

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

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

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
of the**

**Borough of Butler School District
Board of Education**

Butler, New Jersey

For the Fiscal Year Ended June 30, 2018



Prepared by

Borough of Butler School District
Board of Education
Finance Office

COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE BOROUGH OF BUTLER SCHOOL DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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INTRODUCTORY SECTION

BOARD OF EDUCATION
BUTLER PUBLIC SCHOOLS

HIGH SCHOOL ANNEX BUILDING
BUTLER, NEW JERSEY 07405
Phone: (973) 492-2025 Fax: (973) 492-1016

Mario D. Cardinale
Superintendent

Barbara 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

Dear Board Members:

The comprehensive annual financial report of the Butler Borough School District (District) for the fiscal year ended June 30, 2018, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the 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 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. 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

District currently operates one elementary, one middle and one high school, and completed the 2017-2018 fiscal year with an average daily enrollment of 1,161.2 students. This enrollment is a 2.6% decrease 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 47.09% of the high school enrollment in the 2017-2018 school year.

<u>Fiscal Year</u>	<u>Average Daily Enrollment Student Enrollment</u>	<u>Percent Change</u>
2017-18	1,161.2	-2.6%
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%)

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 \$822,133,350. Residential properties account for 92.5% of the assessed valuations, and the median home value was \$252,827. 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 approximately \$245,000 to its Capital Reserve Fund.

3) MAJOR INITIATIVES (Capital Improvements): District: In 2017-2018, the district completed a two year Energy Savings Improvement Plan, whereby the energy savings realized from the project fully funded 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. The High School Auditorium underwent a complete renovation and the boilers at Aaron Decker School were replaced.

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 2018 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 2019 are on course to satisfy the state standardized testing graduation requirements through PARCC or alternate assessments as outlined by the NJDOE.

Our students at Butler High School continue to gain local, state, and county recognition with regard to achievement in the areas of academics, the arts, and athletics. For the Class of 2018, 86% went on to two or four year colleges or post-secondary technical schools. During the 2017-2018 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 completed a 1:1 Chromebook initiative planned at Butler High School and will continue with this in grades 3-12 for the 2018-2019 school year.

In addition, during the 2017-2018 school year, the district continued 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 is a grade 5- 8 middle school where the primary mission is to provide a safe and secure educational environment that promotes academic excellence and nurtures the social and emotional well-being of all students. Richard Butler School is committed to small class size, personalized instruction, in-class support, and opportunities for both group and individual student recognition. The delivered curriculum is based upon the New Jersey Student Learning Standards. The curriculum enables students to achieve academic success by being self-directed, self-disciplined, and responsible learners. All through the collaborative process, the faculty continuously plans for engaging and challenging lessons for students and works to integrate the curriculum within the various subject matters to provide our students with opportunities to develop skills necessary to acquire, synthesize, and utilize information. A Basic Skills program 5-8 is offered to supplement our Language Arts and Math classes. The school also offers a Resource Center setting, both "pull out" and "in class", in addition to a smaller class setting for students in need of Special Education. In addition to the core academic courses, the students at Richard Butler School have quarter courses to enrich their education. Art, Music, Study Skills (Library Science), and Academic Technology are the course offerings. World Languages in both French and Spanish are offered in grades 6, 7, and 8. In Grade 5, Spanish is integrated into the daily curriculum. Students are also provided an opportunity to participate in an Instrumental Music program. Students in this program take lessons on a rotating schedule and perform in school concerts throughout the year along with playing in special community events. Technology continues to be an integral part of instruction at the Richard Butler School. The computer lab provides time for all students to receive a quarter course as well as serve as an open lab enabling the faculty to bring classes to integrate technology into their content areas. Every student in grades 5-8 carries a Chromebook with them throughout the day. This has allowed teachers and students to integrate more technology into their teaching and learning on a daily basis. Along with academic development, Richard Butler School focuses on the social and emotional needs of each student. Richard Butler School has counselors available on a daily basis to help any student in crisis. Students participate in different social and emotional programs throughout the year. Richard Butler School also provides students extra-curricular activities such as student government, yearbook, chess club, TREPS, T.R.A.C.K., and interscholastic boys and girls basketball.

Aaron Decker School is a Pre-K - 4 elementary school where a combination of strong academic programs alongside a proactive SEL environment supports the development of the whole child. At Aaron Decker School, the New Jersey State Learning Standards are delivered in a supportive environment at each grade level. Grade level teams plan lessons and review data frequently to keep the continuum of learning and growth moving forward. Aaron Decker School offers an inclusive environment at all grade levels where differentiated instruction and support staff provide the necessary modifications for all to succeed. The programs are flexible and accommodate the needs of all types of learners. A Basic Skills program K-4 is offered to supplement our Language Arts and Math classes. The school also offers a Resource Center setting, both "pull out" and "in class", in addition to a smaller class setting for students in need of Special Education. The goal is to accommodate all in the least restrictive environment. The preschool program is a full day program and offers ABA instruction as well as Speech, Occupational Therapy, and Physical Therapy. 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. Technology is infused throughout the entire curriculum. Each student in grade 3 and grade 4 has a Chromebook to use daily to enhance learning. Teachers use smart boards, document cameras and many web based programs to deliver instruction and support the differentiation of all instruction.

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 2017-2018 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 Blended and Flipped Learning techniques, as well as being offered a continued focus on 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 two state approved special education private schools, Inclusive Learning Academy (ILA) and North Jersey Academy for Inclusion which operate self-contained classes on two campuses, Richard Butler Middle School and Butler High School. These offer a program alternative for our students in district. Furthermore, the district has contracted with Northern Regional Education Services Commission to create the Skyland Program for wheelchair bound/medically fragile students.

Special education students in grades 3 through 12 are using instructional software in both special education and regular education classrooms aimed at increasing levels of student learning as shown in math and language arts literacy scores. The district continues to offer self-contained classes (PSD, MHD, LLD), as well as replacement (RC) and supportive services for students experiencing regular education mainstream classes throughout all grades in the district.

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: There were no significant policy changes in 2017-2018.

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, Wielkottz, Cerullo & Cuva, CPA's, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of 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.

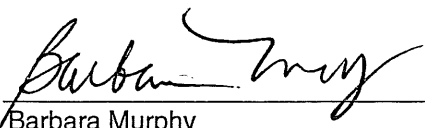
10) AWARDS: Butler High School was honored to be on the 8th Annual Honor Roll for AP courses. The award means that more students are participating and performing well on the AP exams. The District received a Certificate of Excellence in Financial Reporting from ASBO International for the June 30, 2017 audit.

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,

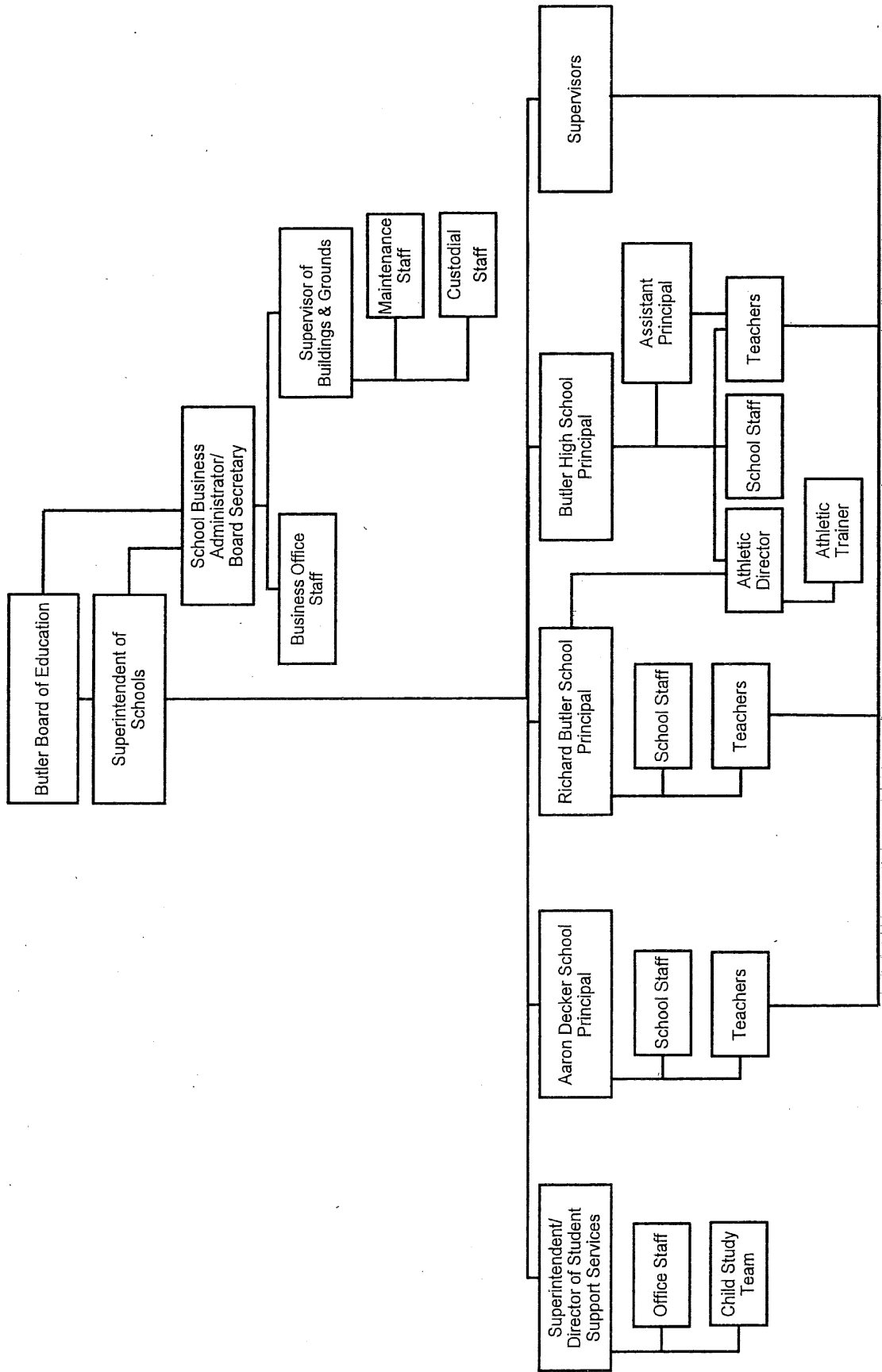


Mario Cardinale
Superintendent



Barbara Murphy
Business Administrator

BUTLER SCHOOL DISTRICT ORGANIZATIONAL CHART



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

**ROSTER OF OFFICIALS
JUNE 30, 2018**

Members of the Board of Education

Term Expires (at Organizational Meeting - first week in January)

Tracy Luciani - President	January 2021
Karen Smith - Vice-President	January 2020
Alison Allison	January 3, 2019
Heather Grecco	January 3, 2019
Jason Karpowich	January 2020
Cynthia Sokoloff	January 2021
Albert Syracuse	January 3, 2019
Jane Tadros	January 2021
Mark Thomas	January 2020
Sheldon Bross (Bloomingdale Representative)	January 3, 2019

Other Officials

Mario Cardinale	Interim Superintendent
Barbara Murphy	Board Secretary/ School Business Administrator
James Kozimor	Treasurer of School Monies
Anthony Sciarillo, 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, 2018

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
9000 Midlantic Drive
Suite 300
Mt. Laurel, NJ 08054

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

Insurance Agent

Balken Risk Management Services, LLC
143 Washington Street
Morristown, NJ 07960

Official Depositories

Lakeland Bank

State of New Jersey Cash Management Fund

Sterling National Bank

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

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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, 2018, 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
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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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 to the basic financial statements in 2018, the Board adopted Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (an Amendment of GASB Statement No. 45). Our opinions are not modified to this matter.

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, Schedules Related to Accounting and Reporting for Pensions and Schedules Related to Accounting and Reporting for Other Post-Employment Benefits 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

Honorable President and
Members of the Board of Education
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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.

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.

Honorable President and
Members of the Board of Education
Page 4.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2019 on our consideration of the Borough of Butler Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal 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, Wielkocz, Cerullo & Cuva, P.A.
FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

Newton, New Jersey

January 23, 2019

REQUIRED SUPPLEMENTARY INFORMATION

PART I

BUTLER BOROUGH PUBLIC SCHOOL DISTRICT
BUTLER BOROUGH

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The discussion and analysis of the 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, 2018. 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 2017-2018 fiscal year are as follows:

- ◆ The School District had \$31,679,117 in expenses (see A-2 District-wide Statement of Activities, Governmental Activities); \$4,706,358 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 \$17,170,590 and \$10,049,881 respectively, were adequate to provide for these programs.
- ◆ The General Fund had \$26,472,388 in revenues and \$27,774,949 in expenditures. The General Fund's fund balance increased by \$202,270 over 2018. (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 2018 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 \$8,451,408 and \$7,902,149 at June 30, 2018 and 2017 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, 2018, and 2017.

Table 1
Net Position
June 30, 2018 and 2017

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Assets:						
Current and Other Assets	4,009,591	5,034,858	69,900	43,634	4,079,491	5,078,492
Capital Assets, net	<u>15,075,531</u>	<u>12,767,450</u>	<u>102,208</u>	<u>58,987</u>	<u>15,177,739</u>	<u>12,826,437</u>
Total Assets	<u>19,085,122</u>	<u>17,802,308</u>	<u>172,109</u>	<u>102,621</u>	<u>19,257,230</u>	<u>17,904,929</u>
Deferred Outflows of Resources:						
Deferred Outflows of Resources Relate to PERS	1,291,762	1,893,152	-	-	1,291,762	1,893,152
Deferred Amount on Refunding	<u>75,257</u>	<u>87,800</u>	<u>-</u>	<u>-</u>	<u>75,257</u>	<u>87,800</u>
Liabilities:						
Current Liabilities	874,773	1,181,017	8,315	7,742	883,087	1,188,759
Noncurrent liabilities	<u>9,894,037</u>	<u>10,520,651</u>	<u>-</u>	<u>-</u>	<u>9,894,037</u>	<u>10,520,651</u>
Total Liabilities	<u>10,768,810</u>	<u>11,701,668</u>	<u>8,315</u>	<u>7,742</u>	<u>10,777,124</u>	<u>11,709,410</u>
Deferred Inflows of Resources:						
Deferred Inflows of Resources Related to PERS	<u>1,395,717</u>	<u>272,321</u>	<u>-</u>	<u>-</u>	<u>1,395,717</u>	<u>272,321</u>
Net Investment in Capital Assets:						
Net of Debt	9,734,107	8,647,927	102,208	56,987	9,836,315	8,704,914
Restricted	3,464,084	4,108,685	-	-	3,464,084	4,108,685
Unrestricted	<u>(4,910,576)</u>	<u>(4,947,342)</u>	<u>61,586</u>	<u>35,892</u>	<u>(4,848,990)</u>	<u>(4,911,450)</u>
Total Net Position	<u>8,287,614</u>	<u>7,809,270</u>	<u>163,794</u>	<u>92,879</u>	<u>8,451,408</u>	<u>7,902,149</u>

The District's combined net position increased by \$549,279 during the year ended June 30, 2018. This was an increase of 6.95% from the prior year.

Table 2 shows changes in net position for fiscal years ended June 30, 2018 and 2017.

Table 2
Changes in Net Position
June 30, 2018 and 2017

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program Revenues:						
Charges for Services	20,250	346,500	280,584	277,123	300,834	623,623
Operating Grants and Contributions	4,686,108	5,286,618	176,521	171,999	4,862,629	5,458,617
General Revenues:						
Property Taxes	17,170,590	16,549,830	-	-	17,170,590	16,549,830
Federal and State Aid not Restricted	10,049,881	9,120,521	-	-	10,049,881	9,120,521
State Aid – Restricted for Debt Service	60,018	59,053	-	-	60,018	59,053
Miscellaneous Income	<u>272,822</u>	<u>198,865</u>	<u>133</u>	<u>124</u>	<u>272,955</u>	<u>198,989</u>
Total Revenues and Transfers	<u>32,259,669</u>	<u>31,561,387</u>	<u>457,238</u>	<u>449,246</u>	<u>32,716,907</u>	<u>32,010,633</u>
Functions/Programs:						
Governmental Activities						
Instruction:						
Regular	11,968,329	12,179,409	-	-	11,968,329	12,179,409
Special Education	3,442,786	3,200,743	-	-	3,442,786	3,200,743
Other Special Education	524,529	468,999	-	-	524,529	468,999
Other Instruction	593,022	534,331	-	-	593,022	534,331
Support Services:						
Tuition	2,257,462	1,947,125	-	-	2,257,462	1,947,125
Student & Instruction Related Services	4,748,555	4,706,411	-	-	4,748,555	4,706,411
General Administrative Services	765,324	691,364	-	-	765,324	691,364
School Administrative Services	1,702,815	1,550,794	-	-	1,702,815	1,550,794
Central Services & Administrative Inform. Tech	746,583	668,895	-	-	746,583	668,895
Plant Operations and Maintenance	3,060,034	2,979,830	-	-	3,060,034	2,979,830
Pupil Transportation	1,085,852	858,588	-	-	1,085,852	858,588
Capital Outlay – Non-depreciable	27,599	137,099	-	-	27,599	137,099
Interest on Long Term Debt	12,543	12,543	-	-	12,543	12,543
Unallocated Depreciation	719,342	705,993	-	-	719,342	705,993
Food Service	-	-	437,276	459,843	437,276	459,843
Transfer to Carter School	<u>24,342</u>	<u>24,343</u>	<u>-</u>	<u>-</u>	<u>24,342</u>	<u>24,343</u>
Total Expenses and Transfers	<u>31,679,117</u>	<u>30,666,466</u>	<u>437,276</u>	<u>459,843</u>	<u>32,116,393</u>	<u>31,126,309</u>
Increase/Decrease in Net Position	<u>580,552</u>	<u>894,921</u>	<u>19,963</u>	<u>(10,597)</u>	<u>600,515</u>	<u>884,324</u>
Net Position – Beginning (as previously reported)	7,809,270	6,844,657	92,879	103,475	7,902,149	6,948,133
Net Position Restatement (Note 17)	<u>(102,208)</u>	<u>69,692</u>	<u>50,952</u>	<u>-</u>	<u>(51,256)</u>	<u>69,692</u>
Net Position – Beginning (restated)	<u>7,707,062</u>	<u>6,914,349</u>	<u>143,831</u>	<u>103,475</u>	<u>7,850,894</u>	<u>7,017,824</u>
Net Position – Ending	<u>8,287,614</u>	<u>7,809,270</u>	<u>163,794</u>	<u>92,879</u>	<u>8,451,408</u>	<u>7,902,149</u>

Governmental Activities

The District's total governmental activities' revenues, which include State and Federal Grants, were \$32,259,669 for the year ended June 30, 2018 a decrease of \$698,282 or 2.21% over the previous year. A significant amount of this decrease 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 \$4,756,924. Property taxes of \$17,170,590 represent 62.32% of revenues. Another significant portion of revenues came from State, Federal and Tuition from Other LEAs; total State, Federal, Tuition from other LEAs was \$14,816,257. Another source of revenues is miscellaneous income, which includes items such as rentals, prior year refunds, interest, etc. which amounts to \$272,842 or less than 1% of total revenues.

The total cost of all governmental program and services was \$31,679,117. The District's expenses are predominantly related to educating and caring for students. Instruction totaled \$16,528,666 or 52.17% of total expenses. Support services totaled \$14,366,625 or 45.35% 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 \$783,826 or 2.48% of total expenses.

Total governmental activities revenues surpassed expenses, increasing net position \$580,552 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 greater than expenditures resulting in an increase in net position of \$19,963.
- ◆ Charges for services represent \$280,584 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 \$176,521, an increase of \$4,522 over 2017.

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 2017 follows, as well as a description of the various expenditure areas.

Table 3

	<u>Total Cost of Services 2018</u>	<u>Net Cost of Services 2018</u>	<u>Total Cost of Services 2017</u>	<u>Net Cost of Services 2017</u>
Instruction	16,528,666	13,782,661	16,383,482	12,895,739
Support services				
Pupils and instructional staff	7,006,017	6,066,235	6,653,536	5,659,566
General administration, school administration, business	3,214,722	2,786,637	2,911,053	2,438,393
Operation and maintenance of facilities	3,060,034	2,467,548	2,979,830	2,301,084
Pupil transportation	1,085,852	1,085,852	858,588	858,588
Interest on Long Term Debt	12,543	12,543	12,543	12,543
Transfer to Charter School	24,342	24,342	24,343	24,343
Unallocated Depreciation	719,342	719,342	705,993	705,993
Capital Outlay - Non-depreciable	<u>27,599</u>	<u>27,599</u>	<u>137,099</u>	<u>137,099</u>
Total governmental expenses	<u>\$31,679,117</u>	<u>\$26,972,759</u>	<u>\$30,666,466</u>	<u>\$25,033,347</u>

The total cost for 2018 increased by \$1,012,651 from 2017, or 3.30%. This decrease is mainly attributed to the increase in indirect expenses allocated for employee benefits related to GASB No. 75.

The total net cost for 2018 is an increase of \$1,939,412 over 2017, or 7.75%. This value is again mainly attributed to the increase in indirect expenses allocated for employee benefits related to GASB No. 75.

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 \$27,483,125 and expenditures of \$29,910,315.

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, 2018, 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 2017</u>	<u>Percent Increase/ (Decrease) from 2017</u>
Local Sources	21,726,656	79.05%	91,316	4.22%
State Sources	5,299,274	19.28%	318,413	6.39%
Federal Sources	<u>457,195</u>	<u>1.67%</u>	<u>17,698</u>	4.03%
Total	<u>\$27,483,125</u>	<u>100.00%</u>	<u>\$1,435,851</u>	

The following schedule presents a summary of general fund, special revenue fund, capital projects fund, and debt service fund expenditures for the fiscal year ended June 30, 2018.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2017</u>	<u>Percent Increase/ (Decrease) From 2017</u>
Current:				
Instruction	9,113,588	30.47%	100,385	1.11%
Undistributed expenditures	17,095,008	57.15%	1,232,212	7.77%
Capital Outlay	3,099,195	10.36%	1,901,239	158.71%
Debt Service	602,524	2.02%	<u>8,888</u>	1.50%
Total	<u>29,910,315</u>	<u>100.00%</u>	<u>3,242,724</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 2018, 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 \$3,043,453 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 \$256,469 over the budgeted amount. This was mainly attributable to a significant increase in Extraordinary Aid from the state.
- ◆ The actual expenditures appear to be \$3,255,382 higher than expected. Once again, after the removal of the TPAF reported numbers, as well as, the amount of expenditures relating to the lease purchase financing of boilers and lighting, expenditures are \$1,332,461 less than originally budgeted. This can be attributed to expenditures being less than projected in many areas including: special education – instruction; utilities; judgements against the district; and employee benefits.

Capital Assets

New capital asset purchases and construction in progress for the year totaled \$3,071,597. The District is nearing completion of the project to renovate the HS Auditorium, replace the Aaron Decker School Boiler and the district-wide abatement of asbestos. More information on capital assets may be found in Note 6 to the financial statements.

Debt Administration

At June 30, 2018 the School district had \$3,591,000 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 Patrick Tierney, School Business Administrator/Board Secretary at Butler Borough Board of Education, High School Annex Building, Butler, NJ 07405 or email at ptierney@butlerboe.org.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

BUTLER BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	2,155,270	35,428	2,190,697
Receivables, net	903,814	27,666	931,480
Inventory		6,807	6,807
Restricted Assets:			
Capital Reserve Account - Cash	950,508	-	950,508
Capital Assets:			
Construction in Progress	1,412,391	-	1,412,391
Other Capital Assets, net	13,663,140	102,208	13,765,348
Total Assets	<u>19,085,122</u>	<u>172,109</u>	<u>19,257,230</u>
DEFERRED OUTFLOWS			
Deferred Outflows of Resources Related to PERS	1,291,762	-	1,291,762
Deferred Amount on Refunding	75,257	-	75,257
Total Deferred Outflows	<u>1,367,019</u>	<u>-</u>	<u>1,367,019</u>
LIABILITIES			
Accounts Payable	197,281	-	197,281
Contracts Payable	21,589	-	21,589
Accrued Interest on Bonds	50,446	-	50,446
Unearned Revenue	500	8,315	8,815
Noncurrent Liabilities:			
Due Within One Year	604,956	-	604,956
Due Beyond One Year	9,894,037	-	9,894,037
Total Liabilities	<u>10,768,810</u>	<u>8,315</u>	<u>10,777,124</u>
DEFERRED INFLOWS			
Deferred Inflows of Resources Related to PERS	1,395,717	-	1,395,717
NET POSITION			
Net Investment in Capital Assets	9,734,107	102,208	9,836,315
Restricted for:			
Debt Service	1	-	1
Capital projects	989,632	-	989,632
Other Purposes	2,474,450	-	2,474,450
Unrestricted	(4,910,576)	61,586	(4,848,990)
Total Net Position	<u>8,287,614</u>	<u>163,794</u>	<u>8,451,408</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, 2018**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and	Governmental Activities	Business-type Activities	Total
Governmental Activities:								
Instruction:								
Regular	6,425,159	5,543,170	20,250	2,105,193		(9,842,885)	-	(9,842,885)
Special Education	1,840,243	1,602,543	-	539,776		(2,903,009)	-	(2,903,009)
Other Special Instruction	275,414	249,115	-	80,784		(443,745)	-	(443,745)
Other instruction	593,022	-	-	-		(593,022)	-	(593,022)
Support services:								
Tuition	2,257,462	-	-	-		(2,257,462)	-	(2,257,462)
Student & Instruction Related Services	2,992,736	1,755,819	-	939,782		(3,808,773)	-	(3,808,773)
General Administrative Services	538,983	226,341	-	158,093		(607,230)	-	(607,230)
School Administrative Service	920,473	782,342	-	269,991		(1,432,823)	-	(1,432,823)
Central Services and Admin. Info. Tech.	582,828	163,755	-	-		(746,583)	-	(746,583)
Plant Operations and Maintenance	2,019,951	1,040,084	-	592,488		(2,467,547)	-	(2,467,547)
Pupil Transportation	1,085,852	-	-	-		(1,085,852)	-	(1,085,852)
Capital Outlay - Non Depreciable	27,599	-	-	-		(27,599)	-	(27,599)
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	-	719,342	-	-		(719,342)	-	(719,342)
Total Governmental Activities	19,596,607	12,082,510	20,250	4,686,108	-	(26,972,759)	-	(26,972,759)
Business-type Activities:								
Food Service	437,276	-	280,584	176,521	-	-	19,829	19,829
Total Business-type Activities	437,276	-	280,584	176,521	-	-	19,829	19,829
Total Primary Government	20,033,883		300,834	4,862,629	-	(26,972,759)	19,829	(26,952,930)
General Revenues:								
Taxes:								
Property Taxes, levied for general purposes, net						16,628,085	-	16,628,085
Taxes Levied for Debt Service						542,505	-	542,505
Federal and State Aid not restricted						10,049,881	-	10,049,881
State Aid - Restricted for Debt Service						60,018	-	60,018
Investment Earnings						10,560	133	10,694
Miscellaneous Income						262,262	-	262,262
Total General Revenues						27,553,311	133	27,553,445
Change in Net Position						580,552	19,963	600,515
Net Position - Beginning (Restated)						7,707,062	143,831	7,850,894
Net Position - Ending						8,287,614	163,794	8,451,408

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, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	2,089,569	4,985	60,714	1	2,155,270
Due from Other Funds	21,751	-	-	-	21,751
Receivable from State Government	436,351	15,766	-	-	452,117
Receivables from Other Governments	450,197	-	-	-	450,197
Receivables other	-	1,500	-	-	1,500
Restricted Cash and Cash Equivalents	950,508	-	-	-	950,508
Total Assets	3,948,376	22,251	60,714	1	4,031,342
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund Loans Payable	-	21,751	-	-	21,751
Contracts Payable	-	-	21,589	-	21,589
Unearned Revenue Local Grants	-	500	-	-	500
Total Liabilities	-	22,251	21,589	-	43,840
Fund Balances:					
Committed to:					
Capital Reserve Account	950,508	-	-	-	950,508
Restricted for:					
Debt Service	-	-	-	1	1
Capital Projects	-	-	39,124	-	39,124
Excess Surplus	1,105,889	-	-	-	1,105,889
Excess Surplus Designated for for Subsequent Year's Expenditures	1,147,309	-	-	-	1,147,309
Assigned to:					
Other Purposes	27,362	-	-	-	27,362
Designated for Subsequent Year's Expenditures	193,890	-	-	-	193,890
Unassigned:					
General Fund	523,418	-	-	-	523,418
Total Fund Balances	3,948,376	-	39,124	1	3,987,501
Total Liabilities and Fund Balances	3,948,376	22,251	60,714	1	

Amounts reported for *governmental activities* 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	(197,281)
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	1,291,762
Deferred Inflows of Resources Related to PERS Pension Liability	(1,395,717)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$24,531,938 and the accumulated depreciation is \$9,836,310.	15,075,531
Deferred interest costs are not reported as expenditures in the governmental fund in the year of the expenditure.	75,257
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(10,498,993)
Net position of governmental activities	8,287,614

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, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local sources:					
Local Tax Levy	16,628,085	-	-	542,505	17,170,590
Tuition - Other LEA's Within the State	4,275,204	-	-	-	4,275,204
Tuition - Individuals	2,690	-	-	-	2,690
Rentals	99,160	-	-	-	99,160
Interest on Investments	9,646	-	-	-	9,646
Interest Earned on Capital Reserve Funds	914	-	-	-	914
Refund of Prior Year's Expenditures	52,933	-	-	-	52,933
Miscellaneous Income	110,168	5,350	-	-	115,518
Total - Local Sources	21,178,801	5,350	-	542,505	21,726,656
State sources	5,239,256	-	-	60,018	5,299,274
Federal sources	54,331	402,864	-	-	457,195
Total revenues	26,472,388	408,214	-	602,523	27,483,125
EXPENDITURES					
Current:					
Regular Instruction	6,084,370	320,539	-	-	6,404,909
Special Education Instruction	1,840,243	-	-	-	1,840,243
Other Special Instruction	275,414	-	-	-	275,414
Other Instruction	593,022	-	-	-	593,022
Support Services and Undistributed Costs:					
Tuition	2,257,462	-	-	-	2,257,462
Student & Instruction Related Services	2,905,060	87,675	-	-	2,992,736
General Administrative Services	538,983	-	-	-	538,983
School Administrative Services	920,473	-	-	-	920,473
Central Services and Admin. Infor. Tech.	582,828	-	-	-	582,828
Plant Operations and Maintenance	2,019,951	-	-	-	2,019,951
Pupil Transportation	1,085,852	-	-	-	1,085,852
Unallocated Employee Benefits	6,672,382	-	-	-	6,672,382
Food Service - Transfers to Cover Deficit	24,342	-	-	-	24,342
Capital Outlay	1,974,567	-	1,124,628	-	3,099,195
Debt Service:					
Principal	-	-	-	485,000	485,000
Interest and Other Charges	-	-	-	117,524	117,524
Total Expenditures	27,774,949	408,214	1,124,628	602,524	29,910,315
Excess (Deficiency) of Revenues					
Over Expenditures	(1,302,561)	-	(1,124,628)	(1)	(2,427,190)
OTHER FINANCING SOURCES (USES)					
Lease Purchasing Financing	1,797,859	-	-	-	1,797,859
Capital Reserve Transfer to Capital Projects	(293,028)	-	293,028	-	-
Total Other Financing Sources and Uses	1,504,831	-	293,028	-	1,797,859
Net Change in Fund Balances	202,270	-	(831,600)	(1)	(629,331)
Fund Balance—July 1 -	3,746,106	-	870,724	2	4,616,832
Fund Balance—June 30	3,948,376	-	39,124	1	3,987,501

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, 2018

Total net change in fund balances - governmental funds (from B-2) (629,331)

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	(661,307)	
	Depreciable Capital Outlays	<u>3,071,597</u>	
			<u>2,410,289</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	485,000
	Principal Payments on Capital Leases	90,957

Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term in the statement of net assets.

	Capital lease proceeds	(1,797,859)
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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	191,841	
	Less: Pension Expense	<u>(223,838)</u>	
	Increase/(Decrease) in Pension Expense		(31,997)

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	2,877,676
	Increase in On-behalf TPAF Pension Expense	(2,877,676)

Per GASB No. 68 Non-employer contributing entities are required to record an increases in revenue and expense for On-behalf TPAF post retirement medical 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 Post Retirement Medical Revenue	1,878,618
	Increase in On-behalf State Aid TPAF Post Retirement Medical Expense	(1,878,618)

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

	(Increase)/Decrease in Compensated Absences Payable	<u>66,036</u>
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Change in net position of governmental activities

	<u><u>580,552</u></u>
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The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

BUTLER BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Business-type Activities - Enterprise Funds
	Food Service
ASSETS	
Current Assets:	
Cash and Cash Equivalents	35,428
Intergovernmental Receivables:	
Federal	26,851
State	815
Inventories	6,807
Total Current Assets	69,900
Noncurrent Assets:	
Furniture, Machinery & Equipment	175,634
Less Accumulated Depreciation	(73,425)
Total Noncurrent Assets	102,208
Total Assets	172,109
LIABILITIES	
Unearned Revenue:	
Prepaid Sales	6,279
Federal Food Distribution Program	2,035
Total Current Liabilities	8,315
NET POSITION:	
Restricted for:	
Net Investment in Capital Assets	102,208
Unrestricted	61,586
Total Net Position	163,794

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, 2018

	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	148,102	-
Daily Sales - Non-reimbursable lunch programs	130,679	-
Fees from Other LEA's Within the State	-	20,250
Miscellaneous	1,803	-
Total Operating Revenues	<u>280,584</u>	<u>20,250</u>
Operating Expenses:		
Cost of Sales- Reimbursable	170,132	-
Cost of Sales - Non-reimbursable	53,637	-
Salaries	138,618	20,250
Employee Benefits	20,101	-
Supplies and Materials	572	-
Management Fees	16,500	-
Insurance	12,868	-
Repairs	5,955	-
Depreciation	5,732	-
Miscellaneous	13,163	-
Total Operating Expenses	<u>437,276</u>	<u>20,250</u>
Operating Income/(Loss)	<u>(156,692)</u>	<u>-</u>
Nonoperating Revenues/(Expenses):		
State Sources:		
State School Lunch Program	4,256	-
Federal Sources:		
National School Lunch Program	121,462	-
Breakfast Program	19,919	-
Food Distribution Program	30,884	-
Interest and Investment Revenue	133	-
Total Nonoperating Revenues/(Expenses)	<u>176,654</u>	<u>-</u>
Change in net position	19,963	-
Total Net Assets - Balance, beginning of year as previously reported	92,879	-
Prior Period Adjustment for transfer of net book value of assets to General Fund	<u>50,953</u>	<u>-</u>
Total Net Position- Beginning as restated	<u>143,831</u>	<u>-</u>
Total Net Position - Ending	<u><u>163,794</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, 2018

	Business-type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
	Food Service	Academy for Law and Public Safety
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Receipts from Customers	281,367	20,250
Cash Payments to Employees for Services	(138,618)	(20,250)
Cash Payments to Suppliers for Goods and Services	(294,486)	-
Net Cash Provided by/(Used for) Operating Activities	<u>(151,737)</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Sources	3,675	-
Federal Sources	154,375	-
Net Cash Provided by/(Used for) Non-capital Financing Activities	<u>158,050</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends	133	-
Net Increase/(Decrease) in Cash and Cash Equivalents	6,446	-
Balances—Beginning	28,981	-
Balances—Ending	<u>35,428</u>	<u>-</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided by (Used) Operating Activities:		
Operating Income/(Loss)	(156,692)	-
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used for) Operating Activities:		
Depreciation	5,732	-
(Increase)/Decrease in Inventories	(1,349)	-
(Increase)/Decrease in Interfund Payable	783	-
Increase/(Decrease) in Food Distribution Program	(211)	-
Total Adjustments	<u>4,955</u>	<u>-</u>
Net Cash Provided by/(Used for) Operating Activities	<u>(151,737)</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, 2018

	Unemployment Compensation Trust	Private Purpose Scholarship Fund	Agency Fund
ASSETS			
Cash and Cash Equivalents	130,323	362,603	468,830
	<u>130,323</u>	<u>362,603</u>	<u>468,830</u>
LIABILITIES			
Accrued Salaries and Wages	-	-	326,061
Flexible Spending	-	-	11,693
Payable to Student Groups	-	-	106,808
Payroll Deductions and Withholdings	-	-	24,267
	<u>-</u>	<u>-</u>	<u>468,830</u>
Total Liabilities	-	-	468,830
NET POSITION			
Held in Trust for Unemployment Claims and Other Purposes	130,323		
Reserved for Scholarships		362,603	

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, 2018

	Unemployment Compensation Trust	Private Purpose Scholarship Fund
ADDITIONS		
Contributions:		
Plan Member	20,863	-
Other	-	28,023
Total Contributions	20,863	28,023
Investment Earnings:		
Interest	247	824
Net Investment Earnings	247	824
 Total Additions	 21,111	 28,847
DEDUCTIONS		
Unemployment Claims	7,632	-
Scholarships Awarded	-	19,301
Total Deductions	7,632	19,301
 Change in Net Position	 13,479	 9,546
 Net Position - Beginning	 116,844	 353,057
 Net Position - Ending	 130,323	 362,603

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, 2018**

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, 2018**

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, 2018**

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, 2018**

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, 2018**

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, 2018**

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 11th day of the 11th 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 2016-2017 and 2017-2018 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, 2018**

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, 2018**

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, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018, 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, 2018**

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, 2018**

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, 2018**

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, 2017 audited excess surplus that was appropriated in the 2018-2019 original budget certified for taxes.

Excess Surplus - This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2018 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, 2018**

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 2018-2019 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.

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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. 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 and was implemented by the District for the year ended June 30, 2018.

Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Y. Recent Accounting Pronouncements (continued)

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 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 implemented this statement for the year ended June 30, 2018.

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 had no transactions of this type for the year ended June 30, 2018.

In June 2017, the Government Accounting Standards Board issued GASB Statement 87, Leases, which improves accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the fundamental principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The District is currently reviewing what effect, if any, this Statement may have on future financial statements.

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Y. Recent Accounting Pronouncements (continued)

In March 2018, the Government Accounting Standards Board issued GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placement. The objective of this Statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. This Statement is effective for reporting periods beginning after June 15, 2018. The District believes this may impact the disclosures relating to debt in the notes to the 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, 2018, \$-0- of the District's bank balance of \$4,658,941 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, 2018**

NOTE 3. RECEIVABLES

Receivables at June 30, 2018 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 Fund	Enterprise Fund	District Wide Financial <u>Statements</u>
State Aid	\$453,617	\$ -	\$ 815	\$454,432
Federal Aid	-	-	26,851	26,851
Interfunds	21,751	-	-	-
Other	<u>450,197</u>	<u>-</u>	<u>-</u>	<u>450,197</u>
Gross Receivables	<u>925,565</u>	<u>-</u>	<u>27,666</u>	<u>931,480</u>
Less: Allowances for Uncollectables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Receivables, Net	<u>\$925,565</u>	<u>\$ -</u>	<u>\$27,666</u>	<u>\$931,480</u>

NOTE 4. INTERFUND BALANCES AND ACTIVITY

Balance due to/from other funds at June 30, 2018 consists of the following:

Due to General Fund from the Special Revenue Fund for short term loans.	<u>\$21,751</u>
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It is anticipated that all interfunds will be liquidated within the fiscal year.

During the year ended June 30, 2018, there was a transfer of \$293,894 from the General Fund to the Capital Projects Fund to fund the local share of Capital Projects.

Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2018

NOTE 5. CAPITAL ASSETS

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

Governmental Activities:	<u>Balance 6/30/17</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Balance 6/30/18</u>
Capital Assets, Not Being Depreciated					
Construction in Progress	<u>741,309</u>	<u>671,082</u>	<u>-</u>	<u>-</u>	<u>1,412,391</u>
Total Capital Assets, Not Being Depreciated	<u>741,309</u>	<u>671,082</u>	<u>-</u>	<u>-</u>	<u>1,412,391</u>
Capital Assets Being Depreciated					
Building & Improvements	16,077,595	2,206,647	-	-	18,284,242
Site Improvements	3,567,838	123,539	-	-	3,691,376
Furniture, Equipment and Vehicles	<u>1,559,962</u>	<u>70,329</u>	<u>(4,250)</u>	<u>(175,634)</u>	<u>1,450,407</u>
Total Capital Assets Being Depreciated	<u>21,205,394</u>	<u>2,400,515</u>	<u>(4,250)</u>	<u>(175,634)</u>	<u>23,426,025</u>
Governmental Activities Capital Assets	<u>21,965,703</u>	<u>3,071,597</u>	<u>(4,250)</u>	<u>(175,634)</u>	<u>24,838,415</u>
Less: Accumulated Depreciation:					
Site Improvements	(1,395,519)	(181,119)	-	-	(1,576,638)
Building Improvements	(6,754,257)	(362,262)	-	-	(7,116,519)
Furniture, Equipments and Vehicles	<u>(1,029,477)</u>	<u>(117,926)</u>	<u>4,250</u>	<u>73,425</u>	<u>(1,069,728)</u>
Total Accumulated Depreciation	<u>(9,179,253)</u>	<u>(661,307)</u>	<u>4,250</u>	<u>73,425</u>	<u>(9,762,885)</u>
Total Capital Assets Being Depreciated, Net	<u>12,026,141</u>	<u>1,739,208</u>	<u>-</u>	<u>(102,208)</u>	<u>13,663,140</u>
Governmental Activities Capital Assets, Net	<u>12,767,450</u>	<u>2,410,289</u>	<u>-</u>	<u>(102,208)</u>	<u>15,075,531</u>
Business Type Activity					
Equipment	<u>120,550</u>	<u>-</u>	<u>-</u>	<u>55,084</u>	<u>175,634</u>
Total	<u>120,550</u>	<u>-</u>	<u>-</u>	<u>55,084</u>	<u>175,634</u>
Less Accumulated Depreciation:					
Equipment	<u>(63,563)</u>	<u>(5,732)</u>	<u>-</u>	<u>(4,131)</u>	<u>(73,425)</u>
Total Accumulated Depreciation	<u>(63,563)</u>	<u>(5,732)</u>	<u>-</u>	<u>(4,131)</u>	<u>(73,425)</u>
Net Business-Type Activity Capital Assets, Net	<u>56,987</u>	<u>(5,732)</u>	<u>-</u>	<u>50,953</u>	<u>102,208</u>

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2018**

NOTE 5. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

Instruction:

Regular Education	\$ 4,612
Special Education	6,113
Student & Instruction Related Services	24,865
School Administrative Services	264
Plant Operations and Maintenance	23,635
Unallocated	<u>601,818</u>

Total Depreciation Expense \$661,307

NOTE 6. LONG-TERM OBLIGATION ACTIVITY

Changes in long-term obligations for the fiscal year ended June 30, 2018 were as follows:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Increases</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due Within</u> <u>One Year</u>	<u>Long-Term</u> <u>Portion</u>
Capital Leases	43,522	1,797,859	90,957	17,750,424	108,956	1,641,468
Compensated Absences Payable	502,382	-	66,036	436,346	-	436,346
Net Pension Liability -PERS	6,409,425	-	1,688,202	4,721,223	-	4,721,223
School Bonds of 2009 Refunding School Bonds of 2012	2,031,000	-	200,000	1,831,000	201,000	1,630,000
	<u>2,045,000</u>	<u>-</u>	<u>285,000</u>	<u>1,760,000</u>	<u>295,000</u>	<u>1,465,000</u>
	<u>11,031,329</u>	<u>1,797,859</u>	<u>2,330,195</u>	<u>10,498,993</u>	604,956	<u>9,894,037</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, 2018**

NOTE 6. LONG-TERM OBLIGATION ACTIVITY (continued)

A. Bonds Payable (continued)

Outstanding Bonds Payable at June 30, 2018, 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, 2018</u>
School Bonds of 2009 (Various School Renovations)	3,046,000	7/01/2009	2.00-4.00%	7/01/2024	\$1,831,000
Refunding Bonds of 2012 (Refunding School Bonds of 2004)	2,920,000	2/01/2012	2.00-2.56%	2/01/2024	<u>1,760,000</u>
					<u>\$3,591,000</u>

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	565,000	42,075	607,075
2024-2025	865,000	30,350	895,350

B. Bonds Authorized but not Issued

As of June 30, 2018, there were no Authorized but not Issued Bonds.

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2018**

NOTE 7. CAPITAL LEASES PAYABLE

The District is leasing nine copiers with a lease term of five years ending February 2019. Additionally, in 2017-2018, the District financed boilers and lighting upgrades through a lease purchase agreement. Payments began in 2018 and will be made semi-annually thru 2017 with a stated rate of 2.99%. The following is a schedule of the future minimum lease payments under these capital leases and the present value of the net minimum lease payments at June 30, 2018:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 160,420
2020	107,365
2021	106,078
2022	106,886
2023	106,070
2024-2028	559,708
2029-2033	627,162
2034-2037	<u>553,195</u>
Total Minimum lease payables	2,326,884
Less: Amount representing interest	<u>(576,460)</u>
Present Value of Net Minimum Lease Payments	<u>\$1,750,424</u>

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

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.

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2018**

NOTE 8. PENSION PLANS (continued)

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 1/55th 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 1/60th 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, 2018**

NOTE 8. PENSION PLANS (continued)

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:

<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 1/55th 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 1/60th 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, 2018**

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>
6/30/18	\$191,841	\$38,146
6/30/17	193,834	28,215
6/30/16	194,941	26,782

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>
6/30/18	\$1,256,248	\$831,074	\$30,486	\$1,630
6/30/17	967,798	835,614	35,066	1,986
6/30/16	665,977	832,497	33,175	-

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, 2018**

NOTE 8. PENSION PLANS (continued)

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$670,546 during the year ended June 30, 2018 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, 2018, the District had a liability of \$4,721,223 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of 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, 2017, the District's proportion was 0.0202815608 percent, which was a decrease of 0.0013593770 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$191,841. At June 30, 2018, 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	\$111,169	\$ -
Changes of assumptions	951,164	947,677
Net difference between projected and actual earnings on pension plan investments	32,148	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	-	448,040
District contributions subsequent to the measurement date	<u>197,281</u>	<u>-</u>
Total	<u>\$1,291,762</u>	<u>\$1,395,717</u>

The \$197,281 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, 2018, the plan measurement date is June 30, 2017) 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, 2018**

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:	
2018	\$111,142
2019	167,716
2020	101,627
2021	(135,165)
2022	(98,517)

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 5.48, 5.57, 5.72 and 6.44 years for 2017, 2016, 2015 and 2014 amounts, respectively.

Additional Information

Local Group Collective balances at June 30, 2017 and June 30, 2016 are as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Collective deferred outflows of resources	\$6,424,455,842	\$8,685,338,380
Collective deferred inflows of resources	5,700,625,981	870,133,595
Collective net pension liability	23,278,401,588	29,617,131,759
District's Proportion	0.0202815608%	0.0216409378%

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2018**

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, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which rolled forward to June 30, 2017. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	2.25 Percent
Salary Increases:	
Through 2026	1.65-4.15 Percent (based on age)
Thereafter	2.65-5.15 Percent (based on age)
Investment Rate of Return	7.00 Percent

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

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, 2018**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U. S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U. S. Equity	30.00%	8.19%
Non-U. S. Developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2018**

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 5.00% and 3.98% as of June 30, 2017 and 2016, 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 3.58% and 2.85% as of June 30, 2017 and 2016, 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:

	June 30, 2017		
	1% Decrease <u>4.00%</u>	At Current Discount Rate <u>5.00%</u>	1% Increase <u>6.00%</u>
District's proportionate share of the pension liability	\$5,856,998	\$4,721,223	\$3,774,982

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.

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2018**

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, 2018 was as follows:

Net Pension Liability:	
District's proportionate share	\$ -
State's proportionate share associated with the District	<u>60,114,231</u>
	<u>\$60,114,231</u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017. 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, 2017, the proportion of the TPAF net pension liability associated with the District was 0.0891590278%.

For the year ended June 30, 2018, the District recognized on-behalf pension expense and revenue of \$2,119,438 for contributions provided by the State in the District-Wide Financial Statements.

Actuarial Assumptions

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

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2018**

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

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

Long-Term Expected Rate of Return

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

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2018**

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>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U. S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U. S. Equity	30.00%	8.19%
Non-U. S. Developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 4.25% and 3.22% as of June 30, 2017 and 2016, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% and 2.85% as of June 30, 2017 and 2016, 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 40% 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 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the 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.

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2018**

NOTE 9. POST-RETIREMENT BENEFITS

General Information about the OPEB Plan

Plan Description and Benefits Provided

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. 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 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.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB No. 75.

Employees covered by benefits terms. At June 30, 2017, the following employees were covered by the benefit terms:

TPAF participant retirees:

As of June 30, 2017, there were 112,966 retirees receiving post-retirement medical benefits, and the State Contributed \$1.39 billion on their behalf.

PERS participant retirees:

The State paid \$238.9 million toward Chapter 126 benefits for 209,913 eligible retired members in Fiscal Year 2017.

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2018**

NOTE 9. POST-RETIREMENT BENEFITS (continued)

Total OPEB Liability

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The LEA's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASB No. 75 is zero percent. Accordingly, the LEA did not recognize any portion of the collective OPEB liability on the Statement of Net Position. Accordingly, the following OPEB liability note information is reported at the State's level for the State Health Benefit Local Education Retired Employee's Plan and is not specific to the board of education/board of trustees, and could be found at <https://www.state.nj.us/treasury/pensions/GASBnotices> OPEB.

The portion of the OPEB Liability that was associated with the District recognized at June 30, 2018 was as follows:

OPEB Liability:	
District's proportionate share	\$ -0-
State's proportionate share associated with the District	<u>50,814,554</u>
	<u>\$50,814,554</u>

Actual Assumptions and Other Imputes

The total OPEB liability in the June 30, 2017 actuarial valuation reported by the State in the State's Report of Total Nonemployer OPEB Liability for the State Health Benefit Local Education Retired Employee's Plan was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Total Nonemployer OPEB Liability

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

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2018**

NOTE 7. POST-RETIREMENT BENEFITS (continued)

Inflation rate	2.50%	
	<u>TPAF/ABP</u>	<u>PERS</u>
Salary increases:		
Through 2026	1.55 - 4.55% based on years of service	2.15 - 4.15% based on age
Thereafter	2.00 - 5.45% based on years of service	3.15 - 5.15% based on age

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

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

(a) Health Care Trend Assumptions

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

(b) Discount Rate

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

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2018**

NOTE 9. POST-RETIREMENT BENEFITS (continued)

Sensitivity of Total Nonemployer OPEB Liability to Changes in the Discount Rate

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

Sensitivity of the Total Nonemployer OPEB Liability to Changes in the Healthcare Cost Trend Rates:

Because the District's proportionate share of the OPEB liability is zero, consideration of potential changes in the healthcare cost trend rates is not applicable to the District.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the year ended June 30, 2018, the board of education/board of trustees recognized on-behalf OPEB expense of \$2,709,692 in the district-wide financial statements as determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASB No. 75 and in which there is a special funding situation.

In accordance with GASB No. 75, the Borough of Butler School District proportionate share of school retirees OPEB is zero; therefore, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources.

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.	

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2018**

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. 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:

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2018**

NOTE 11. RISK MANAGEMENT (continued)

<u>Fiscal year</u>	<u>Interest Earnings/ District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017-2018	\$247	\$20,863	\$ 7,632	\$130,323
2016-2017	230	19,865	16,522	116,844
2015-2016	214	19,219	11,651	113,271

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.

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

Beginning balance, July 1, 2017	\$1,001,621
Capital Projects Excess Transferred back	
Budgeted Withdrawal from Capital Reserve	(293,028.)
Interest earnings	914
Deposit:	
Board Resolution	<u>241,000</u>
Ending balance, June 30, 2018	<u>\$950,508</u>

The balance in the capital reserve account at June 30, 2018 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.

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2018**

NOTE 13. FUND BALANCE APPROPRIATED

General Fund [Exhibit B-1] - Of the \$3,948,376 General Fund fund balance at June 30, 2018, \$27,362 is reserved for encumbrances; \$2,253,198 is reserved as excess surplus in accordance with *N.J.S.A. 18A:7F-7*, \$1,147,309 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2019; \$950,508 has been reserved in the Capital Reserve Account; \$193,890 has been appropriated and included as anticipated revenue for the year ending June 30, 2019; and \$523,418 is unreserved and unassigned.

NOTE 14 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, 2018 is \$2,253,198. Of this amount, \$1,105,889 is the result of current year operation, and \$1,147,309 is the result of prior year operations.

NOTE 15. INVENTORY

Inventory in the Food Service Fund at June 30, 2018 consisted of the following:

Food	\$5,097
Supplies	<u>1,710</u>
	<u>\$6,807</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.

**Borough of Butler School District
Notes to the Basic Financial Statements
for the fiscal year ended June 30, 2018**

NOTE 16. RESTATEMENT

Net position for June 30, 2017 were restated to adjust capital assets net of depreciation for the updated fixed asset report, dated August 16, 2018. This resulted in restatement of net position as of June 30, 2018, as follow:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Position at June 30, 2017	\$7,809,270	\$92,879
Prior Period Adjustment of Capital Assets, Net of Depreciation	<u>(102,208)</u>	<u>50,952</u>
Net Position at June 30, 2017 (Restated)	<u>\$7,707,062</u>	<u>\$143,831</u>

NOTE 17. 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 - District Counsel has informed us there is one matter they have been engaged to represent the Board which is pending or to which they have devoted substantial attention in the form of legal consultation involving claims by or against, or a contingent liability of, the Board of Education. The possible outcome has not been supplied to us.

NOTE 18. SUBSEQUENT EVENT

The District has evaluated subsequent events through January 23, 2019, 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, 2018**

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	16,628,085	-	16,628,085	16,628,085	-
Tuition - From Individuals	26,000	-	26,000	2,690	(23,310)
Tuition - Other LEA's Within the State	4,348,499	-	4,348,499	4,275,204	(73,295)
Interest on Investments	5,000	-	5,000	9,646	4,646
Interest Earned on Capital Reserve Funds	300	-	300	914	614
Rentals	96,000	-	96,000	99,160	3,160
Refund of Prior Year's Expenditures	30,000	-	30,000	52,933	22,933
Miscellaneous Revenues	57,563	-	57,563	110,168	52,605
Total - Local Sources	<u>21,191,447</u>	<u>-</u>	<u>21,191,447</u>	<u>21,178,801</u>	<u>(12,646)</u>
State Sources:					
School Choice Aid	26,218	-	26,218	26,218	-
Categorical Transportation Aid	53,072	-	53,072	53,072	-
Extraordinary Aid	200,000	-	200,000	417,455	217,455
Categorical Special Education Aid	567,259	16,249	583,508	583,508	-
Equalization Aid	1,257,952	-	1,257,952	1,257,952	-
Categorical Security Aid	23,261	-	23,261	23,261	-
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	360	-	360	360	-
Non Public Transportation Aid	-	-	-	18,850	18,850
On-behalf TPAF Pension and Annuity Fund (non-budgeted)	-	-	-	1,256,248	1,256,248
On-behalf TPAF NCGI Premium (non-budgeted)	-	-	-	30,486	30,486
On-behalf TPAF Post Retirement Medical (non-budgeted)	-	-	-	831,074	831,074
On-behalf TPAF Long-Term Disability Insurance (non-budgeted)	-	-	-	1,630	1,630
TPAF Social Security (Reimbursed - non-budgeted)	-	-	-	670,546	670,546
Total State Sources	<u>2,198,322</u>	<u>16,249</u>	<u>2,214,571</u>	<u>5,240,860</u>	<u>3,026,289</u>
Federal Sources:					
Medicaid Reimbursement	24,521	-	24,521	54,331	29,810
Total Federal Sources	<u>24,521</u>	<u>-</u>	<u>24,521</u>	<u>54,331</u>	<u>29,810</u>
Total Revenues	<u>23,414,290</u>	<u>16,249</u>	<u>23,430,539</u>	<u>26,473,992</u>	<u>3,043,453</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	284,475	28,512	312,987	311,939	1,048
Grades 1-5 - Salaries of Teachers	1,646,112	(74,874)	1,571,238	1,562,690	8,548
Grades 6-8 - Salaries of Teachers	1,120,111	(109,799)	1,010,312	1,010,266	46
Grades 9-12 - Salaries of Teachers	2,847,401	(72,033)	2,775,368	2,775,368	0
Regular Programs - Home Instruction:					
Salaries of Teachers	21,262	9,898	31,160	26,459	4,700
Purchased Professional-Educational Services	41,740	(5,968)	35,772	26,556	9,216
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	168,056	(10,313)	157,743	155,501	2,242
Purchased Professional-Educational Services	16,350	7,396	23,746	23,347	399
Purchased Technical Services	4,800	(823)	3,977	2,128	1,849
Other Purchased Services (400-500 series)	44,534	-	44,534	44,532	2
General Supplies	167,385	(4,697)	162,688	135,657	27,031
Textbooks	2,862	1,565	4,427	1,014	3,412
Other Objects	8,400	551	8,951	8,914	37
TOTAL REGULAR PROGRAMS - INSTRUCTION	<u>6,373,488</u>	<u>(230,586)</u>	<u>6,142,902</u>	<u>6,084,370</u>	<u>58,531</u>
SPECIAL EDUCATION - INSTRUCTION					
Learning and/or Language Disabilities:					
Salaries of Teachers	244,083	83,828	327,911	272,579	55,332
Other Salaries for Instruction	12,387	-	12,387	-	12,387
General Supplies	2,493	-	2,493	1,802	691
Total Learning and/or Language Disabilities	<u>258,963</u>	<u>83,828</u>	<u>342,791</u>	<u>274,380</u>	<u>68,411</u>
Multiple Disabilities:					
Salaries of Teachers	241,114	26,142	267,256	263,387	3,869
Other Salaries for Instruction	61,612	10,893	72,505	57,516	14,990
Purchased Professional-Educational Services	70,040	2,000	72,040	72,040	-
General Supplies	1,000	1,477	2,477	2,317	160
Total Multiple Disabilities	<u>373,766</u>	<u>40,512</u>	<u>414,278</u>	<u>395,260</u>	<u>19,018</u>

**BUTLER BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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	963,599	(13,815)	949,784	932,432	17,352
Other Salaries for Instruction	19,191	26,131	45,322	25,457	19,865
Other Purchases Services	6,790	(2,000)	4,790	4,567	223
Total Resource Room/Resource Center	<u>989,580</u>	<u>10,316</u>	<u>999,896</u>	<u>962,456</u>	<u>37,439</u>
Preschool Disabilities - Full- Time					
Salaries of Teachers	164,355	-	164,355	145,265	19,090
Other Salaries for Instruction	44,959	(750)	44,209	26,375	17,834
Purchased Professional-Educational Services	-	5,750	5,750	5,000	750
General Supplies	3,500	(2,677)	823	598	225
Total Preschool Disabilities - Full- Time	<u>212,814</u>	<u>2,323</u>	<u>215,137</u>	<u>177,238</u>	<u>37,899</u>
Home Instruction:					
Salaries of Teachers	40,090	-	40,090	30,743	9,346
Purchased Professional - Educational Services	6,000	-	6,000	165	5,835
Total Home Instruction	<u>46,090</u>	<u>-</u>	<u>46,090</u>	<u>30,908</u>	<u>15,181</u>
TOTAL SPECIAL EDUCATION - INSTRUCTION	<u>1,881,213</u>	<u>136,979</u>	<u>2,018,191</u>	<u>1,840,243</u>	<u>177,948</u>
Basic Skills/Remedial - Instruction					
Salaries of Teachers	159,746	33,051	192,797	184,982	7,815
General Supplies	500	1,200	1,700	1,600	100
Total Basic Skills/Remedial - Instruction	<u>160,246</u>	<u>34,251</u>	<u>194,497</u>	<u>186,582</u>	<u>7,915</u>
Bilingual Education - Instruction					
Salaries of Teachers	90,788	-	90,788	88,683	2,105
General Supplies	498	(298)	200	149	51
Total Bilingual Education - Instruction	<u>91,286</u>	<u>(298)</u>	<u>90,988</u>	<u>88,832</u>	<u>2,156</u>
School-Spon. Co/Extra Curr. Actvts. -Inst					
Salaries	76,183	1,020	77,203	69,525	7,679
Salaries - Secretarial and Clerical	7,679	378	8,057	8,056	1
Purchased Professional and Technical Services	8,072	88	8,160	7,760	400
Supplies and Materials	6,883	32,265	39,148	37,518	1,631
Other Objects	195	30	225	225	-
Total School-Spon. Co/Extra Curr. Actvts. - Inst	<u>99,012</u>	<u>33,781</u>	<u>132,793</u>	<u>123,083</u>	<u>9,710</u>
School-Sponsored Athletics - Instruction					
Salaries	285,361	3,745	289,106	286,267	2,839
Purchased Professional and Technical Services	21,200	-	21,200	18,455	2,745
Purchased Technical Services	17,225	1,994	19,219	15,707	3,512
Other Purchased Services	4,200	-	4,200	-	4,200
Travel	5,620	(2,375)	3,245	616	2,629
Supplies and Materials	47,676	151	47,827	44,126	3,701
Miscellaneous Expenditures	12,360	-	12,360	11,232	1,128
Transfers to Cover Deficit (Agency Funds)	37,000	-	37,000	37,000	-
Total School-Sponsored Athletics - Instruction	<u>430,642</u>	<u>3,515</u>	<u>434,157</u>	<u>413,403</u>	<u>20,754</u>
Before/After School Programs - Instruction:					
Salaries of Teachers	2,100	-	2,100	-	2,100
Total Before/After School Programs - Instruction	<u>2,100</u>	<u>-</u>	<u>2,100</u>	<u>-</u>	<u>2,100</u>
Summer School - Instruction:					
Salaries of Teachers	36,118	(7,827)	28,291	28,080	211
Other Salaries of Instruction	14,886	9,837	24,723	24,723	-
Purchased Professional & Technical Services	9,600	(2,010)	7,590	3,733	3,857
Total Other Instructional Programs - Instruction	<u>60,604</u>	<u>0</u>	<u>60,604</u>	<u>56,536</u>	<u>4,068</u>
Summer School - Support Svcs					
Salaries	927	-	927	-	927
Total Summer School - Support Svcs	<u>927</u>	<u>-</u>	<u>927</u>	<u>-</u>	<u>927</u>
Total Summer School	<u>61,531</u>	<u>-</u>	<u>61,531</u>	<u>56,536</u>	<u>4,995</u>
Total Instruction	<u>9,099,517</u>	<u>(22,358)</u>	<u>9,077,159</u>	<u>8,793,050</u>	<u>284,109</u>

**BUTLER BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures - Instruction (Tuition)					
Tuition to Other LEAS Within the State - Special	46,688	(17,474)	29,214	29,081	133
Tuition to County Voc. School Dist.- Regular	323,050	41,290	364,340	361,781	2,559
Tuition to County Voc. School Dist.- Special	14,280	(13,795)	485	485	-
Tuition to CSSD & Reg. Day Schools	462,902	242,145	705,047	705,046	1
Tuition to Priv.Sch. For the Disabled W/I State	1,308,520	(131,625)	1,176,895	1,161,070	15,825
Total Undistributed Expenditures - Instruction (Tuition)	2,155,440	120,540	2,275,980	2,257,462	18,518
Undist. Expend.-Attendance and Social Work					
Salaries of Secretarial and Clerical Assistants	20,266	163	20,429	20,428	1
Supplies and Materials	1,000	62	1,062	1,061	1
Total Undist. Expend.-Attendance and Social Work	21,266	225	21,491	21,489	2
Undist. Expenditures - Health Services					
Salaries	232,803	(9,939)	222,864	215,204	7,660
Other Purchased Professional Services	34,704	1,298	36,002	34,160	1,843
Supplies and Materials	18,042	(748)	17,294	13,127	4,167
Miscellaneous Expenditures	560	-	560	255	305
Total Undist. Expenditures - Health Services	286,109	(9,389)	276,720	262,746	13,974
Undist. Expend.-Speech, OT, PT and Related Services					
Salaries	160,860	(225)	160,635	151,948	8,687
Purchased Professional - Educational Services	182,933	196,660	379,593	342,705	36,888
Supplies and Materials	550	1,145	1,695	1,427	268
Total Undist. Expend.-Speech, OT, PT and Related Services	344,343	197,580	541,923	496,080	45,843
Undist Expend-Oth Supp Serv Std-Extra Serv					
Salaries	183,249	(62,237)	121,012	118,702	2,310
Salaries of Other Professional Staff	15,870	-	15,870	7,900	7,970
Other Salaries for Instruction	587,476	(106,877)	480,599	434,794	45,806
Purchased Professional- Educational Services	230,260	(161,095)	69,166	50,273	18,892
Supplies and Materials	11,668	(1,042)	10,626	10,309	317
Total Undist Expend-Oth Supp Serv Std-Extra Serv	1,028,523	(331,250)	697,273	621,978	75,295
Undist. Expenditures - Guidance					
Salaries of Other Professional Staff	435,509	10,546	446,055	445,755	300
Salaries of Secretarial and Clerical Assistants	44,360	-	44,360	43,909	451
Other Salaries	2,470	-	2,470	2,100	370
Other Purchased Prof. And Tech. Services	23,976	5,139	29,115	29,103	12
Other Purchased Services (400-500 series)	950	(110)	840	669	171
Travel	340	145	485	260	225
Supplies and Materials	6,910	2,237	9,147	8,936	211
Miscellaneous Expenditures	385	(235)	150	140	10
Total Undist. Expenditures - Guidance	514,900	17,722	532,622	530,872	1,750
Undist. Expenditures- Child Study Teams					
Salaries of Other Professional Staff	374,456	1,500	375,956	366,865	9,091
Salaries of Secretarial and Clerical Assistants	92,997	-	92,997	90,673	2,324
Other Purchased Prof. And Tech. Services	48,490	(7,550)	40,940	35,585	5,355
Travel	900	(61)	839	720	119
Supplies and Materials	4,371	61	4,432	4,126	306
Total Undist. Expenditures - Child Study Teams	521,214	(6,050)	515,164	497,969	17,195
Undist. Expend.-Improv. Of Inst. Serv.					
Salaries of Supervisors of Instruction	205,091	24,687	229,778	229,764	14
Salaries of Other Professional Staff	3,000	(482)	2,518	1,500	1,018
Salaries of Secretarial and Clerical Assistants	15,863	219	16,082	16,081	1
Unused Vacation Payments	5,254	(5,254)	-	-	-
Other Purch Services (400-500)	-	1,400	1,400	1,399	1
Miscellaneous Expenditures	2,070	1,050	3,120	3,120	-
Total Undist. Expend.-Improv. Of Inst. Serv.	231,278	21,621	252,899	251,864	1,034
Undist. Expend.-Edu. Media Serv./Library					
Salaries	141,178	(3,209)	137,969	128,438	9,531
Purchased Professional - Educational Services	10,604	412	11,016	7,384	3,632
Purchased Technical Services	950	(200)	750	700	50
Supplies and Materials	10,572	709	11,281	10,279	1,002
Total Undist. Expend.-Edu. Media Serv./Library	163,304	(2,288)	161,016	146,801	14,215

**BUTLER BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend.-Instr. Staff Training Serv.					
Salaries of Supervisors of Instruction	69,842	(315)	69,527	69,412	115
Salaries of Other Professional Staff	5,145	(681)	4,464	675	3,789
Unused Vac. Payments to Terminated/Retired Staff	-	5,254	5,254	-	5,254
Other Purchased Prof. and Tech. Services	-	15,194	15,194	-	15,194
Travel	10,710	1,068	11,778	4,866	6,912
Supplies and Materials	-	310	310	309	1
Total Undist. Expend.-Instr. Staff Training Serv.	85,697	20,830	106,527	75,262	31,265
Undist. Expend.-Support Serv.-Gen. Admin.					
Salaries	257,732	-	257,732	248,646	9,086
Legal Services	46,000	548	46,548	46,547	1
Audit Fees	46,000	-	46,000	23,120	22,880
Architectural/Engineering Services	5,000	(2,207)	2,793	1,300	1,493
Other Professional Services	13,195	2,718	15,913	15,912	0
Purchased Technical Services	10,100	(1,059)	9,041	8,885	156
Communications/Telephone	82,709	-	82,709	70,569	12,140
Travel	5,000	(4,644)	356	355	1
BOE Other Purchased Services	1,100	738	1,838	1,838	-
Miscellaneous Purchased Services	111,206	(94)	111,112	105,893	5,219
General Supplies	3,999	300	4,299	3,890	409
Judgments Against the School District	75,000	(22,599)	52,401	-	52,401
Miscellaneous Expenditures	3,294	-	3,294	1,891	1,403
BOE Membership Dues and Fees	11,676	-	11,676	10,136	1,540
Total Undist. Expend.-Support Serv.-Gen. Admin.	672,011	(26,299)	645,712	538,983	106,729
Undist. Expend. - Support Serv. - School Admin.					
Salaries of Principals/Asst. Principals/Prog Dir	624,709	13,779	638,488	638,488	-
Salaries of Other Professional Staff	59,039	969	60,008	60,008	-
Salaries of Secretarial and Clerical Assistants	193,314	(4,449)	188,865	188,863	2
Unused Vacation Payment to Terminated/Retired Staff	2,400	14,571	16,971	16,969	2
Rentals	5,020	424	5,444	5,442	2
Travel	6,000	(5,559)	441	440	1
Supplies and Materials	9,565	(4,096)	5,469	5,468	1
Miscellaneous Expenditures	5,775	(979)	4,796	4,795	1
Total Undist. Expend. - Support Serv. - School Admin.	905,822	14,660	920,482	920,473	9
Undist. Expend. - Central Services					
Salaries	30,963	2,302	33,265	33,265	-
Other Purchased Professional Services	289,627	34,024	323,651	318,739	4,912
Purchased Technical Services	33,165	(538)	32,627	32,626	1
Travel	3,600	(2,460)	1,140	1,140	-
Misc. Purchased Services (400-500 series)[O/T 594]	5,526	-	5,526	5,525	1
Supplies and Material	7,565	(5,256)	2,309	2,299	9
Miscellaneous Expenditures	2,075	(535)	1,540	1,540	-
Total Undist. Expend. - Central Services	372,521	27,537	400,058	395,135	4,923
Undist. Expend. - Admin. Info Technology					
Salaries	153,763	(3,679)	150,084	146,628	3,457
Purchased Technical Services	37,570	2,500	40,070	34,802	5,268
Travel	420	350	770	764	6
Supplies and Material	11,500	(2,500)	9,000	5,499	3,501
Total Undist. Expend. - Admin. Info Technology	203,253	(3,329)	199,924	187,692	12,232
Undist. Expend.-Required Maint For Sch Fac.					
Salaries	129,982	8,061	138,043	135,760	2,283
Cleaning, Repair and Maintenance Services	139,597	(50,512)	89,085	39,831	49,254
Lead Testing of Drinking Water	6,255	(6,255)	-	-	-
General Supplies	35,000	5,471	40,471	31,916	8,555
Miscellaneous Expenditures	600	-	600	-	600
Total Undist. Expend.-Required Maint For Sch Fac.	311,434	(43,234)	268,200	207,507	60,692

**BUTLER BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Custodial Services					
Salaries	888,177	(2,715)	885,461	869,110	16,351
Salaries of Non-Instructional Aides	60,688	(19,560)	41,128	39,260	1,868
Unused Vac. Payments to Terminated/Retired Staff	10,800	(1,978)	8,822	8,110	712
Purchased Professional and Technical Services	6,440	(658)	5,782	995	4,787
Other Purchased Professional Services	19,880	-	19,880	19,880	-
Cleaning, Repair and Maintenance Services	60,331	6,941	67,272	67,135	137
Lease Purchase Payments - Energy Savings Program	129,036	(5,141)	123,895	119,035	4,860
Other Purchased Property Services	23,175	-	23,175	20,071	3,104
Insurance	104,412	(9,898)	94,514	94,514	0
Travel	500	50	550	550	-
Miscellaneous Purchased Services	8,500	-	8,500	6,015	2,485
General Supplies	94,045	(241)	93,804	82,783	11,021
Energy (Natural Gas)	77,006	31,705	108,711	105,027	3,684
Energy (Electricity)	166,547	(9,605)	156,942	118,461	38,481
Energy (Gasoline)	3,056	35	3,091	3,090	1
Miscellaneous Expenditures	3,218	(35)	3,183	1,608	1,575
Total Undist. Expend. - Custodial Services	1,655,811	(11,100)	1,644,711	1,555,645	89,066
Undist Expend.-Care and Upkeep of Grounds					
Salaries	120,098	30,477	150,575	144,199	6,376
Cleaning, Repair, and Maintenance Services	52,915	34,283	87,198	87,169	29
General Supplies	17,353	(1,229)	16,124	15,569	555
Miscellaneous Expenditures	200	796	996	890	106
Total Undist. Expend.-Care and Upkeep of Grounds	190,566	64,327	254,892	247,827	7,065
Undistributed Expenditures - Security:					
Salaries	2,600	-	2,600	2,600	-
Purchased Professional and Technical Services	-	1,000	1,000	638	362
General Supplies	3,000	3,000	6,000	5,734	266
Total Undistributed Expenditures - Security	5,600	4,000	9,600	8,972	628
Total Undist. Expend.-Oper. And Maint. Of Plant Serv.	2,163,410	13,992	2,177,402	2,019,951	157,451
Undist. Expend. - Student Transportation Serv.					
Salaries of Non-Instructional Aides	14,499	1,697	16,196	15,935	261
Management Fee - ESC & CTSA Trans. Program	1,995	(779)	1,216	1,216	-
Contract. Serv. - Aid in Lieu Pymts-NonPub Sch	70,720	(2,720)	68,000	62,389	5,611
Contract. Serv. - Aid in Lieu Pymts- Chtrr Sch	2,652	(652)	2,000	2,000	-
Contract. Serv. - Aid in Lieu Pymts-Choice Sch	884	(884)	-	-	(884)
Contr Serv (Bet. Home and Sch)-Vendors	68,921	13,967	82,888	82,887	1
Contr Serv(Oth. Than Bet Home & Sch)-Vend	121,319	2,502	123,821	123,820	1
Contract. Serv. (Sp Ed Stds)-Vendors	107,204	42,653	149,857	143,388	6,469
Contract. Serv. (Reg. Students)-ESCs & CTSA	64,258	4,095	68,353	65,184	3,169
Contract. Serv.(Spl. Ed. Students)-ESCs & CTSA	425,020	164,013	589,033	589,033	0
Total Undist. Expend. - Student Transportation Serv.	877,472	223,891	1,101,363	1,085,852	15,511
UNALLOCATED BENEFITS					
Social Security Contributions	270,258	12,500	282,758	279,971	2,787
Other Retirement Contributions - PERS	204,371	(1,000)	203,371	191,841	11,530
Other Retirement Contributions - Regular	36,938	2,660	39,598	38,146	1,452
Unemployment Compensation	38,524	-	38,524	-	38,524
Workmen's Compensation	159,739	(3,338)	156,401	156,250	151
Health Benefits	3,656,806	(228,180)	3,428,626	3,130,322	298,304
Tuition Reimbursement	57,300	(10,000)	47,300	32,000	15,300
Other Employee Benefits	108,760	(3,728)	105,032	53,868	51,164
Unused Sick Payments to Terminated/Retired Staff	40,000	(10,300)	29,700	-	29,700
TOTAL UNALLOCATED BENEFITS	4,572,696	(241,386)	4,331,310	3,882,398	448,912
ON-BEHALF CONTRIBUTIONS					
On-behalf TPAF Pension and Annuity Fund (non-budgeted)	-	-	-	1,256,248	(1,256,248)
On-behalf TPAF NCGI Premium (non-budgeted)	-	-	-	30,486	(30,486)
On-behalf TPAF Post Retirement Medical (non-budgeted)	-	-	-	831,074	(831,074)
On-behalf TPAF Long-Term Disability Insurance	-	-	-	1,630	(1,630)
Reimbursed TPAF Social Security Contributions (non-budgeted)	-	-	-	670,546	(670,546)
TOTAL ON-BEHALF CONTRIBUTIONS	-	-	-	2,789,984	(2,789,984)
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	4,572,696	(241,386)	4,331,310	6,672,382	(2,341,072)

**BUTLER BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Exhibit C-1
Page 6 of 6

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
TOTAL UNDISTRIBUTED EXPENDITURES	15,119,259	38,607	15,157,866	16,982,991	(1,825,125)
TOTAL GENERAL CURRENT EXPENSE	24,218,776	16,249	24,235,025	25,776,040	(1,541,016)
CAPITAL OUTLAY					
Special Education - Instruction					
Preschool Disabilities - Full Time	3,668	(1,019)	2,649	-	2,649
Undistributed Expenditures - Support Services - Extraordinary Services	4,980	(4,980)	-	-	-
Undistributed Expenditures - Support Services - Guidance	-	5,999	5,999	5,999	-
Undistributed Expenditures - Administration Info Tech.	19,612	-	19,612	19,572	40
Total Equipment	28,260	-	28,260	25,571	2,689
Facilities Acquisition and Const. Serv.					
Construction Services	180,000	-	180,000	123,539	56,461
Other Objects	27,599	-	27,599	27,599	-
Total Facilities Acquisition and Const. Serv.	207,599	-	207,599	151,138	56,461
Assets Acquired Under Capital Leases (non-budgeted)					
Facilities Acquisition and Construction Services					
Construction Services	-	-	-	1,797,859	1,797,859
Total Assets Acquired Under Capital Leases (non-budgeted)	-	-	-	1,797,859	1,797,859
TOTAL CAPITAL OUTLAY	235,859	-	235,859	1,974,567	1,857,010
Transfer to Charter School	48,684	-	48,684	24,342	24,342
Total Expenditures	24,503,319	16,249	24,519,568	27,774,949	340,336
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,089,029)	0	(1,089,029)	(1,300,957)	(211,929)
Other Financing Sources/(Uses):					
Lease Purchase (non-budgeted)	-	-	-	1,797,859	1,797,859
Capital Reserve Transfer to Capital Projects	-	(293,028)	(293,028)	(293,028)	-
Total Other Financing Sources/(Uses):	-	(293,028)	(293,028)	1,504,831	1,797,859
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(1,089,029)	(293,028)	(1,382,057)	203,874	1,585,930
Fund Balance, July 1	3,926,992	-	3,926,992	3,926,992	-
Fund Balance, June 30	2,837,963	(293,028)	2,544,935	4,130,866	1,585,930
Recapitulation of excess (deficiency) of revenues under expenditures:					
Adjustment for Prior Year Encumbrances	(55,423)	-	(55,423)	(55,423)	-
Budgeted Fund Balance	(1,033,606)	-	(1,033,606)	310,410	1,344,016
Withdrawal from Capital Reserve	-	(293,028)	(293,028)	(293,028)	-
Increase in Capital Reserve:					
Principal	-	-	-	241,000	241,000
Interest	-	-	-	914	914
	(1,089,029)	(293,028)	(1,382,057)	203,874	1,585,930
Recapitulation:					
Committed Fund Balance:					
Year End Encumbrances				27,362	
Designated for Subsequent Year's Expenditures				193,890	
Restricted Fund Balance:					
Excess Surplus Designated for Subsequent Year's Expenditures				1,147,309	
Excess Surplus				1,105,889	
Capital Reserve				950,508	
Unassigned Fund Balance				705,908	
				4,130,866	
Reconciliation to Governmental Fund Statements (GAAP):					
Last State Aid Payments not Recognized on GAAP Basis				(182,490)	
Fund Balance per Governmental Funds (GAAP)				3,948,376	

**BUTLER BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources	-	5,850	5,850	5,350	(500)
Federal Sources	314,453	88,411	402,864	402,864	-
Total Revenues	314,453	94,261	408,714	408,214	(500)
EXPENDITURES:					
Instruction					
Salaries	82,857	(30,397)	52,460	52,460	-
Other Purchased Services	205,409	59,031	264,440	264,440	-
General Supplies	-	4,139	4,139	3,639	500
Total Instruction	288,266	32,773	321,039	320,539	500
Support Services					
Salaries	-	643	643	643	-
Employee Benefits	-	8,736	8,736	8,736	-
Purchased Professional and Technical Services	26,187	52,109	78,296	78,296	-
Total Support Services	26,187	61,488	87,675	87,675	-
Total Outflows	314,453	94,261	408,714	408,214	500
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	-	-	-	-	-

**NOTES TO 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, 2018**

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

		<u>General Fund</u>		<u>Special Revenue Fund</u>
Sources/Inflows of Resources				
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1]	26,473,992	[C-2]	408,214
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.		(182,490)		
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.		180,886		
Total revenue as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2]	<u>26,472,388</u>	[B-2]	<u>408,214</u>
Uses/Outflows of Resources				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]	27,774,949	[C-2]	408,214
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	<u>27,774,949</u>	[B-2]	<u>408,214</u>

**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
	Pension Liability (Asset)	Proportion Share of the Net Pension Liability (Asset)	Pension Liability (Asset)	Proportion Share of the Net Pension Liability (Asset)		percentage of its Covered Payroll	percentage of the total Pension Liability	
2015	0.0228514430%	\$ 4,278,415	\$ 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%		
2018	0.0202815608%	4,721,223	4,721,223	1,503,305	314.06%	48.10%		

* 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 Contributions	Contractually Required Contributions	Contractually Required Contributions			
2015	188,384	188,384	\$	-	-	\$1,514,085	12.44%
2016	194,941	194,941		-	-	1,444,760	13.49%
2017	193,834	193,834		-	-	1,453,331	13.34%
2018	191,841	191,841		-	-	1,503,305	12.76%

* 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 Proportionate Share of the Net Pension Liability (Asset)		District's Proportionate Share of the Net Pension Liability (Asset)		State's Proportionate Share of the Net Pension Liability Associated with the District (Asset)		District's Proportionate 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)	Proportion Share of the Net Pension Liability (Asset)	Proportion Share of the Net Pension Liability (Asset)	District's Covered Payroll - TPAF Employee's	Proportion Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	
2015	0.0890492229%	\$	-	\$	47,593,911	\$	8,888,153	0.00%	33.64%
2016	0.0883680460%	-	-	55,852,379		8,945,080		0.00%	28.71%
2017	0.0873242514%	-	-	68,694,816		9,151,255		0.00%	28.75%
2018	0.0891590278%	-	-	60,114,231		9,483,587		0.00%	25.41%

* 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 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 (2.85%) to the current measurement date (3.58%), resulting in a change in the discount rate from 3.98% to 5.00%. 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 (2.85%) to the current measurement date (3.58%), resulting in a change in the discount rate from 3.22% to 4.25%. 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, 2018**

	Total Brought Forward From (Ex. E-1a)	Title I Part - A Improving Basic Programs	Title II Part - A Teacher/Parent Training & Recruiting	Title III English Language Acquisition	Title IV Part - A Student Support and Academic Enrichment	Total 2018
REVENUES:						
Federal sources	272,989	92,271	18,422	9,182	10,000	402,864
Local sources	5,350	-	-	-	-	5,350
Total Revenues	278,339	92,271	18,422	9,182	10,000	408,214
EXPENDITURES:						
Instruction:						
Salaries	-	44,168	-	-	8,292	52,460
Other Purchased Services	264,440	-	-	-	-	264,440
General Supplies	3,389	250	-	-	-	3,639
Total Instruction	267,829	44,418	-	-	8,292	320,539
Support Services:						
Personnel Services - Salaries	-	-	-	643	-	643
Employee Benefits	-	7,853	-	-	883	8,736
Purchased Prof. - & Tech. Services	10,510	40,000	18,422	8,539	825	78,296
Total Support Services	10,510	47,853	18,422	9,182	1,708	87,675
Total Expenditures	278,339	92,271	18,422	9,182	10,000	408,214
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	-	-	-	-	-	-

**BUTLER BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Total Brought Forward From (Ex. E-1b)	Basic	I.D.E.A.	Preschool	NJSIG Safety Grant	Sustainable NJI Grant	Total Carried Forward To (Ex. E-1)
REVENUES:							
Federal sources	-	264,440		8,549			272,989
Local sources	-	-		-	1,350	4,000	5,350
Total Revenues	-	264,440		8,549	1,350	4,000	278,339
EXPENDITURES:							
Instruction:							
Salaries	-	-		-	-	-	-
Other Purchased Services	-	264,440		-	-	-	264,440
General Supplies	-	-		2,039	1,350	-	3,389
Total Instruction	-	264,440		2,039	1,350	-	267,829
Support Services:							
Salaries	-	-		-	-	-	-
Employee Benefits	-	-		-	-	-	-
Purchased Prof. - & Tech. Services	-	-		6,510	-	4,000	10,510
Total Support Services	-	-		6,510	-	4,000	10,510
Total Expenditures	-	264,440		8,549	1,350	4,000	278,339
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	-	-		-	-	-	-

**BUTLER BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	NJSIG Safety Grant	Donations for RBS	Sustainable NJ Grant	Total Carried Forward To (Ex. E-1b)
REVENUES:				
Federal sources	-	-	-	-
Local sources	1,350	500	4,000	5,850
Total Revenues	1,350	500	4,000	5,850
EXPENDITURES:				
Instruction:				
Salaries	-	-	-	-
Other Purchased Services	-	-	-	-
General Supplies	1,350	-	-	1,350
Total Instruction	1,350	-	-	1,350
Support Services:				
Salaries	-	-	-	-
Employee Benefits	-	-	-	-
Purchased Prof. - & Tech. Services	-	-	4,000	4,000
Total Support Services	-	-	4,000	4,000
Total Expenditures	1,350	-	4,000	5,350
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	-	500	-	500

**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, 2018**

Revenue and Other Financing Sources	
Transferred - Capital Reserve Fund	293,028
Total Revenues	293,028
 Expenditures and Other Financing Uses	
Construction Services	1,124,628
Total Expenditures	1,124,628
Excess/(Deficiency) of Revenue over/(under) Expenditures	(831,600)
Fund Balance - Beginning	870,724
Fund Balance - Ending	39,124

**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, 2018**

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources				
Transferred - Capital Reserve Fund	1,475,000	293,028	1,768,028	1,768,028
Total Revenues	1,475,000	293,028	1,768,028	1,768,028
Expenditures and Other Financing Uses				
Constructions Services	604,276	1,124,628	1,728,904	1,768,028
Total Expenditures	604,276	1,124,628	1,728,904	1,768,028
Excess/(Deficiency) of Revenues over/(under) Expenditures	870,724	(831,600)	39,124	-
Additional project information:				
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	117.21%			
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, 2018

PROJECT DESCRIPTION	STATE PLAN NUMBER	APPROPRIATION	EXPENDITURES		UNEXPENDED BALANCE
			PRIOR YEARS	CURRENT YEAR	
RENOVATION OF HS AUDITORIUM, ADS BOILER AND DISTRICT-WIDE ASBESTOS ABATEMENT		\$ 1,768,028	\$ 604,276	\$ 1,124,628	\$ 39,124
		<u>\$ 1,768,028</u>	<u>\$ 604,276</u>	<u>\$ 1,124,628</u>	<u>\$ 39,124</u>

**BUTLER BOROUGH SCHOOL DISTRICT
ENTERPRISE FUND
STATEMENT OF NET POSITION
AS OF JUNE 30, 2018**

	<u>Food Service Program</u>
<u>ASSETS</u>	
CURRENT ASSETS:	
Cash and Cash Equivalents	35,428
Accounts Receivable:	
State - Lunch	815
Federal - Lunch	22,931
Federal - Breakfast	3,920
Inventories	<u>6,807</u>
Total Current Assets	<u>69,900</u>
NONCURRENT ASSETS:	
CAPITAL ASSETS:	
Equipment	175,634
Less: Accumulated Depreciation	<u>(73,425)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>102,208</u>
TOTAL ASSETS	<u><u>172,109</u></u>
<u>LIABILITIES</u>	
CURRENT LIABILITIES:	
Unearned Revenue	
Prepaid Sales	6,279
Federal Food Distribution Program	<u>2,035</u>
TOTAL LIABILITIES	<u>8,315</u>
<u>NET POSITION</u>	
Investment in Capital Assets Net of Related Debt	102,208
Unreserved (Deficit)	<u>61,586</u>
TOTAL NET POSITION	<u><u>163,794</u></u>

**BUTLER BOROUGH SCHOOL DISTRICT
ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Food Service Program
OPERATING REVENUES:	
Charges for services:	
Daily Sales Reimbursable Programs	148,102
Daily Sales - Non-reimbursable Programs	130,679
Miscellaneous	1,803
Total Operating Revenues	280,584
OPERATING EXPENSES:	
Salaries	138,618
Cost of Sales- Reimbursable	170,132
Cost of Sales - Non-reimbursable	53,637
Employee Benefits	20,101
Supplies and Materials	572
Depreciation	5,732
Management Fees	16,500
Repairs	5,955
Insurance	12,868
Miscellaneous	13,163
Total Operating Expenses	437,276
OPERATING INCOME (LOSS)	(156,692)
NON-OPERATING REVENUES/(EXPENSES):	
State Sources:	
State School Lunch Program	4,256
Federal Sources:	
National School Lunch Program	121,462
Breakfast Program	19,919
Food Distribution Program	30,884
Interest Revenue	133
Total Non-operating Revenues/(Expenses)	176,654
CHANGE IN NET POSITION	19,963
Net Position - Beginning as previously reported	92,879
Prior Period Adjustment for transfer of net book value of assets from General Fund	50,953
Total Net Position - Beginning as restated	143,831
Net Position - Ending	163,794

**BUTLER BOROUGH SCHOOL DISTRICT
ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Food Service Program
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	281,367
Payments to Employees for Services	(138,618)
Payments to Suppliers for Goods and Services	(294,486)
Net Cash Provided by/(Used for) Operating Activities	(151,737)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State Sources	3,675
Federal Sources	154,375
Net Cash Provided by/(Used for) Non-capital Financing Activities	158,050
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Cash Equivalents	133
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	6,446
CASH AND CASH EQUIVALENTS, July 1	28,981
CASH AND CASH EQUIVALENTS, June 30	35,428
 Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used for)	
Operating Activities:	
Operating Income (Loss)	(156,692)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:	
Depreciation	5,732
Changes in Assets and Liabilities:	
(Increase)/Decrease in Inventory	(1,349)
Increase/(Decrease) in Prepaid Sales	783
Total Adjustments	4,955
Net Cash Provided by/(Used for) Operating Activities	(151,737)

Noncash Noncapital Financing Activities:

During the year, the district received \$30,674 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, 2018**

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, 2018**

	<u>Academy for Law and Public Safety</u>
OPERATING REVENUES:	
Local Sources:	
Fees from Other LEA's Within the State	<u>20,250</u>
Total Operating Revenues	<u>20,250</u>
OPERATING EXPENSES:	
Salaries	<u>20,250</u>
Total Operating Expenses	<u>20,250</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, 2018**

	Academy for Law and Public Safety
CASH FLOWS USED BY OPERATING ACTIVITIES:	
Cash Receipts from Customers	20,250
Cash Payments to Employees for Services	(20,250)
Net Cash Provided by/(Used for) Operating Activities	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS, July 1	-
CASH AND CASH EQUIVALENTS, June 30	-

**BUTLER BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018**

	Scholarship Funds				
	High School Scholarship	M. Williams Memorial Fund	C. Payne Scholarship	Unemployment Compensation Insurance	Agency Fund
ASSETS:					
Cash and Cash Equivalents	119,096	3	243,505	130,323	468,830
TOTAL ASSETS	<u>119,096</u>	<u>3</u>	<u>243,505</u>	<u>130,323</u>	<u>468,830</u>
LIABILITIES:					
Payroll Deductions and Withholdings	-	-	-	-	24,267
Accrued Salaries and Wages	-	-	-	-	326,057
Flexible Spending	-	-	-	-	11,693
Interfund Payable - General Fund	-	-	-	-	5
Payable to Student Groups	-	-	-	-	106,808
Total Liabilities	-	-	-	-	<u>468,830</u>
NET POSITION:				<u>130,323</u>	
Reserved for Unemployment Claims			<u>243,505</u>		
Reserved for Other Purposes	<u>119,096</u>	<u>3</u>			

**BUTLER BOROUGH SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Scholarship Funds			Unemployment Compensation Insurance Trust
	High School Scholarship	M. Williams Memorial Fund	C. Payne Scholarship	
ADDITIONS				
Contributions:				
Donations	27,939	84		
Plan Member				20,863
Total Contributions	<u>27,939</u>	<u>84</u>	<u>-</u>	<u>20,863</u>
Investment Earnings:				
Interest	334	1	489	247
Net Investment Earnings	<u>334</u>	<u>1</u>	<u>489</u>	<u>247</u>
Total Additions	<u>28,273</u>	<u>85</u>	<u>489</u>	<u>21,111</u>
DEDUCTIONS				
Scholarships	16,700	600	2,000	
Unemployment Compensation Assessments				7,632
Total Deductions	<u>16,700</u>	<u>600</u>	<u>2,000</u>	<u>7,632</u>
CHANGE IN NET POSITION	<u>11,573</u>	<u>(515)</u>	<u>(1,511)</u>	<u>13,479</u>
NET POSITION, July 1	<u>107,523</u>	<u>518</u>	<u>245,016</u>	<u>116,844</u>
NET POSITION, June 30	<u><u>119,096</u></u>	<u><u>3</u></u>	<u><u>243,505</u></u>	<u><u>130,323</u></u>

**BUTLER BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Balance July 1, 2017</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2018</u>
High School Activities Fund	47,338	159,353	153,995	52,696
High School Athletic Fund	290	47,259	45,815	1,734
Richard Butler School	35,846	95,371	86,481	44,736
Aaron Decker Elementary School	9,689	21,740	23,788	7,641
Total All Schools	<u>93,164</u>	<u>323,724</u>	<u>310,080</u>	<u>106,808</u>

**BUTLER BOROUGH SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

	Balance July 1, 2017	Cash Receipts	Cash Disbursements	Balance June 30, 2018
ASSETS:				
Cash	337,972	15,130,729	15,106,678	362,022
TOTAL ASSETS	<u>337,972</u>	<u>15,130,729</u>	<u>15,106,678</u>	<u>362,022</u>
LIABILITIES:				
Payroll Deductions and Withholdings	18,279	6,701,768	6,695,780	24,267
Net Payroll	-	8,084,684	8,084,684	-
Accrued Salaries and Wages	305,625	326,057	305,625	326,057
Flexible Spending	8,174	18,220	14,700	11,693
Interfund Payable - Unemployment Fund	5,889	-	5,889	-
Interfund Payable - General Fund	4	1	-	5
TOTAL LIABILITIES	<u>337,971</u>	<u>15,130,729</u>	<u>15,106,678</u>	<u>362,022</u>

**BUTLER BOROUGH SCHOOL DISTRICT
GENERAL LONG TERM DEBT
STATEMENT OF SERIAL BONDS
FOR THE YEAR ENDED JUNE 30, 2018**

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance July 1,	Retired	Balance June 30, 2018
			Date	Amount				
School Bonds of 2009	7/1/2009	3,046,000	7/1/2018	201,000	3.000%	2,031,000	200,000	1,831,000
			7/1/2019	250,000	3.500%			
			7/1/2020	255,000	4.000%			
			7/1/2021	265,000	4.000%			
			7/1/2022	275,000	4.000%			
			7/1/2023	285,000	4.000%			
			7/1/2024	300,000	4.000%			
Refunding School Bonds of 2012	2/1/2012	2,920,000	2/1/2019	295,000	2.000%	2,045,000	285,000	1,760,000
			2/1/2020	300,000	2.000%			
			2/1/2021	300,000	2.000%			
			2/1/2022	295,000	2.150%			
			2/1/2023	290,000	2.250%			
			2/1/2024	280,000	2.375%			
						4,076,000	485,000	3,591,000

**BUTLER BOROUGH SCHOOL DISTRICT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE YEAR ENDED JUNE 30, 2018**

	Interest Rate Payables	Amount of Original Issue	Balance July 1, 2017	Additions	Retired	Balance June 30, 2018
9 Copiers	4.99%	120,431	43,522	-	25,678	17,844
ESIP - Boilers and Lighting	2.99%	1,797,859	-	1,797,859	65,279	1,732,580
			<u>43,522</u>	<u>1,797,859</u>	<u>90,957</u>	<u>1,750,424</u>

**BUTLER BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Original Budget	Final Budget	Actual	Variance Positive (Negative Final to Actual)
REVENUES:				
Local Sources:				
Local Tax Levy	542,505	542,505	542,505	-
Total Revenues - Local Sources	542,505	542,505	542,505	-
State Sources:				
Debt Service Aid Type II	60,018	60,018	60,018	-
Total State Sources	60,018	60,018	60,018	-
Total Revenues	602,523	602,523	602,523	-
EXPENDITURES				
Regular Debt Service:				
Redemption of Principal	485,000	485,000	485,000	-
Interest	117,524	117,524	117,524	0
Total Regular Debt Service	602,524	602,524	602,524	0
Total Expenditures	602,524	602,524	602,524	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1)	(1)	(1)	0
Fund Balances, July 1	2	2	2	-
Fund Balances, June 30	1	1	1	0
Recapitulation of excess (deficiency) of revenues under expenditures:				
Budgeted Fund Balance	(1)	(1)	(1)	0
Recapitulation:				
Unassigned Fund Balance			1	

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

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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

	2009	2010	2011	2012	2013	(Restated)		2015	2016	2017	2018
						2014	2014				
Governmental activities											
Invested in capital assets, net of related debt	9,750,634	6,991,051	7,131,488	6,881,350	7,041,531	6,997,877	6,997,877	7,427,697	7,629,704	8,647,927	9,734,107
Restricted	(2,000,291)	1,117,637	1,174,857	854,862	871,634	1,940,355	1,940,355	2,525,794	3,869,156	4,108,685	3,464,083
Unrestricted	(105,198)	53,858	5,399	1,167,925	661,333	(160,911)	(160,911)	(4,339,569)	(4,654,203)	(4,947,342)	(4,910,576)
Total governmental activities net position	7,645,145	8,162,545	8,311,744	8,904,136	8,574,498	8,777,321	8,777,321	5,613,922	6,844,657	7,809,270	8,287,614
Business-type activities											
Invested in capital assets, net of related debt	25,259	22,859	23,238	40,602	36,364	32,434	32,434	25,038	62,719	56,987	102,208
Unrestricted	1,683	1,683	1,683	24,034	49,804	69,210	69,210	64,820	40,757	35,892	61,586
Total business-type activities net position	26,942	24,542	24,922	64,636	86,168	101,644	101,644	89,858	103,476	92,879	163,794
District-wide											
Invested in capital assets, net of related debt	9,775,893	7,013,910	7,154,727	6,921,952	7,077,895	7,030,311	7,030,311	7,452,735	7,692,423	8,704,914	9,836,315
Restricted	(2,000,291)	1,117,637	1,174,857	854,862	871,634	1,940,355	1,940,355	2,525,794	3,869,156	4,108,685	3,464,083
Unrestricted	(103,514)	55,541	7,082	1,191,959	711,137	(91,701)	(91,701)	(4,274,749)	(4,613,446)	(4,911,451)	(4,848,990)
Total district net position	7,672,087	8,187,087	8,336,666	8,968,772	8,660,666	8,878,965	8,878,965	5,703,780	6,948,133	7,902,149	8,451,408

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities										
Instruction										
Regular	7,918,877	8,497,246	8,513,283	8,103,959	8,654,822	8,714,393	10,237,446	10,621,665	9,488,375	11,968,329
Special education	1,907,976	2,003,876	1,961,418	1,958,308	2,059,457	2,285,302	2,699,171	2,788,315	2,513,847	3,442,786
Other special education	352,899	380,346	180,200	233,048	344,344	257,338	346,791	432,774	386,247	524,529
Other instruction	476,202	521,834	499,713	512,650	627,753	590,624	509,362	512,281	505,271	593,022
Support Services:										
Tuition	1,146,319	1,122,267	1,635,041	1,662,708	1,602,025	1,852,073	1,478,736	1,865,361	1,947,125	2,257,462
Student & instruction related services	3,124,360	3,162,058	2,913,323	3,351,044	4,142,056	3,817,929	4,268,361	4,176,856	3,712,441	4,748,555
General administrative services	586,584	607,890	687,278	581,001	614,691	602,223	578,490	656,095	514,674	765,324
School administrative services	1,162,591	1,196,839	1,035,799	1,016,618	1,041,046	1,121,338	1,288,715	1,416,874	1,254,824	1,702,815
Central Services and Admin. Info. Tech.	693,654	543,181	592,060	644,271	600,847	490,286	512,707	609,799	668,895	746,583
Plant operations and maintenance	2,307,900	2,166,367	2,081,170	2,235,827	2,304,891	2,430,032	2,750,268	2,776,095	2,301,084	3,060,034
Pupil transportation	797,756	816,402	776,673	800,265	958,715	918,917	879,635	956,432	856,568	1,065,652
Special Schools			2,980							
Capital Outlay - Non-depreciable		34,580			25,599	27,599	27,599	27,599	137,099	27,599
Charter Schools	31,298	21,094	20,958	30,580	188,732	12,315	12,653	24,343	24,342	24,342
Interest on Long term debt	150,547	173,159	285,587	194,450	188,732	201,986	12,543	12,543	12,543	12,543
Unallocated Benefits	74,309	96,439	101,774	95,110	24,259	22,300				
Unallocated depreciation and Amortization	6,830	123,896	518,927	416,443	424,598	458,884	632,751	655,199	705,993	719,342
Total governmental activities expenses	20,738,103	21,454,894	21,857,782	21,808,681	23,613,935	23,781,239	26,257,748	27,532,271	25,033,347	31,679,117
Business-type activities:										
Food service	485,211	500,066	418,290	383,394	380,391	424,353	405,373	456,714	459,843	437,276
Butler School District Educational Foundation	2,109		1,683							
Total business-type activities expense	487,320	500,066	418,290	385,078	380,391	424,353	405,373	456,714	459,843	437,276
Total district expenses	21,225,423	21,954,960	22,276,072	22,193,759	23,994,326	24,205,592	26,663,121	27,988,984	25,493,190	32,116,393
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction (tuition)	312,159	446,375	531,794	533,962	534,544	554,880	590,136	324,129	346,500	20,250
Support Services (Central Services & Admin. Info.)	30,340									
Support Services (Unallocated Benefits)	74,309							107,871		
Operating grants and contributions	4,373,068	4,848,087	4,401,601	4,012,409	3,885,909	4,003,753	22,300	4,544,995	5,286,618	4,686,108
Total governmental activities program revenues	4,789,875	5,294,462	4,933,066	4,546,371	4,420,453	4,558,633	5,180,634	4,976,995	5,633,118	4,706,358
Business-type activities:										
Charges for services:										
Food service	359,049	351,594	306,365	301,180	279,322	291,232	255,452	260,849	277,123	280,584
Butler School District Educational Foundation	1,120									
Operating grants and contributions	91,418	108,174	95,928	101,134	120,139	145,774	145,788	209,250	171,989	176,521
Total business-type activities program revenues	451,587	459,768	402,294	402,313	399,461	437,006	401,240	470,099	449,122	457,105
Total district program revenues	5,241,461	5,754,230	5,355,360	4,948,684	4,819,914	4,995,639	5,581,873	5,447,095	6,082,240	5,163,463
Net (Expense)/Revenue										
Governmental activities	(15,948,228)	(16,160,432)	(16,904,716)	(17,262,310)	(19,193,482)	(19,222,606)	(21,077,114)	(22,555,276)	(25,033,347)	(26,972,759)
Business-type activities	(35,734)	(40,298)	(15,996)	17,235	19,070	12,653	(4,133)	13,386	(10,721)	19,829
Total district-wide net expense	(15,983,962)	(16,200,730)	(16,920,713)	(17,245,075)	(19,174,412)	(19,209,953)	(21,081,247)	(22,541,890)	(25,044,069)	(26,952,930)

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes, net	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	16,628,085
Taxes levied for debt service	323,759	348,324	434,979	520,956	525,106	501,816	514,730	528,701	534,584	542,505
Unrestricted grants and contributions	3,750,524	3,918,019	3,127,184	3,762,996	4,263,115	4,096,058	6,379,696	7,223,432	9,120,521	10,109,899
Miscellaneous income	156,618	129,624	123,092	434,390	267,899	399,534	666,749	458,262	257,918	272,822
Transfers	(39,008)	(37,757)	(16,286)	(21,696)	(2,357)	(2,689)	(4,107)			
Total governmental activities	16,053,777	16,738,752	17,053,916	18,305,500	18,954,794	19,425,429	22,422,137	23,786,011	25,928,269	27,553,311
Business-type activities:										
Investment earnings	725	141	89	79	104	135	185	232	124	133
Transfers	39,008	37,757	16,286	21,696	2,358	2,689	4,107			
Total business-type activities	39,732	37,898	16,376	21,775	2,462	2,824	4,293	232	124	133
Total district-wide	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	27,553,444
Change in Net Position										
Governmental activities	105,549	578,320	149,199	1,043,190	(238,688)	202,823	1,345,023	1,230,735	894,921	580,552
Business-type activities	3,999	(2,400)	379	39,010	21,532	15,477	159	13,618	(10,597)	19,963
Total district	109,548	575,920	149,579	1,082,200	(217,156)	218,300	1,345,182	1,244,353	884,324	600,515

Source: CAFR Schedule A-2

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	766,367	490,144								
Unreserved	486,229	618,064								
Restricted			86,952	759,221	1,329,365	1,803,598	2,231,795	3,341,057	3,153,362	3,203,706
Assigned			832,066	1,085,892	250,575	125,740	293,997	430,010	84,597	221,252
Unassigned			509,764	508,168	483,314	441,061	576,549	358,977	508,147	523,418
Total general fund	1,252,595	1,108,208	1,428,782	2,353,282	2,063,254	2,370,399	3,102,342	4,130,044	3,746,106	3,948,376
All Other Governmental Funds										
Restricted										
Debt service fund										
Capital projects fund										
Unreserved, reported in:										
Special revenue fund										
Capital projects fund	(2,834,872)	616,603	255,780	95,548	13,233					
Debt service fund	68,214	10,890	59	93	28,460	11,016				
Total all other governmental funds	(2,766,658)	627,493	255,839	95,641	41,693	11,017	1	98,088	870,724	39,125

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Tax levy	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	17,170,590
Miscellaneous	4,136,012	4,328,113	4,119,476	3,921,410	3,755,956.00	4,036,394.00	4,478,522	4,409,496	5,085,530	4,556,066
State sources	3,799,793	3,658,689	3,162,239	3,710,723	4,219,403.00	4,090,072.00	4,805,574	4,681,743	4,980,861	5,289,274
Federal sources	344,404	908,928	370,162	577,692	481,584.00	374,879.00	27,298	424,312	439,497	457,195
Total revenue	20,465,853	21,624,596	21,471,803	22,339,605	22,843,080.00	23,431,871.00	24,691,193	25,619,867	27,055,718	27,483,125
Expenditures										
Instruction										
Regular instruction	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	6,404,909
Special education instruction	1,345,124	1,385,714	1,386,915	1,381,364	1,358,088.00	1,513,035.00	1,550,000	1,539,372	1,686,283	1,840,243
Other special instruction	249,286	265,576	125,417	166,341	228,441.00	171,122.00	210,802	232,125	235,173	275,414
Other instruction	371,368	405,219	384,841	402,678	496,044.00	466,960.00	509,382	512,281	534,331	593,022
Support Services:										
Tuition	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	2,257,482
Student & instruction related services	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	2,992,736
General administrative services	477,397	487,781	576,857	476,764	506,790.00	521,116.00	454,081	496,024	514,571	538,983
School Administrative services	823,909	840,140	725,798	726,923	720,880.00	786,124.00	803,953	834,149	861,949	920,473
Central Services	388,199	380,893	423,952	463,258	484,148.00	424,627.00	418,364	488,419	526,250	582,828
Plant operations and maintenance	1,871,539	1,791,912	1,698,834	1,884,152	1,888,418.00	2,028,164.00	2,047,873	1,970,642	1,976,699	2,019,951
Pupil transportation	796,855	816,402	776,673	800,265	958,715.00	918,917.00	879,835	956,432	858,588	1,085,852
Unallocated employee benefits	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	6,672,382
Special Schools				2,980						
Charter Schools	31,298	21,094	20,958			12,315.00	12,653	24,343	24,342	24,342
Capital outlay	3,198,893	263,369	525,311	313,267	240,573.00	210,568.00	783,181	329,267	1,197,956	3,099,195
Debt Service:										
Principal	175,000	180,000	190,000	345,000	410,000.00	410,000.00	430,000	445,000	465,000	485,000
Interest and Other Charges	153,284	175,953	288,536	230,383	159,007.00	185,611.00	153,549	141,674	128,636	117,524
Total expenditures	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	29,910,315
Excess (Deficiency) of revenues over (under) expenditures	(3,057,036)	302,440	(34,793)	785,997	(341,618)	158,727	505,035	1,125,790	388,127	(2,427,190)
Other Financing sources (uses)										
Capital leases (non-budgeted)						120,431.00	220,000			1,797,859.00
Bond proceeds		2,985,080								
Transfers in			59	34		1.00				
Transfers out	(39,008)	(37,757)	(16,345)	(21,730)	(2,357.00)	(2,690.00)	(4,107)			
Contracts Payable Canceled									573	
Total other financing sources (uses)	(39,008)	2,947,323	(16,286)	(21,696)	(2,357.00)	117,742.00	215,893	-	573	1,797,859
Net change in fund balances	\$ (3,096,044)	\$ 3,249,763	\$ (51,079)	\$ 764,301	(343,975.00)	276,469.00	720,927	1,125,790	388,700	(629,331)
Debt service as a percentage of noncapital expenditures	1.615%	1.690%	2.281%	2.709%	2.480%	2.496%	2.493%	2.428%	2.331%	2.247%

Source: CAFR Schedule B-2

Note: Noncapital expenditures are total expenditures less capital outlay.

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
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
2018	10,560	4,277,894	99,160	52,933	110,168	4,550,716

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 ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
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
2017	7,304,100	613,623,900	700	98,402,500	20,911,700	17,678,000	757,920,900	728,750	758,649,650	2.223	977,430,941

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.

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

^b Tax rates are per \$100

BUTLER BOARD OF EDUCATION
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$100 of assessed value)
Unaudited

Fiscal Year Ended June 30,	Butler Board of Education				Total Direct and Overlapping Tax Rate	
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Borough of Butler	Morris County	
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
2017	2.152	0.071	2.223	0.967	0.325	3.515

Source: District Records and Municipal Tax Collector

Note:

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

a The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net valuation taxable.

b Rates for debt service are based on each year's requirements.

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

Taxpayer	2018			2009		
	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%	13,455,000	1	1.82%
Butler Gardens LLC	10,340,000	2	1.36%	11,740,400	2	1.59%
Butler Center Associates	8,414,100	3	1.11%	8,414,100	3	1.14%
Butler Plaza Lot One LLC	5,310,500	4	0.70%			
1301 Realty Enterprises	4,494,100	5	0.59%	7,576,800	4	1.03%
Butler Bowl, Inc.	3,939,100	6	0.52%	3,939,100	6	0.53%
ZZ Group LLC	3,605,000	7	0.48%			
Butler Printing & Lamination	3,596,400	8	0.47%	3,596,400	7	0.49%
1301 Realty Enterprises	2,546,100	9	0.34%			
Bromat Enterprises	2,336,200	10	0.31%			
Randell Corporation				5,310,500	5	0.72%
1341 Route 23, Inc				3,181,500	8	0.43%
H.D.R & M.G.R., LLC				3,131,800	9	0.42%
MNB Realty CO, LLC				2,485,000	10	0.34%
Total	\$ 57,386,500		7.56%	\$ 62,830,600		8.51%

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 ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
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%	-
2018	17,170,590	17,170,590	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 ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases				
2009	3,657,000	-		3,657,000	0.6372%	454.74
2010	6,523,000	-		6,523,000	1.1417%	850.12
2011	6,333,000	-		6,333,000	1.0621%	820.02
2012	6,236,000	-		6,236,000	1.0061%	805.16
2013	5,826,000	-		5,826,000	0.9271%	749.71
2014	5,416,000	113,302		5,529,302	0.8479%	709.61
2015	4,986,000	91,192		5,077,192	0.7406%	650.92
2016	4,541,000	67,952		4,608,952	0.6646%	591.95
2017	4,076,000	43,523		4,119,523	NA	529.91
2018	3,591,000	1,750,424		5,341,424	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

<u>General Bonded Debt Outstanding</u>					
Fiscal Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
2009	3,657,000		3,657,000	0.48%	455
2010	6,523,000		6,523,000	0.86%	850
2011	6,333,000		6,333,000	0.84%	820
2012	6,236,000		6,236,000	0.83%	805
2013	5,826,000		5,826,000	0.78%	750
2014	5,416,000		5,416,000	0.72%	695
2015	4,986,000		4,986,000	0.66%	639
2016	4,541,000		4,541,000	0.60%	583
2017	4,076,000		4,076,000	0.54%	524
2018	3,591,000		3,591,000	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, 2018
Unaudited

<u>Governmental Unit</u>	<u>Debt Outstanding (1)</u>	<u>Estimated Percentage Applicable^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Borough of Butler	4,936,570	100.000%	4,936,570
Other debt			
Morris County	217,187,521	1.018%	2,210,969
Subtotal, overlapping debt			7,147,538
Borough of Butler School District Direct Debt			3,591,000
Total direct and overlapping debt			<u>\$ 10,738,538</u>

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

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

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

(1) Debt Information as of December 31, 2017.

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

Legal Debt Margin Calculation for Fiscal Year 2018

Equalized valuation basis	2015	952,164,512																		
	2016	941,730,325																		
	2017	976,702,191																		
		<u>2,870,597,028</u>																		
Average equalized valuation of taxable property		\$ 956,865,676																		
Debt limit (4 % of average equalization value)		38,274,627																		
Net bonded school debt as of June 30, 2018		3,591,000																		
Legal debt margin		<u>\$ 34,683,627</u>																		
	2009		2010	2011	2012	2013	2014	2015	2016	2017	2018									
Debt limit	\$ 41,482,490	\$ 41,693,173	\$ 41,396,644	\$ 40,535,982	\$ 39,727,786	\$ 38,903,891	\$ 38,847,988	\$ 39,296,470	\$ 38,847,988	\$ 38,697,806	38,274,627									
Total net debt applicable to limit	3,657,000	6,523,000	6,333,000	6,236,000	5,826,000	5,416,000	4,541,000	4,986,000	4,541,000	4,076,000	3,591,000									
Legal debt margin	<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>34,306,988</u>	<u>34,310,470</u>	<u>34,306,988</u>	<u>34,621,806</u>	<u>34,683,627</u>									
Total net debt applicable to the limit																				
as a percentage of debt limit	8.82%	15.65%	15.30%	15.38%	14.66%	13.92%	11.69%	12.69%	11.69%	10.53%	9.38%									

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 ^a	Personal Income in (thousands of dollars) ^b	Per Capita Income ^c	Unemployment Rate ^d
2008	8,025	595,535,250	74,210	3.7%
2009	8,042	573,885,162	71,361	6.4%
2010	7,673	571,331,580	74,460	6.4%
2011	7,723	596,269,661	77,207	6.2%
2012	7,745	619,809,115	80,027	6.5%
2013	7,771	628,425,228	80,868	6.2%
2014	7,792	652,089,104	83,687	5.7%
2015	7,800	685,588,800	87,896	3.9%
2016	7,786	693,460,090	89,065	4.3%
2017	7,774	Not Available	Not Available	3.8%

Source:

^a U.S. Bureau of the Census, Population Division, (Estimates July 1, 2008-2017)

^b Personal income of the District is Based on the County Information.

^c U.S. Department of Commerce, County Information 2007-2016.

^d N.J. Department of Labor.

Exhibit J-15

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

Employer	2018		2009		Percentage of Total Employment
	Employees	Rank (Optional)	Employees	Rank (Optional)	

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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Instruction										
Regular	80.9	79.1	73.3	70.2	74.5	89	91.6	92	90.8	89.4
Special education	26.0	26.0	24.4	31.6	32.2	28.2	27.2	26.5	30.4	32.3
B.S. / Bilingual	4.2	4.7	3.5	1.8	2.8	2.4	4.1	2.8	3	3.0
Other Instruction	1.0	1.0	1.1	6.5	8.6	1.8	0.9	1.2	1.2	1.3
Support Services:										
Student & instruction related services	43.8	43.1	36.5	47.4	53.9	62.3	64.3	55	57.6	63.9
General administrative services	2.1	2.1	2.1	2.1	2.2	1.94	1.9	1.8	1.8	1.8
School administrative services	12.5	11.6	9.1	9.2	9.2	9.3	9.3	10	10	10.4
Central Services	4.9	4.4	4.5	4.5	4.1	1.5	1	1.2	0.8	0.8
Administrative Information Technology	0.5	0.5	0.5	0.4	0.7	0.7	0.7	0.9	1	1.0
Plant operations and maintenance	20.8	20.9	18.3	20.7	21.5	20.5	21	24	23.2	22.6
Pupil transportation	-	-	-	-	-	-	-	-	-	-
Food Service	1.1	1.1	-	-	-	-	-	-	-	-
Total	197.8	194.5	173.3	194.4	209.7	217.6	222.0	215.4	219.8	226.5

Source: District Budget Records

BUTLER BOARD OF EDUCATION
Operating Statistics
Last Ten Fiscal Years
Unaudited

Pupil/Teacher Ratio

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Elementary	Middle School	High School	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
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%
2017-2018	1,161.2	26,208,596	22,571	8.13%	123.35	9.01	9.59	9.32	1,161.2	1,112.7	-2.56%	95.83%

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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Elementary										
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)	387	382	382	368	390	393	381	386	379	383
Enrollment										
Middle School										
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)	277	260	260	280	299	282	298	272	280	289
Enrollment										
High School										
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)	511	547	547	530	516	509	527.5	533	533	490
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)	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Butler High School	N/A	110,793	179,938	213,055	173,417	156,269	151,976	124,313	62,724	73,714	97,167
Aaron Decker	N/A	55,077	60,413	93,615	69,382	70,511	55,336	33,649	30,910	25,806	35,565
Richard Butler	N/A	41,637	64,159	83,460	89,693	81,429	63,196	49,370	21,897	24,907	53,160
District	N/A							2,370			
Total School Facilities		<u>207,507</u>	<u>304,510</u>	<u>390,130</u>	<u>332,491</u>	<u>308,199</u>	<u>270,508</u>	<u>209,702</u>	<u>115,531</u>	<u>124,427</u>	<u>185,892</u>

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

**BUTLER BOARD OF EDUCATION
INSURANCE SCHEDULE
June 30, 2018
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 SECTION

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the Board of Education of the Borough of Butler School District, in the County of Morris, New Jersey, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 23, 2019.

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

Newton, New Jersey

January 23, 2019

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

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

Report on Compliance for Each Major State Program

We have audited the Board of Education of the Borough of Butler School District in the County of Morris, New Jersey, compliance with the types of compliance requirements described in the *OMB Compliance Supplements* and the New Jersey State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Borough of Butler Board of Education's major state programs for the fiscal year ended June 30, 2018. 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, 2018.

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.

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

January 23, 2019

BUTLER BOROUGH SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
for the Fiscal Year Ending June 30, 2018

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, 2017		June 30, 2018		MEMO Cumulative Total Expenditures
						(Accounts Receivable)	Unearned Revenue	(Accounts Receivable)	Unearned Revenue	
U.S. Department of Agriculture										
Passed - through State Department of Education:										
Enterprise Fund:										
U.S.D.A. Commodities Program	10.550	1616IN304N1099	N/A	28,481	7/1/16-6/30/17	-	2,246	-	-	28,481
U.S.D.A. Commodities Program	10.550	1616IN304N1099	N/A	30,674	7/1/17-6/30/18	-	-	-	2,035	30,674
National School Lunch Program	10.555	1616IN304N1099	N/A	120,578	7/1/16-6/30/17	(7,511)	-	-	-	120,578
National School Lunch Program	10.555	1616IN304N1099	N/A	121,462	7/1/17-6/30/18	-	-	(22,931)	-	121,462
National School Breakfast Program	10.553	1616IN304N1099	N/A	19,606	7/1/16-6/30/17	(1,450)	-	-	-	19,606
National School Breakfast Program	10.553	1616IN304N1099	N/A	19,919	7/1/17-6/30/18	-	-	(3,920)	-	19,919
Total Enterprise Fund						(8,961)	2,246	(26,851)	2,035	340,720
U.S. Department of Education										
Passed - through State Department of Education:										
General Fund:										
Medicaid Assistance Program	93.778	1605NJ3MAP	N/A	54,331	7/1/17-6/30/18	-	-	-	-	54,331
Total General Fund						-	-	-	-	54,331
U.S. Department of Education										
Passed - through State Department of Education:										
Special Revenue Fund:										
Title I - Part A - Improving Basic Programs	84.010	S010A150030	NCLB0630-17	93,184	9/1/16-8/31/17	(20,879)	-	-	-	93,184
Title I - Part A - Improving Basic Programs	84.010	S010A150030	NCLB0630-18	92,271	9/1/17-8/31/18	(20,879)	-	-	-	92,271
										183,455
Title II - Part A - Teacher & Principal Training/Recruiting	84.367	S367A150029	NCLB0630-18	18,422	9/1/17-8/31/18	-	-	-	-	18,422
										18,422
Title III - English Language Acquisition	84.365	S365A150030	NCLB0630-17	10,387	9/1/16-8/31/17	(872)	-	-	-	10,387
Title III - English Language Acquisition	84.365	S365A150030	NCLB0630-18	9,182	9/1/17-8/31/18	(872)	-	-	-	9,182
										20,199
Title IV - Part A - Student Support and Academic Enrichment	84.424A	S424A170031	NCLB0630-18	10,000	9/1/17-8/31/18	-	-	-	-	10,000
										10,000
I.D.E.A. Part B, Basic Regular	84.027	H027A150100	NCLB0630-18	264,440	9/1/17-8/31/18	-	-	-	-	264,440
I.D.E.A. Part B, Preschool	84.173	H173A150114	NCLB0630-18	8,549	9/1/17-8/31/18	-	-	-	-	8,549
										272,989
Total Special Revenue Fund						(21,751)	-	-	-	497,065
Total Federal Financial Awards						(30,712)	2,246	(26,851)	2,035	892,116

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, 2017		Cash Received	Budgetary Expenditures	Adjustments/Repayment of Prior Years' Balances	June 30, 2018 (Accounts Receivable)	MEMO	
				Unearned (Accts Receivable)	Revenue					Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:											
General Fund:											
Equalization Aid	495-034-5120-078	1,257,952	7/1/17-6/30/18	-	-	1,257,952	(1,257,952)	-	-	(113,952)	1,257,952
School Choice Aid	495-034-5120-068	26,218	7/1/17-6/30/18	-	-	26,218	(26,218)	-	-	(2,375)	26,218
Transportation Aid	495-034-5120-014	53,072	7/1/17-6/30/18	-	-	53,072	(53,072)	-	-	(4,808)	53,072
Special Education Categorical Aid	495-034-5120-089	583,508	7/1/17-6/30/18	-	-	583,508	(583,508)	-	-	(52,857)	583,508
Security Aid	495-034-5120-084	23,261	7/1/17-6/30/18	-	-	23,261	(23,261)	-	-	(2,107)	23,261
Additional Adjustment Aid	495-034-5120-085	41,810	7/1/17-6/30/18	-	-	41,810	(41,810)	-	-	(3,787)	41,810
PARCC Readiness Aid	495-034-5120-098	9,390	7/1/17-6/30/18	-	-	9,390	(9,390)	-	-	(851)	9,390
Per Pupil Growth Aid	495-034-5120-097	9,390	7/1/17-6/30/18	-	-	9,390	(9,390)	-	-	(851)	9,390
Professional Learning Community Aid	495-034-5120-101	9,610	7/1/17-6/30/18	-	-	9,610	(9,610)	-	-	(871)	9,610
Host District Aid	495-034-5120-102	360	7/1/17-6/30/18	-	-	360	(360)	-	-	(33)	360
Extraordinary Special Education Aid	100-034-5120-473	394,911	7/1/16-6/30/17	(394,911)	-	394,911	-	-	(417,455)	-	394,911
Extraordinary Special Education Aid	100-034-5120-473	417,455	7/1/17-6/30/18	-	-	417,455	(417,455)	-	-	-	417,455
On-Behalf TPAF Pension	495-034-5094-006	1,256,248	7/1/17-6/30/18	-	-	1,256,248	(1,256,248)	-	-	-	1,256,248
On-Behalf TPAF NCGI Premium	495-034-5094-007	30,486	7/1/17-6/30/18	-	-	30,486	(30,486)	-	-	-	30,486
On-Behalf TPAF Post Retirement Medical	495-034-5094-001	831,074	7/1/17-6/30/18	-	-	831,074	(831,074)	-	-	-	831,074
On-Behalf TPAF Long-Term Disability Ins.	495-034-5094-004	1,630	7/1/17-6/30/18	-	-	1,630	(1,630)	-	-	-	1,630
Non-Public Transportation Aid	495-034-5120-014	13,398	7/1/16-6/30/17	(13,398)	-	13,398	-	-	(18,850)	-	13,398
Non-Public Transportation Aid	495-034-5120-014	18,850	7/1/17-6/30/18	-	-	-	(18,850)	-	-	-	18,850
Reimbursed T.P.A.F. - Social Security	495-034-5094-003	664,112	7/1/16-6/30/17	(664,112)	-	664,112	-	-	-	-	664,112
Reimbursed T.P.A.F. - Social Security	495-034-5094-003	670,545.93	7/1/17-6/30/18	(670,545.93)	-	670,545.93	(670,545.93)	-	(46)	-	670,545.93
Total General Fund				(441,340)		5,245,849	(5,240,860)		(436,351)	(182,490)	6,313,281
Debt Service Fund:											
School Construction Debt Service Aid	100-034-5120-125	542,505	7/1/17-6/30/18	-	-	542,505	(542,505)	-	-	-	542,505
Total Debt Service Fund						542,505	(542,505)				542,505
State Department of Agriculture											
Enterprise Fund:											
State School Lunch Program	100-10-3350-23	3,748	7/1/16-6/30/17	(234)	-	234	-	-	-	-	3,748
State School Lunch Program	100-10-3350-23	4,256	7/1/17-6/30/18	-	-	3,441	(4,256)	-	(815)	-	4,256
Total Enterprise Fund				(234)		3,675	(4,256)		(815)		8,004
Total State Financial Assistance											
Less: On-Behalf Pension and Annuity Aid											
Total for State Major Program Determinations											
				(441,574)		5,792,029	(5,787,621)		(437,166)	(182,490)	6,863,790
						2,119,438	(2,119,438)				2,119,438
				(441,574)		3,672,591	(3,668,183)		(437,166)	(182,490)	4,744,352

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 \$(1,604) 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 2018 fiscal year was \$2,119,438.

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	\$ 54,331	\$5,239,256	\$5,293,587
Special Revenue Fund	402,864	-	402,864
Capital Projects Fund	-	-	-
Debt Service Fund	-	60,018	60,018
Food Service Fund	<u>172,398</u>	<u>4,256</u>	<u>176,654</u>
Total Financial Awards	<u>\$629,594</u>	<u>\$5,303,530</u>	<u>\$5,933,123</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, 2018.

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.

NOTE 7. SCHOOLWIDE PROGRAM FUNDS

School wide programs are not separate federal programs as defined in Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Grant Guidance); amounts used in schoolwide programs are included in the total expenditures of the program contributing the funds in the Schedule of Expenditure of Federal Awards. The following funds by program are included in schoolwide programs in the school district.

<u>Program</u>	<u>Total</u>
Title I, Part A: Grants to Local Educational Agencies	\$92,271
Title II, Part A: Improving Teacher Quality State Grants	18,422
Title III: English Language Acquisition State Grants	9,182
Title IV, Part A: Student Support and Academic Enrichment	<u>10,000</u>
Total	<u>\$129,875</u>

**BOROUGH OF BUTLER SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018**

Section I - Summary of Auditor's Results

State Awards Section

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

Auditee qualified as low-risk auditee? X yes no

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

Internal Control over major programs:

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

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

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

Identification of major programs:

<u>State Grant/Project Number(s)</u>	<u>Name of State Program</u>
<u>18-495-034-5120-078</u>	State Aid - Public Cluster
<u>18-495-034-5120-089</u>	<u>Equalization Aid</u>
<u>18-495-034-5120-084</u>	<u>Special Education Categorical Aid</u>
<u>18-495-034-5120-085</u>	<u>Security Aid</u>
<u>18-495-034-5120-068</u>	<u>Additional Adjustment Aid</u>
<u>18-495-034-5120-097</u>	<u>School Choice Aid</u>
<u>18-495-034-5120-098</u>	<u>Per Pupil Growth Aid</u>
<u>18-495-034-5120-101</u>	<u>PARCC Readiness</u>
<u>18-495-034-5120-102</u>	<u>Professional Learning Community Aid</u>
	<u>Host District Support Aid</u>

**BOROUGH OF BUTLER SCHOOL DISTRICT
SCHEDULE OF FINANCIAL, FEDERAL AND STATE FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018**

Status of Prior Year Findings

The prior year audit finding was corrected.