

**Butler Area School District
Financial Statements
June 30, 2023**



**Butler Area School District
Table of Contents**

	Exhibit	Page No.
FINANCIAL SECTION		
Independent Auditor’s Report		1 – 3
Management’s Discussion and Analysis		4 – 14
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	1	15
Statement of Activities	2	16
Fund Financial Statements		
Balance Sheet – Governmental Funds	3	17
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position	4	18 – 19
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	5	20
Reconciliation of the Governmental Funds		
Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	6	21 – 22
Statement of Net Position – Proprietary Funds	7	23
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	8	24
Statement of Cash Flows – Proprietary Funds	9	25 – 26
Statement of Net Position – Fiduciary Funds	10	27
Statement of Changes in Net Position – Fiduciary Funds	11	28
Notes to Financial Statements		29 – 61
Required Supplementary Information		
Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund – Budget and Actual		62 – 68
Note to the Required Supplementary Information		69
Schedule of Changes in the Total OPEB Liability and Related Ratios		70
Schedule of School District’s Contributions – PSERS		71
Schedule of School District’s Proportionate Share of the Net Pension Liability – PSERS		72
Schedule of School District’s Contributions – PSERS OPEB Plan		73
Schedule of School District’s Proportionate Share of the Net OPEB Liability – PSERS OPEB Plan		74

**Butler Area School District
Table of Contents**

SINGLE AUDIT SECTION

Letter of Transmittal		75
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	A	76 – 77
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	B	78 – 80
Schedule of Findings and Questioned Costs	C	81 – 82
Schedule of Expenditures of Federal Awards	D	83 – 85
List of Report Distribution	E	86

HOSACK, SPECHT, MUETZEL & WOOD LLP
CERTIFIED PUBLIC ACCOUNTANTS
2 PENN CENTER WEST, SUITE 326
PITTSBURGH, PENNSYLVANIA 15276
PHONE - 412-343-9200
FAX - 412-343-9209
HSMW@HSMWCPA.COM
WWW.HSMWCPA.COM

Independent Auditor's Report

Members of the Board
Butler Area School District
Butler, Pennsylvania

Opinions

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 Butler Area School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Butler Area School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Butler Area School District as of June 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Butler Area School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Butler Area School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of the expressing an opinion on the effectiveness of Butler Area School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Butler Area School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, post-employment benefit information and pension information, as shown in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Butler Area School District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2024, on our consideration of Butler Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of Butler Area School District's 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 Butler Area School District's internal control over financial reporting and compliance.

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
January 5, 2024

**Butler Area School District
Management's Discussion and Analysis
June 30, 2023**

The discussion and analysis of Butler Area School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2023. 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.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Government Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for the State and Local Governments. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

As the addition of new stimulus funding has ended, the District strived to focus on utilizing the remaining funds available on one-time, non-recurring expenses. For example, the classroom addition construction project at the senior high school. However, per guidelines, funding was also dedicated to negate learning loss in the classroom during the school day, summer, and after school. Funds were also used for additional mental health support. The school district has subsidized in school mental health therapists which have been addressing critical student needs.

As a result, the District will need to assess the impact on students on what has been implemented in the past few years and decide how to continue, reduce, or eliminate these expenses from future years.

Inflationary impacts are also significant for the District. They are similar to those faced by most districts, such as the rising cost for insurance benefits, fuel, and utilities. Retirement contributions mandated by the Commonwealth of PA continue to add stress to school budgets as well as increased Special Education expenses.

In addition, the capital needs for buildings and facilities exceed the amount available in capital funds. The District has been working to prioritize these significant expenses as well as slowly build funds available to address these needs.

Using the Annual Financial Report

The Annual Financial Report consists of a financial section and a single audit section which is issued to comply with federal guidelines as required in the Government Auditing Standards and the Uniform Grant Guidance. Within the financial section are the management's discussion and analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can understand Butler Area School District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The first two statements are government-wide financial statements - the statement of net position and the statement of activities. These provide both long-term and short-term information about the School District's overall financial status.

**Butler Area School District
Management's Discussion and Analysis
June 30, 2023**

The remaining statements are fund financial statements that focus on individual parts of the School District's operations in more detail than the government-wide statements. The governmental funds statements tell how general School District services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short and long-term financial information about the activities that the School District operates like a business. For this School District, this is our food service fund. Fiduciary fund statements provide information about financial relationships where the School District acts solely as a trustee or custodian for the benefit of others, to whom the resources in question belong.

The financial statements also include notes to explain some of the information in the financial statements and provide more detailed data.

Figure A-1 shows how the required parts of the financial section are arranged and relate to one another:

Figure A – 1
Required Components of
Butler Area School District's
Financial Report

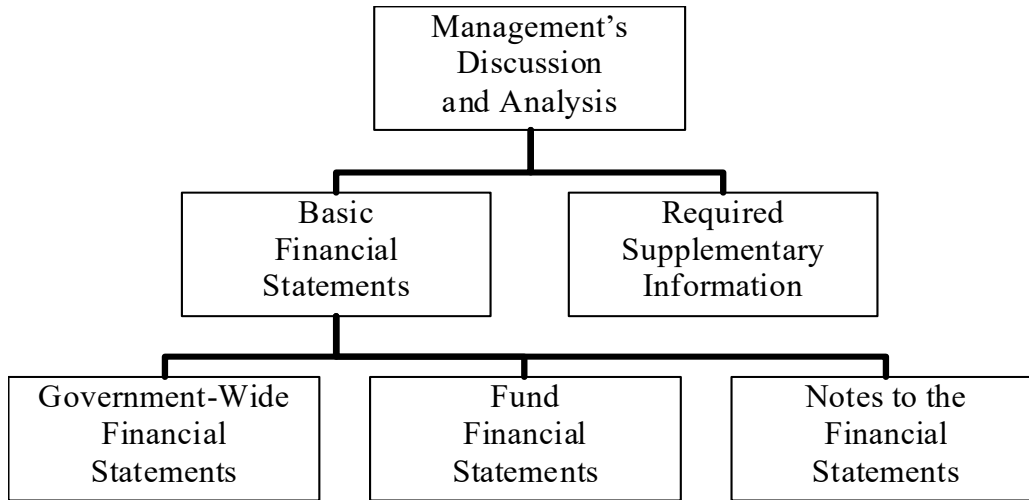


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Butler Area School District
Management's Discussion and Analysis
June 30, 2023**

Figure A – 2
Major Features of Butler Area School District's
Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as education, administration and community services	Activities the School District operates similar to private business - food services	Instances in which the School District is the trustee or agent to someone else's resources
Required financial statements	Statement of net position; statement of activities	Balance sheet; statement of revenues, expenditures, and changes in fund balance	Statement of net position; statement of revenues, expenses and changes in net position; statement of cash flows	Statement of fiduciary net position; statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of in-flow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Butler Area School District
Management's Discussion and Analysis
June 30, 2023

Overview of Financial Statements

Government-Wide Statements

The government-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the School District's net position and how they have changed. Net position, the difference between the School District's assets and liabilities, is only one way to measure the School District's financial health or position.

Over time, increases or decreases in the School District's net position are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the School District, you need to consider additional non-financial factors, such as changes in the School District's property tax base and the performance of the students.

The government-wide financial statements of the School District are divided into two categories:

- **Governmental activities** - All of the School District's basic services are included here, such as instruction, administration and community services. Property taxes and state and federal subsidies and grants finance most of these activities.
- **Business-type activities** - The School District operates a food service operation and charges fees to staff, students and visitors to help it cover the costs of the food service operation.

Fund Financial Statements

The School District's fund financial statements, which begin with Exhibit 3, provide detailed information about the most significant funds - not the School District as a whole. Some funds are required by state law and bond requirements.

Governmental funds - Most of the School District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They 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 operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's 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.

**Butler Area School District
Management's Discussion and Analysis
June 30, 2023**

Proprietary funds - These funds are used to account for the School District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the School District charges customers for services it provides - whether to outside customers or to other units in the School District - these services are generally reported in proprietary funds. The food service fund is the School District's proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provides more detail and additional information, such as cash flows.

Fiduciary funds - The School District is the trustee, or fiduciary, for student activity funds and some scholarship funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position on Exhibit 10 and statement of changes in net position on Exhibit 11. We exclude these activities from the School District's other financial statement because the School District cannot use these assets to finance its operations.

Financial Analysis of the School District as a Whole

The School District's total net position was a deficit \$(148,332,177) at June 30, 2023 and a deficit \$(165,777,799) at June 30, 2022.

Table A - 1
Years Ended June 30, 2023 and 2022
Net Position

	2023			2022		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Current and Other Assets	\$ 33,318,478	\$ 2,450,573	\$ 35,769,051	\$ 33,828,507	\$ 2,049,017	\$ 35,877,524
Capital Assets	59,128,704	58,437	59,187,141	53,764,634	-	53,764,634
Total Assets	92,447,182	2,509,010	94,956,192	87,593,141	2,049,017	89,642,158
Deferred Outflows of Resources	33,011,365	148,248	33,159,613	38,976,839	192,315	39,169,154
Current and Other Liabilities	12,216,732	135,610	12,352,342	13,205,692	214,579	13,420,271
Noncurrent Liabilities						
Due Within One Year	5,017,664	-	5,017,664	4,771,618	-	4,771,618
Due in More Than One Year	235,989,683	990,024	236,979,707	247,170,936	999,870	248,170,806
Total Liabilities	253,224,079	1,125,634	254,349,713	265,148,246	1,214,449	266,362,695

**Butler Area School District
Management's Discussion and Analysis
June 30, 2023**

Table A - 1
Years Ended June 30, 2023 and 2022
Net Position

	2023			2022		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Deferred Inflows of Resources	22,031,929	66,340	22,098,269	28,056,013	170,403	28,226,416
Net Position						
Net Investment in Capital Assets	(13,766,691)	58,437	(13,708,254)	(13,650,671)	-	(13,650,671)
Unrestricted	(136,030,770)	1,406,847	(134,623,923)	(152,983,608)	856,480	(152,127,128)
Total Net Position	<u>\$ (149,797,461)</u>	<u>\$ 1,465,284</u>	<u>\$ (148,332,177)</u>	<u>\$ (166,634,279)</u>	<u>\$ 856,480</u>	<u>\$ (165,777,799)</u>

Most of the School District's net position is invested in capital assets (buildings, land, and equipment). The remaining unrestricted net position is combined of designated and undesignated amounts. The designated balances are amounts set aside to fund purchases or capital projects as planned by the School District.

The results of this year's operations as a whole are reported in the statement of activities on Exhibit 2. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the School District's activities that are supported by other general revenues. The two largest general revenues are the local taxes (property and earned income) assessed to community taxpayers and the Basic Education Subsidy provided by the State of Pennsylvania.

Table A-2 takes the information from that statement, rearranges it slightly, so you can see our total revenues for the year.

Butler Area School District
Management's Discussion and Analysis
June 30, 2023

Table A - 2
Years Ended June 30, 2023 and 2022
Changes in Net Position

	2023			2022		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Revenues						
Program Revenues						
Charges for Services	\$ -	\$ 578,869	\$ 578,869	\$ -	\$ 191,380	\$ 191,380
Operating Grants and Contribs.	31,972,135	2,856,125	34,828,260	30,645,971	3,538,631	34,184,602
Capital Grants and Contribs.	1,606,755	-	1,606,755	1,609,083	-	1,609,083
General Revenues						
Property Taxes	43,207,512	-	43,207,512	43,520,633	-	43,520,633
Other Taxes	8,741,728	-	8,741,728	8,217,822	-	8,217,822
Grants, Subsidies and Contribs.						
Unrestricted	30,186,881	-	30,186,881	28,486,766	-	28,486,766
Investment Earnings	1,185,805	33,109	1,218,914	89,480	1,400	90,880
Other	464,345	-	464,345	653,615	590	654,205
Total Revenues	117,365,161	3,468,103	120,833,264	113,223,370	3,732,001	116,955,371
Expenses						
Instruction	64,150,932	-	64,150,932	63,609,544	-	63,609,544
Instructional Student Support	8,538,778	-	8,538,778	8,019,955	-	8,019,955
Admin. and Fin. Support Svcs.	8,170,517	-	8,170,517	8,596,893	-	8,596,893
Operation and Maintenance						
of Plant Services	8,621,988	-	8,621,988	9,543,037	-	9,543,037
Pupil Transportation	5,827,121	-	5,827,121	5,798,640	-	5,798,640
Student Activities	1,839,899	-	1,839,899	1,702,463	-	1,702,463
Community Services	37,390	-	37,390	49,091	-	49,091
Interest on Long-Term Debt	3,341,718	-	3,341,718	3,596,273	-	3,596,273
Food Service	-	2,859,299	2,859,299	-	2,034,718	2,034,718
Total Expenses	100,528,343	2,859,299	103,387,642	100,915,896	2,034,718	102,950,614
Increase (Decrease) in Net Position	16,836,818	608,804	17,445,622	12,307,474	1,697,283	14,004,757
Beginning Net Position	(166,634,279)	856,480	(165,777,799)	(178,941,753)	(840,803)	(179,782,556)
Ending Net Position	<u>\$ (149,797,461)</u>	<u>\$ 1,465,284</u>	<u>\$ (148,332,177)</u>	<u>\$ (166,634,279)</u>	<u>\$ 856,480</u>	<u>\$ (165,777,799)</u>

Butler Area School District
Management's Discussion and Analysis
June 30, 2023

The tables below present the expenses of both the governmental activities and the business-type activities of the School District.

Table A-3 shows the School District's largest functions - instructional programs, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, community services, interest on debt, as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

Table A - 3
Years Ended June 30, 2023 and 2022
Governmental Activities

	2023		2022	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Functions/Programs				
Instruction	\$ 64,150,932	\$38,706,801	\$ 63,609,544	\$44,817,781
Instructional Student Support	8,538,778	6,372,279	8,019,955	4,706,593
Admin. and Fin. Support Svcs.	8,170,517	7,280,668	8,596,893	7,747,497
Operation and Maintenance of Plant Services	8,621,988	7,920,593	9,543,037	4,869,400
Pupil Transportation	5,827,121	3,285,450	5,798,640	3,028,720
Student Activities	1,839,899	1,614,587	1,702,463	1,458,958
Community Services	37,390	34,112	49,091	44,703
Interest on Long-Term Debt	<u>3,341,718</u>	<u>1,734,963</u>	<u>3,596,273</u>	<u>1,987,190</u>
Total Governmental Activities	<u>\$ 100,528,343</u>	66,949,453	<u>\$ 100,915,896</u>	68,660,842
Less:				
Unrestricted Grants, Subsidies		<u>(30,186,881)</u>		<u>(28,486,766)</u>
Total Needs from Local Taxes and Other Revenues		<u>\$ 36,762,572</u>		<u>\$ 40,174,076</u>

**Butler Area School District
Management's Discussion and Analysis
June 30, 2023**

Table A-4 reflects the activities of the food service program, the only business-type activity of the School District.

Table A - 4
Years Ended June 30, 2023 and 2022
Business-Type Activities

	2023		2022	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Functions/Programs				
Food Service	<u>\$2,859,299</u>	\$ (575,695)	<u>\$2,034,718</u>	\$(1,695,293)
Less:				
Investment Earnings		<u>(33,109)</u>		<u>(1,400)</u>
Total Business-Type Activities		<u>\$ (608,804)</u>		<u>\$(1,696,693)</u>

The statement of revenues, expenses and changes in fund net position for this proprietary fund shown on Exhibit 8 will further detail the actual results of operations.

School District Funds

At June 30, 2023, the School District's general fund reported a fund balance of \$20,997,540, which is an increase of \$722,518 from the June 30, 2022 balance. The actual revenues were greater than the budgeted revenues by \$3,453,771. The actual revenues were within 3.2% of budgeted revenues. The actual expenditures were more than budgeted expenditures by \$2,731,253. The actual expenditures were within 2.6% of budgeted expenditures.

**Butler Area School District
Management's Discussion and Analysis
June 30, 2023**

Capital Assets and Debt Administration

Capital Assets

At June 30, 2023, the School District had \$58,613,721 invested in a broad range of capital assets, including land, buildings, furniture and equipment and construction in progress.

Table A - 5
Governmental Activities
Capital Assets - Net of Depreciation

	2023	2022
Land and Land Improvements	\$ 176,445	\$ 176,445
Buildings and Building Improvements	46,535,475	46,026,391
Furniture and Equipment	1,058,970	1,374,015
Construction in Progress	10,842,831	5,505,778

Debt Administration

As of July 1, 2022, the School District included in its long-term liabilities \$72,896,930 for bonds outstanding. During the year, the School District made principal payments of \$4,610,000 and showed accretion of \$601,371, resulting in an ending balance as of June 30, 2023 of \$68,888,301.

Table A - 6
Outstanding Debt

General Obligation Bonds	As of 06/30/23	As of 06/30/22
Series of 2002A	\$ 4,443,288	\$ 4,193,222
Series of 2003A	6,585,013	6,233,708
Series of 2007	27,330,000	27,400,000
Series of 2012A	565,000	800,000
Series of 2012AA	805,000	995,000
Series of 2013	270,000	335,000
Series of 2017	9,750,000	9,755,000
Series of 2018	19,140,000	23,185,000

Economic Factors and Next Year's Budget and Rates

The revenue budget for the 2023/2024 fiscal year is \$448,383 more than the actual revenue recorded in 2022/2023. This represents a 0.42% increase. The increase in revenues is primarily due to an increase in the proposed state budget and a decrease in the amount of federal stimulus funding. The local revenue budget for the 2023/2024 year is \$97,686 less than actual local revenues recorded in 2022/2023. The expenditure budget for the 2023/2024 year is \$1,170,901 more than actual expenditures recorded for 2022/2023, or a 1.07% increase. The increase in expenditures is primarily due to an expected increase in utility and fuel costs as well as money budgeted for schoolwide safety supplies, equipment, and initiatives.

**Butler Area School District
Management's Discussion and Analysis
June 30, 2023**

The comparison of revenue and expenditure categories is as follows:

Table A - 7

	Budgeted Revenue 2023/2024	Actual Revenue 2022/2023
Local	50.3%	50.5%
State	46.9%	46.0%
Federal	2.8%	3.4%
Other Financing Sources	0.0%	0.1%

	Budgeted Expenditures 2023/2024	Actual Expenditures 2022/2023
Instruction	62.2%	61.2%
Support Services	29.0%	28.7%
Noninstructional Services	1.4%	2.0%
Fund Transfers/Debt/Other	7.4%	8.1%

Contacting the School District Financial Management

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the School District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional information, please contact Heather Bonzo, Director of Finance & Operations, Butler Area School District, 110 Campus Lane, Butler, PA 16001, 724-214-3111.

Butler Area School District
Statement of Net Position
June 30, 2023

Exhibit 1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 25,946,122	\$ 2,024,747	\$ 27,970,869
Taxes Receivable, Net	292,991	-	292,991
Internal Balances	(291,421)	291,421	-
Due From Other Governments	4,752,862	105,167	4,858,029
Other Receivables	2,561,538	2,230	2,563,768
Inventories	-	27,008	27,008
Prepaid Items	56,386	-	56,386
Capital Assets not Being Depreciated			
Land	176,445	-	176,445
Construction in Progress	10,842,831	-	10,842,831
Capital Assets, Net of Accumulated Depreciation			
Building & Building Improvements	46,535,475	-	46,535,475
Furniture & Equipment	1,058,970	58,437	1,117,407
Intangible Right-to-Use Assets, Net of Amort.	514,983	-	514,983
TOTAL ASSETS	92,447,182	2,509,010	94,956,192
DEFERRED OUTFLOWS OF RESOURCES			
Accumulated Decreases in Fair Value of Hedging Derivatives	3,023,146	-	3,023,146
Deferred Charge on Refunding	1,531,397	-	1,531,397
Amounts Related to OPEB - District	5,664,045	-	5,664,045
Amounts Related to OPEB - PSERS	1,164,933	8,023	1,172,956
Amounts Related to Pension	21,627,844	140,225	21,768,069
TOTAL DEFERRED OUTFLOWS OF RESOURCES	33,011,365	148,248	33,159,613
LIABILITIES			
Accounts Payable	3,812,499	116,100	3,928,599
Accrued Salaries and Benefits	7,521,072	-	7,521,072
Unearned Revenues	232,535	896	233,431
Other Current Liabilities	650,626	18,614	669,240
Noncurrent Liabilities:			
Due Within One Year	5,017,664	-	5,017,664
Due in More Than One Year:			
Compensated Absences	1,470,130	-	1,470,130
Bonds Payable	66,519,811	-	66,519,811
Financing Agreements	60,634	-	60,634
Lease Payable	362,470	-	362,470
Other Post-Employment Benefits - District	26,324,516	-	26,324,516
Other Post-Employment Benefits - PSERS	5,492,667	39,333	5,532,000
Derivative Instruments	3,023,146	-	3,023,146
Net Pension Liability	132,736,309	950,691	133,687,000
TOTAL LIABILITIES	253,224,079	1,125,634	254,349,713
DEFERRED INFLOWS OF RESOURCES			
Amounts Related to OPEB - District	12,769,189	-	12,769,189
Amounts Related to OPEB - PSERS	1,665,387	11,926	1,677,313
Amounts Related to Pension	7,597,353	54,414	7,651,767
TOTAL DEFERRED INFLOWS OF RESOURCES	22,031,929	66,340	22,098,269
NET POSITION			
Net Investment in Capital Assets	(13,766,691)	58,437	(13,708,254)
Unrestricted	(136,030,770)	1,406,847	(134,623,923)
TOTAL NET POSITION	\$ (149,797,461)	\$ 1,465,284	\$ (148,332,177)

See Accompanying Notes

**Butler Area School District
Statement of Activities
Year Ended June 30, 2023**

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:							
Instruction	\$ 64,150,932	\$ -	\$ 25,444,131	\$ -	\$ (38,706,801)	\$ -	\$ (38,706,801)
Instructional Student Support	8,538,778	-	2,166,499	-	(6,372,279)	-	(6,372,279)
Administrative and Financial Support Services	8,170,517	-	889,849	-	(7,280,668)	-	(7,280,668)
Operation and Maintenance of Plant Services	8,621,988	-	701,395	-	(7,920,593)	-	(7,920,593)
Pupil Transportation	5,827,121	-	2,541,671	-	(3,285,450)	-	(3,285,450)
Student Activities	1,839,899	-	225,312	-	(1,614,587)	-	(1,614,587)
Community Services	37,390	-	3,278	-	(34,112)	-	(34,112)
Interest on Long-Term Debt	3,341,718	-	-	1,606,755	(1,734,963)	-	(1,734,963)
Total Governmental Activities	100,528,343	-	31,972,135	1,606,755	(66,949,453)	-	(66,949,453)
Business-type Activities:							
Food Service	2,859,299	578,869	2,856,125	-	-	575,695	575,695
Total Primary Government	\$ 103,387,642	\$ 578,869	\$ 34,828,260	\$ 1,606,755	(66,949,453)	575,695	(66,373,758)
General Revenues							
Taxes							
Property Taxes Levied for General Purposes, Net					43,207,512	-	43,207,512
Earned Income Taxes					7,123,374	-	7,123,374
Real Estate Transfer Taxes					1,043,303	-	1,043,303
Other Taxes Levied for General Purposes, Net					575,051	-	575,051
Grants, Subsidies and Contributions not Restricted					30,186,881	-	30,186,881
Revenues from Student Activities					195,660	-	195,660
Investment Earnings					1,185,805	33,109	1,218,914
Miscellaneous Income					266,559	-	266,559
Sale of Capital Assets					2,126	-	2,126
Total General Revenues					83,786,271	33,109	83,819,380
Change in Net Position					16,836,818	608,804	17,445,622
Net Position - July 1, 2022					(166,634,279)	856,480	(165,777,799)
Net Position - June 30, 2023					\$ (149,797,461)	\$ 1,465,284	\$ (148,332,177)

See Accompanying Notes

**Butler Area School District
Balance Sheet
Governmental Funds
June 30, 2023**

Exhibit 3

	General Fund	Non-Major Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 25,296,382	\$ 649,740	\$ 25,946,122
Taxes Receivable, Net	92,645	-	92,645
Due from Other Funds	-	576,414	576,414
Due from Other Governments	4,751,862	1,000	4,752,862
Other Receivables	2,561,538	-	2,561,538
Prepaid Items	56,386	-	56,386
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 32,758,813	\$ 1,227,154	\$ 33,985,967
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND FUND BALANCES			
Liabilities			
Due to Other Funds	\$ 867,835	\$ -	\$ 867,835
Accounts Payable	3,139,831	140,426	3,280,257
Contracts Payable	-	532,242	532,242
Accrued Salaries and Benefits	7,512,028	-	7,512,028
Payroll Deductions and Withholdings	9,044	-	9,044
Unearned Revenues	232,535	-	232,535
	<hr/>	<hr/>	<hr/>
Total Liabilities	11,761,273	672,668	12,433,941
	<hr/>	<hr/>	<hr/>
Fund Balances			
Nonspendable	56,386	-	56,386
Committed	-	554,486	554,486
Assigned	12,106,637	-	12,106,637
Unassigned	8,834,517	-	8,834,517
	<hr/>	<hr/>	<hr/>
Total Fund Balances	20,997,540	554,486	21,552,026
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$ 32,758,813	\$ 1,227,154	\$ 33,985,967
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See Accompanying Notes

Butler Area School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2023

Exhibit 4

Total Fund Balances - Governmental Funds \$ 21,552,026

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets is \$172,104,466, and the accumulated depreciation is \$113,490,745. 58,613,721

Intangible right-to-use assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The value of these assets is \$835,108 and the accumulated amortization is \$320,125. 514,983

Earned income taxes receivable will be collected in the future but are not available soon enough to pay for the current period's expenditures and, therefore, are not reported as assets in governmental funds. 200,346

Premiums and discounts on bonds issued and refunded are capitalized and amortized over the life of the bonds in the statement of net position. (2,466,510)

Deferred charges on refunding bonds issued are amortized over the life of the bonds as deferred outflows of resources in the statement of net position. 1,531,397

Long-term liabilities, including bonds and leases payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds Payable	\$ (68,888,301)	
Leases Payable	(528,838)	
Financing Agreements	(76,930)	
Accrued Interest on the Bonds	(650,626)	
Compensated Absences	<u>(1,470,130)</u>	(71,614,825)

Some liabilities, including net pension obligations and OPEB obligations, are not due and payable in the current period and, therefore, are not reported in the funds.

OPEB Liability - District	(26,324,516)	
OPEB Liability - PSERS	(5,492,667)	
Net Pension Liability	<u>(132,736,309)</u>	(164,553,492)

**Butler Area School District
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Position
 June 30, 2023**

Exhibit 4

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and therefore, are not reported in the funds.

Deferred Outflows of Resources Related to Pensions	21,627,844	
Deferred Inflows of Resources Related to Pensions	(7,597,353)	
Deferred Outflows of Resources Related to OPEB - PSERS	1,164,933	
Deferred Inflows of Resources Related to OPEB - PSERS	(1,665,387)	
Deferred Outflows of Resources Related to OPEB - District	5,664,045	
Deferred Inflows of Resources Related to OPEB - District	<u>(12,769,189)</u>	<u>6,424,893</u>
 Total Net Position - Governmental Activities		 <u>\$ (149,797,461)</u>

See Accompanying Notes

Butler Area School District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2023

Exhibit 5

	General Fund	Non-Major Funds	Total Governmental Funds
Revenues			
Local Sources	\$ 55,595,698	\$ 35,625	\$ 55,631,323
State Sources	50,628,731	-	50,628,731
Federal Sources	<u>3,679,599</u>	<u>7,472,179</u>	<u>11,151,778</u>
 Total Revenues	 <u>109,904,028</u>	 <u>7,507,804</u>	 <u>117,411,832</u>
Expenditures			
Instruction	66,869,171	-	66,869,171
Support Services	31,360,251	243,329	31,603,580
Noninstructional Services	2,138,253	38,273	2,176,526
Capital Outlay	-	8,945,692	8,945,692
Debt Service (Principal & Interest)	179,505	7,327,047	7,506,552
Refunds of Prior Year's Receipts	<u>65,761</u>	<u>-</u>	<u>65,761</u>
 Total Expenditures	 <u>100,612,941</u>	 <u>16,554,341</u>	 <u>117,167,282</u>
Excess (Deficiency) of Revenues Over Expenditures	 <u>9,291,087</u>	 <u>(9,046,537)</u>	 <u>244,550</u>
Other Financing Sources (Uses)			
Insurance Recoveries	-	114,467	114,467
Proceeds from Financing Agreements	76,930	-	76,930
Transfers In	-	8,647,625	8,647,625
Sale/Compensation for Fixed Assets	2,126	-	2,126
Transfers Out	<u>(8,647,625)</u>	<u>-</u>	<u>(8,647,625)</u>
 Total Other Financing Sources (Uses)	 <u>(8,568,569)</u>	 <u>8,762,092</u>	 <u>193,523</u>
Net Change in Fund Balances	722,518	(284,445)	438,073
Fund Balances - July 1, 2022	<u>20,275,022</u>	<u>838,931</u>	<u>21,113,953</u>
Fund Balances - June 30, 2023	<u>\$ 20,997,540</u>	<u>\$ 554,486</u>	<u>\$ 21,552,026</u>

See Accompanying Notes

**Butler Area School District
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures
 and Changes in Fund Balances
 to the Statement of Activities
 Year Ended June 30, 2023**

Exhibit 6

Total Net Change in Fund Balances - Governmental Funds \$ 438,073

Amounts reported for governmental activities in the statement of activities are different because:

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

Depreciation Expense	\$ (3,201,289)	
Capital Outlays	8,732,381	
Intangible Right-to-Use Assets Amortization	<u>(167,022)</u>	5,364,070

Because some earned income taxes and other revenues will not be collected within the current financial resources measurement focus period, they are not considered as "available" revenues in the governmental funds. Unavailable revenues decreased by this amount this year. (48,797)

Repayment of bond and lease payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 4,771,619

Some capital assets acquired this year were financed through financing agreements. The amount financed is reported in the governmental funds as an other financing source. The financing agreements are not revenue in the statement of activities, but constitute long-term liabilities in the statement of net position. (76,930)

**Butler Area School District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures
and Changes in Fund Balances
to the Statement of Activities
Year Ended June 30, 2023**

Exhibit 6

In the statement of activities, certain operating expenses-compensated absences (sick pay and vacations) and other post-employment benefits (OPEB) are measured by the amounts earned during the year. In governmental funds, however, expenditures for the items are measured by the amount of financial resources used (essentially, the amounts actually paid).

Compensated Absences	20,041	
Other Post-Employment Benefits	<u>678,171</u>	698,212

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

Net Change in Accrued Interest on Bonds	89,655	
Accretion of Interest on Capital Appreciation Bonds	<u>(601,371)</u>	(511,716)

Bond discount, premium and deferred charges on bonds are reported in the statement of revenues and expenditures of governmental funds as expenditures but are capitalized and amortized over the life of the bonds in the statement of activities.

Amortization of Discount, Premium and Deferred Loss on Refunding		(95,069)
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Governmental funds report School District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned is reported as pension expense.

District Pension Contributions to PSERS	15,046,977	
Cost of Benefits Earned	<u>(8,749,621)</u>	<u>6,297,356</u>

Change in Net Position of Governmental Activities		<u><u>\$ 16,836,818</u></u>
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See Accompanying Notes

Butler Area School District
Statement of Net Position
Proprietary Funds
June 30, 2023

Exhibit 7

	Food Service Fund
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 2,024,747
Due From Other Funds	291,421
Due From Other Governments	105,167
Other Receivables	2,230
Inventories	<u>27,008</u>
Total Current Assets	<u>2,450,573</u>
Noncurrent Assets	
Machinery and Equipment, Net	<u>58,437</u>
TOTAL ASSETS	<u>2,509,010</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts Related to Pensions	140,225
Amounts Related to OPEB - PSERS	<u>8,023</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>148,248</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	116,100
Unearned Revenues	896
Other Current Liabilities	<u>18,614</u>
Total Current Liabilities	<u>135,610</u>
Noncurrent Liabilities	
Net OPEB Liability - PSERS	39,333
Net Pension Liability	<u>950,691</u>
Total Noncurrent Liabilities	<u>990,024</u>
TOTAL LIABILITIES	<u>1,125,634</u>
DEFERRED INFLOWS OF RESOURCES	
Amounts Related to Pensions	54,414
Amounts Related to OPEB - PSERS	<u>11,926</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>66,340</u>
NET POSITION	
Invested in Capital Assets	58,437
Unrestricted	<u>1,406,847</u>
TOTAL NET POSITION	<u><u>\$ 1,465,284</u></u>

See Accompanying Notes

Butler Area School District
Statement of Revenues, Expenses and Changes
in Net Position
Proprietary Funds
Year Ended June 30, 2023

Exhibit 8

		Food Service Fund
Operating Revenues		
Food Service Revenue	\$	541,216
Charges for Services		<u>37,653</u>
Total Operating Revenues		<u>578,869</u>
Operating Expenses		
Salaries		326,649
Employee Benefits		249,585
Purchased Prof. and Tech. Services		10,035
Purchased Property Services		2,085
Other Purchased Services		2,055,225
Supplies		276,714
Depreciation		8,748
Dues and Fees		<u>100</u>
Total Operating Expenses		<u>2,929,141</u>
Operating Income (Loss)		<u>(2,350,272)</u>
Nonoperating Revenues (Expenses)		
Earnings on Investments		33,109
State Sources		327,917
Federal Sources		2,528,208
Change in Pension/OPEB		<u>69,842</u>
Total Nonoperating Revenues (Expenses)		<u>2,959,076</u>
Change in Net Position		608,804
Net Position - July 1, 2022		<u>856,480</u>
Net Position - June 30, 2023	\$	<u><u>1,465,284</u></u>

See Accompanying Notes

**Butler Area School District
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2023**

Exhibit 9

	Food Service Fund
Cash Flows From Operating Activities	
Cash Received from Users	\$ 520,752
Cash Received from Other Operating Revenue	37,653
Cash Payments to Employees for Services	(576,234)
Cash Payments to Suppliers for Goods and Services	(2,038,598)
Cash Payments for Other Operating Expenses	<u>(100)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(2,056,527)</u>
Cash Flows From Non-Capital Financing Activities	
State Sources	317,663
Federal Sources	2,293,840
Loans Received (Paid)	<u>134,782</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>2,746,285</u>
Cash Flows From Capital and Related Financing Activities	
Facilities Acquisition/Const./Imp.Serv	<u>(67,185)</u>
Cash Flows From Investing Activities	
Earnings on Investments	<u>33,109</u>
Net Increase (Decrease) in Cash and Cash Flows	655,682
Cash and Cash Equivalents - July 1, 2022	<u>1,369,065</u>
Cash and Cash Equivalents - June 30, 2023	<u>\$ 2,024,747</u>

**Butler Area School District
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2023**

Exhibit 9

		Food Service Fund
Operating Income (Loss)	\$	(2,350,272)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
Depreciation and Net Amortization		8,748
Donated Commodities		181,617
(Increase) Decrease in Accounts Receivable		(22,031)
(Increase) Decrease in Inventories		(2,770)
(Increase) Decrease in Prepaid Items		207,150
Increase (Decrease) in Accounts Payable		(80,536)
Increase (Decrease) in Deferred Revenue		(217)
Increase (Decrease) in Other Current Liabilities		<u>1,784</u>
Total Adjustments		<u>293,745</u>
Cash Provided by (Used for) Operating Activities	<u>\$</u>	<u>(2,056,527)</u>

Noncash Non-Capital Financing Activities

During the year ended June 30, 2023, the School District received \$181,399 of U.S.D.A Donated Commodities in the food service fund.

See Accompanying Notes

**Butler Area School District
Statement of Net Position
Fiduciary Funds
June 30, 2023**

Exhibit 10

	Custodial Fund
ASSETS	
Cash and Cash Equivalents	<u>\$ 174,865</u>
NET POSITION	
Restricted for:	
Student Groups	<u>\$ 174,865</u>

See Accompanying Notes

**Butler Area School District
Statement of Changes in Net Position
Fiduciary Funds
June 30, 2023**

Exhibit 11

	Custodial Fund
Additions	
Revenue from Student Activities	\$ 138,145
Interest Earnings	<u>5,012</u>
Total Additions	<u>143,157</u>
Deductions	
Student Activities Program Expenses	<u>115,704</u>
Change in Net Position	27,453
Net Position-July 1, 2022	<u>147,412</u>
Net Position-June 30, 2023	<u>\$ 174,865</u>

See Accompanying Notes

Butler Area School District
Notes to Financial Statements
June 30, 2023

Note 1 - Summary of Significant Accounting Policies

Butler Area School District, located in Butler County, Pennsylvania, provides public education, kindergarten through twelfth grade. The School District operates under a nine-person elected Board of Directors.

A. Basic Financial Statements - Government-Wide Statements

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds). The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of Butler Area School District. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. In the government-wide statement of net position, governmental activities are represented on a consolidated basis by column.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges between various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

B. Basic Financial Statements - Fund Financial Statements

Fund financial statements of the School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into three categories: governmental; proprietary; and fiduciary.

The emphasis in fund financial statements is on the major funds in the governmental category. Nonmajor funds are summarized in a single column. The nonmajor funds are combined in a column in the fund financial statements.

Butler Area School District
Notes to Financial Statements
June 30, 2023

1. Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and change in financial position (sources, uses, and balances of financial resources) rather than upon net income. The School District reports the following major governmental fund and fund type:

The *general fund* is the School District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The School District also reports as nonmajor governmental funds the following:

The *debt service fund* accounts for the accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects fund* accounts for financial resources to be used for the acquisition of construction of major capital facilities or equipment (other than those financed by proprietary funds).

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The School District reports the following proprietary fund type:

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues. The activities reported in these funds are reported as business-type activities in the government-wide financial statements. The *food service fund* accounts for the revenues, food purchases and other costs and expenses for providing meals to students and/or faculty during the school year.

3. Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or custodial capacity for others and are therefore not available to support School District programs. The reporting focus is on net position and changes in net position. The School District's fiduciary funds are presented in the fiduciary fund financial statements by type (pension trust funds, private purpose trust funds, or custodial funds). The School District reports the following fiduciary fund type:

The *custodial fund* represents the School District's student activity funds. These funds account for student activities in the high school and middle school.

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

Butler Area School District
Notes to Financial Statements
June 30, 2023

Similarly, balances between the funds included in business-type activities (i.e. the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

Property taxes, intergovernmental revenues, interest, rent and certain miscellaneous income associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

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

Butler Area School District
Notes to Financial Statements
June 30, 2023

The proprietary fund and the custodial fund are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

D. Joint Ventures

The School District is one of seven member school districts of the Butler County Area Vocational-Technical School (“BCAVTS”). BCAVTS provides vocational and technical education to participating students of the member districts. BCAVTS is controlled and governed by the Joint Board, which is composed of all the school board members of all of the member districts. Direct oversight of BCAVTS’ operations is the responsibility of the Joint Committee, which consists of one representative from each participating school district. No member of the Jointure exercises specific control over the fiscal policies or operations of BCAVTS. The School District’s share of annual operating and capital costs for BCAVTS fluctuates, based on the percentage of enrollment of each member district in the school. The School District’s financial obligation to BCAVTS for the year ended June 30, 2023 was \$1,962,240 which has been reported in the School District’s general fund. The School District has no equity interest in BCAVTS as of June 30, 2023. Complete financial statements for BCAVTS can be obtained from the administrative offices at 210 Campus Lane; Butler, Pennsylvania 16001.

The member school districts authorized the incurrence of lease rental debt by the Butler County Area Vocational-Technical School Authority by guaranteeing the payment of principal and interest due on the Authority bond in the amount of \$7,735,000. The bond was for the purpose of providing funds for and toward a capital project at the vocational-technical school building. In December 2015, the member districts authorized the refinancing of the Authority bond. Butler Area School District’s share of the obligation is 39.6702% and annual payment for this obligation will be approximately \$80,000 through 2040. The payment for the year ended June 30, 2023 was \$83,612.

E. Cash and Cash Equivalents

The School District’s policy is to maintain cash balances in interest-bearing accounts such as money market or flex funds. The market values of the funds approximate cost. For purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

F. Investments

Investments are stated at fair value except that treasury and agency obligations that have a remaining maturity at the time of purchase of one year or less are shown at amortized cost. Fair value is based on quoted market prices. Funds are invested pursuant to the Public School Code of 1949 and investment policy guidelines established by the School District and approved by the Members of the Board. The School Code states that authorized types of investments shall be: United States Treasury Bills; short-term obligations of the United States Government or its agencies or instrumentalities; deposits in savings accounts, time deposits or share accounts of institutions insured by the FDIC; obligations of the United States or any of its agencies or instrumentalities backed by the full faith and credit of the United States and the Commonwealth of Pennsylvania.

Butler Area School District
Notes to Financial Statements
June 30, 2023

G. Budgets

The School Board approves, prior to the beginning of each year, an annual budget on the modified accrual basis of accounting for the general fund. This is the only fund for which a budget is required and for which taxes may be levied. The general fund is the only fund that has an annual budget that has been legally adopted by the School Board. The Public School Code allows the School Board to authorize budget transfer amendments during the year, but only during the last nine months of the fiscal year. There were no supplemental budgetary appropriations made during the year ended June 30, 2023.

The final budget data reflected in the financial statements includes the effect of approved budget transfer amendments and for comparative purposes the actual amounts have also been presented. The School District expenditures may not legally exceed the revised budget amounts by function. Function is defined as a program area such as instructional services. Management may amend the budget without seeking prior approval of the Board within a function. Amendments between functions require prior Board approval.

H. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

I. Inventories

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used.

Inventories in governmental funds are stated at cost by the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories is reported as an asset in the general fund, if considered material. There was no material inventory balance as of June 30, 2023.

The inventory of the food service fund consists of food supplies and government donated commodities which were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2023 are reported as unavailable revenue.

J. Prepaid Items

In both the government-wide and fund financial statements, certain payments to vendors reflect costs applicable to future accounting periods are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Butler Area School District
Notes to Financial Statements
June 30, 2023

K. Capital Assets

Capital assets, which include property, plant, equipment and land improvements are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$5,000 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and Building Improvements	5-50
Land Improvements	15-20
Furniture	10-20
Vehicles	7-10
Equipment	5-10
Library Books	6

Proprietary fund equipment purchases are capitalized in the proprietary fund at cost and depreciated on a straight-line basis over 5-12 years.

L. Intangible Right-to-Use Assets

The School District has recorded intangible right-to-use assets as a result of implementing Governmental Accounting Standards Board (GASB) Statements No. 87 and 96. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease/subscription liability plus any payment made prior to the term, less any incentives, and plus any ancillary charges necessary to place the lease/subscription into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease/subscription. Per review of the information technology arrangements identified by the School District as potential SBITAs, the arrangements were determined to either not meet the definition of a SBITA or were immaterial to the financial statements.

Butler Area School District
Notes to Financial Statements
June 30, 2023

M. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premium, discount and insurance are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premium, discount and insurance during the current period. The face amount of debt issued is reported as other financing sources while discount and premium on debt issuances are reported as other financing (uses) sources.

N. Compensated Absences

The School District's policies regarding vacation and sick time are provided through various contracts. Employees can accumulate sick and/or vacation days which they are paid for upon retirement or termination of service. The amount the employee is compensated and the number of days varies based on their contract and their years of service. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the amount of reimbursable unused vacation or sick leave to employees who have terminated their employment as of the end of the fiscal year, while the proprietary funds report the liability as it is incurred.

O. Defining Operating Revenues and Expenses

The School District's proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses of the School District's food service fund consist of charges for meals and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

P. 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 assets that applies to future periods and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District has various items that qualify for reporting in this category. One is for the accumulated decreases in the fair value of hedging instruments. The School District is involved in an interest rate swap that qualifies under GASB Statement No. 53 as a hedging derivative. The derivative instrument and corresponding deferred outflow of resources are recognized on the statement of net position. One is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other items in the government-wide statement of net position are related to the participation in the cost sharing defined benefit pension plan and other post-employment benefit plan. The School District reports no deferred outflows of resources in the fund financial statements.

Butler Area School District
Notes to Financial Statements
June 30, 2023

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 assets that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The School District has various items reported in the government-wide statement of net position relating to the cost sharing defined benefit pension plan and other post-employment benefit plan. The School District reports no deferred outflow of resources in the fund financial statements.

Q. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - all other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Fund Statements - Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, fund balance reporting and governmental fund type definitions, the School District classifies governmental fund balances as follows:

Nonspendable - amounts that cannot be spent because they are either (1) not in a spendable form or (2) legally or contractually required to remain intact.

Restricted - the part of fund balance that is restricted to be spent for a specific purpose. The constraints on these amounts must be externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or by enabling legislation. Enabling legislation authorizes the government to assess, levy, change or mandate payments and includes a legally enforceable requirement on the use of these funds.

Committed - the portion of fund balance that can only be used for specific purposes as a result of formal action, approval of a motion by the majority of the School Board. Once the item is committed, it cannot be used for any other purpose unless changed by the same procedures used to initially commit the money.

Assigned - reflects the School District's intent to use the money for a specific purpose but is not considered restricted or committed. The assignment of fund balance can be assigned by management in the business office.

Butler Area School District
Notes to Financial Statements
June 30, 2023

Unassigned - represents the part of spendable fund balance that has not been categorized as restricted, committed or assigned. The general fund is the only fund permitted to have a positive unassigned fund balance.

The School District's policy is that it considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. It also considers committed amounts to be spent first when an expenditure is incurred for purposes for which both committed and unassigned fund balance could be used.

The purposes of the restricted, committed and assigned fund balance as of June 30, 2023, are as follows:

1. The nonspendable fund balance of \$56,386 in the general fund represents prepaid items.
2. The committed fund balance of \$554,486 in the capital projects fund is for future capital projects.
3. The assigned fund balance in the general fund of \$12,106,637 is for future capital projects, future curriculum costs, future uniform purchases, future technology and equipment expense, and future retirement costs.

Note 2 - Deposits and Investments

The deposit and investment policy of the School District adheres to state statutes and prudent business practice. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the School District.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in an event of a bank failure, the government's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. Deposits in excess of amounts covered by the Federal Deposit Insurance Corporation are collateralized in accordance with Act 72 of 1971 of the Pennsylvania State Legislature which requires the institution to pool collateral for all governments and have the collateral held by an approved custodian in the institution's name. As of June 30, 2023, \$33,337,127 of the School District's bank balance of \$33,587,127 was exposed to custodial credit risk as follows:

Uninsured and Collateral Held by Pledging Bank's Agent not in the School District's Name	<u>\$33,337,127</u>
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As of June 30, 2023, the School District had no investments.

Interest Rate Risk – The School 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.

Credit Risks - The Pennsylvania Public School Code authorizes the types of investments allowed. These are described in Note 1F. The School District has no investment policy that would further limit its investment choices.

Concentration of Credit Risks - The School District places no limit on the amount it may invest in any one issue.

Butler Area School District
Notes to Financial Statements
June 30, 2023

Note 3 - Real Estate Taxes

The elected tax collectors bill and collect real estate taxes on behalf of the School District based upon assessed values provided by the County. The School District's tax rate for all purposes in 2022/2023 was 104.03 mills (\$104.03 per \$1,000 assessed valuation).

The tax calendar for real estate taxes levied for 2022/2023 is as follows:

Tax Levy Date	August 1, 2022
2% Discount Period	Through September 30, 2022
Face Payment Period	October 1 - November 30, 2022
10% Penalty Period	Beginning December 1, 2022
Lien Filing Date	Turned over to Tax Claim Bureau December 31, 2022

In the year ended June 30, 2023, the School District sold its delinquent real estate tax receivables. The amount received by the School District was \$1,153,092 recognized as revenue in the School District's governmental funds financial statements.

Note 4 - Due from Other Governments

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2023, the following amount is due from other governmental units:

	Governmental Funds	Business-Type Funds	Totals
Federal (through the state)	\$ 757,304	\$ 94,238	\$ 851,542
State	<u>3,994,558</u>	<u>10,929</u>	<u>4,005,487</u>
	<u>\$ 4,751,862</u>	<u>\$ 105,167</u>	<u>\$4,857,029</u>

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance 07/01/22	Additions	Transfers	Balance 06/30/23
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 176,445	\$ -	\$ -	\$ 176,445
Construction in Progress	<u>5,505,778</u>	<u>8,549,919</u>	<u>(3,212,866)</u>	<u>10,842,831</u>
Total Capital Assets not Being Depreciated	<u>5,682,223</u>	<u>8,549,919</u>	<u>(3,212,866)</u>	<u>11,019,276</u>

Butler Area School District
Notes to Financial Statements
June 30, 2023

	Balance 07/01/22	Additions	Transfers	Balance 06/30/23
Capital Assets Being Depreciated				
Buildings and Building Improv.	140,102,785	-	3,212,866	143,315,651
Furniture and Equipment	<u>17,587,077</u>	<u>182,462</u>	<u>-</u>	<u>17,769,539</u>
Total Capital Assets Being Depreciated	<u>157,689,862</u>	<u>182,462</u>	<u>3,212,866</u>	<u>161,085,190</u>
Less Accumulated Depreciation				
Buildings and Building Improv.	94,076,394	2,703,782	-	96,780,176
Furniture and Equipment	<u>16,213,062</u>	<u>497,507</u>	<u>-</u>	<u>16,710,569</u>
Total Accumulated Depreciation	<u>110,289,456</u>	<u>3,201,289</u>	<u>-</u>	<u>113,490,745</u>
Total Capital Assets Being Depreciated, Net	<u>47,400,406</u>	<u>(3,018,827)</u>	<u>3,212,866</u>	<u>47,594,445</u>
Governmental Activities Capital Assets, Net	<u>\$ 53,082,629</u>	<u>\$ 5,531,092</u>	<u>\$ -</u>	<u>\$ 58,613,721</u>
Business-Type Activities				
Furniture and Equipment	\$ 1,792,289	\$ 67,185	\$ -	\$ 1,859,474
Less Accumulated Depreciation and Equipment	<u>1,792,289</u>	<u>8,748</u>	<u>-</u>	<u>1,801,037</u>
Business-Type Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ 58,437</u>	<u>\$ -</u>	<u>\$ 58,437</u>
Governmental Activities				
Intangible Right-to-use Assets:				
Leased Equipment	\$ 835,108	\$ -	\$ -	\$ 835,108
Less Accumulated Amortization	<u>153,103</u>	<u>167,022</u>	<u>-</u>	<u>320,125</u>
Net Intangible Right-to-use Assets	<u>\$ 682,005</u>	<u>\$ (167,022)</u>	<u>\$ -</u>	<u>\$ 514,983</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

Instruction	\$ 2,400,967
Instructional Student Support	64,026
Administration and Financial Support Services	256,103
Operation and Maintenance of Plant Services	<u>480,193</u>
Total Depreciation Expense	<u>\$ 3,201,289</u>
Business-Type Activities - Food Service	<u>\$ 8,748</u>
Intangible Right-to-use Assets:	
Administration and Financial Support Services	<u>\$ 167,022</u>

Butler Area School District
Notes to Financial Statements
June 30, 2023

Note 6 - Interfund Balances/Transfers

At June 30, 2023, interfund balances were:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ -	\$ 867,835
Capital Project Fund	576,414	-
Proprietary Fund		
Food Service	<u>291,421</u>	<u>-</u>
	<u>\$ 867,835</u>	<u>\$ 867,835</u>

Balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All the balances above are expected to be collected in the subsequent year.

The general fund transferred \$7,327,047 to the debt service fund for future debt payments and \$1,320,578 to the capital projects fund for future capital expenditures.

Note 7 - Long-Term Liabilities

Long-term liability for the year ended June 30, 2023 was as follows:

	Balance 07/01/22	Additions	Accretion	Reductions	Balance 06/30/23	Due Within One Year
Governmental Activities						
Bonds Payable						
School Revenue Bonds	\$ 27,400,000	\$ -	\$ -	\$ 70,000	\$ 27,330,000	\$ 55,000
General Obligation Bonds	45,496,930	-	601,371	4,540,000	41,558,301	4,780,000
Plus: Bond Premium	2,675,798	-	-	205,233	2,470,565	-
Less: Bond Discount	<u>(4,367)</u>	<u>-</u>	<u>-</u>	<u>(312)</u>	<u>(4,055)</u>	<u>-</u>
Total Bonds Payable	<u>75,568,361</u>	<u>-</u>	<u>601,371</u>	<u>4,814,921</u>	<u>71,354,811</u>	<u>4,835,000</u>
Financing Agreements	-	76,930	-	-	76,930	16,296
Compensated Absences	<u>1,490,171</u>	<u>-</u>	<u>-</u>	<u>20,041</u>	<u>1,470,130</u>	<u>-</u>
Governmental Activities						
Long-Term Liabilities	<u>\$ 77,058,532</u>	<u>\$ 76,930</u>	<u>\$ 601,371</u>	<u>\$ 4,834,962</u>	<u>\$ 72,901,871</u>	<u>\$ 4,851,296</u>
Lease Liabilities	<u>\$ 690,457</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 161,619</u>	<u>\$ 528,838</u>	<u>\$ 166,368</u>
Total Long-Term Obligations as Reported in the Statement of Net Position					<u>\$ 73,430,709</u>	<u>\$ 5,017,664</u>

Butler Area School District
Notes to Financial Statements
June 30, 2023

School Revenue Bonds

\$28,360,000 Series of 2007; due in semi-annual installments through October 2034; interest at rate equal to 67% of the three-month LIBOR rate plus 0.70% per annum	<u>\$ 27,330,000</u>
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General Obligation Bonds

\$6,703,054 Series of 2002A; due in semi-annual installments through October 2029; interest at 3.00% to 5.89%	\$ 4,443,288
\$5,691,460 Series of 2003A; due in semi-annual installments through September 2029; interest at 2.50% to 5.57%	6,585,013
\$4,610,000 Series of 2012A; due in semi-annual installments through October 2026; interest at 0.40% to 3.00%	565,000
\$2,500,000 Series of 2012AA; due in semi-annual installments through October 2026; interest at 0.40% to 3.00%	805,000
\$2,010,000 Series of 2013; due in semi-annual installments through September 2026; interest at 0.45% to 3.62%	270,000
\$9,770,000 Series of 2017; due in semi-annual installments through October 2035; interest at 2.00% to 3.37%	9,750,000
\$38,005,000 Series of 2018; due in semi-annual installments through October 2026; interest at 2.00% to 5.00%	<u>19,140,000</u>
	<u>\$ 41,558,301</u>

Financing Agreements

\$76,930 Financing Agreement; due in annual installments of \$16,296 with a final year payment of \$7,500	<u>\$ 76,930</u>
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Butler Area School District
Notes to Financial Statements
June 30, 2023

The debt service source for the above is the debt service fund via transfers from the general fund.

The annual requirements of School District funds to amortize all debt outstanding (excluding compensated absences) as of June 30, 2023, including interest, are as follows:

Year Ended June 30,	General Obligation Bonds		School Revenue Bonds		Financing Agreements		Totals
	Principal	Interest	Principal	Interest	Principal	Interest	
	(On Issuance Amount)						
2024	\$ 4,780,000	\$ 1,210,397	\$ 55,000	\$ 1,275,026	\$ 16,296	\$ -	\$ 7,336,719
2025	5,090,000	971,978	5,000	1,273,626	12,088	4,208	7,356,900
2026	5,325,000	718,981	10,000	1,273,276	12,927	3,369	7,343,553
2027	5,605,000	454,244	5,000	1,272,925	13,824	2,472	7,353,465
2028	1,188,701	4,099,524	5,000	1,272,692	14,783	1,513	6,582,213
2029-2033	4,995,813	9,115,012	15,590,000	5,292,045	7,012	487	35,000,369
2034-2036	7,040,000	496,632	11,660,000	550,827	-	-	19,747,459
	34,024,514	17,066,768	27,330,000	12,210,417	76,930	12,049	90,720,678
Accretion to Date	7,533,787	(7,533,787)	-	-	-	-	-
	<u>\$41,558,301</u>	<u>\$9,532,981</u>	<u>\$27,330,000</u>	<u>\$12,210,417</u>	<u>\$76,930</u>	<u>\$12,049</u>	<u>\$90,720,678</u>

Note 8 – Lease Liabilities

On August 1, 2021, the School District entered into an agreement to lease copiers. The term of the lease is for five years requiring monthly payments of \$14,959. The lease agreement qualifies as other than short-term lease under GASB 87 and, therefore, has been recorded at present value of the future minimum lease payments as of the date of its inception. For purposes of discounting future payments, the School District determined an interest rate of 2.9% to be an appropriate discount rate.

As of June 30, 2023, the value of the lease liability recorded for the above lease was \$528,838. As a result, the School District has recorded an Intangible Right-to-Use asset with a net book value of \$514,983 as of June 30, 2023. Future minimum lease payments under this lease are as follows:

Year Ended June 30,	Lease Payable		Totals
	Principal	Interest	
2024	\$ 166,368	\$ 13,137	\$ 179,505
2025	171,258	8,247	179,505
2026	176,291	3,214	179,505
2027	14,921	36	14,957
	<u>\$ 528,838</u>	<u>\$ 24,634</u>	<u>\$ 553,472</u>

Butler Area School District
Notes to Financial Statements
June 30, 2023

Note 9 - Public School Employees' Retirement System (PSERS)

A. Summary of Significant Accounting Policies

Pensions

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

B. General Information about the Pension Plan

1. Plan Description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

2. Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

Act 5 of 2017 (Act 5) introduced a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

Benefits are generally between 1% and 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service.

Butler Area School District
Notes to Financial Statements
June 30, 2023

For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's rights to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the rights to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class TE and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

3. Contributions

Member Contributions

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%/6.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	Prior to 7/1/21: 7.5% After 7/1/21: 8.0%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	Prior to 7/1/21: 10.3% After 7/1/21: 10.8%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	Prior to 7/1/21: 8.25% After 7/1/21: 9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	Prior to 7/1/21: 7.50% After 7/1/21: 8.25%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

Shared Risk Program Summary				
Membership Class	Defined Benefit (DB) Base Rate	Shared Risk Increment	Minimum	Maximum
T-E	7.50%	+/- 0.50%	5.50%	9.50%
T-F	10.30%	+/- 0.50%	8.30%	12.30%
T-G	5.50%	+/- 0.75%	2.50%	8.50%
T-H	4.50%	+/- 0.75%	1.50%	7.50%

Butler Area School District
Notes to Financial Statements
June 30, 2023

Employer Contributions

The School District's contractually required contribution rate for fiscal year ended June 30, 2023 was 34.51% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School District were \$15,140,069 for the year ended June 30, 2023.

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the School District reported a liability of \$133,687,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2021 to June 30, 2022. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2023, the School District's proportion was 0.3007%, which was a decrease of 0.0118% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the School District recognized pension expense of \$8,775,949. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 61,000	\$ 1,156,000
Net difference between projected and actual investment earnings	-	2,268,000
Changes in assumptions	3,992,000	-
Changes in proportions	2,575,000	4,081,000
Difference between employer contributions and proportionate share of total contributions	-	146,767
Contributions subsequent to the measurement date	<u>15,140,069</u>	<u>-</u>
	<u>\$21,768,069</u>	<u>\$ 7,651,767</u>

\$15,140,069 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

Butler Area School District
Notes to Financial Statements
June 30, 2023

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,		
2024	\$	362,349
2025		353,291
2026		(4,915,414)
2027		<u>3,176,007</u>
		<u>\$ (1,023,767)</u>

1. Change in Actuarial Assumptions

The total pension liability as of June 30, 2022 was determined by rolling forward the System's total pension liability as of June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date – June 30, 2021
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.75%.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a
- The discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2021 and as of June 30, 2022.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate – decreased from 5.00 % to 4.50%
 - Real wage growth and merit or seniority increases (components for salary growth) decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates – Previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2020.

Butler Area School District
Notes to Financial Statements
June 30, 2023

The long-term expected rate of return on pension plan investments 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.

The pension plan’s policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	28.0%	5.3%
Private equity	12.0%	8.0%
Fixed Income	33.0%	2.3%
Commodities	9.0%	2.3%
Infrastructure/MLPs	9.0%	5.4%
Real estate	11.0%	4.6%
Absolute return	6.0%	3.5%
Cash	3.0%	0.5%
Leverage	<u>-11.0%</u>	0.5%
	<u>100%</u>	

The above table was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.

2. Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Butler Area School District
Notes to Financial Statements
June 30, 2023

3. Sensitivity of School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	(In Thousands)		
	1.00%	Current	1.00%
	Decrease	Discount Rate	Increase
	6.00%	7.00%	8.00%
School District's proportionate share of the net pension liability	\$ 172,915	\$ 133,687	\$ 100,613

4. Pension Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Annual Comprehensive Financial Report which can be found on the System's website at www.psers.pa.gov.

Note 10 - Contingent Liabilities

Butler Area School District participates in a number of federally assisted grant programs, principal of which are Education Stabilization Fund and National School Lunch Program. The programs are subject to program compliance audits by the grantors or their representatives. The audits of some of these programs for and including the year ended June 30, 2023 have not yet been conducted. Accordingly, the School District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

Note 11 - Other Post-Employment Benefit Plan

A. Plan Description

Butler Area School District administers a single-employer defined benefit healthcare plan ("the Supplemental Health Plan"). The plan provides medical and pharmacy for six groups of employees: administrators, cafeteria supervisors; teachers; nonprofessional staff; secretaries, paraprofessionals and health technicians; and cafeteria workers and school police. The benefits provided are for the eligible retirees and their spouses through the School District group health insurance plan which covers both active and retired members. Benefit provisions are mostly established through negotiations between the School District and union or group representing the employees. The plan does not issue a publicly available financial report.

The eligibility and the benefits for each group are as follows:

1) Eligibility for Healthcare Coverage

Administrators: Eligible for incentive upon retirement after reaching 20 years of PSERS service and the completion of 10 years with the School District. Else Act 110/43.

Cafeteria Supervisors: Eligible only for those who have previously retired.

Butler Area School District
Notes to Financial Statements
June 30, 2023

Teachers: Eligible for incentive upon retirement after reaching 20 years of PSERS service and the completion of 10 years with the School District. Else Act 110/43.

Nonprofessional Staff: Eligible for incentive upon retirement after reaching age 55 with 10 years of PSERS service and the completion of 10 years with the School District. Else Act 110/43.

Secretaries, Paraprofessionals and Health Technicians: Eligible for incentive upon retirement after reaching 10 years of PSERS service and the completion of 10 years with the School District. Else Act 110/43.

Cafeteria Workers and School Police: Eligible for incentive upon retirement after reaching requirements in line with Act 110/43.

2) Duration of Healthcare Benefits

Administrators: For those retired prior to July 1, 2016, retiree coverage may continue until 65, death or qualification of Medicare, if earlier. If retiree dies before Medicare eligibility, spouse coverage may continue for 5 years or spouse Medicare eligibility, if earlier. For those retired after July 1, 2016, retiree coverage may continue for 5 years or qualification of Medicare, if earlier. If retiree dies before Medicare eligibility, spouse coverage may continue for 5 years or spouse Medicare eligibility, if earlier.

Cafeteria Supervisors: Retiree coverage may continue for 5 years or qualification of Medicare, if earlier. If retiree dies before Medicare eligibility, spouse coverage may continue for 5 years or spouse Medicare eligibility, if earlier.

Teachers: For those retired prior to July 1, 2015, retiree coverage may continue until 65, death or qualification of Medicare, if earlier. If retiree dies before Medicare eligibility, spouse coverage may continue for 5 years or spouse Medicare eligibility, if earlier. If retired after July 1, 2015, retiree coverage may continue for 7 years or qualification of Medicare, if earlier. If retiree dies before Medicare eligibility, spouse coverage may continue for 5 years or spouse Medicare eligibility, if earlier.

Nonprofessional Staff: Retiree coverage may continue until 65, death or qualification of Medicare, if earlier. If retiree dies before Medicare eligibility, spouse coverage may continue for 5 years or spouse Medicare eligibility, if earlier.

Secretaries, Paraprofessionals and Health Technicians: For those retired prior to July 1, 2016, retiree coverage may continue until 65, death or qualification of Medicare, if earlier. If retiree dies before Medicare eligibility, spouse coverage may continue for 5 years or spouse Medicare eligibility, if earlier. For those retired after July 1, 2016, retiree coverage may continue for 7 years if retired during 2016/2017, 6 years if retired during 2017/2018, 5 years if retired during 2018/2019 or qualification of Medicare, if earlier. If retiree dies before Medicare eligibility, spouse coverage may continue for 5 years or spouse Medicare eligibility, if earlier.

Cafeteria Workers and School Police: Retiree coverage may continue until limit set by Act 110/43.

**Butler Area School District
Notes to Financial Statements
June 30, 2023**

3) Participant Contributions for Healthcare Coverage

Administrators: During the incentive, the retiree contributes the PSERS supplement amount received, if no supplement received, the retiree pays the same contribution amount as active member. The retiree must pay the full premium to cover any additional dependents. Under Act 110/43, the retiree and spouse pay the full premium amount.

Cafeteria Supervisors: During the incentive, for years 1 through 3, the retiree contributes the PSERS supplement amount received, if no supplement received, the retiree pays the same contribution amount as active member. In years 4 and 5, the amount paid by the School District will equal the amount paid by the School District in year 3 and the retiree must pay remainder. The retiree must pay the full premium to cover any additional dependents. Under Act 110/43, the retiree and spouse pay the full premium amount.

Teachers: During the incentive, the retiree contributes the PSERS supplement amount received, if no supplement received, the retiree pays the same contribution amount as active member. The retiree must pay the full premium to cover any additional dependents. Under Act 110/43, the retiree and spouse pay the full premium amount.

Nonprofessional Staff: During the incentive, the retiree contributes the PSERS supplement amount received, if no supplement received, the retiree pays the same contribution amount as active member. The retiree must pay the full premium to cover any additional dependents. Under Act 110/43, the retiree and spouse pay the full premium amount.

Secretaries, Paraprofessionals and Health Technicians: During the incentive, the retiree contributes the PSERS supplement amount received, if no supplement received, the retiree pays the same contribution amount as active member. The retiree must pay the full premium to cover any additional dependents. Under Act 110/43, the retiree and spouse pay the full premium amount.

Cafeteria Workers and School Police: Under Act 110/43, the retiree and spouse pay the full premium amount.

Employees Covered by Benefit Terms

At July 1, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	135
Active employees	<u>641</u>
	<u>776</u>

B. Total OPEB Liability

The School District's total OPEB liability of \$26,324,516 was measured as of July 1, 2022 and was determined by an actuarial valuation as of that date.

Butler Area School District
Notes to Financial Statements
June 30, 2023

C. Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary Increases	2.50%
Discount Rate	4.06%
Healthcare Cost Trend Rates	6.50% for 2022/2023, gradually decrease to 3.90% in 2075

The discount rate was based on the S & P Municipal Bond 20-Year High Grade Rate Index.

Mortality rates were based on the rates assumed in the PSERS defined benefit pension plan actuarial valuation, as appropriate, with adjustments for mortality improvements based on Buck Modified 2016 Projection Scale.

The actuarial assumptions used in the July 1, 2022 valuation were selected using input from the School District based upon actual experience.

D. Change in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2022	\$34,663,106
Changes for the year:	
Service Cost	1,877,984
Interest	810,408
Differences between expected and actual experience	(3,203,578)
Changes of assumptions or other inputs	(5,983,095)
Benefit Payments	<u>(1,840,309)</u>
Net Changes	<u>(8,338,590)</u>
Balance at June 30, 2023	<u>\$26,324,516</u>

E. Changes of Assumptions and Other Inputs

- Changed the discount rate from 2.28% to 4.06%

Butler Area School District
Notes to Financial Statements
June 30, 2023

F. Sensitivity of the Total Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.06%) or one percentage point higher (5.06%) than the current discount rate:

	1.00% Decrease 3.06%	Current Discount Rate 4.06%	1.00% Increase 5.06%
Total OPEB Liability	\$ 28,134,275	\$ 26,324,516	\$ 24,599,709

G. Sensitivity of the Total Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1.00% Decrease	Healthcare Cost Trend Rates	1.00% Increase
Total OPEB Liability	\$ 24,124,985	\$ 26,324,516	\$ 28,857,180

H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the School District recognized OPEB Expense of \$1,649,440. At June 30, 2023, the School District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 2,873,992	\$ 6,786,221
Differences between expected and actual experience	694,747	5,982,968
Benefit payments subsequent to the measurement date	<u>2,095,306</u>	<u>-</u>
	<u>\$ 5,664,045</u>	<u>\$ 12,769,189</u>

\$2,095,306 amount reported as deferred outflows of resources resulting from the School District's benefit payments subsequent to the measurement date will be recognized as a reduction in next year's total OPEB liability.

Butler Area School District
Notes to Financial Statements
June 30, 2023

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

Year Ended June 30,	
2024	\$(1,038,952)
2025	(1,038,952)
2026	(1,038,952)
2027	(1,038,952)
2028	(1,038,952)
Thereafter	<u>(4,005,690)</u>
	<u>\$ (9,200,450)</u>

Note 12 - Other Post-Employment Benefits - PSERS

A. Summary of Significant Accounting Policies

Other Post-Employment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS' fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

B. General Information about the Health Insurance Premium Assistance Program

1. Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2022, there were no assumed future benefit increases to participating eligible retirees.

Butler Area School District
Notes to Financial Statements
June 30, 2023

2. Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age.

For Class DC members to become eligible for premiums assistance, they must satisfy the following criteria:

- Attain Medicare eligibility with 24 ½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of their distributions.

3. Pension Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

4. Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program.

Employer Contributions

The School District's contractually required contribution rate for fiscal year ended June 30, 2023 was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the School District were \$330,956 for the year ended June 30, 2023.

C. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2023, the School District reported a liability of \$5,532,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2021 to June 30, 2022.

Butler Area School District
Notes to Financial Statements
June 30, 2023

The School District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the School District's proportion was 0.3005%, which was a decrease of 0.0123% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the School District recognized OPEB expense of \$95,573. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 51,000	\$ 30,000
Changes in assumptions	614,000	1,306,000
Net difference between projected and actual investment earnings	15,000	-
Changes in proportions	162,000	338,000
Difference between employer contributions and proportionate share of total contributions	-	3,313
Contributions subsequent to the measurement date	<u>330,956</u>	<u>-</u>
	<u>\$1,172,956</u>	<u>\$1,677,313</u>

\$330,956 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2024	\$ (205,152)
2025	(159,179)
2026	(142,546)
2027	(151,436)
2028	(177,000)
Thereafter	<u>-</u>
	<u>\$ (835,313)</u>

1. Actuarial Assumptions

The total OPEB liability as of June 30, 2022 was determined by rolling forward the System's total OPEB liability as of June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.

**Butler Area School District
Notes to Financial Statements
June 30, 2023**

- Investment return – 4.09%, S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate pre age 65 at 50%.
 - Eligible retirees will elect to participate post age 65 at 70%.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2020.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: the actual data for retirees benefiting under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

Investments consist primarily of short term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan’s policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	<u>100%</u>	0.50%

The above table was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.

Butler Area School District
Notes to Financial Statements
June 30, 2023

2. Discount Rate

The discount rate used to measure the Total OPEB Liability was 4.09%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 4.09% which represents the S&P 20 year Municipal Bond Rate at June 30, 2022, was applied to all projected benefit payments to measure the total OPEB liability.

3. Sensitivity of System Net OPEB Liability to Change in the Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2022, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2022, 93,293 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2022, 582 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2022, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if its health cost trends were 1 percentage point lower or 1 percentage point higher than the current rate:

	(In Thousands)		
	1.00%	Current	1.00%
	Decrease	Trend Rate	Increase
System net OPEB Liability	\$ 5,531	\$ 5,532	\$ 5,532

4. Sensitivity of School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, calculated using the discount rate of 4.09%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.09%) or 1 percentage point higher (5.09%) than the current rate:

	(In Thousands)		
	1.00%	Current	1.00%
	Decrease	Discount Rate	Increase
	3.09%	4.09%	5.09%
School District's proportionate share of the net OPEB liability	\$ 6,255	\$ 5,532	\$ 4,926

Butler Area School District
Notes to Financial Statements
June 30, 2023

5. OPEB Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Annual Comprehensive Financial Report which can be found on the System's website at www.psers.pa.gov.

Note 13 - Risk Management

The School District was a member of the Allegheny County Schools Health Insurance Consortium (Consortium) which purchases health benefits on behalf of participating public school districts. The School District is billed monthly based on employee count and coverage information at rates established by the Consortium at the beginning of each fiscal year. As the Consortium is self-insured, rates are established with the objective of satisfying estimated claims and other costs, as well as maintaining working capital requirements. Contributions to the Consortium totaled \$12,974,334 for the year ended June 30, 2023.

Participating school districts are permitted to withdraw from the Consortium under terms specified in the agreement. Butler Area School District did withdraw after the year-end June 30, 2023. Withdrawing participants are entitled to or responsible for a proportionate share of the Consortium net position or deficiency in net position, respectively, as determined on the fiscal year-end date after withdrawal. As of June 30, 2023, the net position of the Consortium was \$43,578,886 of which \$1,691,338 is attributable to the School District.

The School District participates in an insurance program offered by a commercial insurance company. It purchases commercial insurance policies for risks of losses for casualty, workmen's compensation and liability claims.

The School District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

Settled claims for these risks have not exceeded insurance coverage for the past three years.

Note 14 - On-Behalf Payments

The amounts recognized for revenues and expenditures for on-behalf payments relating to fringe benefits for the year ended June 30, 2023, were \$9,984,583.

This includes \$8,279,650 recognized for revenues and expenditures relating to pension contributions for its employees that the Commonwealth of Pennsylvania paid to the Public School Employees' Retirement System (PSERS) for pension and \$1,704,933 to the federal government for social security and Medicare taxes for the year ended June 30, 2023. The School District pays these on-behalf payments directly to PSERS and the government and is reimbursed by the Commonwealth for their appropriate share.

Butler Area School District
Notes to Financial Statements
June 30, 2023

Note 15 - Derivative Instruments

A. Details of Instruments

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2023, classified by type, and the change in fair value of such derivative instruments for the year ended as reported in the June 30, 2023 financial statements are as follows:

Governmental Activities	Change in Fair Value		Fair Value at June 30, 2023		Notional in Thousands
	Classification	Amount	Classification	Amount	
Cash Flow Hedges:					
Pay Fixed Interest Rate Swaps	Deferred Outflow of Resources	\$ 1,792,183	Debt	\$ (3,023,146)	\$ 27,330

The fair values of the interest rate swaps are estimated based on economic assessment of the transaction or instrument and is derived from model prices, external sources or market prices.

B. Objective and Terms

The following is the objective and terms of the School District's hedging derivative instruments outstanding at June 30, 2023. The instrument is a pay fixed interest rate swap. The objective of the instrument is to hedge changes in the variable cash flows of the 2007 bonds due to changes in future interest cash flows. On April 12, 2005, the School District executed a swap agreement with JP Morgan Chase Bank, N.A. (counterparty) through the Butler County General Authority (2005 Swap). The 2005 Swap was structured as a fixed payer swap and was used together with an issue of the 2005 variable rate demand bonds (VRDB) to advance refund the School District's 2004 bonds for debt service savings. In order to eliminate the basis risk and the tax risk associated with the 2005 swap structure, the School District terminated the 2005 swap and issued the Series of 2007 VRDB that bear interest at 67% of three-month SOFR plus 70 basis points. The School District also entered into a fixed payer swap (2007 Swap) where the counterparty pays 67% of three-month SOFR plus 70 basis points. Because the bonds and the swap pay will pay on the exact same basis, i.e. 67% of three-month SOFR plus 70 basis points, the School District can eliminate both basis risk and tax risk. The effective date of the swap is June 30, 2007; termination date is October 1, 2034. The current notional amount is \$27.400 million.

The counterparty credit rating is A+ and Aa2 by S & P and Moody's, respectively.

C. Risks

Through the use of derivative financial instruments such as these swap agreements, the School District is exposed, or may become exposed, to certain risks as follows:

- **Basis Risk** - refers to the potential that the variable interest rate received from the counterparty will be higher or lower than the interest rate the School District will pay on the VRDBs transactions, the potential mismatch between the variable interest rate received from the swap provider versus the variable rate paid by the School District. Should the rate received be higher than the rate paid, the School District will realize a gain. Should the rate received be lower than the rate paid, the School District will incur a loss, reducing the attractiveness of this transaction.

Butler Area School District
Notes to Financial Statements
June 30, 2023

- Termination Risk - the risk that the swap could be terminated due to any of several events, such as a School District or swap counterparty ratings downgrade, a covenant violation by either party, bankruptcy of either party, swap payment default by either party, default events as defined in the School District's bond documents and cross-default. Such a termination would potentially expose the School District to the possibility that the School District would have to make a termination payment. The risk that the School District will have to come up with a large termination payment in the event of default of a swap counterparty is mitigated by the fact that the same market conditions that would create an obligation on behalf of the School District to make a termination payment, will also create an environment whereby the School District could obtain a replacement swap with similar economic terms with a new counterparty who would be willing to pay an up-front amount approximately equal to the termination payment owned by the School District.

The School District will have the option to terminate the swap at market at any time. If the School District were to elect to terminate under this provision, the market-based termination amount would be calculated and would be paid either by the swap counterparty or by the School District, depending on the market conditions at the time of the School District's exercise of this termination option. Because the option will be structured as "one-way" in the School District's favor, the swap counterparty will not have an optional termination feature.

- Credit Risk - the risk of a loss due to failure of the counterparty to make required payments. As of June 30, 2023, the School District was not exposed to credit risk on the swap and the swap had a negative fair value. However, in the future should the fair value become positive, the School District could be exposed to credit risk equal to the fair value of the swap agreements. The swap counter-party has guaranteed all payments and is rated A+/Aa2 by the major rating agencies. To mitigate potential credit risks, if the counterparty's ratings are downgraded, it is required to collateralize the swap liability to the School District with securities consisting of obligations of the United State Government or specified agencies thereof. Such collateral will be deposited with a third-party custodian.
- Market Access Risk - the risk that, once issued, the School District would be unable to remarket its VRDBs. In such an event, the School District would owe a fee to the liquidity facility provider of the VRDBs at the "bank rate" that would be defined in the liquidity facility document, which is usually substantially higher than that which is paid to VRDB holders.

Note 16 - Tax Increment Financing Plan

The School District has entered into a tax increment financing plan with the City of Butler and Butler County to provide financing for the development of blighted areas within their respective jurisdictions in order to increase the tax base and improve the general economy. The Centre City Tax Increment financing plan is for the financing and construction of infrastructure improvements in connection with a mixed-use commercial development.

Butler Area School District
Notes to Financial Statements
June 30, 2023

The School District agrees to contribute and pay over to the Redevelopment Authority for repayment of debt issued by them for the assistance in funding this project, 80% of their share of all incremental real estate taxes realized from increase in market value of taxable real property situated in the tax increment financing district through the tax year 2037. For the year ended June 30, 2023, the School District abated property taxes totaling \$92,114 under this agreement.

Note 17 - Construction Commitment

As of June 30, 2023, the School District had construction commitments in the amount of approximately \$563,589 for various capital projects. It is anticipated these projects will be completed in the 2023/2024 fiscal year.

**REQUIRED SUPPLEMENTARY
INFORMATION SECTION**

**Butler Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2023**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Sources				
Taxes				
Current Real Estate Taxes	\$ 41,830,576	\$ 41,830,576	\$ 41,978,085	\$ 147,509
Interim Real Estate Taxes	75,000	75,000	76,335	1,335
Delinquent Real Estate Taxes	1,325,000	1,325,000	1,153,092	(171,908)
Public Utility Realty Taxes	53,056	53,056	49,765	(3,291)
Payments in Lieu of Current Taxes	61,972	61,972	107,464	45,492
Current Per Capita Taxes - Sec. 679	140,500	140,500	142,743	2,243
Current Per Capita Taxes - Act 511	140,500	140,500	142,743	2,243
Local Services Taxes	116,000	116,000	115,690	(310)
Earned Income Taxes	5,950,000	5,950,000	7,172,171	1,222,171
Real Estate Transfer Taxes	950,000	950,000	1,043,303	93,303
Other Delinquent Taxes	18,600	18,600	16,646	(1,954)
Earnings on Investments	100,000	100,000	1,150,180	1,050,180
Other Local Revenues				
Revenue from Student Activities	158,500	158,500	195,660	37,160
Federal Revenues from IU	1,250,838	1,250,838	1,426,161	175,323
Contributions & Donations from Private Sources	142,000	142,000	195,461	53,461
Rentals	50,000	50,000	73,189	23,189
Tuition from Other LEAs	390,000	390,000	359,670	(30,330)
Refund of Prior Year's Expenditures	350,000	350,000	41,533	(308,467)
Miscellaneous Revenue	208,500	208,500	155,807	(52,693)
Total Revenues from Local Sources	<u>53,311,042</u>	<u>53,311,042</u>	<u>55,595,698</u>	<u>2,284,656</u>
State Sources				
Basic Instructional & Oper. Subsidies				
Basic Instructional Subsidy	26,873,601	26,873,601	27,524,309	650,708
Tuition	25,000	25,000	111,555	86,555
Subsidies for Spec. Educ. Programs				
Special Education of Excep. Pupils	4,861,861	4,861,861	5,177,429	315,568
Subsidies for Noneduc. Programs				
Transportation (Regular & Additional)	2,651,230	2,651,230	2,499,801	(151,429)
Rentals & Sinking Fund Payments	1,639,558	1,639,558	1,606,755	(32,803)
Ready to Learn Block Grant	1,147,945	1,147,945	1,147,945	-
Health Services	120,000	120,000	113,278	(6,722)
State Property Tax Reduction	2,467,111	2,467,111	2,467,111	-
Social Security Payments	1,678,932	1,678,932	1,691,746	12,814
State Retirement Revenue	7,738,450	7,738,450	8,228,839	490,389
Other State Revenue	-	-	59,963	59,963
Total Revenues from State Sources	<u>49,203,688</u>	<u>49,203,688</u>	<u>50,628,731</u>	<u>1,425,043</u>

**Butler Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2023**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Federal Sources				
Restricted Grants-In-Aid from the Fed. Gov't. through the Commonwealth				
Title I	1,586,838	1,586,838	1,747,582	160,744
Title II	239,854	239,854	261,221	21,367
Title IV	121,738	121,738	127,484	5,746
Elementary and Secondary Emergency Relief Fund (ESSER)	-	-	372	372
Elementary and Secondary Emergency Relief Fund (ESSER II)	265,708	265,708	102,206	(163,502)
Elementary and Secondary Emergency Relief Fund (ARP ESSER)	540,394	540,394	236,596	(303,798)
Elementary and Secondary Emergency Relief Fund (ARP ESSER 7%)	322,601	322,601	297,582	(25,019)
Elementary and Secondary Emergency Relief Fund (ARP-HCY)	-	-	35,663	35,663
Governor's Emergency Education Relief Fund (GEER)	-	-	213	213
Other CARES Act and CRRSA Act Funding	70,000	70,000	2,570	(67,430)
Medical Assistance - Access	807,450	807,450	794,948	(12,502)
Medical Assistance - Admin.	60,000	60,000	73,162	13,162
Total Revenues from Federal Sources	4,014,583	4,014,583	3,679,599	(334,984)
Total Revenues	106,529,313	106,529,313	109,904,028	3,374,715
Other Financing Sources				
Sale of Capital Assets	-	-	2,126	2,126
Proceeds from Financing Agreements	-	-	76,930	76,930
Total Other Financing Sources	-	-	79,056	79,056
Total Revenues and Other Financing Sources	106,529,313	106,529,313	109,983,084	3,453,771

**Butler Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2023**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Instruction				
Regular Programs				
Personal Services				
Salaries	24,596,977	24,596,977	24,366,421	230,556
Employee Benefits	17,185,719	17,182,335	16,684,457	497,878
Purchased Prof. and Tech. Services	53,090	53,090	1,119	51,971
Purchased Property Services	12,650	12,650	23,194	(10,544)
Other Purchased Services	2,747,550	2,747,550	2,528,917	218,633
Supplies	571,003	572,104	900,560	(328,456)
Property	5,000	5,000	-	5,000
Other Objects	22,500	22,500	6,623	15,877
Total Regular Programs	<u>45,194,489</u>	<u>45,192,206</u>	<u>44,511,291</u>	<u>680,915</u>
Special Programs				
Personal Services				
Salaries	7,075,823	7,075,823	7,588,078	(512,255)
Employee Benefits	4,654,554	4,653,847	5,781,742	(1,127,895)
Purchased Prof. and Tech. Services	492,736	492,736	798,101	(305,365)
Other Purchased Services	3,974,156	3,974,156	4,847,760	(873,604)
Supplies	81,163	81,163	83,818	(2,655)
Other Objects	7,300	7,300	11,566	(4,266)
Total Special Programs	<u>16,285,732</u>	<u>16,285,025</u>	<u>19,111,065</u>	<u>(2,826,040)</u>
Vocational Education Programs				
Other Purchased Services	<u>1,994,895</u>	<u>1,994,895</u>	<u>1,850,662</u>	<u>144,233</u>
Other Instructional Programs				
Personal Services				
Salaries	659,306	659,306	572,907	86,399
Employee Benefits	443,319	443,319	370,129	73,190
Purchased Prof. and Tech. Services	11,500	11,500	914	10,586
Other Purchased Services	273,000	273,000	296,260	(23,260)
Supplies	<u>-</u>	<u>-</u>	2,887	(2,887)
Total Other Instructional Programs	<u>1,387,125</u>	<u>1,387,125</u>	<u>1,243,097</u>	<u>144,028</u>

**Butler Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2023**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Nonpublic School Programs				
Personal Services				
Salaries	-	-	53,052	(53,052)
Employee Benefits	-	-	25,100	(25,100)
Purchased Prof. and Tech. Services	133,786	133,786	6,370	127,416
Supplies	24,083	24,083	24,839	(756)
Total Nonpublic School Programs	<u>157,869</u>	<u>157,869</u>	<u>109,361</u>	<u>48,508</u>
Higher Education Programs				
Other Purchased Services	75,000	75,000	43,695	31,305
Supplies	25,000	25,000	-	25,000
Total Higher Education Programs	<u>100,000</u>	<u>100,000</u>	<u>43,695</u>	<u>56,305</u>
Total Instruction	<u>65,120,110</u>	<u>65,117,120</u>	<u>66,869,171</u>	<u>(1,752,051)</u>
Support Services				
Pupil Personnel				
Personal Services				
Salaries	1,989,414	1,989,414	1,988,974	440
Employee Benefits	1,346,645	1,346,645	1,434,838	(88,193)
Purchased Prof. and Tech. Services	170,000	170,000	81,305	88,695
Other Purchased Services	2,000	2,000	1,325	675
Supplies	21,258	21,258	28,967	(7,709)
Total Pupil Personnel	<u>3,529,317</u>	<u>3,529,317</u>	<u>3,535,409</u>	<u>(6,092)</u>
Instructional Staff				
Personal Services				
Salaries	829,153	829,153	891,165	(62,012)
Employee Benefits	561,277	561,112	756,608	(195,496)
Purchased Prof. and Tech. Services	811,980	811,980	876,119	(64,139)
Purchased Property Services	33,268	33,268	26,400	6,868
Other Purchased Services	36,878	36,878	37,085	(207)
Supplies	584,454	600,537	588,657	11,880
Property	288,421	288,421	276,259	12,162
Other Objects	1,500	1,500	1,210	290
Total Instructional Staff	<u>3,146,931</u>	<u>3,162,849</u>	<u>3,453,503</u>	<u>(290,654)</u>

**Butler Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2023**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Administration				
Personal Services				
Salaries	3,151,484	3,151,484	3,137,475	14,009
Employee Benefits	2,113,582	2,113,040	2,082,184	30,856
Purchased Prof. and Tech. Services	359,775	359,775	355,757	4,018
Other Purchased Services	72,492	72,492	49,040	23,452
Supplies	26,740	26,740	30,795	(4,055)
Other Objects	56,710	56,710	51,683	5,027
Total Administration	5,780,783	5,780,241	5,706,934	73,307
Pupil Health				
Personal Services				
Salaries	805,000	805,000	786,477	18,523
Employee Benefits	544,922	544,696	709,792	(165,096)
Purchased Prof. and Tech. Services	610,495	610,495	316,869	293,626
Purchased Property Services	1,650	1,650	1,460	190
Other Purchased Services	5,000	5,000	2,950	2,050
Supplies	6,322	6,322	7,510	(1,188)
Total Pupil Health	1,973,389	1,973,163	1,825,058	148,105
Business				
Personal Services				
Salaries	504,421	504,421	430,837	73,584
Employee Benefits	341,449	341,449	386,834	(45,385)
Purchased Prof. and Tech. Services	18,000	18,000	5,964	12,036
Purchased Property Services	221,909	221,909	27,988	193,921
Other Purchased Services	11,550	11,550	4,621	6,929
Supplies	91,750	90,649	87,061	3,588
Other Objects	4,450	4,450	-	4,450
Total Business	1,193,529	1,192,428	943,305	249,123
Oper. and Maint. of Plant Svcs.				
Personal Services				
Salaries	2,963,157	2,963,157	3,219,048	(255,891)
Employee Benefits	2,036,782	2,025,723	2,361,255	(335,532)
Purchased Prof. and Tech. Services	122,625	122,625	109,430	13,195
Purchased Property Services	305,504	305,504	353,330	(47,826)
Other Purchased Services	396,213	396,213	346,574	49,639
Supplies	1,672,335	1,672,335	1,934,101	(261,766)
Property	-	-	24,308	(24,308)
Other Objects	1,750	1,750	800	950
Total Oper. and Maint. of Plant Svcs.	7,498,366	7,487,307	8,348,846	(861,539)

**Butler Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2023**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Student Transportation Services				
Personal Services				
Salaries	95,000	95,000	92,657	2,343
Employee Benefits	64,308	64,308	85,669	(21,361)
Purchased Prof. and Tech. Services	25,000	25,000	25,657	(657)
Other Purchased Services	5,841,970	5,841,970	5,637,599	204,371
Supplies	500	500	265	235
Other Objects	135	135	-	135
Total Student Transportation Services	6,026,913	6,026,913	5,841,847	185,066
Central				
Personal Services				
Salaries	322,584	322,584	319,809	2,775
Employee Benefits	218,356	218,356	233,707	(15,351)
Purchased Prof. and Tech. Services	988,310	988,310	1,056,802	(68,492)
Other Purchased Services	4,500	4,500	4,197	303
Supplies	2,000	2,000	922	1,078
Other Objects	2,405	2,405	963	1,442
Total Central	1,538,155	1,538,155	1,616,400	(78,245)
Other				
Other Purchased Services	92,000	92,000	88,949	3,051
Total Support Services	30,779,383	30,782,373	31,360,251	(577,878)
Noninstructional Services				
Student Activities				
Personal Services				
Salaries	1,365,506	1,365,506	937,263	428,243
Employee Benefits	663,596	663,596	478,987	184,609
Purchased Prof. and Tech. Services	113,500	113,500	110,183	3,317
Purchased Property Services	19,807	19,807	28,989	(9,182)
Other Purchased Services	175,680	175,680	195,653	(19,973)
Supplies	86,400	86,400	130,747	(44,347)
Property	33,365	33,365	178,118	(144,753)
Other Objects	26,000	26,000	38,762	(12,762)
Total Student Activities	2,483,854	2,483,854	2,098,702	385,152

**Butler Area School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund – Budget and Actual
Year Ended June 30, 2023**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Community Services				
Personal Services				
Salaries	-	-	14,515	(14,515)
Employee Benefits	-	-	6,216	(6,216)
Purchased Prof. and Tech. Services	-	-	992	(992)
Other Purchased Services	-	-	751	(751)
Supplies	18,000	18,000	17,077	923
Total Community Services	18,000	18,000	39,551	(21,551)
Total Noninstructional Services	2,501,854	2,501,854	2,138,253	363,601
Debt Service				
Interest	-	-	17,886	(17,886)
Refunds of Prior Year's Receipts	-	-	65,761	(65,761)
Redemption of Principal	-	-	161,619	(161,619)
Total Debt Service	-	-	245,266	(245,266)
Total Expenditures	98,401,347	98,401,347	100,612,941	(2,211,594)
Other Financing Uses				
Fund Transfers				
Capital Projects Fund	800,000	800,000	1,320,578	(520,578)
Debt Service Fund	7,327,966	7,327,966	7,327,047	919
Total Other Financing Uses	8,127,966	8,127,966	8,647,625	(519,659)
Total Expenditures and Other Financing Uses	106,529,313	106,529,313	109,260,566	(2,731,253)
Net Change in Fund Balance	-	-	722,518	722,518
Fund Balance - July 1, 2022	19,779,759	19,779,759	20,275,022	495,263
Fund Balance - June 30, 2023	\$ 19,779,759	\$ 19,779,759	\$ 20,997,540	\$ 1,217,781

Butler Area School District
Note to the Required Supplementary Information
Budget Comparison
June 30, 2023

Note 1 – Budgetary Information

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at year-end.

All budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budget during the year).

Butler Area School District
Required Supplementary Information
Schedule of Changes in the Total OPEB Liability
and Related Ratios
Last Seven Years

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability							
Service cost	\$ 1,877,984	\$ 1,895,679	\$ 1,621,458	\$ 1,635,419	\$ 2,244,254	\$ 2,187,070	\$ -
Interest	810,408	667,529	1,117,167	1,000,811	1,252,038	951,716	-
Change of benefit terms	-	-	(2,694,411)	-	(1,642,348)	-	-
Difference between expected and actual experience	(3,203,578)	-	955,276	-	(5,629,479)	-	-
Change of assumptions or other inputs payments	(5,983,095)	(963,370)	3,383,032	(878,164)	95,097	795,814	-
Benefit payments	(1,840,309)	(2,028,617)	(2,003,514)	(2,168,924)	(2,078,936)	(2,369,555)	-
Net Change in Total OPEB Liability	(8,338,590)	(428,779)	2,379,008	(410,858)	(5,759,374)	1,565,045	-
Total OPEB Liability - Beginning	34,663,106	35,091,885	32,712,877	33,123,735	38,883,109	37,318,064	-
Total OPEB Liability - Ending	<u>\$ 26,324,516</u>	<u>\$ 34,663,106</u>	<u>\$ 35,091,885</u>	<u>\$ 32,712,877</u>	<u>\$ 33,123,735</u>	<u>\$ 38,883,109</u>	<u>\$ 37,318,064</u>
Covered-Employee Payroll	\$ 40,226,540	\$ 39,901,116	\$ 39,901,116	\$ 38,066,866	\$ 38,066,866	\$ 39,820,197	N/A
Total OPEB Liability as a Percentage of Covered-Employee Payroll	65.44%	86.87%	87.95%	85.94%	87.01%	97.65%	N/A

Notes to Schedule:

GASB 75 was implemented beginning with fiscal year ended June 30, 2018.

Assumption Changes:

Discount rate used for fiscal year ending:

2023	4.06%
2022	2.28%

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

**Butler Area School District
Required Supplementary Information
Schedule of School District's Contributions
PSERS
Last Nine Years**

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contribution	\$ 15,113,997	\$ 14,992,544	\$ 14,846,888	\$ 14,129,473	\$ 13,513,421	\$ 12,920,019	\$ 10,158,332	\$ 8,567,454	\$ 6,629,656
Contributions in Relation to the Contractually Required Contribution	<u>15,113,997</u>	<u>14,992,544</u>	<u>14,846,888</u>	<u>14,129,473</u>	<u>13,513,421</u>	<u>12,920,019</u>	<u>10,158,332</u>	<u>8,567,454</u>	<u>6,629,656</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 43,940,768	\$ 44,186,037	\$ 44,338,008	\$ 42,503,202	\$ 41,628,062	\$ 41,228,387	\$ 42,537,225	\$ 42,691,164	\$ 42,473,037
Contributions as a Percentage of Covered Payroll	34.40%	33.93%	33.49%	33.24%	32.46%	31.34%	23.88%	20.07%	15.61%

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

The covered-payroll amount reported for June 30, 2022 has been revised from the prior year presentation to reflect adjustments processed by PSERS during fiscal year 2023.

Butler Area School District
Required Supplementary Information
Schedule of School District's Proportionate Share
of the Net Pension Liability
PSERS
Last Nine Years
(Dollar Amount in Thousands)

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
School District's Proportion of the Net Pension Liability (Asset)	0.3007%	0.3125%	0.3018%	0.3018%	0.3062%	0.3195%	0.3193%	0.3318%	0.3328%
School District's Proportionate Share of the Net Pension Liability (Asset)	\$ 133,687	\$ 128,302	\$ 148,603	\$ 141,190	\$ 146,991	\$ 157,796	\$ 158,234	\$ 143,720	\$ 131,725
School District's Covered Payroll	\$ 44,186	\$ 44,338	\$ 42,503	\$ 41,628	\$ 41,228	\$ 42,537	\$ 41,352	\$ 42,691	\$ 42,473
School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	302.56%	289.37%	349.63%	339.17%	356.53%	370.96%	382.65%	336.65%	310.14%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

Butler Area School District
Required Supplementary Information
Schedule of School District's Contributions
PSERS OPEB Plan
Last Six Years

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Contractually Required Contribution	\$ 330,956	\$ 353,873	\$ 353,399	\$ 357,832	\$ 346,138	\$ 340,617
Contributions in Relation to the Contractually Required Contribution	<u>330,956</u>	<u>353,873</u>	<u>353,399</u>	<u>357,832</u>	<u>346,138</u>	<u>340,617</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$43,940,768	\$44,186,037	\$44,338,008	\$42,503,202	\$41,628,062	\$41,228,387
Contributions as a Percentage of Covered Payroll	0.75%	0.80%	0.80%	0.84%	0.83%	0.83%

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

The covered-payroll amount reported for June 30, 2022 has been revised from the prior year presentation to reflect adjustments processed by PSERS during fiscal year 2023.

Butler Area School District
Required Supplementary Information
Schedule of School District's Proportionate Share
of the Net OPEB Liability
PSERS OPEB Plan
Last Six Years
(Dollar Amount in Thousands)

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
School District's Proportion of the Net OPEB Liability (Asset)	0.3005%	0.3128%	0.3028%	0.3018%	0.3062%	0.3195%
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 5,532	\$ 7,413	\$ 6,543	\$ 6,419	\$ 6,384	\$ 6,510
School District's Covered Payroll	\$ 44,186	\$ 44,338	\$ 42,503	\$ 41,628	\$ 41,228	\$ 42,537
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	12.52%	16.72%	15.39%	15.42%	15.48%	15.30%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	6.86%	5.30%	5.69%	5.56%	5.56%	5.73%

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

SINGLE AUDIT SECTION

HOSACK, SPECHT, MUETZEL & WOOD LLP
CERTIFIED PUBLIC ACCOUNTANTS
2 PENN CENTER WEST, SUITE 326
PITTSBURGH, PENNSYLVANIA 15276
PHONE - 412-343-9200
FAX - 412-343-9209
HSMW@HSMWCPA.COM
WWW.HSMWCPA.COM

Members of the Board
Butler Area School District
Butler, Pennsylvania

Dear Members:

The reports contained in this single audit section are required in addition to the financial statements. The various reports for Butler Area School District for the period ended June 30, 2023 were prepared to fulfill the requirements of the Government Auditing Standards and the Uniform Grant Guidance. A summary of the reports is as follows:

- A. 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*
- B. Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance
- C. Schedule of Findings and Questioned Costs
- D. Schedule of Expenditures of Federal Awards
- E. List of Report Distribution

Respectfully submitted,

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
January 5, 2024

HOSACK, SPECHT, MUETZEL & WOOD LLP
CERTIFIED PUBLIC ACCOUNTANTS
2 PENN CENTER WEST, SUITE 326
PITTSBURGH, PENNSYLVANIA 15276
PHONE - 412-343-9200
FAX - 412-343-9209
HSMW@HSMWCPA.COM
WWW.HSMWCPA.COM

EXHIBIT A

**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***

Members of the Board
Butler Area School District
Butler, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Butler Area School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Butler Area School District's basic financial statements, and have issued our report thereon dated January 5, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Butler Area School District's internal control over financial reporting (internal control) as a basis for designing 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 Butler Area School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Butler Area School District'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Butler Area School District's financial statements are free from 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 financial statements. 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*.

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.

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
January 5, 2024

HOSACK, SPECHT, MUETZEL & WOOD LLP
CERTIFIED PUBLIC ACCOUNTANTS
2 PENN CENTER WEST, SUITE 326
PITTSBURGH, PENNSYLVANIA 15276
PHONE - 412-343-9200
FAX - 412-343-9209
HSMW@HSMWCPA.COM
WWW.HSMWCPA.COM

EXHIBIT B

**Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control Over Compliance Required by the Uniform Guidance**

Members of the Board
Butler Area School District
Butler, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Butler Area School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Butler Area School District's major federal programs for the year ended June 30, 2023. Butler Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. In our opinion, Butler Area School District 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 federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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 the audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Butler Area School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Butler Area School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Butler Area School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Butler Area School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Butler Area School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Butler Area School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Butler Area School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Butler Area School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal 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 federal 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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. Accordingly, this report is not suitable for any other purpose.

Hosack, Specht, Muetzl & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
January 5, 2024

Butler Area School District
Schedule of Findings and Questioned Costs
June 30, 2023

EXHIBIT C

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report was unmodified.

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes ✓ no
- Significant deficiency(ies) identified? _____ yes ✓ none reported

Noncompliance material to financial statements noted? _____ yes ✓ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes ✓ no
- Significant deficiency(ies) identified? _____ yes ✓ none reported

Type of auditor's report issued on compliance for major programs was unmodified.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? _____ yes ✓ no

Identification of major programs:

ALN Number(s)	Name of Federal Program or Cluster
84.425	Education Stabilization Fund
84.010	Title I
84.367	Title II
84.027 & 84.173	Special Education Cluster

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

Auditee qualified as low-risk auditee? ✓ yes _____ no

**Butler Area School District
Schedule of Findings and Questioned Costs
June 30, 2023**

EXHIBIT C

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were noted.

Section IV – Status of Prior Year’s Findings

No prior year’s findings.

Butler Area School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

EXHIBIT D

Federal Grantor/ Pass Through Grantor/ Project Title	Source Code	Federal ALN Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/22	Revenue Recognized	Expendi- tures	Accrued or (Deferred) Revenue 06/30/23
U.S. Department of Education										
Passed through the Pennsylvania										
Department of Education										
Title I Improving Basic Programs	I	84.010	013-210055	09/08/20-09/30/21	\$ 1,586,838	\$ -	\$ (6,945)	\$ 6,945	\$ 6,945	\$ -
Title I Improving Basic Programs	I	84.010	013-230055	08/01/22-09/30/23	1,630,362	1,392,583	-	1,630,362	1,630,362	237,779
Title I Improving Basic Programs	I	84.010	013-220055	08/13/21-09/30/22	1,630,685	226,689	160,274	110,275	110,275	43,860
						1,619,272	153,329	1,747,582	1,747,582	281,639
Title II Improving Teacher Quality	I	84.367	020-210055	09/08/20-09/30/21	239,854	36,046	29,974	6,072	6,072	-
Title II Improving Teacher Quality	I	84.367	020-230055	08/01/22-09/30/23	236,696	186,848	-	232,681	232,681	45,833
Title II Improving Teacher Quality	I	84.367	020-220055	08/13/21-09/30/22	237,527	32,997	50,075	22,468	22,468	39,546
						255,891	80,049	261,221	261,221	85,379
Title IV Student Sup. and Acad. Enrichment	I	84.424	144-210055	09/08/20-09/30/21	121,738	18,597	18,597	-	-	-
Title IV Student Sup. and Acad. Enrichment	I	84.424	144-230055	08/01/22-09/30/23	127,951	89,385	-	66,144	66,144	(23,241)
Title IV Student Sup. and Acad. Enrichment	I	84.424	144-220055	08/13/21-09/30/22	119,332	8,519	(35,714)	61,340	61,340	17,107
						116,501	(17,117)	127,484	127,484	(6,134)
COVID-19 SECIM	I	84.425C	252-200055	03/13/20-09/30/22	85,404	-	(213)	213	213	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER)	I	84.425D	200-200055	03/13/20-09/30/21	1,318,431	-	(372)	372	372	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II)	I	84.425D	200-210055	03/13/20-09/30/23	5,859,698	545,088	(600,475)	1,551,360	1,551,360	405,797
COVID-19 Elementary and Secondary School Emergency Relief Fund (ARP ESSER)	I	84.425U	223-210055	03/13/20-09/30/24	11,852,474	9,050,980	2,534,984	6,259,621	6,259,621	(256,375)
COVID-19 Elementary and Secondary School Emergency Relief Fund (ARP ESSER 7%)	I	84.425U	225-210055	03/13/20-09/30/24	921,204	401,980	157,457	297,582	297,582	53,059
COVID-19 Elementary and Secondary School Emergency Relief Fund (ARP HCY)	I	84.425W	181-212055	03/13/20-09/30/24	65,717	15,165	(3,605)	35,663	35,663	16,893
						10,013,213	2,087,776	8,144,811	8,144,811	219,374
Passed through the Pennsylvania										
Commission on Crime and Delinquency										
COVID-19 Safety and Security Grant	I	84.425D	2020-ES-01-35266	03/13/20-09/30/22	183,809	5,476	2,906	2,570	2,570	-
						10,018,689	2,090,682	8,147,381	8,147,381	219,374
Food Service Equipment Grant	I	10.579	FSE-22-0013	03/01/23-06/21/23	10,394	-	-	10,394	10,394	10,394
Food Service Equipment Grant	I	10.579	FSE-22-0014	03/01/23-06/21/23	10,394	-	-	10,394	10,394	10,394
Food Service Equipment Grant	I	10.579	FSE-21-0019	03/01/22-06/21/22	30,145	30,145	-	30,145	30,145	-
						30,145	-	50,933	50,933	20,788
Special Education Cluster										
Passed through the Lancaster-Lebanon										
Intermediate Unit										
PaTTan Grant	I	84.027	062-220033	07/01/21-09/30/22	20,000	20,000	20,000	-	-	-
PaTTan Grant	I	84.027	062-220033	07/01/21-09/30/22	10,000	9,544	9,544	-	-	-

Butler Area School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

EXHIBIT D

Federal Grantor/ Pass Through Grantor/ Project Title	Source Code	Federal ALN Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/22	Revenue Recognized	Expendi- tures	Accrued or (Deferred) Revenue 06/30/23
PaTTan Grant	I	84.027	062-220033	07/01/21-09/30/22	10,000	10,000	10,000	-	-	-
PaTTan Grant	I	84.027	062-220033	07/01/21-09/30/22	10,000	-	8,603	-	-	8,603
PaTTan Grant	I	84.027	062-210033	07/01/20-09/30/21	8,000	-	(2,970)	-	-	(2,970)
						39,544	45,177	-	-	5,633
Passed through the Midwestern Intermediate Unit										
IDEA B Section 619	I	84.173	131-220004	07/01/22-06/30/23	11,725	-	-	11,725	11,725	11,725
IDEA B	I	84.027	062-230004	07/01/22-09/30/23	1,294,439	1,294,439	-	1,294,439	1,294,439	-
COVID-19 IDEA B ARP	I	84.027	062-220004	07/01/21-09/30/23	290,021	170,023	170,023	119,997	119,997	119,997
IDEA B Section 619	I	84.173	131-210004	07/01/21-06/30/22	10,632	10,632	10,632	-	-	-
Subtotal Special Education Cluster						1,514,638	225,832	1,426,161	1,426,161	137,355
Subtotal U.S. Department of Education						13,555,136	2,532,775	11,760,762	11,760,762	738,401
Federal Communications Commission										
COVID-19 Emergency Connectivity Fund	I	32.009	N/A	07/01/21-06/30/22	590,163	590,163	590,163	-	-	-
U.S. Department of Homeland Security										
Passed through the Pennsylvania										
Emergency Management Agency										
COVID-19 PA Declaration	I	97.036	FEMA-4506-DR-PA	01/20/20-09/30/21	281,338	40,682	40,682	-	-	-
U.S. Department of Health and Human Services										
Passed through the Pennsylvania										
Department of Public Welfare										
Medical Assistance Reimb. for Adm. Title 19	I	93.778	N/A	07/01/22-06/30/23	N/A	87,678	51,238	73,162	73,162	36,722
U.S. Department of Agriculture										
Passed through the Pennsylvania										
Department of Education										
P-EBT Administrative Costs Grant	I	10.649	N/A	07/01/22-06/30/23	N/A	3,135	-	3,135	3,135	-
Child Care	I	10.558	N/A	07/01/22-06/30/23	N/A	9,041	-	9,041	9,041	-
National School Lunch Program	I	10.555	N/A	07/01/22-06/30/23	N/A	1,589,451	12,572	1,626,649	1,626,649	49,770
National School Breakfast Program	I	10.553	N/A	07/01/22-06/30/23	N/A	571,514	8,128	586,618	586,618	23,232
Fresh Fruit and Vegetable Program	I	10.582	N/A	07/01/22-06/30/23	N/A	69,767	-	70,215	70,215	448
Passed through the Pennsylvania										
Department of Agriculture										
National School Lunch Program (Donated										
Commodities Non Cash Assistance)	I	10.555	N/A	07/01/22-06/30/23	N/A	181,399	(1,114)	181,617	181,617	(896)
Total Child Nutrition Cluster						2,412,131	19,586	2,465,099	2,465,099	72,554
Total U.S. Department of Agriculture						2,424,307	19,586	2,477,275	2,477,275	72,554
Total Federal Financial Assistance						\$ 16,697,966	\$ 3,234,444	\$ 14,311,199	\$ 14,311,199	\$ 847,677

See Accompanying Notes to Schedule of Expenditures of Federal Awards

Butler Area School District
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

EXHIBIT D

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Butler Area School District under programs of the federal government for the year ended June 30, 2023. The information in this Schedule 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). Because the Schedule presents only a selected portion of the operations of Butler Area School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Butler Area School District.

Note B - Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Butler Area School District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note C - Source Code

The Source Code (I) indicates funds received indirectly.

Note D - Reconciliation with Subsidy Confirmation

Amounts Received Per Schedule	\$ 16,697,966
Less: Commodities Received	(181,399)
Less: Passage Through IU's	(1,514,638)
Less: Passage Through PCCD	(5,476)
Less: Passage Through FEMA	(40,682)
Less: Passage Through Universal Admin.	(590,163)
Less: Title 19	(87,678)
Less: Food Service Equip. Grant	(30,145)
Add: Medical Assistance - Access	1,190,280
Add: State Funding on Confirmation	<u>253,665</u>
 Per Subsidy Confirmation	 <u><u>\$ 15,691,730</u></u>

Note E - Subrecipients

The School District did not pass through any federal expenditures to subrecipients.

**Butler Area School District
List of Report Distribution
June 30, 2023**

EXHIBIT E

1 Copy – Bureau of Audits

1 Copy – General Services Administration