

**Butler Area School District  
Financial Statements  
June 30, 2024**



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**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, 2024, 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, 2024, 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 10, 2025, 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 10, 2025

**Butler Area School District**  
**Management's Discussion and Analysis**  
**June 30, 2024**

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, 2024. 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. The state has started implementing more grant programs particularly for facilities and that additional funding is welcome but unpredictable which makes strategic facility decisions more difficult.

**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, 2024**

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

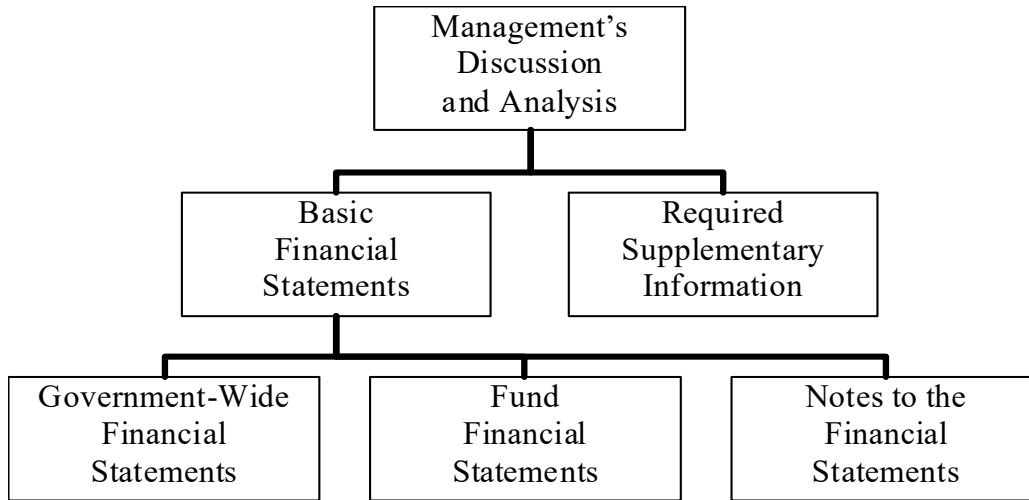


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents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

**Butler Area School District  
Management's Discussion and Analysis  
June 30, 2024**

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, 2024**

**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, 2024**

*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 \$(136,675,201) at June 30, 2024 and a deficit \$(148,332,177) at June 30, 2023.

Table A - 1  
Years Ended June 30, 2024 and 2023  
Net Position

	2024			2023		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Current and Other Assets	\$ 34,695,743	\$ 2,915,654	\$ 37,611,397	\$ 33,318,478	\$ 2,450,573	\$ 35,769,051
Capital Assets	58,385,434	351,022	58,736,456	59,128,704	58,437	59,187,141
<b>Total Assets</b>	<b>93,081,177</b>	<b>3,266,676</b>	<b>96,347,853</b>	<b>92,447,182</b>	<b>2,509,010</b>	<b>94,956,192</b>
Deferred Outflows of Resources	31,491,180	142,097	31,633,277	33,011,365	148,248	33,159,613
Current and Other Liabilities	11,444,111	511,147	11,955,258	12,216,732	135,610	12,352,342
Noncurrent Liabilities						
Due Within One Year	5,229,185	-	5,229,185	5,017,664	-	5,017,664
Due in More Than One Year	225,342,469	821,722	226,164,191	235,989,683	990,024	236,979,707
<b>Total Liabilities</b>	<b>242,015,765</b>	<b>1,332,869</b>	<b>243,348,634</b>	<b>253,224,079</b>	<b>1,125,634</b>	<b>254,349,713</b>

**Butler Area School District  
Management's Discussion and Analysis  
June 30, 2024**

Table A - 1  
Years Ended June 30, 2024 and 2023  
Net Position

	2024			2023		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Deferred Inflows of Resources	21,245,883	61,814	21,307,697	22,031,929	66,340	22,098,269
Net Position						
Net Investment in Capital Assets	424,721	351,022	775,743	(13,766,691)	58,437	(13,708,254)
Unrestricted	(139,114,012)	1,663,068	(137,450,944)	(136,030,770)	1,406,847	(134,623,923)
Total Net Position	<u>\$(138,689,291)</u>	<u>\$ 2,014,090</u>	<u>\$(136,675,201)</u>	<u>\$(149,797,461)</u>	<u>\$ 1,465,284</u>	<u>\$(148,332,177)</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, 2024**

Table A - 2  
Years Ended June 30, 2024 and 2023  
Changes in Net Position

	2024			2023		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$ -	\$ 531,804	\$ 531,804	\$ -	\$ 578,869	\$ 578,869
Operating Grants and Contribs.	26,798,763	3,018,502	29,817,265	31,972,135	2,856,125	34,828,260
Capital Grants and Contribs.	1,596,482	-	1,596,482	1,606,755	-	1,606,755
<b>General Revenues</b>						
Property Taxes	44,412,365	-	44,412,365	43,207,512	-	43,207,512
Other Taxes	8,889,522	-	8,889,522	8,741,728	-	8,741,728
Grants, Subsidies and Contribs.						
Unrestricted	31,666,088	-	31,666,088	30,186,881	-	30,186,881
Investment Earnings	1,522,403	73,949	1,596,352	1,185,805	33,109	1,218,914
Other	1,209,417	-	1,209,417	464,345	-	464,345
<b>Total Revenues</b>	<b>116,095,040</b>	<b>3,624,255</b>	<b>119,719,295</b>	<b>117,365,161</b>	<b>3,468,103</b>	<b>120,833,264</b>
<b>Expenses</b>						
Instruction	68,278,559	-	68,278,559	64,150,932	-	64,150,932
Instructional Student Support	8,728,971	-	8,728,971	8,538,778	-	8,538,778
Admin. and Fin. Support Svcs.	8,656,400	-	8,656,400	8,170,517	-	8,170,517
Operation and Maintenance						
of Plant Services	8,511,367	-	8,511,367	8,621,988	-	8,621,988
Pupil Transportation	5,673,634	-	5,673,634	5,827,121	-	5,827,121
Student Activities	1,901,008	-	1,901,008	1,839,899	-	1,839,899
Community Services	51,314	-	51,314	37,390	-	37,390
Interest on Long-Term Debt	3,185,617	-	3,185,617	3,341,718	-	3,341,718
Food Service	-	3,075,449	3,075,449	-	2,859,299	2,859,299
<b>Total Expenses</b>	<b>104,986,870</b>	<b>3,075,449</b>	<b>108,062,319</b>	<b>100,528,343</b>	<b>2,859,299</b>	<b>103,387,642</b>
Increase (Decrease) in Net Position	11,108,170	548,806	11,656,976	16,836,818	608,804	17,445,622
Beginning Net Position	(149,797,461)	1,465,284	(148,332,177)	(166,634,279)	856,480	(165,777,799)
Ending Net Position	<u>\$ (138,689,291)</u>	<u>\$ 2,014,090</u>	<u>\$ (136,675,201)</u>	<u>\$ (149,797,461)</u>	<u>\$ 1,465,284</u>	<u>\$ (148,332,177)</u>

**Butler Area School District  
Management's Discussion and Analysis  
June 30, 2024**

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, 2024 and 2023  
Governmental Activities

	<b>2024</b>		<b>2023</b>	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
<b>Functions/Programs</b>				
Instruction	\$ 68,278,559	\$49,463,798	\$ 64,150,932	\$38,706,801
Instructional Student Support	8,728,971	5,220,685	8,538,778	6,372,279
Admin. and Fin. Support Svcs.	8,656,400	7,769,191	8,170,517	7,280,668
Operation and Maintenance of Plant Services	8,511,367	7,488,194	8,621,988	7,920,593
Pupil Transportation	5,673,634	3,351,750	5,827,121	3,285,450
Student Activities	1,901,008	1,698,688	1,839,899	1,614,587
Community Services	51,314	10,184	37,390	34,112
Interest on Long-Term Debt	<u>3,185,617</u>	<u>1,589,135</u>	<u>3,341,718</u>	<u>1,734,963</u>
<b>Total Governmental Activities</b>	<b><u>\$ 104,986,870</u></b>	<b>76,591,625</b>	<b><u>\$ 100,528,343</u></b>	<b>66,949,453</b>
<b>Less:</b>				
Unrestricted Grants, Subsidies		<u>(31,666,088)</u>		<u>(30,186,881)</u>
<b>Total Needs from Local Taxes and Other Revenues</b>		<b><u>\$44,925,537</u></b>		<b><u>\$36,762,572</u></b>

**Butler Area School District  
Management's Discussion and Analysis  
June 30, 2024**

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, 2024 and 2023  
Business-Type Activities

	<b>2024</b>		<b>2023</b>	
	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>\$3,075,449</u>	\$ (474,857)	<u>\$2,859,299</u>	\$ (575,695)
Less:				
Investment Earnings		<u>(73,949)</u>		<u>(33,109)</u>
Total Business-Type Activities		<u>\$ (548,806)</u>		<u>\$ (608,804)</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, 2024, the School District's general fund reported a fund balance of \$22,570,099, which is an increase of \$1,572,559 from the June 30, 2023 balance. The actual revenues were greater than the budgeted revenues by \$5,264,868. The actual revenues were within 4.8% of budgeted revenues. The actual expenditures were more than budgeted expenditures by \$3,692,309. The actual expenditures were within 3.3% of budgeted expenditures.

**Butler Area School District  
Management's Discussion and Analysis  
June 30, 2024**

**Capital Assets and Debt Administration**

Capital Assets

At June 30, 2024, the School District had \$58,037,473 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

	<b>2024</b>	<b>2023</b>
Land and Land Improvements	\$ 176,445	\$ 176,445
Buildings and Building Improvements	44,257,914	46,535,475
Furniture and Equipment	1,898,932	1,058,970
Construction in Progress	11,704,182	10,842,831

Debt Administration

As of July 1, 2023, the School District included in its long-term liabilities \$68,888,301 for bonds outstanding. During the year, the School District made principal payments of \$4,835,000 and showed accretion of \$636,094, resulting in an ending balance as of June 30, 2024 of \$64,689,395.

Table A - 6  
Outstanding Debt

General Obligation Bonds	As of 06/30/24	As of 06/30/23
Series of 2002A	\$ 4,708,278	\$ 4,443,288
Series of 2003A	6,956,117	6,585,013
Series of 2007	27,275,000	27,330,000
Series of 2012A	385,000	565,000
Series of 2012AA	615,000	805,000
Series of 2013	205,000	270,000
Series of 2017	9,745,000	9,750,000
Series of 2018	14,800,000	19,140,000

**Economic Factors and Next Year's Budget and Rates**

The revenue budget for the 2024/2025 fiscal year is \$762,688 less than the actual revenue recorded in 2023/2024. This represents a 0.66% decrease. The decrease in revenues is primarily due to a decrease in the amount of federal stimulus funding. The expenditure budget for the 2024/2025 year is \$817,484 more than actual expenditures recorded for 2023/2024, or a 0.72% increase. The increase in expenditures is primarily due to expected increases for salary and benefit costs.

**Butler Area School District  
Management's Discussion and Analysis  
June 30, 2024**

The comparison of revenue and expenditure categories is as follows:

Table A - 7

	Budgeted Revenue 2024/2025	Actual Revenue 2023/2024
Local	49.9%	50.1%
State	47.3%	45.5%
Federal	2.8%	4.4%
Other Financing Sources	0.0%	0.0%
	Budgeted Expenditures 2024/2025	Actual Expenditures 2023/2024
Instruction	61.7%	60.9%
Support Services	28.6%	29.2%
Noninstructional Services	1.7%	1.8%
Fund Transfers/Debt/Other	8.0%	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, 2024**

**Exhibit 1**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 26,336,543	\$ 2,031,226	\$ 28,367,769
Taxes Receivable, Net	460,907	-	460,907
Internal Balances	(790,615)	790,615	-
Due From Other Governments	5,441,830	58,882	5,500,712
Other Receivables	2,894,577	497	2,895,074
Inventories	-	34,434	34,434
Prepaid Items	352,501	-	352,501
Capital Assets not Being Depreciated			
Land	176,445	-	176,445
Construction in Progress	11,704,182	-	11,704,182
Capital Assets, Net			
Building & Building Improvements	44,257,914	-	44,257,914
Furniture & Equipment	1,898,932	351,022	2,249,954
Intangible Right-to-Use Assets	347,961	-	347,961
<b>TOTAL ASSETS</b>	<b>93,081,177</b>	<b>3,266,676</b>	<b>96,347,853</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Accumulated Decreases in Fair Value of Hedging Derivatives	2,244,719	-	2,244,719
Deferred Charge on Refunding	1,231,407	-	1,231,407
Amounts Related to OPEB - District	5,388,201	-	5,388,201
Amounts Related to OPEB - PSERS	909,201	5,667	914,868
Amounts Related to Pension	21,717,652	136,430	21,854,082
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>31,491,180</b>	<b>142,097</b>	<b>31,633,277</b>
<b>LIABILITIES</b>			
Accounts Payable	3,246,628	489,827	3,736,455
Accrued Salaries and Benefits	7,393,095	-	7,393,095
Unearned Revenues	211,596	4,492	216,088
Other Current Liabilities	592,792	16,828	609,620
Noncurrent Liabilities:			
Due Within One Year	5,229,185	-	5,229,185
Due in More Than One Year:			
Compensated Absences	1,455,464	-	1,455,464
Bonds Payable	61,905,984	-	61,905,984
Financing Agreements	35,620	-	35,620
Lease Payable	191,212	-	191,212
Other Post-Employment Benefits - District	26,690,192	-	26,690,192
Other Post-Employment Benefits - PSERS	5,176,965	32,035	5,209,000
Derivative Instruments	2,244,719	-	2,244,719
Net Pension Liability	127,642,313	789,687	128,432,000
<b>TOTAL LIABILITIES</b>	<b>242,015,765</b>	<b>1,332,869</b>	<b>243,348,634</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Amounts Related to OPEB - District	11,254,854	-	11,254,854
Amounts Related to OPEB - PSERS	1,486,399	9,198	1,495,597
Amounts Related to Pension	8,504,630	52,616	8,557,246
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>21,245,883</b>	<b>61,814</b>	<b>21,307,697</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	424,721	351,022	775,743
Unrestricted	(139,114,012)	1,663,068	(137,450,944)
<b>TOTAL NET POSITION</b>	<b>\$ (138,689,291)</b>	<b>\$ 2,014,090</b>	<b>\$ (136,675,201)</b>

See Accompanying Notes

**Butler Area School District  
Statement of Activities  
Year Ended June 30, 2024**

**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
<b>Governmental Activities:</b>							
Instruction	\$ 68,278,559	\$ -	\$ 18,814,761	\$ -	\$ (49,463,798)	\$ -	\$ (49,463,798)
Instructional Student Support	8,728,971	-	3,508,286	-	(5,220,685)	-	(5,220,685)
Administrative and Financial Support Services	8,656,400	-	887,209	-	(7,769,191)	-	(7,769,191)
Operation and Maintenance of Plant Services	8,511,367	-	1,023,173	-	(7,488,194)	-	(7,488,194)
Pupil Transportation	5,673,634	-	2,321,884	-	(3,351,750)	-	(3,351,750)
Student Activities	1,901,008	-	202,320	-	(1,698,688)	-	(1,698,688)
Community Services	51,314	-	41,130	-	(10,184)	-	(10,184)
Interest on Long-Term Debt	3,185,617	-	-	1,596,482	(1,589,135)	-	(1,589,135)
<b>Total Governmental Activities</b>	<b>104,986,870</b>	<b>-</b>	<b>26,798,763</b>	<b>1,596,482</b>	<b>(76,591,625)</b>	<b>-</b>	<b>(76,591,625)</b>
<b>Business-type Activities:</b>							
Food Service	3,075,449	531,804	3,018,502	-	-	474,857	474,857
<b>Total Primary Government</b>	<b>\$ 108,062,319</b>	<b>\$ 531,804</b>	<b>\$ 29,817,265</b>	<b>\$ 1,596,482</b>	<b>(76,591,625)</b>	<b>474,857</b>	<b>(76,116,768)</b>
<b>General Revenues</b>							
<b>Taxes</b>							
Property Taxes Levied for General Purposes, Net					44,412,365	-	44,412,365
Earned Income Taxes					7,233,487	-	7,233,487
Real Estate Transfer Taxes					1,041,062	-	1,041,062
Other Taxes Levied for General Purposes, Net					614,973	-	614,973
Grants, Subsidies and Contributions not Restricted					31,666,088	-	31,666,088
Revenues from Student Activities					198,889	-	198,889
Investment Earnings					1,522,403	73,949	1,596,352
Miscellaneous Income					1,009,518	-	1,009,518
Sale of Capital Assets					1,010	-	1,010
<b>Total General Revenues</b>					<b>87,699,795</b>	<b>73,949</b>	<b>87,773,744</b>
<b>Change in Net Position</b>					<b>11,108,170</b>	<b>548,806</b>	<b>11,656,976</b>
<b>Net Position - July 1, 2023</b>					<b>(149,797,461)</b>	<b>1,465,284</b>	<b>(148,332,177)</b>
<b>Net Position - June 30, 2024</b>					<b>\$ (138,689,291)</b>	<b>\$ 2,014,090</b>	<b>\$ (136,675,201)</b>

See Accompanying Notes

**Butler Area School District  
Balance Sheet  
Governmental Funds  
June 30, 2024**

**Exhibit 3**

	General Fund	Non-Major Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 25,983,157	\$ 353,386	\$ 26,336,543
Taxes Receivable, Net	109,609	-	109,609
Due from Other Funds	-	591,398	591,398
Due from Other Governments	5,441,830	-	5,441,830
Other Receivables	2,894,577	-	2,894,577
Prepaid Items	352,501	-	352,501
	<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 34,781,674</b>	<b>\$ 944,784</b>	<b>\$ 35,726,458</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Due to Other Funds	\$ 1,382,013	\$ -	\$ 1,382,013
Accounts Payable	3,224,871	21,757	3,246,628
Accrued Salaries and Benefits	7,383,338	-	7,383,338
Payroll Deductions and Withholdings	9,757	-	9,757
Unearned Revenues	211,596	-	211,596
	<hr/>	<hr/>	<hr/>
Total Liabilities	12,211,575	21,757	12,233,332
	<hr/>	<hr/>	<hr/>
Fund Balances			
Nonspendable	352,501	-	352,501
Committed	-	923,027	923,027
Assigned	12,961,892	-	12,961,892
Unassigned	9,255,706	-	9,255,706
	<hr/>	<hr/>	<hr/>
Total Fund Balances	22,570,099	923,027	23,493,126
	<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 34,781,674</b>	<b>\$ 944,784</b>	<b>\$ 35,726,458</b>
	<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, 2024**

**Exhibit 4**

Total Fund Balances - Governmental Funds \$ 23,493,126

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 \$174,273,680, and the accumulated depreciation is \$116,236,207. 58,037,473

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 \$487,147. 347,961

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. 351,298

Premiums and discounts on bonds issued and refunded are capitalized and amortized over the life of the bonds in the statement of net position. (2,261,589)

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. 1,231,407

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	\$ (64,689,395)	
Leases Payable	(362,470)	
Financing Agreements	(48,547)	
Accrued Interest on the Bonds	(592,792)	
Compensated Absences	<u>(1,455,464)</u>	(67,148,668)

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	(26,690,192)	
OPEB Liability - PSERS	(5,176,965)	
Net Pension Liability	<u>(127,642,313)</u>	(159,509,470)

**Butler Area School District  
 Reconciliation of the Governmental Funds Balance Sheet  
 to the Statement of Net Position  
 June 30, 2024**

**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	21,717,652	
Deferred Inflows of Resources Related to Pensions	(8,504,630)	
Deferred Outflows of Resources Related to OPEB - PSERS	909,201	
Deferred Inflows of Resources Related to OPEB - PSERS	(1,486,399)	
Deferred Outflows of Resources Related to OPEB - District	5,388,201	
Deferred Inflows of Resources Related to OPEB - District	<u>(11,254,854)</u>	<u>6,769,171</u>
 Total Net Position - Governmental Activities		 <u>\$ (138,689,291)</u>

See Accompanying Notes

**Butler Area School District**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2024**

**Exhibit 5**

	General Fund	Non-Major Funds	Total Governmental Funds
<b>Revenues</b>			
Local Sources	\$ 57,962,283	\$ 18,643	\$ 57,980,926
State Sources	52,633,797	-	52,633,797
Federal Sources	<u>5,099,245</u>	<u>339,701</u>	<u>5,438,946</u>
<b>Total Revenues</b>	<u>115,695,325</u>	<u>358,344</u>	<u>116,053,669</u>
<b>Expenditures</b>			
Instruction	69,457,514	-	69,457,514
Support Services	33,349,718	328,955	33,678,673
Noninstructional Services	2,046,741	18,010	2,064,751
Capital Outlay	160,553	864,706	1,025,259
Debt Service (Principal & Interest)	212,096	7,329,943	7,542,039
Refunds of Prior Year's Receipts	<u>345,343</u>	<u>-</u>	<u>345,343</u>
<b>Total Expenditures</b>	<u>105,571,965</u>	<u>8,541,614</u>	<u>114,113,579</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>10,123,360</u>	<u>(8,183,270)</u>	<u>1,940,090</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	-	8,551,811	8,551,811
Sale/Compensation for Fixed Assets	1,010	-	1,010
Transfers Out	<u>(8,551,811)</u>	<u>-</u>	<u>(8,551,811)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(8,550,801)</u>	<u>8,551,811</u>	<u>1,010</u>
<b>Net Change in Fund Balances</b>	1,572,559	368,541	1,941,100
<b>Fund Balances - July 1, 2023</b>	<u>20,997,540</u>	<u>554,486</u>	<u>21,552,026</u>
<b>Fund Balances - June 30, 2024</b>	<u>\$ 22,570,099</u>	<u>\$ 923,027</u>	<u>\$ 23,493,126</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, 2024**

**Exhibit 6**

Total Net Change in Fund Balances - Governmental Funds \$ 1,941,100

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/amortization in the period.

Depreciation Expense	\$ (3,380,594)	
Capital Outlays	2,804,346	
Intangible Right-to-Use Assets Amortization	<u>(167,022)</u>	(743,270)

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 increased by this amount this year.

150,952

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.

5,029,751

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	14,666	
Other Post-Employment Benefits	<u>1,111,773</u>	1,126,439

**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, 2024**

**Exhibit 6**

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	57,834	
Accretion of Interest on Capital Appreciation Bonds	<u>(636,094)</u>	(578,260)

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	14,892,875	
Cost of Benefits Earned	<u>(10,616,348)</u>	<u>4,276,527</u>

Change in Net Position of Governmental Activities		<u>\$ 11,108,170</u>
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See Accompanying Notes

**Butler Area School District**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2024**

**Exhibit 7**

	Food Service Fund
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 2,031,226
Due From Other Funds	790,615
Due From Other Governments	58,882
Other Receivables	497
Inventories	<u>34,434</u>
Total Current Assets	<u>2,915,654</u>
Noncurrent Assets	
Machinery and Equipment, Net	<u>351,022</u>
<b>TOTAL ASSETS</b>	<u><b>3,266,676</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Amounts Related to Pensions	136,430
Amounts Related to OPEB - PSERS	<u>5,667</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u><b>142,097</b></u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	489,827
Unearned Revenues	4,492
Other Current Liabilities	<u>16,828</u>
Total Current Liabilities	<u>511,147</u>
Noncurrent Liabilities	
Net OPEB Liability - PSERS	32,035
Net Pension Liability	<u>789,687</u>
Total Noncurrent Liabilities	<u>821,722</u>
<b>TOTAL LIABILITIES</b>	<u><b>1,332,869</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Amounts Related to Pensions	52,616
Amounts Related to OPEB - PSERS	<u>9,198</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u><b>61,814</b></u>
<b>NET POSITION</b>	
Invested in Capital Assets	351,022
Unrestricted	<u>1,663,068</u>
<b>TOTAL NET POSITION</b>	<u><b>\$ 2,014,090</b></u>

See Accompanying Notes

**Butler Area School District**  
**Statement of Revenues, Expenses and Changes**  
**in Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2024**

**Exhibit 8**

	Food Service Fund
Operating Revenues	
Food Service Revenue	\$ 499,892
Charges for Services	<u>31,912</u>
Total Operating Revenues	<u>531,804</u>
Operating Expenses	
Salaries	350,148
Employee Benefits	249,239
Purchased Property Services	3,318
Other Purchased Services	2,315,980
Supplies	308,391
Depreciation	14,950
Dues and Fees	<u>100</u>
Total Operating Expenses	<u>3,242,126</u>
Operating Income (Loss)	<u>(2,710,322)</u>
Nonoperating Revenues (Expenses)	
Earnings on Investments	73,949
State Sources	328,677
Federal Sources	2,689,825
Change in Pension/OPEB	<u>166,677</u>
Total Nonoperating Revenues (Expenses)	<u>3,259,128</u>
Change in Net Position	548,806
Net Position - July 1, 2023	<u>1,465,284</u>
Net Position - June 30, 2024	<u>\$ 2,014,090</u>

See Accompanying Notes

**Butler Area School District  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2024**

**Exhibit 9**

	Food Service Fund
Cash Flows From Operating Activities	
Cash Received from Users	\$ 524,223
Cash Received from Other Operating Revenue	31,912
Cash Payments to Employees for Services	(599,387)
Cash Payments to Suppliers for Goods and Services	(2,002,473)
Cash Payments for Other Operating Expenses	<u>(100)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(2,045,825)</u>
Cash Flows From Non-Capital Financing Activities	
State Sources	332,808
Federal Sources	2,452,276
Loans Received (Paid)	<u>(499,194)</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>2,285,890</u>
Cash Flows From Capital and Related Financing Activities	
Facilities Acquisition/Const./Imp.Serv	<u>(307,535)</u>
Cash Flows From Investing Activities	
Earnings on Investments	<u>73,949</u>
Net Increase (Decrease) in Cash and Cash Flows	6,479
Cash and Cash Equivalents - July 1, 2023	<u>2,024,747</u>
Cash and Cash Equivalents - June 30, 2024	<u><u>\$ 2,031,226</u></u>

**Butler Area School District  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2024**

**Exhibit 9**

		Food Service Fund
Operating Income (Loss)	\$	(2,710,322)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
Depreciation and Net Amortization		14,950
Donated Commodities		258,915
(Increase) Decrease in Accounts Receivable		22,521
(Increase) Decrease in Inventories		(7,426)
Increase (Decrease) in Accounts Payable		373,727
Increase (Decrease) in Deferred Revenue		3,595
Increase (Decrease) in Other Current Liabilities		<u>(1,785)</u>
 Total Adjustments		 <u>664,497</u>
 Cash Provided by (Used for) Operating Activities	 \$	 <u><u>(2,045,825)</u></u>

Noncash Non-Capital Financing Activities

During the year ended June 30, 2024, the School District received \$262,511 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, 2024**

**Exhibit 10**

	Custodial Fund
ASSETS	
Cash and Cash Equivalents	<u>\$    191,834</u>
NET POSITION	
Restricted for:	
Student Groups	<u>\$    191,834</u>

See Accompanying Notes

**Butler Area School District**  
**Statement of Changes in Net Position**  
**Fiduciary Funds**  
**June 30, 2024**

**Exhibit 11**

	Custodial Fund
Additions	
Revenue from Student Activities	\$ 148,021
Interest Earnings	<u>7,139</u>
Total Additions	<u>155,160</u>
Deductions	
Student Activities Program Expenses	<u>138,191</u>
Change in Net Position	16,969
Net Position-July 1, 2023	<u>174,865</u>
Net Position-June 30, 2024	<u><u>\$ 191,834</u></u>

See Accompanying Notes

**Butler Area School District**  
**Notes to Financial Statements**  
**June 30, 2024**

**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**  
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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**  
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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**  
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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, 2024 was \$1,740,414 which has been reported in the School District’s general fund. The School District has no equity interest in BCAVTS as of June 30, 2024. 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, 2024 was \$187,870.

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**  
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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, 2024.

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, 2024.

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, 2024 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  
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**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**  
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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**  
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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**  
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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, 2024, are as follows:

1. The nonspendable fund balance of \$352,501 in the general fund represents prepaid items.
2. The committed fund balance of \$923,027 in the capital projects fund is for future capital projects.
3. The assigned fund balance in the general fund of \$12,961,892 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, 2024, \$33,644,086 of the School District's bank balance of \$33,894,086 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>\$33,644,086</u>
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As of June 30, 2024, 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**  
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**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 2023/2024 was 106.98 mills (\$106.98 per \$1,000 assessed valuation).

The tax calendar for real estate taxes levied for 2023/2024 is as follows:

Tax Levy Date	August 1, 2023
2% Discount Period	Through September 30, 2023
Face Payment Period	October 1 - November 30, 2023
10% Penalty Period	Beginning December 1, 2023
Lien Filing Date	Turned over to Tax Claim Bureau December 31, 2023

In the year ended June 30, 2024, the School District sold its delinquent real estate tax receivables. The amount received by the School District was \$1,252,553 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, 2024, the following amounts are due from other governmental units:

	Governmental Funds	Business-Type Funds	Totals
Federal (through the state)	\$ 1,139,200	\$ 52,084	\$ 1,191,284
State	<u>4,302,630</u>	<u>6,798</u>	<u>4,309,428</u>
	<u>\$ 5,441,830</u>	<u>\$ 58,882</u>	<u>\$ 5,500,712</u>

**Note 5 - Capital Assets**

Capital asset activity for the year ended June 30, 2024, was as follows:

	Balance 07/01/23	Additions	Transfers	Balance 06/30/24
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 176,445	\$ -	\$ -	\$ 176,445
Construction in Progress	<u>10,842,831</u>	<u>1,196,056</u>	<u>(334,705)</u>	<u>11,704,182</u>
Total Capital Assets not Being Depreciated	<u>11,019,276</u>	<u>1,196,056</u>	<u>(334,705)</u>	<u>11,880,627</u>

**Butler Area School District**  
**Notes to Financial Statements**  
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	Balance 07/01/23	Additions	Transfers	Balance 06/30/24
Capital Assets Being Depreciated/Amortized				
Buildings and Building Improv.	143,315,651	206,752	334,705	143,857,108
Furniture and Equipment	17,769,539	1,401,538	(635,132)	18,535,945
Intangible Right-to-use Assets	<u>835,108</u>	<u>-</u>	<u>-</u>	<u>835,108</u>
Total Capital Assets Being Depreciated/Amortized	<u>161,920,298</u>	<u>1,608,290</u>	<u>(300,427)</u>	<u>163,228,161</u>
Less Accumulated Depreciation/Amortization				
Buildings and Building Improv.	96,780,176	2,819,018	-	99,599,194
Furniture and Equipment	16,710,569	561,576	(635,132)	16,637,013
Intangible Right-to-use Assets	<u>320,125</u>	<u>167,022</u>	<u>-</u>	<u>487,147</u>
Total Accumulated Depreciation/Amortization	<u>113,810,870</u>	<u>3,547,616</u>	<u>(635,132)</u>	<u>116,723,354</u>
Total Capital Assets Being Depreciated/Amortized, Net	<u>48,109,428</u>	<u>(1,939,326)</u>	<u>334,705</u>	<u>46,504,807</u>
Governmental Activities Capital Assets, Net	<u>\$ 59,128,704</u>	<u>\$ (743,270)</u>	<u>\$ -</u>	<u>\$ 58,385,434</u>
Business-Type Activities				
Furniture and Equipment	\$ 1,859,474	\$ 307,535	\$ -	\$ 2,167,009
Less Accumulated Depreciation	<u>1,801,037</u>	<u>14,950</u>	<u>-</u>	<u>1,815,987</u>
Business-Type Activities Capital Assets, Net	<u>\$ 58,437</u>	<u>\$ 292,585</u>	<u>\$ -</u>	<u>\$ 351,022</u>

Depreciation/Amortization expense was charged to functions/programs as follows:

Governmental Activities

Instruction	\$ 2,535,446
Instructional Student Support	67,612
Administration and Financial Support Services	437,470
Operation and Maintenance of Plant Services	<u>507,088</u>
Total Depreciation/Amortization Expense	<u>\$ 3,547,616</u>
Business-Type Activities - Food Service	<u>\$ 14,950</u>

**Butler Area School District**  
**Notes to Financial Statements**  
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**Note 6 - Interfund Balances/Transfers**

At June 30, 2024, interfund balances were:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ -	\$ 1,382,013
Capital Project Fund	591,398	-
Proprietary Fund		
Food Service	<u>790,615</u>	<u>-</u>
	<u>\$ 1,382,013</u>	<u>\$ 1,382,013</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 \$7,329,943 to the debt service fund for future debt payments and \$1,221,868 to the capital projects fund for future capital expenditures.

**Note 7 - Long-Term Liabilities**

Long-term liability for the year ended June 30, 2024 was as follows:

	Balance 07/01/23	Additions	Accretion	Reductions	Balance 06/30/24	Due Within One Year
Governmental Activities						
Bonds Payable						
School Revenue Bonds	\$ 27,330,000	\$ -	\$ -	\$ 55,000	\$ 27,275,000	\$ 5,000
General Obligation Bonds	41,558,301	-	636,094	4,780,000	37,414,395	5,040,000
Plus: Bond Premium	2,470,565	-	-	205,233	2,265,332	-
Less: Bond Discount	<u>(4,055)</u>	<u>-</u>	<u>-</u>	<u>(312)</u>	<u>(3,743)</u>	<u>-</u>
Total Bonds Payable	<u>71,354,811</u>	<u>-</u>	<u>636,094</u>	<u>5,039,921</u>	<u>66,950,984</u>	<u>5,045,000</u>
Financing Agreements	76,930	-	-	28,383	48,547	12,927
Compensated Absences	<u>1,470,130</u>	<u>-</u>	<u>-</u>	<u>14,666</u>	<u>1,455,464</u>	<u>-</u>
Governmental Activities						
Long-Term Liabilities	<u>\$ 72,901,871</u>	<u>\$ -</u>	<u>\$ 636,094</u>	<u>\$ 5,082,970</u>	<u>\$ 68,454,995</u>	<u>\$ 5,057,927</u>
Lease Liabilities	<u>\$ 528,838</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 166,368</u>	<u>\$ 362,470</u>	<u>\$ 171,258</u>
Total Long-Term Obligations as Reported in the Statement of Net Position					<u>\$ 68,817,465</u>	<u>\$ 5,229,185</u>

**Butler Area School District**  
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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>\$ 27,275,000</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%	\$ 4,708,278
\$5,691,460 Series of 2003A; due in semi-annual installments through September 2029; interest at 2.50% to 5.57%	6,956,117
\$4,610,000 Series of 2012A; due in semi-annual installments through October 2026; interest at 0.40% to 3.00%	385,000
\$2,500,000 Series of 2012AA; due in semi-annual installments through October 2026; interest at 0.40% to 3.00%	615,000
\$2,010,000 Series of 2013; due in semi-annual installments through September 2026; interest at 0.45% to 3.62%	205,000
\$9,770,000 Series of 2017; due in semi-annual installments through October 2035; interest at 2.00% to 3.37%	9,745,000
\$38,005,000 Series of 2018; due in semi-annual installments through October 2026; interest at 2.00% to 5.00%	<u>14,800,000</u>
	<u>\$ 37,414,395</u>

Financing Agreements

\$76,930 Financing Agreement; due in annual installments of \$16,296 with a final year payment of \$7,500	<u>\$ 48,547</u>
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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, 2024, 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)						
2025	\$ 5,090,000	\$ 971,978	\$ 5,000	\$ 1,273,626	\$ 12,927	\$ 3,369	\$ 7,356,900
2026	5,325,000	718,981	10,000	1,273,276	13,824	2,472	7,343,553
2027	5,605,000	454,244	5,000	1,272,925	14,783	1,513	7,353,465
2028	1,188,701	4,099,524	5,000	1,272,692	7,013	487	6,573,417
2029	1,226,172	4,081,903	5,000	1,272,459	-	-	6,585,534
2030-2034	4,719,641	5,254,678	21,280,000	4,431,130	-	-	35,685,449
2035-2036	6,090,000	275,063	5,965,000	139,283	-	-	12,469,346
	29,244,514	15,856,371	27,275,000	10,935,391	48,547	7,841	83,367,664
Accretion to Date	8,169,881	(8,169,881)	-	-	-	-	-
	<u>\$ 37,414,395</u>	<u>\$ 7,686,490</u>	<u>\$ 27,275,000</u>	<u>\$ 10,935,391</u>	<u>\$ 48,547</u>	<u>\$ 7,841</u>	<u>\$ 83,367,664</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, 2024, the value of the lease liability recorded for the above lease was \$362,470. As a result, the School District has recorded an Intangible Right-to-Use asset with a net book value of \$347,961 as of June 30, 2024.

	Balance 07/01/23	Additions	Transfers	Balance 06/30/24
Governmental Activities				
Intangible Right-to-use Assets:				
Leased Equipment	\$ 835,108	\$ -	\$ -	\$ 835,108
Less Accumulated Amortization	320,125	167,022	-	487,147
Net Intangible Right-to-use Assets	<u>\$ 514,983</u>	<u>\$ (167,022)</u>	<u>\$ -</u>	<u>\$ 347,961</u>

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Future minimum lease payments under this lease are as follows:

Year Ended June 30,	Lease Payable		Totals
	Principal	Interest	
2025	\$ 171,258	\$ 8,247	\$ 179,505
2026	176,291	3,214	179,505
2027	14,921	36	14,957
	<u>\$ 362,470</u>	<u>\$ 11,497</u>	<u>\$ 373,967</u>

**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](http://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.

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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.

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%

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Member Contribution Rates (continued)				
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%

**Employer Contributions**

The School District's contractually required contribution rate for fiscal year ended June 30, 2024 was 33.36% 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 \$14,987,082 for the year ended June 30, 2024.

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

At June 30, 2024, the School District reported a liability of \$128,432,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022 to June 30, 2023. 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, 2024, the School District's proportion was 0.2887%, which was a decrease of 0.0120% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2024, the School District recognized pension expense of \$10,551,548.

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At June 30, 2024, 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	\$ 29,000	\$ 1,758,000
Net difference between projected and actual investment earnings	3,635,000	-
Changes in assumptions	1,916,000	-
Changes in proportions	1,287,000	6,703,000
Difference between employer contributions and proportionate share of total contributions	-	96,246
Contributions subsequent to the measurement date	<u>14,987,082</u>	<u>-</u>
	<u>\$21,854,082</u>	<u>\$ 8,557,246</u>

\$14,987,082 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, 2025. 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,	
2025	\$ (169,491)
2026	(5,281,196)
2027	2,544,225
2028	<u>1,216,216</u>
	<u>\$ (1,690,246)</u>

1. Change in Actuarial Assumptions

The total pension liability as of June 30, 2023 was determined by rolling forward the System's total pension liability as of June 30, 2022 to June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date – June 30, 2022
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.50%.
- 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.

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- 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.
- The discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2022 and as of June 30, 2023.
- 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, 2023 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2020.

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	30.0%	5.2%
Private equity	12.0%	7.9%
Fixed Income	33.0%	3.2%
Commodities	7.5%	2.7%
Infrastructure/MLPs	10.0%	5.4%
Real estate	11.0%	5.7%
Absolute return	4.0%	4.1%
Cash	3.0%	1.2%
Leverage	<u>-10.5%</u>	1.2%
	<u>100%</u>	

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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, 2023.

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.

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	\$ 166,483	\$ 128,432	\$ 96,328

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](http://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, 2024 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.

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**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.

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.

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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.

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.

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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 \$26,690,192 was measured as of July 1, 2023 and was determined by an actuarial valuation as of July 1, 2022.

C. Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2022 actuarial valuation rolled forward to the measurement date 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	3.50%
Discount Rate	4.13%
Healthcare Cost Trend Rates	7.00% for 2023/2024, gradually decrease to 4.10% 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 roll forward were selected using input from the School District based upon actual experience.

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D. Change in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2023	\$ 26,324,516
Changes for the year:	
Service Cost	1,044,308
Interest	1,065,092
Changes of assumptions or other inputs	351,582
Benefit Payments	<u>(2,095,306)</u>
Net Changes	<u>365,676</u>
Balance at June 30, 2024	<u>\$ 26,690,192</u>

E. Changes of Assumptions and Other Inputs

- Changed the discount rate from 4.06% to 4.13%

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 (3.13%) or one percentage point higher (5.13%) than the current discount rate:

	1.00% Decrease 3.13%	Current Discount Rate 4.13%	1.00% Increase 5.13%
Total OPEB Liability	\$ 28,533,108	\$ 26,690,192	\$ 24,928,581

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	\$ 24,228,924	\$ 26,690,192	\$ 29,528,609

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

For the year ended June 30, 2024, the School District recognized OPEB Expense of \$1,102,410. At June 30, 2024, 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	\$ 2,805,072	\$ 6,074,891
Differences between expected and actual experience	607,904	5,179,963
Benefit payments subsequent to the measurement date	<u>1,975,225</u>	<u>-</u>
	<u>\$ 5,388,201</u>	<u>\$ 11,254,854</u>

\$1,975,225 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. 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,	
2025	\$(1,006,990)
2026	(1,006,990)
2027	(1,006,990)
2028	(1,006,993)
2029	(1,079,333)
Thereafter	<u>(2,734,582)</u>
	<u>\$ (7,841,878)</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.

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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, 2023, there were no assumed future benefit increases to participating eligible retirees.

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](http://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.

**Butler Area School District**  
**Notes to Financial Statements**  
**June 30, 2024**

Employer Contributions

The School District's contractually required contribution rate for fiscal year ended June 30, 2024 was 0.64% 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 \$289,868 for the year ended June 30, 2024.

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

At June 30, 2024, the School District reported a liability of \$5,209,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, 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, 2022 to 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, 2024, the School District's proportion was 0.2879%, which was a decrease of 0.0126% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2024, the School District recognized OPEB expense of \$43,239. At June 30, 2024, 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	\$ 34,000	\$ 52,000
Changes in assumptions	450,000	986,000
Net difference between projected and actual investment earnings	12,000	-
Changes in proportions	129,000	457,000
Difference between employer contributions and proportionate share of total contributions	-	597
Contributions subsequent to the measurement date	289,868	-
	<b>\$ 914,868</b>	<b>\$ 1,495,597</b>

\$289,868 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, 2025.

**Butler Area School District**  
**Notes to Financial Statements**  
**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,	
2025	\$ (206,788)
2026	(190,155)
2027	(198,035)
2028	(222,619)
2029	(53,000)
Thereafter	<u>-</u>
	<u>\$ (870,597)</u>

1. Actuarial Assumptions

The total OPEB liability as of June 30, 2023 was determined by rolling forward the System's total OPEB liability as of June 30, 2022 to June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 4.13%, 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, 2022 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, 2021 determined the employer contribution rate for fiscal year 2023.
- 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.

**Butler Area School District  
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June 30, 2024**

- 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>	1.20%

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, 2023.

2. Discount Rate

The discount rate used to measure the Total OPEB Liability was 4.13%. 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 4.13% which represents the S&P 20 year Municipal Bond Rate at June 30, 2023, 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, 2023, 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, 2023, 92,677 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2023, 522 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.

**Butler Area School District**  
**Notes to Financial Statements**  
**June 30, 2024**

The following presents the System net OPEB liability for June 30, 2023, 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% Decrease	Current Trend Rate	1.00% Increase
System net OPEB Liability	\$ 5,208	\$ 5,209	\$ 5,209

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 4.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.13%) or 1 percentage point higher (5.13%) than the current rate:

	(In Thousands)		
	1.00% Decrease 3.13%	Current Discount Rate 4.13%	1.00% Increase 5.13%
School District's proportionate share of the net OPEB liability	\$ 5,889	\$ 5,209	\$ 4,639

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](http://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 withdrew from the Consortium under terms specified in the agreement and received a refund of their attributable proportionate share of Consortium net position of \$620,000 during the year ended June 30, 2024.

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 also purchases commercial insurance for its employee health.

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.

**Butler Area School District**  
**Notes to Financial Statements**  
**June 30, 2024**

**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, 2024, were \$10,025,394.

This includes \$8,245,183 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 \$1,780,211 to the federal government for social security and Medicare taxes for the year ended June 30, 2024. The School District pays these on-behalf payments directly to PSERS and the government and is reimbursed by the Commonwealth for their appropriate share.

**Note 15 - Derivative Instruments**

A. Details of Instruments

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2024, classified by type, and the change in fair value of such derivative instruments for the year ended as reported in the June 30, 2024 financial statements are as follows:

Governmental Activities	Change in Fair Value		Fair Value at June 30, 2024		Notional in Thousands
	Classification	Amount	Classification	Amount	
Cash Flow Hedges:					
Pay Fixed Interest Rate Swaps	Deferred Outflow of Resources	\$ 778,427	Debt	\$ (2,244,719)	\$ 27,275

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, 2024. 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.

**Butler Area School District**  
**Notes to Financial Statements**  
**June 30, 2024**

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.
- **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, 2024, 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.

**Butler Area School District**  
**Notes to Financial Statements**  
**June 30, 2024**

- 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.

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, 2024, the School District abated property taxes totaling \$90,000 under this agreement.

**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, 2024**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
<b>Local Sources</b>				
<b>Taxes</b>				
Current Real Estate Taxes	\$ 43,033,203	\$ 43,033,203	\$ 43,014,019	\$ (19,184)
Interim Real Estate Taxes	58,548	58,548	105,432	46,884
Delinquent Real Estate Taxes	1,250,000	1,250,000	1,252,553	2,553
Public Utility Realty Taxes	50,000	50,000	46,076	(3,924)
Payments in Lieu of Current Taxes	77,609	77,609	120,423	42,814
Current Per Capita Taxes - Sec. 679	140,500	140,500	137,247	(3,253)
Current Per Capita Taxes - Act 511	140,500	140,500	137,247	(3,253)
Local Services Taxes	118,762	118,762	137,348	18,586
Earned Income Taxes	6,080,360	6,080,360	7,233,487	1,153,127
Real Estate Transfer Taxes	1,000,240	1,000,240	1,041,062	40,822
Other Delinquent Taxes	21,252	21,252	36,632	15,380
Earnings on Investments	811,672	811,672	1,503,760	692,088
<b>Other Local Revenues</b>				
Revenue from Student Activities	148,500	148,500	198,889	50,389
Federal Revenues from IU	1,293,499	1,293,499	1,385,660	92,161
Contributions & Donations from Private Sources	135,000	135,000	256,369	121,369
Rentals	50,000	50,000	67,041	17,041
Tuition from Other LEAs	429,667	429,667	346,561	(83,106)
Refund of Prior Year's Expenditures	450,000	450,000	573,279	123,279
Miscellaneous Revenue	208,500	208,500	369,198	160,698
<b>Total Revenues from Local Sources</b>	<u>55,497,812</u>	<u>55,497,812</u>	<u>57,962,283</u>	<u>2,464,471</u>
<b>State Sources</b>				
<b>Basic Instructional &amp; Oper. Subsidies</b>				
Basic Instructional Subsidy	28,959,646	28,959,646	28,942,316	(17,330)
Tuition	76,734	76,734	138,214	61,480
<b>Subsidies for Spec. Educ. Programs</b>				
Special Education of Excep. Pupils	5,512,952	5,512,952	5,485,510	(27,442)
<b>Subsidies for Noneduc. Programs</b>				
Transportation (Regular & Additional)	2,401,188	2,401,188	2,299,873	(101,315)
Rentals & Sinking Fund Payments	1,629,482	1,629,482	1,596,482	(33,000)
Ready to Learn Block Grant	1,147,945	1,147,945	1,147,945	-
Health Services	115,000	115,000	110,533	(4,467)
State Property Tax Reduction	2,467,403	2,467,403	2,467,403	-
Social Security Payments	1,716,167	1,716,167	1,765,941	49,774
State Retirement Revenue	7,627,406	7,627,406	8,193,317	565,911
Other State Revenue	184,391	184,391	486,263	301,872
<b>Total Revenues from State Sources</b>	<u>51,838,314</u>	<u>51,838,314</u>	<u>52,633,797</u>	<u>795,483</u>

**Butler Area School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund – Budget and Actual  
Year Ended June 30, 2024**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Federal Sources</b>				
Restricted Grants-In-Aid from the Fed. Gov't. through the Commonwealth				
Title I	1,586,838	1,586,838	1,847,610	260,772
Title II	239,854	239,854	175,116	(64,738)
Title IV	121,738	121,738	187,961	66,223
Elementary and Secondary Emergency Relief Fund (ARP ESSER)	-	-	407,737	407,737
Elementary and Secondary Emergency Relief Fund (ARP ESSER 7%)	193,429	193,429	361,621	168,192
Elementary and Secondary Emergency Relief Fund (ARP-HCY)	-	-	25,247	25,247
ARP ECF Emergency Connectivity Fund	-	-	497,000	497,000
Medical Assistance - Access	875,000	875,000	1,585,885	710,885
Medical Assistance - Admin.	78,482	78,482	11,068	(67,414)
<b>Total Revenues from Federal Sources</b>	<u>3,095,341</u>	<u>3,095,341</u>	<u>5,099,245</u>	<u>2,003,904</u>
<b>Total Revenues</b>	<u>110,431,467</u>	<u>110,431,467</u>	<u>115,695,325</u>	<u>5,263,858</u>
<b>Other Financing Sources</b>				
Sale of Capital Assets	-	-	1,010	1,010
<b>Total Other Financing Sources</b>	<u>-</u>	<u>-</u>	<u>1,010</u>	<u>1,010</u>
<b>Total Revenues and Other Financing Sources</b>	<u>110,431,467</u>	<u>110,431,467</u>	<u>115,696,335</u>	<u>5,264,868</u>
<b>Expenditures</b>				
<b>Instruction</b>				
<b>Regular Programs</b>				
Personal Services				
Salaries	32,137,042	32,137,042	24,898,478	7,238,564
Employee Benefits	22,183,701	22,183,701	17,112,409	5,071,292
Purchased Prof. and Tech. Services	53,089	53,089	181,167	(128,078)
Purchased Property Services	7,650	17,650	24,099	(6,449)
Other Purchased Services	2,839,500	2,839,500	2,567,371	272,129
Supplies	760,390	750,390	1,339,497	(589,107)
Property	5,000	5,000	40,462	(35,462)
Other Objects	22,500	22,500	8,809	13,691
<b>Total Regular Programs</b>	<u>58,008,872</u>	<u>58,008,872</u>	<u>46,172,292</u>	<u>11,836,580</u>

**Butler Area School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund – Budget and Actual  
Year Ended June 30, 2024**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Special Programs				
Personal Services				
Salaries	1,962,724	1,962,724	7,729,780	(5,767,056)
Employee Benefits	1,318,757	1,318,757	5,719,628	(4,400,871)
Purchased Prof. and Tech. Services	546,471	546,471	831,239	(284,768)
Other Purchased Services	4,132,680	4,132,680	5,246,573	(1,113,893)
Supplies	134,185	134,185	134,941	(756)
Other Objects	7,300	7,300	59,349	(52,049)
Total Special Programs	<u>8,102,117</u>	<u>8,102,117</u>	<u>19,721,510</u>	<u>(11,619,393)</u>
Vocational Education Programs				
Other Purchased Services	<u>2,104,034</u>	<u>2,104,034</u>	<u>1,928,284</u>	<u>175,750</u>
Other Instructional Programs				
Personal Services				
Salaries	30,000	30,000	502,030	(472,030)
Employee Benefits	20,316	20,316	341,940	(321,624)
Purchased Prof. and Tech. Services	321	321	7,116	(6,795)
Purchased Property Services	-	-	7,975	(7,975)
Other Purchased Services	279,500	279,500	382,339	(102,839)
Supplies	-	-	3,821	(3,821)
Other Objects	-	-	9	(9)
Total Other Instructional Programs	<u>330,137</u>	<u>330,137</u>	<u>1,245,230</u>	<u>(915,093)</u>
Nonpublic School Programs				
Personal Services				
Salaries	-	-	51,326	(51,326)
Employee Benefits	-	-	34,627	(34,627)
Purchased Prof. and Tech. Services	-	-	186,086	(186,086)
Supplies	24,083	24,083	8,910	15,173
Total Nonpublic School Programs	<u>24,083</u>	<u>24,083</u>	<u>280,949</u>	<u>(256,866)</u>
Higher Education Programs				
Other Purchased Services	65,000	65,000	109,249	(44,249)
Supplies	25,000	25,000	-	25,000
Total Higher Education Programs	<u>90,000</u>	<u>90,000</u>	<u>109,249</u>	<u>(19,249)</u>
Total Instruction	<u>68,659,243</u>	<u>68,659,243</u>	<u>69,457,514</u>	<u>(798,271)</u>

**Butler Area School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund – Budget and Actual  
Year Ended June 30, 2024**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Support Services				
Pupil Personnel				
Personal Services				
Salaries	1,574,467	1,574,467	2,298,073	(723,606)
Employee Benefits	1,066,077	1,066,077	1,609,648	(543,571)
Purchased Prof. and Tech. Services	170,000	170,000	92,001	77,999
Other Purchased Services	-	-	1,912	(1,912)
Supplies	39,800	39,800	39,921	(121)
Total Pupil Personnel	<u>2,850,344</u>	<u>2,850,344</u>	<u>4,041,555</u>	<u>(1,191,211)</u>
Instructional Staff				
Personal Services				
Salaries	931,852	931,852	851,180	80,672
Employee Benefits	497,040	497,040	738,282	(241,242)
Purchased Prof. and Tech. Services	891,800	891,800	899,856	(8,056)
Purchased Property Services	52,873	52,873	42,491	10,382
Other Purchased Services	18,796	18,796	40,333	(21,537)
Supplies	578,619	578,619	530,641	47,978
Property	161,925	161,925	1,508,318	(1,346,393)
Other Objects	1,500	1,500	790	710
Total Instructional Staff	<u>3,134,405</u>	<u>3,134,405</u>	<u>4,611,891</u>	<u>(1,477,486)</u>
Administration				
Personal Services				
Salaries	3,251,032	3,251,032	3,190,257	60,775
Employee Benefits	2,190,516	2,190,516	2,038,669	151,847
Purchased Prof. and Tech. Services	352,136	352,136	293,218	58,918
Other Purchased Services	45,280	45,280	49,336	(4,056)
Supplies	33,125	33,125	37,588	(4,463)
Other Objects	76,710	76,710	46,631	30,079
Total Administration	<u>5,948,799</u>	<u>5,948,799</u>	<u>5,655,699</u>	<u>293,100</u>
Pupil Health				
Personal Services				
Salaries	775,771	775,771	849,499	(73,728)
Employee Benefits	525,237	525,237	752,400	(227,163)
Purchased Prof. and Tech. Services	584,436	584,436	247,216	337,220
Purchased Property Services	1,650	1,650	1,083	567
Other Purchased Services	2,000	2,000	3,348	(1,348)
Supplies	5,372	5,372	7,907	(2,535)
Total Pupil Health	<u>1,894,466</u>	<u>1,894,466</u>	<u>1,861,453</u>	<u>33,013</u>

**Butler Area School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund – Budget and Actual  
Year Ended June 30, 2024**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Business</b>				
Personal Services				
Salaries	552,847	552,847	439,910	112,937
Employee Benefits	374,330	374,330	393,413	(19,083)
Purchased Prof. and Tech. Services	16,500	16,500	13,677	2,823
Purchased Property Services	216,373	216,373	44,275	172,098
Other Purchased Services	6,000	6,000	4,182	1,818
Supplies	98,000	98,000	100,562	(2,562)
Other Objects	8,450	8,450	4,194	4,256
	<u>1,272,500</u>	<u>1,272,500</u>	<u>1,000,213</u>	<u>272,287</u>
<b>Oper. and Maint. of Plant Svcs.</b>				
Personal Services				
Salaries	2,959,534	2,959,534	3,222,996	(263,462)
Employee Benefits	2,017,650	2,017,650	2,232,536	(214,886)
Purchased Prof. and Tech. Services	117,545	117,545	116,622	923
Purchased Property Services	338,900	338,900	387,867	(48,967)
Other Purchased Services	417,406	417,406	431,132	(13,726)
Supplies	2,624,150	2,624,150	2,026,844	597,306
Property	658,000	658,000	27,677	630,323
Other Objects	750	750	1,018	(268)
	<u>9,133,935</u>	<u>9,133,935</u>	<u>8,446,692</u>	<u>687,243</u>
<b>Student Transportation Services</b>				
Personal Services				
Salaries	98,654	98,654	99,794	(1,140)
Employee Benefits	66,800	66,800	91,394	(24,594)
Other Purchased Services	6,053,722	6,053,722	5,493,882	559,840
Supplies	1,000	1,000	446	554
Other Objects	135	135	38	97
	<u>6,220,311</u>	<u>6,220,311</u>	<u>5,685,554</u>	<u>534,757</u>

**Butler Area School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund – Budget and Actual  
Year Ended June 30, 2024**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Central</b>				
Personal Services				
Salaries	329,172	329,172	490,991	(161,819)
Employee Benefits	222,880	222,880	321,870	(98,990)
Purchased Prof. and Tech. Services	892,702	892,702	1,139,735	(247,033)
Other Purchased Services	2,500	2,500	3,579	(1,079)
Supplies	7,500	7,500	2,373	5,127
Other Objects	2,405	2,405	501	1,904
<b>Total Central</b>	<b>1,457,159</b>	<b>1,457,159</b>	<b>1,959,049</b>	<b>(501,890)</b>
<b>Other</b>				
Other Purchased Services	87,000	87,000	87,612	(612)
<b>Total Support Services</b>	<b>31,998,919</b>	<b>31,998,919</b>	<b>33,349,718</b>	<b>(1,350,799)</b>
<b>Noninstructional Services</b>				
<b>Student Activities</b>				
Personal Services				
Salaries	776,788	776,788	990,972	(214,184)
Employee Benefits	390,193	390,193	461,714	(71,521)
Purchased Prof. and Tech. Services	131,050	131,050	117,073	13,977
Purchased Property Services	23,450	23,450	18,810	4,640
Other Purchased Services	168,200	168,200	176,451	(8,251)
Supplies	98,900	98,900	152,183	(53,283)
Property	36,800	36,800	29,233	7,567
Other Objects	27,500	27,500	46,265	(18,765)
<b>Total Student Activities</b>	<b>1,652,881</b>	<b>1,652,881</b>	<b>1,992,701</b>	<b>(339,820)</b>
<b>Community Services</b>				
Personal Services				
Salaries	-	-	27,205	(27,205)
Employee Benefits	-	-	11,309	(11,309)
Purchased Prof. and Tech. Services	-	-	915	(915)
Other Purchased Services	-	-	1,055	(1,055)
Supplies	-	-	13,556	(13,556)
<b>Total Community Services</b>	<b>-</b>	<b>-</b>	<b>54,040</b>	<b>(54,040)</b>
<b>Total Noninstructional Services</b>	<b>1,652,881</b>	<b>1,652,881</b>	<b>2,046,741</b>	<b>(393,860)</b>

**Butler Area School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund – Budget and Actual  
Year Ended June 30, 2024**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Facilities Acquisition, Construction and Improvement Services				
Property	-	-	160,553	(160,553)
Debt Service				
Interest	-	-	17,345	(17,345)
Refunds of Prior Year's Receipts	-	-	345,343	(345,343)
Redemption of Principal	-	-	194,751	(194,751)
Total Debt Service	-	-	557,439	(557,439)
Total Expenditures	102,311,043	102,311,043	105,571,965	(3,260,922)
Other Financing Uses				
Fund Transfers				
Capital Projects Fund	800,000	800,000	1,221,868	(421,868)
Debt Service Fund	7,320,424	7,320,424	7,329,943	(9,519)
Total Other Financing Uses	8,120,424	8,120,424	8,551,811	(431,387)
Total Expenditures and Other Financing Uses	110,431,467	110,431,467	114,123,776	(3,692,309)
Net Change in Fund Balance	-	-	1,572,559	1,572,559
Fund Balance - July 1, 2023	20,275,022	20,275,022	20,997,540	722,518
Fund Balance - June 30, 2024	\$ 20,275,022	\$ 20,275,022	\$ 22,570,099	\$ 2,295,077

**Butler Area School District**  
**Note to the Required Supplementary Information**  
**Budget Comparison**  
**June 30, 2024**

**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 Eight Years**

	June 30, 2024	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	\$ 1,044,308	\$ 1,877,984	\$ 1,895,679	\$ 1,621,458	\$ 1,635,419	\$ 2,244,254	\$ 2,187,070	\$ -
Interest	1,065,092	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	351,582	(5,983,095)	(963,370)	3,383,032	(878,164)	95,097	795,814	-
Benefit payments	<u>(2,095,306)</u>	<u>(1,840,309)</u>	<u>(2,028,617)</u>	<u>(2,003,514)</u>	<u>(2,168,924)</u>	<u>(2,078,936)</u>	<u>(2,369,555)</u>	<u>-</u>
Net Change in Total OPEB Liability	365,676	(8,338,590)	(428,779)	2,379,008	(410,858)	(5,759,374)	1,565,045	-
Total OPEB Liability - Beginning	<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>	<u>-</u>
Total OPEB Liability - Ending	<u>\$ 26,690,192</u>	<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	\$ 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	66.35%	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:

2024	4.13%
2023	4.06%

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 Ten Years**

	June 30, 2024	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	\$ 14,995,072	\$ 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>14,995,072</u>	<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>	<u>\$ -</u>
School District's Covered Payroll	\$ 44,991,479	\$ 44,103,874	\$ 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	33.33%	34.27%	33.93%	33.49%	33.24%	32.46%	31.34%	23.88%	20.07%	15.61%

The covered-payroll amount reported for June 30, 2023 has been revised from the prior year presentation to reflect adjustments processed by PSERS during fiscal year 2024.

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

	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	June 30, 2014
School District's Proportion of the Net Pension Liability (Asset)	0.2887%	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)	\$ 128,432	\$ 133,687	\$ 128,302	\$ 148,603	\$ 141,190	\$ 146,991	\$ 157,796	\$ 158,234	\$ 143,720	\$ 131,725
School District's Covered Payroll	\$ 44,104	\$ 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	291.20%	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	61.85%	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

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

	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Contractually Required Contribution	\$ 289,868	\$ 330,956	\$ 353,873	\$ 353,399	\$ 357,832	\$ 346,138	\$ 340,617
Contributions in Relation to the Contractually Required Contribution	<u>289,868</u>	<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>	<u>\$ -</u>
School District's Covered Payroll	\$ 44,991,479	\$ 44,103,874	\$ 44,186,037	\$ 44,338,008	\$ 42,503,202	\$ 41,628,062	\$ 41,228,387
Contributions as a Percentage of Covered Payroll	0.64%	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, 2023 has been revised from the prior year presentation to reflect adjustments processed by PSERS during fiscal year 2024.

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

	June 30, 2023	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)	0.2879%	0.3005%	0.3128%	0.3028%	0.3018%	0.3062%	0.3195%
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 5,209	\$ 5,532	\$ 7,413	\$ 6,543	\$ 6,419	\$ 6,384	\$ 6,510
School District's Covered Payroll	\$ 44,104	\$ 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	11.81%	12.52%	16.72%	15.39%	15.42%	15.48%	15.30%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	7.22%	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, 2024 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 10, 2025

**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, 2024, 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 10, 2025.

**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 10, 2025

**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, 2024. 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, 2024.

***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, Muetzel & Wood LLP*

HOSACK, SPECHT, MUETZEL & WOOD LLP  
Pittsburgh, Pennsylvania  
January 10, 2025

**Butler Area School District**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2024**

**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
84.367	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, 2024**

**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, 2024**

**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 07/01/23	Revenue Recognized	Expendi- tures	Accrued or (Deferred) Revenue 06/30/24
U.S. Department of Education Passed through the Pennsylvania Department of Education										
Title I Improving Basic Programs	I	84.010	013-240055	08/11/23-09/30/24	\$ 1,961,617	\$ 1,555,065	\$ -	\$ 1,847,610	\$ 1,847,610	\$ 292,545
Title I Improving Basic Programs	I	84.010	013-230055	08/01/22-09/30/23	1,630,362	237,779	237,779	-	-	-
Title I Improving Basic Programs	I	84.010	013-220055	08/13/21-09/30/22	1,630,685	43,860	43,860	-	-	-
						1,836,704	281,639	1,847,610	1,847,610	292,545
Title II Improving Teacher Quality	I	84.367	020-240055	08/11/23-09/30/24	232,591	166,359	-	171,101	171,101	4,742
Title II Improving Teacher Quality	I	84.367	020-230055	08/01/22-09/30/23	236,696	49,848	45,833	4,015	4,015	-
Title II Improving Teacher Quality	I	84.367	020-220055	08/13/21-09/30/22	237,527	39,546	39,546	-	-	-
						255,753	85,379	175,116	175,116	4,742
Title IV Student Sup. and Acad. Enrichment	I	84.424	144-240055	08/11/23-09/30/24	127,634	91,167	-	127,634	127,634	36,467
Title IV Student Sup. and Acad. Enrichment	I	84.424	144-230055	08/01/22-09/30/23	127,951	38,566	(23,241)	60,327	60,327	(1,480)
Title IV Student Sup. and Acad. Enrichment	I	84.424	144-220055	08/13/21-09/30/22	119,332	17,107	17,107	-	-	-
						146,840	(6,134)	187,961	187,961	34,987
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II)										
COVID-19 Elementary and Secondary School Emergency Relief Fund (ARP ESSER)	I	84.425D	200-210055	03/13/20-09/30/23	5,859,698	681,361	405,797	275,564	275,564	-
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	215,499	(256,375)	471,874	471,874	-
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	351,732	53,059	361,621	361,621	62,948
COVID-19 Elementary and Secondary School Emergency Relief Fund (ARP HCY)	I	84.425W	181-212055	03/13/20-09/30/24	65,717	37,071	16,893	25,247	25,247	5,069
						1,285,663	219,374	1,134,306	1,134,306	68,017
Food Service Equipment Grant	I	10.579	FSE-22-0013	03/01/23-06/21/23	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	-	-	-
						20,788	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	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)
						-	5,633	-	-	5,633

**Butler Area School District**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2024**

**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 07/01/23	Revenue Recognized	Expendi- tures	Accrued or (Deferred) Revenue 06/30/24
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	-	-	-
IDEA B	I	84.027	062-240004	07/01/23-09/30/24	1,371,612	1,371,612	-	1,371,612	1,371,612	-
COVID-19 IDEA B ARP	I	84.027	062-220004	07/01/21-09/30/23	290,021	119,997	119,997	-	-	-
IDEA B Section 619	I	84.173	131-230004	07/01/23-06/30/24	14,048	-	-	14,048	14,048	14,048
Subtotal Special Education Cluster						<u>1,503,334</u>	<u>137,355</u>	<u>1,385,660</u>	<u>1,385,660</u>	<u>19,681</u>
Subtotal U.S. Department of Education						<u>5,049,082</u>	<u>738,401</u>	<u>4,730,653</u>	<u>4,730,653</u>	<u>419,972</u>
Federal Communications Commission										
COVID-19 Emergency Connectivity Fund	D	32.009	N/A	07/01/22-12/31/23	497,000	497,000	-	497,000	497,000	-
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	07/01/23-06/30/24	N/A	47,790	36,722	11,068	11,068	-
U.S. Department of Agriculture										
Passed through the Pennsylvania										
Department of Education										
P-EBT Administrative Costs Grant	I	10.649	N/A	07/01/23-06/30/24	N/A	3,256	-	3,256	3,256	-
Child Care	I	10.558	N/A	07/01/23-06/30/24	N/A	11,003	-	11,003	11,003	-
National School Lunch Program	I	10.555	N/A	07/01/23-06/30/24	N/A	1,724,544	49,770	1,707,949	1,707,949	33,175
National School Breakfast Program	I	10.553	N/A	07/01/23-06/30/24	N/A	682,830	23,232	677,663	677,663	18,065
Fresh Fruit and Vegetable Program	I	10.582	N/A	07/01/23-06/30/24	N/A	30,643	448	31,039	31,039	844
Passed through the Pennsylvania										
Department of Agriculture										
National School Lunch Program (Donated Commodities Non Cash Assistance)	I	10.555	N/A	07/01/23-06/30/24	N/A	262,511	(896)	258,915	258,915	(4,492)
Total Child Nutrition Cluster						<u>2,700,528</u>	<u>72,554</u>	<u>2,675,566</u>	<u>2,675,566</u>	<u>47,592</u>
Total U.S. Department of Agriculture						<u>2,714,787</u>	<u>72,554</u>	<u>2,689,825</u>	<u>2,689,825</u>	<u>47,592</u>
Total Federal Financial Assistance						<u>\$ 8,308,659</u>	<u>\$ 847,677</u>	<u>\$ 7,928,546</u>	<u>\$ 7,928,546</u>	<u>\$ 467,564</u>

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, 2024**

**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, 2024. 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.

The Source Code (D) indicates funds received directly.

**Note D - Reconciliation with Subsidy Confirmation**

Amounts Received Per Schedule	\$ 8,308,659
Less: Commodities Received	(262,511)
Less: Passage Through IU's	(1,503,334)
Less: Passage Through Universal Admin.	(497,000)
Less: Title 19	(47,790)
Less: Food Service Equip. Grant	(20,788)
Add: Medical Assistance - Access	871,241
Add: State Funding on Confirmation	<u>266,672</u>
 Per Subsidy Confirmation	 <u><u>\$ 7,115,149</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, 2024**

**EXHIBIT E**

1 Copy – Bureau of Audits

1 Copy – General Services Administration