend.-Improv. Of Inst. Serv.	<u>212,382</u>	<u>(4,198)</u>	<u>208,184</u>	<u>204,800</u>	<u>3,384</u>
Undist. Expend.-Edu. Media Serv./Library					
Salaries	138,318	(3,934)	134,384	134,238	146
Purchased Professional and Technical Services	12,938	(16)	12,922	9,778	3,144
Supplies and Materials	10,514	(2,000)	8,514	8,061	453
Total Undist. Expend.-Edu. Media Serv./Library	<u>161,770</u>	<u>(5,950)</u>	<u>155,820</u>	<u>152,077</u>	<u>3,743</u>
Undist. Expend.-Instr. Staff Training Serv.					
Salaries of Supervisors of Instruction	67,870	169	68,039	68,039	0
Salaries of Other Professional Staff	5,000	-	5,000	-	5,000
Purchased Professional - Educational Service	1,000	5,776	6,776	6,446	330
Unused Vac. Payments to Terminated/Retired Staff	10,800	-	10,800	-	10,800
Other Purchased Services (400-500 series)	10,710	6,229	16,939	15,067	1,872
Total Undist. Expend.-Instr. Staff Training Serv.	<u>95,380</u>	<u>12,174</u>	<u>107,554</u>	<u>89,552</u>	<u>18,002</u>
Undist. Expend.-Support Serv.-Gen. Admin.					
Salaries	209,831	7,700	217,531	202,919	14,612
Legal Services	46,000	18,000	64,000	59,567	4,433
Audit Fees	44,380	-	44,380	21,500	22,880
Architectural/Engineering Services	14,500	(7,000)	7,500	7,500	-
Other Purchased Professional Services	17,861	(3,200)	14,661	12,681	1,980
Purchased Technical Services	11,200	-	11,200	8,233	2,968
Communications/Telephone	88,210	-	88,210	75,827	12,383
BOE Other Purchased Services	1,100	1,882	2,982	2,031	951

**BUTLER BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Exhibit C-1  
Page 4 of 6**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Purch Serv (400-500)[Other than 530& 585]	120,021	(6,529)	113,492	103,319	10,173
General Supplies	3,999	-	3,999	3,879	120
Judgments Against the School District	75,000	(11,782)	63,218	5,000	58,218
Miscellaneous Expenditures	3,294	-	3,294	1,674	1,620
BOE Membership Dues and Fees	11,676	-	11,676	10,442	1,234
<b>Total Undist. Expend.-Support Serv.-Gen. Admin.</b>	<b>647,072</b>	<b>(929)</b>	<b>646,143</b>	<b>514,571</b>	<b>131,572</b>
<b>Undist. Expend. - Support Serv. - School Admin.</b>					
Salaries of Principals/Asst. Principals/Prog Dir	620,277	431	620,708	596,223	24,485
Salaries of Other Professional Staff	46,937	-	46,937	46,936	1
Salaries of Secretarial and Clerical Assistants	180,749	(3,509)	177,240	175,242	1,998
Unused Vacation Payment to Terminated/Retired Staff	2,400	28,149	30,549	21,485	9,064
Other Purchased Services (400-500 series)	11,340	(67)	11,273	7,038	4,235
Supplies and Materials	10,957	(228)	10,729	9,848	881
Other Objects	5,525	223	5,748	5,176	572
<b>Total Undist. Expend. - Support Serv. - School Admin.</b>	<b>878,185</b>	<b>24,999</b>	<b>903,184</b>	<b>861,949</b>	<b>41,236</b>
<b>Undist. Expend. - Central Services</b>					
Salaries	28,424	1,412	29,836	29,389	447
Purchased Professional Services	268,000	9,500	277,500	270,424	7,076
Purchased Technical Services	30,642	16,250	46,892	29,307	17,585
Misc. Purchased Services (400-500 series)[O/T 594]	9,126	2,000	11,126	6,392	4,734
Supplies and Material	7,960	(307)	7,653	3,982	3,671
Interest on Lease Purchase Agreements	605	(605)	-	-	-
Other Objects	2,550	-	2,550	2,525	25
<b>Total Undist. Expend. - Central Services</b>	<b>347,307</b>	<b>28,250</b>	<b>375,557</b>	<b>342,018</b>	<b>33,539</b>
<b>Undist. Expend. - Admin. Info Technology</b>					
Salaries	141,065	-	141,065	134,334	6,731
Purchased Technical Services	44,182	(7,655)	36,527	26,520	10,007
Other Purchased Services (400-500 series)	-	755	755	614	141
Supplies and Material	27,648	(100)	27,548	22,764	4,784
<b>Total Undist. Expend. - Admin. Info Technology</b>	<b>212,895</b>	<b>(7,000)</b>	<b>205,895</b>	<b>184,232</b>	<b>21,663</b>
<b>Undist. Expend.-Required Maint For Sch Fac.</b>					
Salaries	126,406	-	126,406	124,226	2,180
Cleaning, Repair and Maintenance Services	149,597	(21,908)	127,689	110,891	16,798
Lead Testing of Drinking Water	-	12,000	12,000	10,355	1,645
General Supplies	37,434	34,229	71,663	59,038	12,625
Other Objects	400	-	400	-	400
<b>Total Undist. Expend.-Required Maint For Sch Fac.</b>	<b>313,837</b>	<b>24,321</b>	<b>338,158</b>	<b>304,510</b>	<b>33,648</b>
<b>Undist. Expend. - Custodial Services</b>					
Salaries	857,429	(7,773)	849,656	825,952	23,704
Salaries of Non-Instructional Aides	49,701	5,942	55,643	53,109	2,534
Unused Vac. Payments to Terminated/Retired Staff	10,800	-	10,800	1,355	9,445
Purchased Professional and Technical Services	18,752	1,500	20,252	18,761	1,491
Cleaning, Repair and Maintenance Services	49,878	(1,737)	48,141	46,303	1,838
Lease Purchase Payments - Energy Savings Program	-	2,700	2,700	2,700	-
Other Purchased Property Services	21,250	500	21,750	18,122	3,628
Insurance	104,412	(11,404)	93,008	92,552	456
Travel	-	3,959	3,959	3,769	190
Miscellaneous Purchased Services	7,852	-	7,852	6,704	1,148
General Supplies	100,631	1,108	101,739	96,319	5,420
Energy (Natural Gas)	162,788	6,300	169,088	114,139	54,949
Energy (Electricity)	237,000	-	237,000	170,699	66,301
Energy (Oil)	3,597	2,000	5,597	4,001	1,596
Other Objects	1,500	1,318	2,818	2,158	660
<b>Total Undist. Expend. - Custodial Services</b>	<b>1,625,590</b>	<b>4,412</b>	<b>1,630,002</b>	<b>1,456,643</b>	<b>173,360</b>
<b>Undist Expend.-Care and Upkeep of Grounds</b>					
Salaries	117,940	9,200	127,140	123,393	3,747
Cleaning, Repair, and Maintenance Services	73,390	2,320	75,710	52,597	23,113
General Supplies	38,395	(540)	37,855	30,032	7,822
Other Objects	200	80	280	110	170
<b>Total Undist. Expend.-Care and Upkeep of Grounds</b>	<b>229,925</b>	<b>11,060</b>	<b>240,985</b>	<b>206,133</b>	<b>34,852</b>
<b>Undistributed Expenditures - Security:</b>					
General Supplies	-	10,471	10,471	9,414	1,057
<b>Total Undistributed Expenditures - Security</b>	<b>-</b>	<b>10,471</b>	<b>10,471</b>	<b>9,414</b>	<b>1,057</b>
<b>Total Undist. Expend.-Oper. And Maint. Of Plant Serv.</b>	<b>2,169,352</b>	<b>50,265</b>	<b>2,219,617</b>	<b>1,976,699</b>	<b>242,917</b>

**BUTLER BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Exhibit C-1  
Page 5 of 6**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Student Transportation Serv.					
Salaries of Non-Instructional Aides	14,090	800	14,890	9,323	5,567
Management Fee - ESC & CTSA Trans. Program	1,995	-	1,995	1,372	623
Contract. Serv. - Aid in Lieu Pymts-NonPub Sch	75,140	-	75,140	64,753	10,387
Contract. Serv. - Aid in Lieu Pymts- Chtr Sch	1,768	884	2,652	2,210	442
Contract. Serv. - Aid in Lieu Pymts-Choice Sch	5,304	(884)	4,420	884	3,536
Contr Serv (Bet. Home and Sch)-Vendors	76,518	(800)	75,718	55,120	20,598
Contr Serv(Oth. Than Bet Home & Sch)-Vend	121,619	-	121,619	120,060	1,560
Contract. Serv. (Sp Ed Stds)-Vendors	179,351	(64,881)	114,470	88,320	26,150
Contract. Serv. (Reg. Students)-ESCs & CTSA	85,554	(24,267)	61,287	52,115	9,172
Contract. Serv.(Spl. Ed. Students)-ESCs & CTSA	426,081	38,800	464,881	464,431	450
<b>Total Undist. Expend. - Student Transportation Serv.</b>	<b>987,420</b>	<b>(50,348)</b>	<b>937,072</b>	<b>858,588</b>	<b>78,485</b>
<b>UNALLOCATED BENEFITS</b>					
Social Security Contributions	269,000	1,900	270,900	263,580	7,320
Other Retirement Contributions - PERS	197,831	(3,900)	193,931	193,834	97
Other Retirement Contributions - Regular	36,938	7,600	44,538	38,665	5,873
Unemployment Compensation	38,529	-	38,529	-	38,529
Workmen's Compensation	122,757	16,147	138,904	138,904	0
Health Benefits	3,582,121	(263,805)	3,318,316	3,093,330	224,986
Tuition Reimbursement	57,604	-	57,604	32,500	25,104
Other Employee Benefits	135,400	14,789	150,189	96,202	53,987
<b>TOTAL UNALLOCATED BENEFITS</b>	<b>4,440,180</b>	<b>(227,269)</b>	<b>4,212,911</b>	<b>3,857,015</b>	<b>355,897</b>
<b>ON-BEHALF CONTRIBUTIONS</b>					
On-behalf TPAF Pension and Annuity Fund (non-budgeted)	-	-	-	967,798	(967,798)
On-behalf TPAF NCGI Premium (non-budgeted)	-	-	-	35,066	(35,066)
On-behalf TPAF Post Retirement Medical (non-budgeted)	-	-	-	835,614	(835,614)
On-behalf TPAF Long-Term Disability Insurance	-	-	-	1,986	(1,986)
Reimbursed TPAF Social Security Contributions (non-budgeted)	-	-	-	664,112	(664,112)
<b>TOTAL ON-BEHALF CONTRIBUTIONS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,504,576</b>	<b>(2,504,576)</b>
<b>TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS</b>	<b>4,440,180</b>	<b>(227,269)</b>	<b>4,212,911</b>	<b>6,361,591</b>	<b>(2,148,679)</b>
<b>Undistributed Expenditures - Food Services</b>					
Transfers to Cover Deficit (Enterprise Fund)	5,626	34	5,660	-	5,660
<b>TOTAL UNDISTRIBUTED EXPENDITURES - FOOD SERVICE</b>	<b>5,626</b>	<b>34</b>	<b>5,660</b>	<b>-</b>	<b>5,660</b>
<b>TOTAL UNDISTRIBUTED EXPENDITURES</b>	<b>15,326,364</b>	<b>(422,255)</b>	<b>14,904,109</b>	<b>15,784,572</b>	<b>(880,462)</b>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<b>24,050,805</b>	<b>(57,057)</b>	<b>23,993,748</b>	<b>24,447,767</b>	<b>(454,019)</b>
<b>CAPITAL OUTLAY</b>					
<b>Equipment</b>					
Special Education - Instruction					
Preschool Disabilities - Full Time	3,668	(3,668)	-	-	-
School - Sponsored and Other Instructional Programs	-	13,069	13,069	13,069	-
Undistributed Expenditures - Support Services - Related & Extra.	6,000	(2,050)	3,950	3,950	-
Undistributed Expenditures - Administration Info Tech.	15,000	(186)	14,814	14,768	46
Undist. Expend. -Required Maint for School Fac.	55,084	-	55,084	55,084	-
<b>Total Equipment</b>	<b>79,752</b>	<b>7,165</b>	<b>86,917</b>	<b>86,871</b>	<b>46</b>
<b>Facilities Acquisition and Const. Serv.</b>					
Construction Services	332,318	36,892	369,210	369,210	-
Lease Purchase Agreements - Principal	110,000	-	110,000	110,000	-
Other Objects	27,599	-	27,599	27,599	-
Capital Outlay - Transfer to Capital Projects	-	-	-	-	-
<b>Total Facilities Acquisition and Const. Serv.</b>	<b>469,917</b>	<b>36,892</b>	<b>506,809</b>	<b>506,809</b>	<b>-</b>
<b>TOTAL CAPITAL OUTLAY</b>	<b>549,669</b>	<b>44,057</b>	<b>593,726</b>	<b>593,680</b>	<b>46</b>
Transfer to Charter School	24,830	13,000	37,830	24,342	13,488
<b>Total Expenditures</b>	<b>24,625,304</b>	<b>0</b>	<b>24,625,304</b>	<b>25,065,789</b>	<b>(440,485)</b>
<b>Excess (Deficiency) of Revenues</b>					
Over (Under) Expenditures	(1,389,123)	(0)	(1,389,123)	981,621	2,370,744
<b>Other Financing Sources/(Uses):</b>					
Capital Reserve Transfer to Capital Projects	(1,475,000)	-	(1,475,000)	(1,475,000)	-
Operating Transfer in - Capital Projects Fund	98,661	-	98,661	98,661	-
<b>Total Other Financing Sources/(Uses):</b>	<b>(1,376,339)</b>	<b>-</b>	<b>(1,376,339)</b>	<b>(1,376,339)</b>	<b>-</b>

**BUTLER BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Exhibit C-1  
Page 6 of 6**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(2,765,462)	-	(2,765,462)	(394,719)	2,370,744
Fund Balance, July 1	4,321,711	-	4,321,711	4,321,711	-
Fund Balance, June 30	<u>1,556,249</u>	<u>-</u>	<u>1,556,249</u>	<u>3,926,992</u>	<u>2,370,744</u>
<b>Recapitulation of excess (deficiency) of revenues under expenditures:</b>					
Adjustment for Prior Year Encumbrances	(119,786)	-	(119,786)	(119,786)	-
Budgeted Fund Balance	(1,194,337)	-	(1,194,337)	175,271	1,369,608
Withdrawal from Capital Reserve	(1,475,000)	-	(1,475,000)	(1,475,000)	-
Withdrawal from Tuition Reserve	(75,000)	-	(75,000)	(75,000)	-
Increase in Capital Reserve:					
Principal	98,661	-	98,661	1,098,661	1,000,000
Interest				1,135	1,135
	<u>(2,765,462)</u>	<u>-</u>	<u>(2,765,462)</u>	<u>(394,719)</u>	<u>2,370,743</u>

**Recapitulation:**

Committed Fund Balance:	
Year End Encumbrances	55,423
Assigned Fund Balance:	
Designated for Subsequent Year's Expenditures	29,174
Restricted Fund Balance:	
Excess Surplus Designated for Subsequent Year's Expenditures	1,004,432
Excess Surplus	1,147,309
Capital Reserve	1,001,621
Unassigned Fund Balance	<u>689,033</u>
	3,926,992
Reconciliation to Governmental Fund Statements (GAAP):	
Last State Aid Payments not Recognized on GAAP Basis	<u>(180,886)</u>
Fund Balance per Governmental Funds (GAAP)	<u>3,746,106</u>

**BUTLER BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources		4,510	4,510	4,510	-
Federal Sources	304,596	94,784	399,380	399,380	-
<b>Total Revenues</b>	<b>304,596</b>	<b>99,294</b>	<b>403,890</b>	<b>403,890</b>	<b>-</b>
<b>EXPENDITURES:</b>					
Instruction					
Salaries	260,071	82,596	342,667	342,667	-
General supplies	14,832	(7,492)	7,340	7,340	-
Total Instruction	274,903	75,104	350,007	350,007	-
Support Services					
Employee Benefits	7,733	8,803	16,536	16,536	-
Purchased professional and technical services	21,960	14,886	36,846	36,846	-
Supplies and Materials	-	500	500	500	-
Total Support Services	29,693	24,189	53,882	53,882	-
<b>Total Outflows</b>	<b>304,596</b>	<b>99,294</b>	<b>403,890</b>	<b>403,890</b>	<b>-</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>

**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, 2017**

**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]	26,047,410	[C-2]	403,890
Difference - budget to GAAP:				
<p>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):</p>				
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.		(180,886)		
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.		191,667		
Total revenue as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2]	26,058,191	[B-2]	403,890
<b>Uses/outflows of resources</b>				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]	25,065,789	[C-2]	403,890
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	25,065,789	[B-2]	403,890



**REQUIRED SUPPLEMENTARY INFORMATION  
PART III**

**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)	District's Covered Payroll -PERS Employee's	District's Covered Payroll -PERS Employee's	Proportion Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	Proportion Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	
2015	0.0228514430%	\$ 4,278,415	\$ 4,278,415	\$ 1,514,085	282.57%	52.08%			
2016	0.0226746294%	5,090,000	5,090,000	1,444,760	352.31%	47.93%			
2017	0.0216409378%	6,409,425	6,409,425	1,453,331	441.02%	40.14%			

\* 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
	Contractually Required Contribution	Contractually Required Contribution	Contractually Required Contributions	Contractually Required Contributions			
2015	\$ 188,384	\$ 188,384	\$ 188,384	\$ -	\$ 1,514,085	12.44%	
2016	194,941	194,941	194,941	-	1,444,760	13.49%	
2017	193,834	193,834	193,834	-	1,453,331	13.34%	

\* 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		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 Associated with the District (Asset)	Proportionate Share of the Net Pension Liability	District's Covered Payroll - TPAF Employee's	Proportion Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	District's Proportion Share of the Net Pension Liability		
2015	0.0890492229%	\$	\$	47,593,911	\$	8,888,153	0.00%	33.64%	
2016	0.0883680460%	-	55,852,379	-	8,945,080	0.00%	0.00%	28.71%	
2017	0.0873242514%	-	68,694,816	-	9,151,255	0.00%	0.00%	28.75%	

\* 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, 2017

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 (3.80%) to the current measurement date (2.85%), resulting in a change in the discount rate from 4.90% to 3.98%. 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 (3.80%) to the current measurement date (2.85%), resulting in a change in the discount rate from 4.13% to 3.22%. 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, 2017**

	Total Brought Forward From (Ex. E-1a)	Title I Part - A Improving Basic Programs	Title II Part - A Teacher/Parent Training & Recruiting	Title II Part - A Teacher/Parent Training & Recruiting Carryover	Title III English Language Acquisition	Total 2017
<b>REVENUES:</b>						
Federal sources	265,225	93,184	24,270	6,314	10,387	399,380
Local sources	4,510	-	-	-	-	4,510
<b>Total Revenues</b>	<b>269,735</b>	<b>93,184</b>	<b>24,270</b>	<b>6,314</b>	<b>10,387</b>	<b>403,890</b>
<b>EXPENDITURES:</b>						
Instruction:						
Salaries	256,761	77,189	-	-	8,717	342,667
General supplies	6,211	169	-	-	960	7,340
<b>Total instruction</b>	<b>262,972</b>	<b>77,358</b>	<b>-</b>	<b>-</b>	<b>9,677</b>	<b>350,007</b>
Support Services:						
Employee Benefits	-	15,826	-	-	710	16,536
Purchased prof. - & Tech. Services	6,262	-	24,270	6,314	-	36,846
Supplies and Materials	500	-	-	-	-	500
<b>Total support services</b>	<b>6,762</b>	<b>15,826</b>	<b>24,270</b>	<b>6,314</b>	<b>710</b>	<b>53,882</b>
<b>Total Expenditures</b>	<b>269,735</b>	<b>93,184</b>	<b>24,270</b>	<b>6,314</b>	<b>10,387</b>	<b>403,890</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>	<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, 2017**

	Total Brought Forward From (Ex. E-1b)		I.D.E.A.		Total Carried Forward To (Ex. E-1)
	Basic	Preschool	Basic	Preschool	
<b>REVENUES:</b>					
Federal sources	-		256,761	8,464	265,225
Local sources	4,510	-	-	-	4,510
<b>Total Revenues</b>	<b>4,510</b>		<b>256,761</b>	<b>8,464</b>	<b>269,735</b>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries	-		256,761	-	256,761
General supplies	4,010		-	2,202	6,211
<b>Total Instruction</b>	<b>4,010</b>		<b>256,761</b>	<b>2,202</b>	<b>262,972</b>
Support Services:					
Employee Benefits	-		-	-	-
Purchased prof. - & Tech. Services	-		-	6,262	6,262
Supplies and Materials	500		-	-	500
<b>Total support services</b>	<b>500</b>		<b>-</b>	<b>6,262</b>	<b>6,762</b>
<b>Total Expenditures</b>	<b>4,510</b>		<b>256,761</b>	<b>8,464</b>	<b>269,735</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, 2017

	Target Grant	Slam Dunk Trash Grant	Play 60 NFL Grant	Total Carried Forward To (Ex. E-1b)
<b>REVENUES:</b>				
Federal sources	-	-	-	-
Local sources	1,877	500	2,133	4,510
<b>Total Revenues</b>	<b>1,877</b>	<b>500</b>	<b>2,133</b>	<b>4,510</b>
<b>EXPENDITURES:</b>				
Instruction:				
Salaries	-	-	-	-
General supplies	1,877	-	2,133	4,010
<b>Total Instruction</b>	<b>1,877</b>	<b>-</b>	<b>2,133</b>	<b>4,010</b>
Support Services:				
Employee Benefits	-	-	-	-
Purchased prof. - & Tech. Services	-	-	-	-
Supplies and Materials	-	500	-	500
<b>Total support services</b>	<b>-</b>	<b>500</b>	<b>-</b>	<b>500</b>
<b>Total Expenditures</b>	<b>1,877</b>	<b>500</b>	<b>2,133</b>	<b>4,510</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	-	-	-	-

**BUTLER BOROUGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Revenue and Other Financing Sources**

Transferred - Capital Reserve Fund	1,475,000
Total Revenues	<u>1,475,000</u>

**Expenditures and Other Financing Uses**

Construction services	604,576
Transferred - Capital Reserve Fund	161,549
Total Expenditures	<u>766,124</u>
Excess (deficiency) of revenue over (under) expenditures	708,876
Fund balance - beginning	<u>161,549</u>
Fund balance - ending	<u><u>870,424</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, 2017**

	Prior Periods	Current Year	Totals	Revised Authorized Cost
<b>Revenues and Other Financing Sources</b>				
State sources - SDA Grant	278,600	-	278,600	278,600
Lease Purchase Financing	220,000	-	220,000	220,000
Transferred - Capital Outlay	110,000	-	110,000	110,000
Transferred - Capital Reserve Fund	111,000	-	111,000	111,000
Total Revenues	<u>719,600</u>	<u>-</u>	<u>719,600</u>	<u>719,600</u>
<b>Expenditures and Other Financing Uses</b>				
Purchase professional and technical services	83,117	-	83,117	83,117
Constructions services	474,934	-	474,934	474,934
Canceled to General Fund - Capital Reserve	-	161,549	161,549	161,549
Total expenditures	<u>558,051</u>	<u>161,549</u>	<u>719,600</u>	<u>719,600</u>
Excess ( deficiency) or revenues over (under) expenditures	<u>161,549</u>	<u>(161,549)</u>	<u>-</u>	<u>-</u>
<b>Additional project information:</b>				
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			
Additional Authorized Cost	23,100			
Revised Authorized Cost	719,600			
Percentage Increase over Original Authorized Cost	3.32%			
Percentage completion	100.00%			
Original target completion date	02/27/2015			
Revised target completion date	09/04/2016			

**BUTLER BOROUGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND  
AND PROJECT STATUS - BUDGETARY BASIS  
RENOVATION OF HIGH SCHOOL AUDITORIUM, ADS BOILER REPLACEMENT AND DISTRICT-WIDE  
ASBESTOS ABATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Prior Periods	Current Year	Totals	Revised Authorized Cost
<b>Revenues and Other Financing Sources</b>				
Transferred - Capital Reserve Fund	-	1,475,000	1,475,000	1,475,000
Total Revenues	-	1,475,000	1,475,000	1,475,000
<b>Expenditures and Other Financing Uses</b>				
Constructions services	-	604,576	604,576	1,475,000
Total expenditures	-	604,576	604,576	1,475,000
Excess ( deficiency) or revenues over (under) expenditures	-	870,424	870,424	-
<b>Additional project information:</b>				
Project Number	#0630-020-17-2000			
Grant Date	N/A			
Bond Authorization Date	N/A			
Original Authorized Cost	1,475,000			
Additional Authorized Cost	-			
Revised Authorized Cost	1,475,000			
Percentage Increase over Original Authorized Cost	0.00%			
Percentage completion	40.99%			
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, 2017**

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	\$ 558,051	\$ 161,549	\$ -
<b>RENOVATION OF HS AUDITORIUM, ADS BOILER AND DISTRICT-WIDE ASBESTOS ABATEMENT</b>		\$ 1,475,000	\$ -	\$ 604,576	\$ 870,424
		<u>\$ 2,194,600</u>	<u>\$ 558,051</u>	<u>\$ 766,124</u>	<u>\$ 870,424</u>

**BUTLER BOROUGH SCHOOL DISTRICT  
ENTERPRISE FUND  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2017**

	<b>Food Service Program</b>
<u>ASSETS</u>	
CURRENT ASSETS:	
Cash and cash equivalents	28,981
Accounts receivable:	
State - Lunch	234
Federal - Lunch	7,511
Federal - Breakfast	1,450
Inventories	5,458
Total current assets	43,634
NONCURRENT ASSETS:	
CAPITAL ASSETS:	
Equipment	120,550
Less: accumulated depreciation	(63,563)
Total Capital Assets (Net of Accumulated Depreciation)	56,987
TOTAL ASSETS	100,621
<u>LIABILITIES</u>	
CURRENT LIABILITIES:	
Unearned Revenue	
Prepaid Sales	5,497
Federal Food Distribution Program	2,246
TOTAL LIABILITIES	7,742
<u>NET POSITION</u>	
Investment in Capital Assets Net of Related Debt	56,987
Unreserved (Deficit)	35,892
TOTAL NET POSITION	92,879

**BUTLER BOROUGH SCHOOL DISTRICT  
ENTERPRISE FUND  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<b>Food Service Program</b>
<b>OPERATING REVENUES:</b>	
Charges for services:	
Daily sales reimbursable programs	145,359
Daily Sales - non-reimbursable programs	130,679
Miscellaneous	1,085
Total operating revenues	277,123
<b>OPERATING EXPENSES:</b>	
Salaries	148,627
Cost of sales- reimbursable	162,108
Cost of sales- non- reimbursable	53,637
Employee benefits	22,041
Supplies and materials	19,889
Depreciation	5,732
Management Fees	16,500
Repairs	7,282
Insurance	13,184
Miscellaneous	10,846
Total operating expenses	459,843
<b>OPERATING INCOME (LOSS)</b>	<b>(182,720)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
State sources:	
State school lunch program	3,748
Federal sources:	
National school lunch program	120,578
Breakfast program	19,606
Food distribution program	28,066
Interest revenue	124
Total non-operating revenues (expenses)	172,123
<b>CHANGE IN NET POSITION</b>	<b>(10,597)</b>
Total Net Position - Balance, beginning of year	103,476
Net Position - End of Year	92,879



**BUTLER BOROUGH SCHOOL DISTRICT  
ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<b>Food Service Program</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers	279,154
Payments to employees for services	(148,627)
Payments to suppliers for goods and services	(324,660)
Net cash provided by (used for) operating activities	(194,134)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
State Sources	4,169
Federal Sources	182,624
Net cash provided by (used for) non-capital financing activities	186,792
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest on cash equivalents	124
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(7,217)</b>
<b>CASH AND CASH EQUIVALENTS, July 1</b>	<b>36,198</b>
<b>CASH AND CASH EQUIVALENTS, June 30</b>	<b>28,981</b>
 <b>Reconciliation of operating (loss) to net cash provided (used) by operating activities:</b>	
Operating Income (Loss)	(182,720)
Adjustments to reconcile operating income (loss) to net cash provided (used for) operating activities:	
Depreciation	5,732
Changes in assets and liabilities:	
(Increase)/decrease in inventory	1,505
Increase/(decrease) in accounts payable	(21,097)
Increase/(decrease) in prepaid sales	2,031
Total adjustments	(11,414)
Net cash provided by (used for) operating activities	(194,134)

**Noncash Noncapital Financing Activities:**

During the year, the district received \$28,481 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, 2017**

**NOT APPLICABLE**

**BUTLER BOROUGH SCHOOL DISTRICT  
INTERNAL SERVICE FUND  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Academy for Law and Public Safety</u>
OPERATING REVENUES:	
Local sources:	
Fees from other LEA's within the State	346,500
Total operating revenues	<u>346,500</u>
OPERATING EXPENSES:	
Salaries	209,569
Employee benefits	107,871
Purchased professional services	29,060
Total operating expenses	<u>346,500</u>
OPERATING INCOME (LOSS)	<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, 2017**

	<u>Academy for Law and Public Safety</u>
CASH FLOWS USED BY OPERATING ACTIVITIES:	
Cash receipts from customers	346,500
Cash payments to employees for services	(209,569)
Cash payments to suppliers for goods and services	<u>(136,931)</u>
Net cash used by operating activities	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS, July 1	<u>                    </u>
CASH AND CASH EQUIVALENTS, June 30	<u><u>-</u></u>

**BUTLER BOROUGH SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2017**

	Scholarship Funds		Unemployment Compensation Insurance	Agency Fund
	High School Scholarship	M. Williams Memorial Fund	C. Payne Scholarship	
ASSETS:				
Cash and cash equivalents	107,523	518	116,844	425,247
<b>TOTAL ASSETS</b>	<u>107,523</u>	<u>518</u>	<u>116,844</u>	<u>425,247</u>
LIABILITIES:				
Payroll deductions and withholdings	-	-	-	18,279
Accrued Salaries and Wages	-	-	-	305,629
Flexible Spending	-	-	-	8,174
Payable to student groups	-	-	-	93,165
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>425,247</u>
NET POSITION:				
Reserved for unemployment claims	-	-	116,844	
Reserved for Other Purposes	107,523	518		
	<u>107,523</u>	<u>518</u>		<u>245,016</u>

**BUTLER BOROUGH SCHOOL DISTRICT  
FIDUCIARY FUND  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Scholarship Funds			Unemployment Compensation Insurance Trust
	High School Scholarship	M. Williams Memorial Fund	C. Payne Scholarship	
<b>ADDITIONS</b>				
Contributions:				
Donations	20,710	-	246,522	-
Plan Member	-	-	-	19,865
Total Contributions	<u>20,710</u>	<u>-</u>	<u>246,522</u>	<u>19,865</u>
Investment Earnings:				
Interest	27	84	494	230
Net Investment Earnings	<u>27</u>	<u>84</u>	<u>494</u>	<u>230</u>
Total Additions	<u>20,737</u>	<u>84</u>	<u>247,016</u>	<u>20,095</u>
<b>DEDUCTIONS</b>				
Scholarships	22,050	300	2,000	-
Unemployment compensation assessments	-	-	-	16,522
Total deductions	<u>22,050</u>	<u>300</u>	<u>2,000</u>	<u>16,522</u>
CHANGE IN NET POSITION	<u>(1,313)</u>	<u>(216)</u>	<u>245,016</u>	<u>3,573</u>
NET POSITION, July 1	<u>108,836</u>	<u>734</u>	<u>-</u>	<u>113,271</u>
NET POSITION, June 30	<u><u>107,523</u></u>	<u><u>518</u></u>	<u><u>245,016</u></u>	<u><u>116,844</u></u>

**BUTLER BOROUGH SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

	Balance July 1, 2016	Cash Receipts	Cash Disbursements	Balance June 30, 2017
High School Activities Fund	55,974	171,159	179,795	47,338
High School Athletic Fund	199	43,101	43,008	291
Richard Butler School	30,541	91,533	86,228	35,846
Aaron Decker Elementary School	6,006	36,051	32,368	9,689
Total all schools	<u>92,720</u>	<u>341,844</u>	<u>341,399</u>	<u>93,165</u>

**BUTLER BOROUGH SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

	Balance July 1, 2016	Cash Receipts	Cash Disbursements	Balance June 30, 2017
<b>ASSETS:</b>				
Cash	405,320	14,530,464	14,597,812	337,972
<b>TOTAL ASSETS</b>	<u>405,320</u>	<u>14,530,464</u>	<u>14,597,812</u>	<u>337,972</u>
<b>LIABILITIES:</b>				
Payroll deductions and withholdings	87,324	6,440,765	6,509,809	18,279
Net Payroll	-	7,764,243	7,764,243	-
Accrued Salaries and Wages	303,449	305,625	303,449	305,625
Flexible Spending	8,638	19,827	20,291	8,174
Interfund Payable - Unemployment Fund	5,889	-	-	5,889
Interfund Payable - General Fund	20	4	20	4
<b>TOTAL LIABILITIES</b>	<u>405,320</u>	<u>14,530,464</u>	<u>14,597,812</u>	<u>337,972</u>



**BUTLER BOROUGH SCHOOL DISTRICT  
GENERAL LONG TERM DEBT  
STATEMENT OF SERIAL BONDS  
FOR THE YEAR ENDED JUNE 30, 2017**

Issue	Date of Issue	Amount of Issue	Annual Maturities Date	Amount	Interest Rate	Balance July 1, 2016	Retired	Balance June 30, 2017
School Bonds of 2009	7/1/2009	3,046,000	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%	2,221,000	190,000	2,031,000
Refunding School Bonds of 2012	2/1/2012	2,920,000	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%	2,320,000	275,000	2,045,000
						4,541,000	465,000	4,076,000

**BUTLER BOROUGH SCHOOL DISTRICT  
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Interest Rate Payables</u>	<u>Amount of Original Issue</u>	<u>Balance July 1, 2016</u>	<u>Retired</u>	<u>Balance June 30, 2017</u>
9 Copiers	4.99%	<u>120,431</u>	<u>67,952</u>	<u>24,429</u>	<u>43,523</u>

**BUTLER BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual	Variance Positive (Negative) Final to Actual
<b>REVENUES:</b>				
Local sources:				
Local tax levy	534,584	534,584	534,584	-
Total revenues - local sources	534,584	534,584	534,584	-
State sources:				
Debt service aid type II	59,053	59,053	59,053	-
Total state sources	59,053	59,053	59,053	-
<b>Total Revenues</b>	593,637	593,637	593,637	-
<b>EXPENDITURES</b>				
Regular debt service:				
Redemption of principal	465,000	465,000	465,000	-
Interest	128,637	128,637	128,636	1
Total regular debt service	593,637	593,637	593,636	1
<b>Total Expenditures</b>	593,637	593,637	593,636	1
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	1	1
Fund Balances, July 1	1	1	1	-
Fund Balances, June 30	1	1	2	1
<b>Recapitulation of excess (deficiency) of revenues under expenditures:</b>				
Budgeted Fund Balance	-	-	1	1
<b>Recapitulation:</b>				
Unassigned Fund Balance			2	2

**BUTLER BOARD OF EDUCATION**  
**Net Position\* by Component**  
 Last Ten Fiscal Years  
*(accrual basis of accounting)*  
**UNAUDITED**

	2008	2009	2010	2011	2012	(Restated) 2013	2014	2015	2016	2017
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	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	8,647,927
Restricted	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	4,108,686
Unrestricted	(224,059)	(105,198)	53,858	5,399	1,167,925	661,333	(160,911)	(4,339,569)	(4,654,203)	(4,947,342)
Total governmental activities net position	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	7,809,270
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	20,270	25,259	22,859	23,238	40,602	36,364	32,434	25,038	62,719	56,987
Unrestricted	2,673	1,683	1,683	1,683	24,034	49,804	69,210	64,820	40,757	35,892
Total business-type activities net position	22,943	26,942	24,542	24,922	64,636	86,168	101,644	89,858	103,476	92,879
<b>District-wide</b>										
Invested in capital assets, net of related debt	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	8,704,914
Restricted	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	4,108,686
Unrestricted	(221,387)	(103,514)	55,541	7,408	106,501	711,137	(91,701)	(4,274,749)	(4,613,446)	(4,911,451)
Total district net position	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	7,902,149

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.

**STATISTICAL SECTION**

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

Exhibit #

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

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

### **Revenue Capacity Information**

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

### **Debt Capacity Information**

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

### **Demographic and Economic Information**

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

### **Operating Information**

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

**BUTLER BOARD OF EDUCATION**  
**Net Position\* by Component**  
 Last Ten Fiscal Years  
*(accrual basis of accounting)*  
**UNAUDITED**

	2008	2009	2010	2011	2012	(Restated) 2013	2014	2015	2016	2017
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	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	8,647,927
Restricted	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	4,108,685
Unrestricted	(224,059)	(105,198)	53,858	5,399	1,167,925	661,333	(160,911)	(4,339,569)	(4,654,203)	(4,947,342)
Total governmental activities net position	<u>7,539,596</u>	<u>7,645,145</u>	<u>8,162,545</u>	<u>8,311,744</u>	<u>8,904,136</u>	<u>8,574,498</u>	<u>8,777,321</u>	<u>5,613,922</u>	<u>6,844,657</u>	<u>7,809,270</u>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	20,270	25,259	22,859	23,238	40,602	36,364	32,434	25,038	62,719	56,987
Unrestricted	2,673	1,683	1,683	1,683	24,034	49,804	69,210	64,820	40,757	35,892
Total business-type activities net position	<u>22,943</u>	<u>26,942</u>	<u>24,542</u>	<u>24,922</u>	<u>64,636</u>	<u>86,168</u>	<u>101,644</u>	<u>89,868</u>	<u>103,476</u>	<u>92,879</u>
<b>District-wide</b>										
Invested in capital assets, net of related debt	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	8,704,914
Restricted	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	4,108,686
Unrestricted	(221,387)	(103,514)	55,541	7,408	106,501	711,137	(91,701)	(4,274,749)	(4,613,446)	(4,911,451)
Total district net position	<u>7,562,540</u>	<u>7,672,087</u>	<u>8,187,087</u>	<u>8,336,666</u>	<u>8,968,772</u>	<u>8,660,666</u>	<u>8,878,965</u>	<u>5,703,780</u>	<u>6,948,133</u>	<u>7,902,149</u>

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**  
*Last Ten Fiscal Years*  
*(accrual basis of accounting)*  
**UNAUDITED**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
<b>Governmental activities</b>										
<b>Instruction</b>										
Regular	8,519,834	7,918,977	8,497,246	8,513,283	8,103,959	8,654,822	8,714,393	10,237,446	10,621,685	9,488,375
Special education	2,077,437	1,907,976	2,003,876	1,981,418	1,958,308	2,059,457	2,285,302	2,699,171	2,788,315	2,513,847
Other special education	292,877	352,899	380,346	180,200	233,048	344,344	257,338	346,791	432,774	388,247
Other instruction	476,157	476,202	521,834	499,713	512,650	627,753	590,624	509,382	512,281	505,271
<b>Support Services:</b>										
Tuition	904,426	1,146,319	1,122,267	1,635,041	1,662,708	1,602,025	1,862,073	1,478,736	1,865,381	1,947,125
Student & instruction related services	3,355,669	3,124,360	3,162,068	2,913,323	3,351,044	4,142,066	3,817,929	4,268,361	4,176,866	3,712,441
General administrative services	619,386	586,584	607,890	687,278	581,001	614,691	602,223	578,490	696,095	514,674
School administrative services	1,189,393	1,162,591	1,198,839	1,035,799	1,016,618	1,041,046	1,121,338	1,288,715	1,416,874	1,254,824
Central Services and Admin. Info. Tech.	573,142	693,654	543,181	592,060	644,271	600,847	490,286	512,707	609,799	688,895
Plant operations and maintenance	2,389,635	2,307,900	2,186,367	2,081,170	2,235,827	2,304,891	2,430,032	2,750,268	2,776,095	2,301,084
Pupil transportation	746,664	797,756	816,402	776,673	800,265	958,715	918,917	879,835	956,432	858,588
Special Schools					2,980					
Capital Outlay - Non-depreciable				34,580	25,599					
Charter Schools	23,881	31,288	21,094	20,958	20,958					
Interest on Long term debt	156,892	150,547	173,159	285,587	184,450	188,732	201,986	12,663	24,343	24,342
Unallocated Benefits	76,557	74,309	96,439	101,774	95,110	24,259	22,300	12,543	12,543	12,543
Unallocated depreciation and Amortization	141,486	6,830	123,896	518,927	416,443	424,698	488,884	632,751	655,199	705,983
Unallocated activities expenses	21,543,436	20,738,103	21,454,884	21,857,782	21,808,681	23,613,935	23,781,239	26,257,748	27,532,271	25,033,347
<b>Total governmental activities expenses</b>	<b>497,129</b>	<b>485,211</b>	<b>500,066</b>	<b>418,290</b>	<b>383,394</b>	<b>380,391</b>	<b>424,353</b>	<b>405,373</b>	<b>456,714</b>	<b>459,843</b>
<b>Business-type activities:</b>										
Food service	1,922	2,109			1,683					
Butler School District Educational Foundation	499,051	487,320	500,066	418,290	385,078	380,391	424,353	405,373	456,714	459,843
<b>Total business-type activities expense</b>	<b>22,042,487</b>	<b>21,225,423</b>	<b>21,954,960</b>	<b>22,276,072</b>	<b>22,193,759</b>	<b>23,994,326</b>	<b>24,205,992</b>	<b>26,663,121</b>	<b>27,988,984</b>	<b>25,493,190</b>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Charges for services:										
Instruction (tuition)	308,726	312,159	446,375	531,794	533,962	534,544	554,880	590,136	324,129	346,500
Support Services (General Admin. Services)	2,315									
Support Services (Central Services & Admin. Info.)	19,164	30,340								
Support Services (Unallocated Benefits)	76,557	74,309								
Operating grants and contributions	5,028,279	4,373,068	4,846,087	4,401,601	4,012,409	3,885,909	4,003,753	4,568,198	4,544,995	5,286,618
Capital Grants and Contributions		19,671								
<b>Total governmental activities program revenues</b>	<b>5,435,040</b>	<b>4,789,875</b>	<b>5,294,462</b>	<b>4,953,066</b>	<b>4,546,371</b>	<b>4,420,453</b>	<b>4,558,633</b>	<b>5,180,634</b>	<b>4,976,995</b>	<b>5,633,118</b>
<b>Business-type activities:</b>										
Charges for services:										
Food services	371,920	359,049	351,594	306,365	301,180	279,322	291,232	255,452	260,849	277,123
Butler School District Educational Foundation	1,486	1,120								
Operating grants and contributions	92,362	91,418	108,174	95,928	101,134	120,139	145,774	145,788	209,250	171,989
<b>Total business-type activities program revenues</b>	<b>465,768</b>	<b>451,587</b>	<b>459,768</b>	<b>402,294</b>	<b>402,313</b>	<b>399,461</b>	<b>437,006</b>	<b>401,240</b>	<b>470,099</b>	<b>449,122</b>
<b>Total district program revenues</b>	<b>5,900,838</b>	<b>5,241,461</b>	<b>5,754,230</b>	<b>5,355,360</b>	<b>4,948,684</b>	<b>4,819,914</b>	<b>4,995,639</b>	<b>5,581,873</b>	<b>5,447,095</b>	<b>6,082,240</b>
<b>Net (Expense)/Revenue</b>	<b>(16,108,396)</b>	<b>(15,948,228)</b>	<b>(16,160,432)</b>	<b>(16,904,716)</b>	<b>(17,262,310)</b>	<b>(19,193,482)</b>	<b>(19,222,606)</b>	<b>(21,077,114)</b>	<b>(22,565,276)</b>	<b>(25,033,347)</b>
<b>Business-type activities</b>	<b>(33,253)</b>	<b>(35,734)</b>	<b>(40,288)</b>	<b>(15,986)</b>	<b>(17,235)</b>	<b>(19,070)</b>	<b>(12,863)</b>	<b>(4,133)</b>	<b>(13,386)</b>	<b>(10,721)</b>
<b>Total district-wide net expense</b>	<b>(16,141,649)</b>	<b>(15,983,962)</b>	<b>(16,200,730)</b>	<b>(16,920,713)</b>	<b>(17,245,075)</b>	<b>(19,174,412)</b>	<b>(19,209,953)</b>	<b>(21,081,247)</b>	<b>(22,541,850)</b>	<b>(25,044,069)</b>
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental activities:</b>										
Property taxes levied for general purposes, net	11,242,269	11,861,884	12,380,542	13,384,947	13,608,854	13,881,031	14,428,710	14,865,069	15,575,616	16,015,246
Taxes levied for debt service	302,498	323,759	348,324	434,979	520,956	525,106	501,816	514,730	528,701	534,584
Unrestricted grants and contributions	4,504,192	3,750,524	3,918,019	3,127,184	3,782,986	4,283,115	4,098,058	6,379,696	7,223,432	9,120,521
Miscellaneous income	119,921	156,618	129,624	123,082	484,380	267,889	389,534	666,749	486,282	257,918
Transfers	(26,842)	(39,008)	(37,757)	(16,286)	(21,695)	(2,357)	(2,689)	(4,107)	(2,689)	(4,107)
<b>Total governmental activities</b>	<b>16,142,038</b>	<b>16,053,777</b>	<b>16,736,762</b>	<b>17,053,916</b>	<b>18,305,500</b>	<b>18,954,794</b>	<b>19,425,429</b>	<b>22,422,137</b>	<b>23,786,011</b>	<b>25,928,269</b>



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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Business-type activities:</b>										
Investment earnings	2,244	725	141	89	79	104	135	185	232	124
Transfers	26,842	39,008	37,757	16,286	21,696	2,358	2,689	4,107		
Total business-type activities	29,086	39,732	37,898	16,376	21,775	2,462	2,824	4,293	232	124
Total district-wide	16,171,124	16,093,509	16,776,650	17,070,291	18,327,275	18,957,256	19,428,253	22,426,429	23,786,243	25,928,393
<b>Change in Net Position</b>	33,641	105,549	578,320	149,199	1,043,190	(238,688)	202,823	1,345,023	1,230,735	894,921
Governmental activities	(4,167)	3,999	(2,400)	379	39,010	21,532	45,477	159	13,618	(10,587)
Business-type activities	29,475	109,548	575,920	149,579	1,082,200	(217,156)	216,300	1,345,162	1,244,353	894,324

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**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Fund</b>										
Reserved	1,125,464	766,367	490,144							
Unreserved	371,087	486,229	618,064							
Restricted				86,952	759,221	1,329,365	1,803,598	2,231,795	3,341,057	3,153,362
Assigned				832,066	1,085,892	250,575	125,740	293,997	430,010	84,597
Unassigned				509,764	508,168	483,314	441,061	576,549	358,977	508,147
<b>Total general fund</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>	<b>3,746,106</b>
<b>All Other Governmental Funds</b>										
Restricted							1	1	1	2
Debt service fund										
Capital projects fund									98,088	870,724
Unreserved, reported in:										
Special revenue fund	(1,004)									
Capital projects fund	81,864	(2,834,872)	616,603	255,780	95,548	13,233				
Debt service fund	4,570	68,214	10,890	59	93	28,460	11,016			
<b>Total all other governmental funds</b>	<b>85,430</b>	<b>(2,766,658)</b>	<b>627,493</b>	<b>255,839</b>	<b>95,641</b>	<b>41,693</b>	<b>11,017</b>	<b>1</b>	<b>98,089</b>	<b>870,726</b>

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**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Tax levy	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	16,549,830
Miscellaneous	4,711,303	4,136,012	4,328,113	4,119,476	3,921,410	3,755,956.00	4,036,394.00	4,476,522	4,409,496	5,085,530
State sources	4,583,585	3,799,793	3,658,689	3,162,239	3,710,723	4,219,403.00	4,090,072.00	4,805,574	424,312	439,497
Federal sources	357,504	344,404	908,928	370,162	577,662	461,564.00	374,879.00	27,298	4,681,743	4,980,861
Total revenue	21,197,159	20,465,853	21,624,596	21,471,803	22,339,605	22,843,060.00	23,431,871.00	24,691,193	25,619,867	27,055,718
<b>Expenditures</b>										
Instruction										
Regular instruction	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	6,557,416
Special education instruction	1,379,980	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	1,686,283
Other special instruction	193,016	249,286	265,576	125,417	166,341	228,441.00	171,122.00	210,802	232,125	235,173
Other instruction	353,304	371,368	405,219	384,841	402,678	496,044.00	466,960.00	509,382	512,281	534,331
Support Services:										
Tuition	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	1,947,125
Student & instruction related services	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	2,791,682
General administrative services	510,845	477,397	487,781	476,857	476,764	506,790.00	521,116.00	454,081	496,024	514,571
School Administrative services	788,985	823,909	840,140	725,798	726,923	720,880.00	786,124.00	803,953	834,149	861,949
Central Services	383,554	398,199	380,893	423,952	463,258	494,148.00	424,627.00	418,364	488,419	526,250
Plant operations and maintenance	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	1,976,689
Pupil transportation	746,664	796,855	816,402	776,673	800,265	958,715.00	918,917.00	879,835	956,432	858,588
Unallocated employee benefits	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	6,361,591
Special Schools					2,980					
Charter Schools	23,881	31,298	21,094	20,958			12,315.00	12,653	24,343	24,342
Capital outlay	140,062	3,196,893	263,369	525,311	313,267	240,573.00	210,568.00	783,181	329,267	1,197,956
Debt Service:										
Principal	165,000	175,000	180,000	190,000	345,000	410,000.00	410,000.00	430,000	445,000	465,000
Interest and Other Charges	159,453	153,264	175,953	288,536	230,383	159,007.00	165,611.00	153,549	141,674	128,636
Total expenditures	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	26,667,591
Excess (Deficiency) of revenues over (under) expenditures	(65,370)	(3,057,036)	302,440	(34,793)	785,997	(341,618)	158,727	505,035	1,125,790	388,127
<b>Other Financing sources (uses)</b>										
Capital leases (non-budgeted)							120,431.00	220,000		
Bond proceeds				2,985,080						
Transfers in	63			59	34		1.00			
Transfers out	(26,906)	(39,008)	(37,757)	(16,345)	(21,730)	(2,357.00)	(2,690.00)	(4,107)		
Contracts Payable Canceled										
Total other financing sources (uses)	(26,842)	(39,008)	2,947,323	(16,286)	(21,696)	(2,357.00)	117,742.00	215,893	-	573
Net change in fund balances	\$ (92,213)	\$ (3,096,044)	\$ 3,249,763	\$ (51,079)	\$ 764,301	(343,975.00)	276,469.00	720,927	1,125,790	388,700
Debt service as a percentage of noncapital expenditures	1.536%	1.615%	1.690%	2.281%	2.709%	2.480%	2.496%	2.493%	2.428%	2.331%

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
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
2017	1,135	4,882,729		53,838	143,318	5,081,020

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)
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	1,038,339,621
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	1,043,437,070
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	1,047,083,599
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	1,016,184,247
2011	7,532,500	605,473,100	700	101,053,400	20,911,700	18,980,100	753,951,500	669,437	754,620,937	1.856	978,937,894
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	986,516,067
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	954,429,183
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	1,008,440,633
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	952,893,262
2016	7,948,200	613,005,300	700	97,889,800	20,911,700	17,678,000	757,433,700	728,750	758,162,450	2.154	942,459,075

Source: Morris County, Abstract of Ratables 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 Butler	Morris County	Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct			
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
2016	2.083	0.070	2.154	0.944	0.326	3.424

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.

Exhibit J-8

**BUTLER BOARD OF EDUCATION**  
**Principal Property Tax Payers,**  
**Current Year and Nine Years Ago**  
Unaudited

Taxpayer	2017			2008		
	Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Inland Western Sutler Kinnelon LLC	12,805,000	1	1.69%	13,445,000	1	1.90%
Butler Gardens LLC	10,340,000	2	1.36%	11,740,000	2	1.66%
Butler Center Associates	8,414,100	3	1.11%	8,414,100	3	1.19%
Butler Plaza Lot One LLC	5,310,500	4	0.70%			
1301 Realty Enterprises	4,494,100	5	0.59%	7,576,800	4	1.07%
Butler Bowl, Inc.	3,939,100	6	0.52%	2,451,300	9	0.35%
ZZ Group LLC	3,605,000	7	0.48%	3,596,400	7	0.51%
Butler Printing & Lamination	3,596,400	8	0.47%			
1301 Realty Enterprises	2,546,100	9	0.34%			
Bromat Enterprises	2,336,200	10	0.31%	2,336,200	10	0.33%
Randell Corporation				5,310,500	5	0.75%
River Place at Butler LLC				4,167,700	6	0.59%
1341 Route 23, Inc				3,181,500	8	0.45%
<b>Total</b>	<b>\$ 57,386,500</b>		<b>7.57%</b>	<b>\$ 62,219,500</b>		<b>8.80%</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	
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	16,104,316	16,104,316	100.00%	-
2017	16,549,830	16,549,830	100.00%	-

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

**a** 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				
2008	3,832,000	-		3,832,000	0.6398%	477.51
2009	3,657,000	-		3,657,000	0.6449%	454.74
2010	6,523,000	-		6,523,000	1.1862%	863.29
2011	6,333,000			6,333,000	1.0923%	832.30
2012	6,236,000			6,236,000	1.0387%	817.41
2013	5,826,000			5,826,000	0.9615%	760.48
2014	5,416,000	113,302		5,529,302	0.8685%	719.21
2015	4,986,000	91,192		5,077,192	0.7615%	659.29
2016	4,541,000	67,952		4,608,952	NA	592.49
2017	4,076,000	43,523		4,119,523	NA	NA

**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>
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%	863
2011	6,333,000		6,333,000	0.84%	832
2012	6,236,000		6,236,000	0.83%	817
2013	5,826,000		5,826,000	0.78%	760
2014	5,416,000		5,416,000	0.72%	704
2015	4,986,000		4,986,000	0.66%	647
2016	4,541,000		4,541,000	0.60%	584
2017	4,076,000		4,076,000	NA	NA

**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, 2017**  
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	6,308,163	100.000%	6,308,163
<b>Other debt</b>			
Morris County	221,180,986	1.018%	2,251,622
Subtotal, overlapping debt			8,559,785
<b>Borough of Butler School District Direct Debt</b>			<u>4,076,000</u>
<b>Total direct and overlapping debt</b>			<u>\$ 12,635,785</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 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, 2016.

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

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

Equalized valuation basis	
2014	1,007,711,883
2015	952,164,512
2016	942,459,075
	<u>2,902,335,470</u>
Average equalized valuation of taxable property	\$ 967,445,157
Debt limit (4 % of average equalization value)	38,697,806
Net bonded school debt as of June 30, 2016	4,076,000
Legal debt margin	<u>\$ 34,621,806</u>

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 39,530,921	\$ 41,482,490	\$ 41,693,173	\$ 41,396,644	\$ 40,535,982	\$ 39,727,786	\$ 38,903,891	\$ 39,296,470	\$ 38,847,988	\$ 38,697,806
Total net debt applicable to limit	3,832,000	3,657,000	6,523,000	6,333,000	6,236,000	5,826,000	5,416,000	4,986,000	4,541,000	4,076,000
Legal debt margin	<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>	<u>34,621,806</u>
Total net debt applicable to the limit as a percentage of debt limit	9.69%	8.82%	15.65%	15.30%	15.38%	14.66%	13.92%	12.69%	11.69%	10.53%

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**

Year Ended June 30	School District Population <sup>a</sup>	Personal Income in (thousands of dollars) <sup>b</sup>	Per Capita Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
2007	7,956	574,510,716	72,211	2.8%
2008	8,025	598,953,900	74,636	3.7%
2009	8,042	567,089,672	70,516	6.4%
2010	7,556	549,925,680	72,780	6.4%
2011	7,609	579,760,146	76,194	6.2%
2012	7,629	600,348,897	78,693	6.5%
2013	7,661	605,939,134	79,094	6.2%
2014	7,688	636,643,280	82,810	5.7%
2015	7,701	666,767,982	86,582	3.9%
2016	7,779	NA	NA	4.3%

**Source:**

<sup>a</sup> U.S. Bureau of the Census, Population Division, (Estimates July 1, 2007-2016)

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

<sup>c</sup> U.S. Department of Commerce, County Information 2006-2015.

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

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

Employer	2017		2008			
	Employees	Rank (Optional)	Percentage of Total Employment	Employees	Rank (Optional)	Percentage of Total Employment

No data is available to complete this schedule.

**BUTLER BOARD OF EDUCATION**  
**Full-time Equivalent District Employees by Function/Program,**  
**Last Ten Fiscal Years**  
Unaudited

<u>Function/Program</u>	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Instruction	83.6	80.9	79.1	73.3	70.2	74.5	89	91.6	92	90.8
Regular	27.6	26.0	26.0	24.4	31.6	32.2	28.2	27.2	26.5	30.4
Special education	3.0	4.2	4.7	3.5	1.8	2.8	2.4	4.1	2.8	3
B.S. / Bilingual	0.6	1.0	1.0	1.1	6.5	8.6	1.8	0.9	1.2	1.2
Other Instruction										
Support Services:										
Student & instruction related services	43.4	43.8	43.1	36.5	47.4	53.9	62.3	64.3	55	57.6
General administrative services	2.1	2.1	2.1	2.1	2.1	2.2	1.94	1.9	1.8	1.8
School administrative services	11.5	12.5	11.6	9.1	9.2	9.2	9.3	9.3	10	10
Central Services	4.9	4.9	4.4	4.5	4.5	4.1	1.5	1	1.2	0.8
Administrative Information Technology	0.5	0.5	0.5	0.5	0.4	0.7	0.7	0.7	0.9	1
Plant operations and maintenance	23.0	20.8	20.9	18.3	20.7	21.5	20.5	21	24	23.2
Pupil transportation	-	-	-	-	-	-	-	-	-	-
Food Service	1.1	1.1	1.1	-	-	-	-	-	-	-
Total	201.3	197.8	194.5	173.3	194.4	209.7	217.6	222.0	215.4	219.8

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>	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	High School				
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%
2016-2017	1,191.7	24,875,999	20,874	2.42%	122.35	8.60	10.5	10.3	1,191.7	1,140.1	3.01%	95.67%

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<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)	374	387	382	382	368	390	393	381	386	379
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)	292	277	260	260	280	299	282	298	272	280
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)	536	511	547	547	530	516	509	527.5	533	533
Enrollment										

Number of Schools at June 30, 2017

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)	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Butler High School	N/A	179,938	213,055	173,417	156,259	151,976	124,313	62,724	73,714	97,167	\$ 63,256
Aaron Decker	N/A	60,413	93,615	69,382	70,511	55,336	33,649	30,910	25,806	35,565	28,809
Richard Butler	N/A	64,159	83,460	89,693	81,429	63,196	49,370	21,897	24,907	53,160	26,985
District	N/A						2,370				
Total School Facilities		304,510	390,130	332,491	308,199	270,508	209,702	115,531	124,427	185,892	119,051

(\*) School facilities as defined under EECFA (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, 2017  
Unaudited**

	<u>Limit</u>	<u>Deductible</u>
Property - Blanket Building & Contents	\$53,758,023	\$2,500
General Liability ( each occurrence)	5,000,000	
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	5,000,000	5,000
Employment Practices Liability	5,000,000	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	250,000	
Business Administrator - Board Secretary   Barbara Murphy	205,000	

Source: District Records

**SINGLE AUDIT**

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

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K-1

Page 1 of 2

**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, 2017, 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 9, 2017.

### ***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.



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

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

Newton, New Jersey

November 9, 2017

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

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K-2

Page 1 of 3

## 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, 2017. 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 and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; 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, 2017.

### **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

K-2  
Page 3 of 3

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

Newton, New Jersey

November 9, 2017

BUTLER BOROUGH SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
for the Fiscal Year Ending June 30, 2017

Federal Grantor/Pass- Through Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period From/To	June 30, 2016		Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	June 30, 2017		MEMO Cumulative Total Expenditures
						(Accounts Receivable)	Unearned Revenue				(Accounts Receivable)	Unearned Revenue	
<b>U.S. Department of Agriculture</b>													
<b>Passed - through State Department</b>													
<b>Enterprise Fund:</b>													
U.S.D.A. Commodities Program	10.550	1616INJ04N1099	N/A	34,869	7/1/15-6/30/16		1,831						34,869
U.S.D.A. Commodities Program	10.550	1616INJ04N1099	N/A	28,481	7/1/16-6/30/17			28,481	(28,066)		2,246		28,066
National School Lunch Program	10.555	1616INJ04N1099	N/A	111,333	7/1/15-6/30/16	(20,271)		20,271					111,333
National School Lunch Program	10.555	1616INJ04N1099	N/A	120,578	7/1/16-6/30/17			113,067	(120,578)		(7,511)		120,578
National School Breakfast Program	10.553	1616INJ04N1099	N/A	17,341	7/1/15-6/30/16	(3,063)		3,063					17,341
National School Breakfast Program	10.553	1616INJ04N1099	N/A	19,606	7/1/16-6/30/17			18,156	(19,606)		(1,450)		19,609
Total Enterprise Fund						(23,334)	1,831	183,038	(168,250)		(8,961)	2,246	331,798
<b>U.S. Department of Education</b>													
<b>Passed - through State Department</b>													
<b>General Fund:</b>													
Medicaid Assistance Program	93.778	1609NJ5MAP	N/A	40,117	7/1/16-6/30/17			40,117	(40,117)				40,117
Total General Fund								40,117	(40,117)				40,117
<b>U.S. Department of Education</b>													
<b>Passed - through State Department</b>													
<b>Special Revenue Fund:</b>													
Title I - Part A - Improving Basic Programs	84.010	S010A150030	NCLB0630-16	94,964	9/1/15-8/31/16	(15,583)		15,583					94,964
Title I - Part A - Improving Basic Programs	84.010	S010A150030	NCLB0630-17	93,184	9/1/16-8/31/17	(15,583)		72,305	(93,184)		(20,879)		93,184
								87,888	(93,184)		(20,879)		188,148
Title II - Part A - Teacher & Principal Training/Recruiting	84.367	S367A150029	NCLB0630-16	25,414	9/1/15-8/31/16	(14,500)		14,500	(6,314)				25,414
Title II - Part A - Teacher & Principal Training/Recruiting	84.367	S367A150029	NCLB0630-17	24,270	9/1/16-8/31/17			24,270	(24,270)				24,270
						(14,500)		38,770	(30,584)				49,684
Title III - English Language Acquisition	84.365	S365A150030	NCLB0630-16	11,541	9/1/15-8/31/16	(2,593)		2,593					11,541
Title III - English Language Acquisition	84.365	S365A150030	NCLB0630-17	10,387	9/1/16-8/31/17			9,515	(10,387)		(872)		10,387
						(2,593)		12,108	(10,387)		(872)		21,928
I.D.E.A. Part B, Basic Regular	84.027	H027A150100	IDEA063016	265,803	9/1/15-8/31/16	(44,934)		44,934					265,803
I.D.E.A. Part B, Basic Regular	84.027	H027A150100	IDEA063017	256,761	9/1/16-8/31/17			256,761	(256,761)				256,761
I.D.E.A. Part B, Preschool	84.173	H173A150114	IDEA063017	8,464	9/1/16-8/31/17	(44,934)		310,139	(8,464)				8,464
									(265,225)				531,028
Total Special Revenue Fund						(77,610)	1,831	448,925	(399,380)		(21,751)		790,788
Total Federal Financial Awards						(100,944)	1,831	672,080	(607,747)		(30,712)	2,246	1,162,703

Note: This Schedule was not subject to an Audit in accordance with Federal OMB'S Uniform Guidance.

**BUTLER BOROUGH SCHOOL DISTRICT**  
Schedule of Expenditures of State Financial Assistance  
for the Fiscal Year Ending June 30, 2017

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From / To	June 30, 2016		Cash Received	Budgetary Expenditures	Adjustments/ Repayment of Prior Years' Balances	MEMO	
				Unearned Revenue (Accts Receivable)	June 30, 2017 (Accounts Receivable)				Budgetary Receivable	Cumulative Total Expenditures
<b>State Department of Education:</b>										
<b>General Fund:</b>										
Equalization Aid	495-034-5120-078	1,257,952	7/1/16-6/30/17		1,257,952	(1,257,952)			(113,879) *	1,257,952
School Choice Aid	495-034-5120-068	26,218	7/1/16-6/30/17		26,218	(26,218)			(2,373) *	26,218
Transportation Aid	495-034-5120-014	53,072	7/1/16-6/30/17		53,072	(53,072)			(4,804) *	53,072
Special Education Categorical Aid	495-034-5120-089	567,259	7/1/16-6/30/17		567,259	(567,259)			(51,353) *	567,259
Security Aid	495-034-5120-084	23,261	7/1/16-6/30/17		23,261	(23,261)			(2,106) *	23,261
Additional Adjustment Aid	495-034-5120-085	41,810	7/1/16-6/30/17		41,810	(41,810)			(3,785) *	41,810
PARCC Readiness Aid	495-034-5120-098	9,390	7/1/16-6/30/17		9,390	(9,390)			(850) *	9,390
Per Pupil Growth Aid	495-034-5120-097	9,390	7/1/16-6/30/17		9,390	(9,390)			(850) *	9,390
Professional Learning Community Aid	495-034-5120-101	9,610	7/1/16-6/30/17		9,610	(9,610)			(870) *	9,610
Host District Aid	495-034-5120-102	180	7/1/16-6/30/17		180	(180)			(16) *	180
Extraordinary Special Education Aid	100-034-5120-473	312,194	7/1/15-6/30/16	(312,194)				(394,911)		312,194
Extraordinary Special Education Aid	100-034-5120-473	394,911	7/1/16-6/30/17		394,911	(394,911)				394,911
On-Behalf TPAF Pension	495-034-5094-006	967,798	7/1/16-6/30/17		967,798	(967,798)				967,798
On-Behalf TPAF NCGI Premium	495-034-5094-007	35,066	7/1/16-6/30/17		35,066	(35,066)				35,066
On-Behalf TPAF Post Retirement Medical	495-034-5094-001	835,614	7/1/16-6/30/17		835,614	(835,614)				835,614
On-Behalf TPAF Long-Term Disability Ins.	495-034-5094-004	1,986	7/1/16-6/30/17		1,986	(1,986)				1,986
Non-Public Transportation Aid	495-034-5120-014	13,001	7/1/15-6/30/16	(13,001)				(13,398)		13,001
Non-Public Transportation Aid	495-034-5120-014	13,398	7/1/16-6/30/17		13,398	(13,398)				13,398
Reimbursed T.P.A.F. - Social Security	495-034-5120-003	663,906	7/1/15-6/30/16	(32,716)	32,716					663,906
Reimbursed T.P.A.F. - Social Security	495-034-5094-003	664,112	7/1/16-6/30/17		631,081	(664,112)			(180,886) *	664,112
Total General Fund				(357,911)	4,827,598	(4,911,027)			(441,340)	5,900,128
<b>Debt Service Fund:</b>										
School Construction Debt Service Aid	100-034-5120-125	59,053	7/1/16-6/30/17		59,053	(59,053)				59,053
Total Debt Service Fund					59,053	(59,053)				59,053
<b>Capital Projects Fund</b>										
New Jersey Schools Development Authority	0630-020-14-1001	278,600	N/A	(63,461)				63,461		215,139
<b>State Department of Agriculture</b>										
<b>Enterprise Fund:</b>										
State School Lunch Program	100-10-3350-23	3,692	7/1/15-6/30/16	(654)	654					3,692
State School Lunch Program	100-10-3350-23	3,748	7/1/16-6/30/17		3,515	(3,748)			(234)	3,748
Total Enterprise Fund				(654)	4,169	(3,748)				7,440
Total State Financial Assistance										
				(422,026)	4,890,820	(4,973,828)		63,461	(441,574)	6,181,760
<b>Less: On-Behalf Pension and Annuity Aid</b>										
					1,840,464	(1,840,464)				1,840,464
Total for State Major Program Determinations										
				(422,026)	3,050,356	(3,133,364)		63,461	(441,574)	4,341,296

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 \$10,781 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 2017 fiscal year was \$1,840,464.

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	\$ 40,117	\$4,921,808	\$4,961,925
Special Revenue Fund	399,380	-	399,380
Capital Projects Fund	-	-	-
Debt Service Fund	-	59,053	59,053
Food Service Fund	<u>168,250</u>	<u>3,748</u>	<u>171,998</u>
Total Financial Awards	<u>\$607,747</u>	<u>\$4,984,609</u>	<u>\$5,592,356</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, 2017.

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, 2017**

*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?            yes   X   none reported

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, 2017**

*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?

\_\_\_\_\_  \_\_\_\_\_ 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 \_\_\_\_\_  no

2) Significant deficiencies identified that are  
not considered to be material weaknesses?

\_\_\_\_\_ yes \_\_\_\_\_  none reported

Any audit findings disclosed that are required to be reported  
in accordance with NJ OMB's Circular 15-08?

\_\_\_\_\_ yes \_\_\_\_\_  no

Identification of major programs:

**State Grant/Project Number(s)**

**Name of State Program**

\_\_\_\_\_ 17-495-034-5120-078 \_\_\_\_\_  
\_\_\_\_\_ 17-495-034-5120-089 \_\_\_\_\_  
\_\_\_\_\_ 17-495-034-5120-084 \_\_\_\_\_  
\_\_\_\_\_ 17-495-034-5120-085 \_\_\_\_\_  
\_\_\_\_\_ 17-495-034-5120-068 \_\_\_\_\_  
\_\_\_\_\_ 17-495-034-5120-097 \_\_\_\_\_  
\_\_\_\_\_ 17-495-034-5120-098 \_\_\_\_\_  
\_\_\_\_\_ 17-495-034-5120-101 \_\_\_\_\_  
\_\_\_\_\_ 17-495-034-5120-102 \_\_\_\_\_

State Aid - Public Cluster  
\_\_\_\_\_ Equalization Aid \_\_\_\_\_  
\_\_\_\_\_ Special Education Categorical Aid \_\_\_\_\_  
\_\_\_\_\_ Security Aid \_\_\_\_\_  
\_\_\_\_\_ Additional Adjustment Aid \_\_\_\_\_  
\_\_\_\_\_ School Choice Aid \_\_\_\_\_  
\_\_\_\_\_ Per Pupil Growth Aid \_\_\_\_\_  
\_\_\_\_\_ PARCC Readiness \_\_\_\_\_  
\_\_\_\_\_ Professional Learning Community Aid \_\_\_\_\_  
\_\_\_\_\_ Host District Support Aid \_\_\_\_\_

**BOROUGH OF BUTLER SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL, FEDERAL AND STATE FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

*Section II - Schedule of Financial Statement Findings*

NONE

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

No matters were reported.



**BOROUGH OF BUTLER SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Status of Prior Year Findings**

The prior year audit finding was corrected.