

BOROUGH OF BUTLER
COUNTY OF MORRIS
REPORT OF AUDIT
2016

NISIVOCCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS

BOROUGH OF BUTLER

COUNTY OF MORRIS

REPORT OF AUDIT

2016

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BOROUGH OF BUTLER

PART I

FINANCIAL STATEMENTS AND

SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2016



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Independent Auditors' Report

The Honorable Mayor and Members
 of the Borough Council
 Borough of Butler
 Butler, New Jersey

Report on the Financial Statements

We have audited the financial statements – *regulatory basis* - of the various funds of the Borough of Butler, in the County of Morris (the "Borough") as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, as listed in the foregoing table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

The Honorable Mayor and Members
of the Borough Council
Borough of Butler
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the Borough on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for the Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly in accordance with accounting principles generally accepted in the United States of America the financial position of each fund and account group of the Borough as of December 31, 2016 and 2015, or the changes in financial position or where applicable, cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the various funds and account group of the Borough of Butler as of December 31, 2016 and 2015, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the years then ended on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as described in Note 1.

Emphasis of Matter

As discussed in Note 17 to the financial statements, the Borough implemented Governmental Accounting Standards Board ("GASB") Statement No. 77, *Tax Abatement Disclosures*, during the year ended December 31, 2016. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the various funds that collectively comprise the Borough's financial statements. The supplementary data schedules listed in the table of contents and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the financial statements.

The Honorable Mayor and Members
of the Borough Council
Borough of Butler
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The supplementary data schedules and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the various fund financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the various fund financial statements or to the various fund financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary data schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the 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 May 26, 2017 on our consideration of the Borough of Butler's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Butler's internal control over financial reporting and compliance.

Mount Arlington, NJ
May 26, 2017



Valerie A. Dolan
Registered Municipal Accountant No. 548
Certified Public Accountant

BOROUGH OF BUTLER
COUNTY OF MORRIS
2016
CURRENT FUND

BOROUGH OF BUTLER
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	Ref.	2016	2015
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents	A-4	\$ 3,666,480.38	\$ 3,544,580.59
Change Funds		375.00	375.00
Petty Cash Fund		200.00	200.00
		<u>3,667,055.38</u>	<u>3,545,155.59</u>
Receivables and Other Assets With			
Full Reserves:			
Delinquent Property Taxes Receivable	A-7	212,600.36	251,534.67
Tax Title Liens Receivable	A-8	116,296.74	102,498.02
Property Acquired for Taxes at Assessed			
Valuation		173,600.00	173,600.00
Revenue Accounts Receivable	A-9	5,276.75	9,807.42
Sewer Accounts Receivable	A-10	24,413.70	23,413.94
Due from:			
Other Trust Fund	B	2,850.74	2,015.63
Butler Library		24,543.00	25,130.83
Gas Reimbursement		455.18	
Payroll Taxes Receivable			3,293.35
Total Receivables and Other Assets		<u>560,036.47</u>	<u>591,293.86</u>
With Full Reserves			
		<u>560,036.47</u>	<u>591,293.86</u>
Total Regular Fund		<u>4,227,091.85</u>	<u>4,136,449.45</u>
Federal and State Grant Fund:			
Due to Current Fund	A	111,616.74	90,861.98
Federal and State Grants Receivable	A-13	34,426.12	34,026.12
		<u>146,042.86</u>	<u>124,888.10</u>
Total Federal and State Grant Fund		<u>146,042.86</u>	<u>124,888.10</u>
TOTAL ASSETS		\$ 4,373,134.71	\$ 4,261,337.55

BOROUGH OF BUTLER
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(Continued)

		December 31	
	Ref.	2016	2015
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Encumbered	A-3;A-11	\$ 51,414.61	\$ 38,175.96
Unencumbered	A-3;A-11	553,340.08	407,957.02
		<u>604,754.69</u>	<u>446,132.98</u>
Accounts Payable - Vendors		12,500.00	12,500.00
County Taxes Payable		3,052.10	17,087.11
Prepaid Taxes		101,495.10	112,025.73
Tax Overpayments		40,754.31	53,700.33
Sewer Rent Overpayments		1,665.13	2,137.01
Due to State of N.J. for Veterans' and Senior Citizens' Deductions		3,885.03	1,344.63
Due to State of New Jersey:			
Construction Code Fees		1,439.00	1,249.00
Marriage License Fees		150.00	125.00
Due to:			
Federal and State Grant Fund	A	111,616.74	90,861.98
Assessment Trust Fund	B	455,458.83	452,210.18
Reserve for:			
Developer's Contribution		13,692.95	13,692.95
Sale of Municipal Assets		488,464.53	488,464.53
		<u>1,838,928.41</u>	<u>1,691,531.43</u>
Reserve for Receivables and Other Assets	A	560,036.47	591,293.86
Fund Balance	A-1	1,828,126.97	1,853,624.16
		<u>4,227,091.85</u>	<u>4,136,449.45</u>
Total Regular Fund			
Federal and State Grant Fund:			
Unappropriated Reserves	A-14	22,449.46	20,836.30
Appropriated Reserves	A-15	123,593.40	104,051.80
		<u>146,042.86</u>	<u>124,888.10</u>
Total Federal and State Grant Fund			
		<u>\$ 4,373,134.71</u>	<u>\$ 4,261,337.55</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>			

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF BUTLER
CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS
AND CHANGE IN FUND BALANCE - REGULATORY BASIS

	Year Ended December 31,	
Ref.	2016	2015
<u>Revenue and Other Income Realized</u>		
Fund Balance Utilized	\$ 865,000.00	\$ 615,000.00
Miscellaneous Revenue Anticipated	3,454,034.67	3,430,898.10
Receipts from:		
Delinquent Taxes	252,581.20	213,627.80
Current Taxes	25,706,893.02	25,175,521.34
Nonbudget Revenue	188,467.19	181,458.08
Other Credits to Income:		
Unexpended Balance of Appropriation		
Reserves	273,891.04	242,127.33
Interfunds Returned	30,439.81	1,925.43
Due to Borough of Bloomingdale Cancelled		2,458.62
Total Income	<u>30,771,306.93</u>	<u>29,863,016.70</u>
<u>Expenditures</u>		
Budget and Emergency Appropriations:		
Municipal Purposes	11,075,838.30	10,680,467.39
County Taxes	2,461,521.59	2,575,316.47
Local School District Taxes	16,327,073.00	15,742,057.00
Prior Year Senior Citizens Deductions Disallowed	1,063.01	793.83
Interfunds and Other Receivables Advanced	27,848.92	4,240.29
Refund of Prior Year Revenue - County Tax Board Appeal	38,459.30	97,522.54
Total Expenditures	<u>29,931,804.12</u>	<u>29,100,397.52</u>
Excess in Revenue	839,502.81	762,619.18
Balance January 1	<u>1,853,624.16</u>	<u>1,706,004.98</u>
	2,693,126.97	2,468,624.16
Decreased by:		
Utilized as Anticipated Revenue	<u>865,000.00</u>	<u>615,000.00</u>
Balance December 31	A <u>\$ 1,828,126.97</u>	<u>\$ 1,853,624.16</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF BUTLER
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	Budget	Added by NJSA 40A:4-87	Realized	Excess or Deficit *
Fund Balance Anticipated	\$ 865,000.00		\$ 865,000.00	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	15,000.00		15,506.00	\$ 506.00
Other	8,000.00		7,711.00	289.00 *
Fees and Permits	5,140.00		6,131.00	991.00
Municipal Court - Fines and Costs	93,000.00		114,448.78	21,448.78
Interest and Costs on Taxes	46,000.00		57,766.86	11,766.86
Energy Receipts Tax	962,902.00		962,902.00	
Garden State Preservation Fund	3,766.00		3,766.00	
Payments in Lieu of Taxes on State Exempt Property (N.J.S.A. 54:4-2.2a, et.seq.)	64,998.00		71,407.78	6,409.78
Interest on Investments and Deposits	9,500.00		19,628.17	10,128.17
Uniform Construction Code Fees	90,000.00		119,553.00	29,553.00
Uniform Fire Safety Act	20,920.00		23,797.40	2,877.40
Capital Fund Balance	25,000.00		25,000.00	
Sewer Rents	1,052,000.00		1,012,202.91	39,797.09 *
Butler Library	47,500.00		47,500.00	
Zoning Rent Registration	16,900.00		21,950.00	5,050.00
Sale of Leaf Bags	2,068.00		2,046.00	22.00 *
Shared Service Agreement - Pequannock River				
Basin Regional Sewerage Authority	29,800.00		33,525.00	3,725.00
Anticipated Electric Utility Operating Fund Balance of Prior Year	368,000.00		368,000.00	
Reserve for Sale of Municipal Assets				
Cell Tower Rental	85,000.00		99,430.19	14,430.19
Shared Service Agreements:				
Billing Services - Bloomingdale	21,500.00		52,351.28	30,851.28
Dispatching Services - Kinnelon	28,000.00		31,000.00	3,000.00
Dispatching Services - Riverdale	8,000.00		8,000.00	
Assessing Services - Riverdale	45,000.00		52,500.00	7,500.00
Tax Collection Services - Riverdale	30,000.00		30,600.00	600.00
Water Utility Services - Riverdale	30,000.00		30,000.00	
General Capital Fund - Reserve for Debt Service	140,000.00		140,000.00	
State of NJ:				
Safe and Secure Communities Program	60,000.00		60,000.00	
Municipal Alliance on Alcoholism and Drug Abuse - DEDR		\$ 9,475.00	9,475.00	
Municipal Alliance on Alcoholism and Drug Abuse - DARE		2,000.00	2,000.00	
Donation to Municipal Alliance		5,000.00	5,000.00	
Reserve for Recycling Tonnage Grant	4,940.91		4,940.91	
Reserve for Clean Communities Program	15,895.39		15,895.39	
Total Miscellaneous Revenue	3,328,830.30	16,475.00	3,454,034.67	108,729.37
Receipts from Delinquent Taxes	215,000.00		252,581.20	37,581.20
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	6,851,921.73		7,025,667.66	173,745.93
Minimum Library Tax	317,630.77		317,630.77	
	7,169,552.50		7,343,298.43	173,745.93
Budget Totals	11,578,382.80	16,475.00	11,914,914.30	\$ 320,056.50
Nonbudget Revenue			188,467.19	
	\$ 11,578,382.80	\$ 16,475.00	\$ 12,103,381.49	

BOROUGH OF BUTLER
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Allocation of Current Tax Collections:	
Collection of Current Taxes	\$ 25,706,893.02
Allocated to:	
School, Library and County Taxes	18,788,594.59
	<u>6,918,298.43</u>
Add: Appropriation "Reserve for Uncollected Taxes"	425,000.00
	<u>425,000.00</u>
Realized for Support of Municipal Budget	<u>\$ 7,343,298.43</u>
<u>Analysis of Fees and Permits:</u>	
Clerk	\$ 2,690.00
Health Officer and Registrar	470.00
Board of Adjustment	215.00
Police	2,756.00
	<u>\$ 6,131.00</u>
<u>Analysis of Other Licenses:</u>	
Clerk	\$ 5,771.00
Health Officer and Registrar	1,940.00
	<u>\$ 7,711.00</u>
<u>Analysis of Interest on Investments and Deposits:</u>	
Deposited into Current Fund	\$ 14,862.50
Deposited into Animal Control Fund	29.87
Deposited into Other Trust Fund	1,803.66
Deposited into General Capital Fund	2,932.14
	<u>\$ 19,628.17</u>

BOROUGH OF BUTLER
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Miscellaneous Revenue Not Anticipated:

Cable Television Franchise Fees	\$ 47,929.21
Interest on Sewer Rents	2,466.48
Prior Year Refunds and Reimbursements	24,640.40
Administrative Fee - Senior Citizens and Veterans Deductions	1,623.75
Interest on Assessments	231.48
Copies	141.25
Sale of Recyclables	615.00
Zoning Codes	30,644.25
Police Contractual Administrative Fee	45,880.58
Miscellaneous Receipts	916.39
Nutrition Center Rent	17,000.00
Registrar and Health	11,208.00
Sewer Connection Fees	<u>5,170.40</u>

\$ 188,467.19

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF BUTLER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operations Within "CAPS":					
GENERAL GOVERNMENT:					
Administrative and Executive:					
Salary and Wages	\$ 88,555.33	\$ 88,555.33	\$ 86,720.46	\$ 1,834.87	
Other Expenses	18,000.00	18,000.00	16,583.34	1,416.66	
Mayor and Council:					
Salary and Wages	11,673.28	11,673.28	11,673.26	0.02	
Other Expenses	2,000.00	2,250.00	2,190.80	59.20	
Municipal Clerk:					
Salary and Wages	36,794.44	37,294.44	37,294.24	0.20	
Other Expenses	9,750.00	9,750.00	9,032.97	717.03	
Other Expenses - Codification	2,500.00	2,500.00		2,500.00	
Assessment of Taxes:					
Salary and Wages	51,406.03	51,406.03	51,309.90	96.13	
Other Expenses	16,925.00	20,925.00	20,631.93	293.07	
Collection of Taxes:					
Salary and Wages	46,244.83	46,244.83	42,865.18	3,379.65	
Other Expenses	8,645.00	8,645.00	7,497.41	1,147.59	
Financial Administration:					
Salary and Wages	55,215.98	55,215.98	44,716.08	10,499.90	
Other Expenses	14,470.00	15,720.00	15,536.76	183.24	
Annual Audit	39,000.00	39,000.00	27,332.00	11,668.00	
Legal Services and Costs:					
Other Expenses	30,000.00	35,000.00	34,978.76	21.24	
Municipal Prosecutor:					
Salary and Wages	15,326.31	15,326.31	14,676.26	650.05	

BOROUGH OF BUTLER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operations Within "CAPS" (Continued):					
GENERAL GOVERNMENT (continued):					
Engineering Services and Costs:					
Other Expenses	\$ 44,000.00	\$ 44,000.00	\$ 42,206.20	\$ 1,793.80	
Public Buildings and Grounds:					
Salary and Wages	1,500.00	1,500.00		1,500.00	
Other Expenses	71,300.00	71,300.00	58,474.33	12,825.67	
Municipal Land Use Law (NJSA 40:55D-1):					
Planning Board:					
Salary and Wages	7,500.00	7,500.00	7,495.02	4.98	
Other Expenses	21,550.00	18,050.00	15,383.86	2,666.14	
Insurance:					
General Liability	80,272.26	82,272.26	82,252.26	20.00	
Workers Compensation	70,579.69	70,579.69	70,579.69		
Fireman's	42,500.00	42,500.00	38,249.71	4,250.29	
Road Bond	150.00	150.00		150.00	
Employee Group Health	962,000.00	953,025.00	883,688.66	19,336.34	\$ 50,000.00
Unemployment	500.00	500.00		500.00	
PUBLIC SAFETY:					
Fire:					
Salary and Wages	11,692.36	11,692.36	10,850.88	841.48	
Other Expenses	66,900.00	66,900.00	49,351.63	17,548.37	
Zoning Officer:					
Salary and Wages	41,349.66	41,349.66	41,349.62	0.04	
Other Expenses	500.00	500.00	235.00	265.00	

BOROUGH OF BUTLER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
Operations Within "CAPS" (Continued):					
PUBLIC SAFETY (Cont'd):					
Police:					
Salary and Wages	\$ 2,021,026.73	\$ 2,031,026.73	\$ 2,025,883.93	\$ 5,142.80	
Other Expenses	152,800.00	160,300.00	157,932.28	2,367.72	
First Aid Organization Contribution	34,330.00	34,330.00	34,330.00		
Emergency Management Services:					
Salary and Wages	2,000.00	2,000.00	307.76	1,692.24	
Other Expenses	2,000.00	2,000.00	1,041.20	958.80	
Municipal Court:					
Salary and Wages	109,296.63	111,796.63	111,510.33	286.30	
Other Expenses	9,450.00	9,450.00	8,038.69	1,411.31	
Public Defender:					
Other Expenses	3,500.00	3,500.00	3,500.00		
STREETS AND ROADS:					
Road Repairs and Maintenance:					
Salary and Wages	455,309.08	445,309.08	370,675.73	74,633.35	
Other Expenses	116,750.00	116,750.00	90,432.58	26,317.42	
Sanitation:					
Sewer System:					
Salary and Wages	97,814.95	90,814.95	34,001.24	56,813.71	
Other Expenses	17,225.00	24,225.00	23,544.20	680.80	
Garbage and Trash Removal:					
Salary and Wages	7,500.00	7,500.00	7,495.02	4.98	
Other Expenses	781,500.00	781,500.00	697,428.43	84,071.57	

BOROUGH OF BUTLER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
Operations Within "CAPS" (Continued):					
STREETS AND ROADS (Cont'd):					
Vehicle Maintenance:					
Salary and Wages	\$ 37,500.00	\$ 32,500.00		\$ 32,500.00	
Other Expenses	38,500.00	35,000.00	\$ 31,244.76	3,755.24	
HEALTH AND WELFARE:					
Board of Health:					
Salary and Wages	21,367.47	21,367.47	20,578.50	788.97	
Other Expenses	79,404.00	79,404.00	75,607.98	3,796.02	
Dog Regulation:					
Other Expenses	15,000.00	15,000.00	15,000.00		
RECREATION AND EDUCATION:					
Recreation Program:					
Salary and Wages	41,207.20	41,457.20	41,449.53	7.67	
Other Expenses	16,850.00	16,950.00	16,859.50	90.50	
Celebration of Public Events, Anniversary or Holiday:					
Other Expenses	15,000.00	15,000.00	14,672.98	327.02	
Senior Citizens' Advisory Committee:					
Other Expenses	7,000.00	7,000.00	5,389.15	1,610.85	
Museum:					
Other Expenses	10,165.00	10,165.00	6,336.37	3,828.63	
Dial-A-Ride:					
Salary and Wages	30,000.00	30,000.00	21,264.32	8,735.68	
Other Expenses	64,132.50	64,157.50	64,154.00	3.50	

BOROUGH OF BUTLER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operations Within "CAPS" (Continued):					
UNCLASSIFIED EXPENDITURES:					
Electricity	\$ 65,000.00	\$ 65,000.00	\$ 38,205.79	\$ 26,794.21	
Street Lighting	36,100.00	36,100.00	35,000.00	1,100.00	
Telephone	21,000.00	21,000.00	20,207.28	792.72	
Water	35,500.00	35,500.00	27,944.21	7,555.79	
Fuel Oil	35,000.00	35,000.00	24,661.11	10,338.89	
Gasoline	80,000.00	77,250.00	40,420.04	36,829.96	
STATE UNIFORM CONSTRUCTION CODE:					
Construction Official:					
Salary and Wages	4,000.00	4,350.00	4,325.10	24.90	
Total Operations Within "CAPS"	<u>6,332,028.73</u>	<u>6,332,028.73</u>	<u>5,792,598.22</u>	<u>489,430.51</u>	<u>\$ 50,000.00</u>
Detail:					
Salaries and Wages	3,194,280.28	3,185,880.28	2,986,442.36	199,437.92	
Other Expenses	<u>3,137,748.45</u>	<u>3,146,148.45</u>	<u>2,806,155.86</u>	<u>339,992.59</u>	
Deferred Charges and Statutory Expenditures-					
Municipal within "CAPS":					
Statutory Expenditures:					
Contributions to:					
Social Security System (O.A.S.I.)	239,700.00	239,700.00	228,552.45	11,147.55	
Police and Firemen's Retirement System of N.J.	375,419.00	375,419.00	375,419.00		

BOROUGH OF BUTLER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Deferred Charges and Statutory Expenditures-					
Municipal within "CAPS" (Continued):					
Statutory Expenditures (Continued):					
Contributions to:					
Public Employees' Retirement System	\$ 119,580.00	\$ 119,580.00	\$ 119,580.00		
Disability Insurance	2,500.00	2,500.00		\$ 2,500.00	
Defined Contribution Retirement Program	1,200.00	1,200.00	817.96	382.04	
Total Deferred Charges and Statutory					
Expenditures - Municipal Within "CAPS"	<u>738,399.00</u>	<u>738,399.00</u>	<u>724,369.41</u>	<u>14,029.59</u>	
Total General Appropriations for Municipal					
Purposes Within "CAPS"	<u>7,070,427.73</u>	<u>7,070,427.73</u>	<u>6,516,967.63</u>	<u>503,460.10</u>	<u>\$ 50,000.00</u>
Operations Excluded from "CAPS":					
Contribution to Pequannock River Basin					
Regional Sewerage Authority	2,204,119.00	2,204,119.00	2,160,119.00		44,000.00
Aid to Free Public Library (NJSA 40:54-35)	317,630.77	317,630.77	317,630.77		
Shared Service Agreements:					
Billing Services - Bloomingdale:					
Salaries and Wages	19,500.00	16,500.00	15,777.10	722.90	
Other Expenses	2,000.00	5,000.00	4,728.35	271.65	
Construction Code Official - Bloomingdale:					
Other Expenses	99,450.00	100,450.00	99,510.25	939.75	
Dispatching Services - Riverdale:					
Salaries and Wages	8,000.00	8,000.00	8,000.00		

BOROUGH OF BUTLER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operations Excluded from "CAPS" (Continued):					
Dispatching Services - Kinnelon:					
Salaries and Wages	\$ 8,900.00	\$ 8,900.00	\$ 8,900.00		
Other Expenses	19,100.00	18,100.00		\$ 18,100.00	
Water Billing Services - Riverdale:					
Salaries and Wages	17,500.00	17,500.00	15,199.18	2,300.82	
Other Expenses	12,500.00	12,500.00	3,242.00	9,258.00	
Tax Collection Services - Riverdale:					
Salaries and Wages	17,500.00	17,500.00	17,462.54	37.46	
Other Expenses	12,500.00	12,500.00	154.60	12,345.40	
Tax Assessment Services - Riverdale:					
Salaries and Wages	45,000.00	45,000.00	39,096.00	5,904.00	
Public and Private Programs Offset by Revenues:					
Reserve for Clean Communities Grant	15,895.39	15,895.39	15,895.39		
Safe and Secure Communities	60,000.00	60,000.00	60,000.00		
Municipal Alliance on Alcoholism and Drug Abuse - DARE (N.J.S.A. 40A:4-87 + \$2,000.00)		2,000.00	2,000.00		
Municipal Alliance on Alcoholism and Drug Abuse - DEDR (N.J.S.A. 40A:4-87 + \$9,475.00)		9,475.00	9,475.00		
Donation to Municipal Alliance (N.J.S.A. 40A:4-87 + \$5,000.00)		5,000.00	5,000.00		
Reserve for Recycling Tonnage Grant	4,940.91	4,940.91	4,940.91		
Total Operations Excluded from "CAPS"	<u>2,864,536.07</u>	<u>2,881,011.07</u>	<u>2,787,131.09</u>	<u>49,879.98</u>	<u>\$ 44,000.00</u>
Detail:					
Salary and Wages	116,400.00	113,400.00	104,434.82	8,965.18	
Other Expenses	2,748,136.07	2,767,611.07	2,682,696.27	84,914.80	

BOROUGH OF BUTLER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Capital Improvements Excluded from "CAPS":					
Capital Improvement Fund	\$ 400,000.00	\$ 400,000.00	\$ 400,000.00		
Total Capital Improvements Excluded from "CAPS"	400,000.00	400,000.00	400,000.00		
Municipal Debt Service Excluded from "CAPS":					
Payment of Bond Principal	510,000.00	510,000.00	510,000.00		
Payment of Bond Anticipation Notes	200,000.00	200,000.00	200,000.00		
Interest on Bonds	90,588.00	90,588.00	90,587.50		\$ 0.50
Interest on Notes	6,283.00	6,283.00	6,264.70		18.30
Loan Repayments for Principal and Interest	11,548.00	11,548.00	11,547.30		0.70
Total Municipal Debt Service Excluded from "CAPS"	818,419.00	818,419.00	818,399.50		19.50
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	4,082,955.07	4,099,430.07	4,005,530.59	\$ 49,879.98	44,019.50
Subtotal General Appropriations	11,153,382.80	11,169,857.80	10,522,498.22	553,340.08	94,019.50
Reserve for Uncollected Taxes	425,000.00	425,000.00	425,000.00		
Total General Appropriations	<u>\$ 11,578,382.80</u>	<u>\$ 11,594,857.80</u>	<u>\$ 10,947,498.22</u>	<u>\$ 553,340.08</u>	<u>\$ 94,019.50</u>

A

BOROUGH OF BUTLER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

	<u>Ref.</u>	<u>Analysis of</u>	
		<u>Budget After Modification</u>	<u>Paid or Charged</u>
Adopted Budget		\$ 11,578,382.80	
Added by NJSA 40A:4-87		16,475.00	
		<u>\$ 11,594,857.80</u>	
Cash Disbursed			\$ 10,484,547.31
Due to Federal and State Grant Fund			97,311.30
Encumbrances	A		51,414.61
Reserve for Uncollected Taxes			425,000.00
			<u>11,058,273.22</u>
Less: Appropriation Refunds			<u>110,775.00</u>
			<u>\$ 10,947,498.22</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF BUTLER
COUNTY OF MORRIS
2016
TRUST FUNDS

BOROUGH OF BUTLER
TRUST FUNDS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	Ref.	2016	2015
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents	B-4	\$ 5,140.07	\$ 5,135.33
Change Fund		50.00	50.00
		<u>5,190.07</u>	<u>5,185.33</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-4	844,257.05	1,028,644.98
Due from State of New Jersey		8,591.59	
		<u>852,848.64</u>	<u>1,028,644.98</u>
Assessment Trust Fund:			
Assessment Receivable	B-6	1,882.26	5,130.91
Due from Current Fund	A	455,458.83	452,210.18
Amount to be Raised by Taxation-			
Funded by Assessment Bonds	B-7	13,982.00	13,982.00
		<u>471,323.09</u>	<u>471,323.09</u>
<u>TOTAL ASSETS</u>		<u>\$ 1,329,361.80</u>	<u>\$ 1,505,153.40</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Animal Control Fund:			
Reserve for Animal Control Expenditures	B-11	\$ 5,187.47	\$ 5,183.93
Due to State of NJ		2.60	1.40
		<u>5,190.07</u>	<u>5,185.33</u>
Other Trust Funds:			
Due to Current Fund	A	2,850.74	2,015.63
Reserve for:			
Hospitalization Claims		1,016.75	1,012.13
Special Deposits		655,197.74	697,120.31
Recreation		71,854.07	117,971.28
Parking Offense Adjudication Fees		319.20	191.20
Tax Sale Premiums		94,200.00	188,900.00
State Unemployment Insurance Fund		18,362.64	18,087.43
Public Defender		9,047.50	3,347.00
		<u>852,848.64</u>	<u>1,028,644.98</u>
Assessment Trust Fund:			
Due to General Capital Fund	C	451,339.09	451,339.09
Fund Balance	B-1	19,984.00	19,984.00
		<u>471,323.09</u>	<u>471,323.09</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 1,329,361.80</u>	<u>\$ 1,505,153.40</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF BUTLER
ASSESSMENT TRUST FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	
Balance December 31, 2015	B	<u>\$ 19,984.00</u>
Balance December 31, 2016	B	<u><u>\$ 19,984.00</u></u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF BUTLER
ASSESSMENT TRUST FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

ASSESSMENT TRUST FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF BUTLER
COUNTY OF MORRIS
2016
GENERAL CAPITAL FUND

BOROUGH OF BUTLER
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 1,222,305.13	\$ 1,076,436.91
Due From:			
Assessment Trust Fund	B	451,339.09	451,339.09
NJ Department of Transportation Grant Receivable		280,000.00	235,175.72
Community Development Block Grant Receivable			58,687.20
Developer Contribution Receivable		27,227.00	27,227.00
Deferred Charges to Future Taxation:			
Funded		3,831,376.33	4,352,528.54
Unfunded	C-4	1,365,350.00	1,013,250.00
<u>TOTAL ASSETS</u>		<u>\$ 7,177,597.55</u>	<u>\$ 7,214,644.46</u>

LIABILITIES, RESERVES AND FUND BALANCE

Serial Bonds Payable	C-9	\$ 3,820,000.00	\$ 4,330,000.00
Bond Anticipation Notes Payable	C-8	1,365,350.00	1,013,250.00
Green Trust Loan Payable	C-10	11,376.33	22,528.54
Improvement Authorizations:			
Funded	C-6	255,255.03	281,445.52
Unfunded	C-6	449,538.56	99,267.05
Capital Improvement Fund	C-7	100,488.51	32,388.51
Reserve for:			
NJ Department of Transportation Grant Receivable		245,000.00	200,175.72
Sewer Improvements		570,000.00	820,000.00
Payment of Debt Service		171,780.48	201,780.48
Unappropriated Grant Funds			1,721.00
Fund Balance	C-1	188,808.64	212,087.64
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 7,177,597.55</u>	<u>\$ 7,214,644.46</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF BUTLER
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	
Balance December 31, 2015	C	\$ 212,087.64
Increased by:		
Unappropriated Grant Funds Cancelled		<div style="display: flex; justify-content: flex-end;"> <div style="text-align: right; margin-right: 10px;">1,721.00</div> <hr style="width: 100px;"/> </div>
		213,808.64
Decreased by:		
Utilized as Anticipated Revenue in the Current Fund		<div style="display: flex; justify-content: flex-end;"> <div style="text-align: right; margin-right: 10px;">25,000.00</div> <hr style="width: 100px;"/> </div>
Balance December 31, 2016	C	<div style="display: flex; justify-content: flex-end;"> <div style="text-align: right; margin-right: 10px;">\$ 188,808.64</div> <hr style="width: 100px; border-top: 3px double black;"/> </div>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
 ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF BUTLER
COUNTY OF MORRIS
2016
WATER UTILITY FUND

BOROUGH OF BUTLER
WATER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	D-4	\$ 432,622.25	\$ 436,338.09
Receivables and Inventory with Full Reserves:			
Consumer Accounts Receivable	D-6	38,673.77	34,896.58
Inventory	D-6b	45,658.27	49,054.60
Total Receivables and Inventory with Full Reserves		84,332.04	83,951.18
Total Operating Fund		516,954.29	520,289.27
Capital Fund:			
Cash and Cash Equivalents	D-4	288,979.77	329,498.65
Community Development Block Grant Receivable		2,990.17	2,990.17
Fixed Capital	D-7	15,046,919.31	14,540,008.31
Fixed Capital Authorized and Uncompleted	D-8	753,000.00	1,042,000.00
Total Capital Fund		16,091,889.25	15,914,497.13
<u>TOTAL ASSETS</u>		<u>\$ 16,608,843.54</u>	<u>\$ 16,434,786.40</u>

BOROUGH OF BUTLER
WATER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(Continued)

		December 31,	
	Ref.	2016	2015
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Liabilities:			
Appropriation Reserves:			
Encumbered	D-3;D-9	\$ 7,092.15	\$ 10,156.24
Unencumbered	D-3;D-9	89,664.48	120,357.03
		<u>96,756.63</u>	<u>130,513.27</u>
Accrued Interest on Bonds, Loans and Notes		8,043.84	7,294.24
Water Rent Overpayments		5,346.13	5,231.06
Reserve for Meter Deposits		<u>75,234.32</u>	<u>75,988.36</u>
		185,380.92	219,026.93
Reserve for Receivables and Inventory	D	84,332.04	83,951.18
Fund Balance	D-1	<u>247,241.33</u>	<u>217,311.16</u>
Total Operating Fund		<u>516,954.29</u>	<u>520,289.27</u>
Capital Fund:			
Bond Anticipation Notes Payable	D-13	1,329,000.00	1,215,000.00
Serial Bonds Payable	D-14	1,278,000.00	1,363,000.00
Dam Restoration and Inland Water Project			
Loan Payable	D-15	292,329.29	361,847.41
Improvement Authorizations:			
Funded	D-10	28,217.17	26,616.51
Unfunded	D-10	237,971.42	289,090.96
Capital Improvement Fund	D-11	24,730.51	5,730.51
Reserve for:			
Amortization		12,745,366.02	12,422,936.90
Deferred Amortization	D-12	155,224.00	219,224.00
Fund Balance	D-1a	<u>1,050.84</u>	<u>11,050.84</u>
Total Capital Fund		<u>16,091,889.25</u>	<u>15,914,497.13</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 16,608,843.54</u>	<u>\$ 16,434,786.40</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF BUTLER
WATER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE - REGULATORY BASIS

		Year Ended December 31,	
	<u>Ref.</u>	2016	2015
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 211,517.00	\$ 173,477.90
Rents		1,853,798.31	1,839,903.12
Miscellaneous Revenue		14,211.49	13,684.99
Fire Hydrant Service		21,000.00	21,000.00
Capital Fund Balance		10,000.00	30,000.00
Reserve to Pay Debt Service			26,132.00
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		35,563.24	4,926.17
Total Income		2,146,090.04	2,109,124.18
<u>Expenditures</u>			
Budget Expenditures:			
Operating		1,530,907.00	1,558,592.80
Capital Improvements		40,000.00	25,000.00
Debt Service		205,685.87	192,055.49
Deferred Charges and Statutory Expenditures		128,050.00	117,624.10
Total Expenditures		1,904,642.87	1,893,272.39
Excess in Revenue		241,447.17	215,851.79
<u>Fund Balance</u>			
Balance January 1		217,311.16	174,937.27
		458,758.33	390,789.06
Decreased by:			
Utilized as Anticipated Revenue		211,517.00	173,477.90
Balance December 31	D	\$ 247,241.33	\$ 217,311.16

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF BUTLER
WATER UTILITY CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

Balance December 31, 2015	<u>Ref.</u> D	\$ 11,050.84
Decreased by:		
Utilized as Anticipated Revenue in the Water Utility Operating Fund		<u>10,000.00</u>
Balance December 31, 2016	D	<u>\$ 1,050.84</u>

WATER UTILITY OPERATING FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Operating Fund Balance Anticipated	\$ 211,517.00	\$ 211,517.00	
Water Rents	1,790,000.00	1,853,798.31	\$ 63,798.31
Miscellaneous Revenue	4,675.00	14,211.49	9,536.49
Fire Hydrant Service	21,000.00	21,000.00	
Capital Fund Balance	10,000.00	10,000.00	
	<u>\$ 2,037,192.00</u>	<u>\$ 2,110,526.80</u>	<u>\$ 73,334.80</u>

Analysis of Water Rents

Collections - Rents	\$ 1,848,567.25
Overpayments Applied	<u>5,231.06</u>
	<u>\$ 1,853,798.31</u>

Analysis of Miscellaneous Revenue

Interest on Investments:	
Water Utility Operating Fund	\$ 688.78
Water Utility Capital Fund	694.93
Interest on Water Rents	3,648.13
Water Connection Fees	3,000.00
Other Miscellaneous Revenue	6,179.65
	<u>\$ 14,211.49</u>

BOROUGH OF BUTLER
WATER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	Appropriations		Expended by		Unexpended Balance Cancelled
	Budget	Budget After Modi- fication	Paid or Charged	Reserved	
Operating:					
Administration:					
Salaries and Wages	\$ 196,725.00	\$ 196,725.00	\$ 186,659.72	\$ 65.28	\$ 10,000.00
Other Expenses	309,350.00	299,350.00	214,031.48	45,318.52	40,000.00
Operations:					
Salaries and Wages	472,500.00	472,500.00	392,697.95	4,802.05	75,000.00
Other Expenses	201,500.00	201,500.00	174,164.16	27,335.84	
Dispatching:					
Salaries and Wages	131,067.00	131,067.00	122,073.52	3,993.48	5,000.00
Other Expenses	500.00	500.00		500.00	
Buildings and Grounds:					
Salaries and Wages	1,000.00	1,000.00		1,000.00	
Other Expenses	3,500.00	3,500.00	27.98	3,472.02	
Group Health Insurance	241,000.00	247,000.00	245,159.36	1,840.64	
MELJIF Liability	57,340.00	57,340.00	57,337.32	2.68	
MELJIF Worker's Compensation	50,425.00	50,425.00	50,414.06	10.94	
Capital Improvements:					
Capital Improvement Fund	40,000.00	40,000.00	40,000.00		
Debt Service:					
Payment of Bond Principal	85,000.00	85,000.00	85,000.00		
Payment of Bond Anticipation Notes	6,000.00	6,000.00	6,000.00		
Interest on Bonds	30,717.00	30,717.00	29,891.56		825.44
Interest on Notes	10,375.00	10,375.00	8,651.60		1,723.40
Dam Restoration Loan - Principal and Interest	76,143.00	76,143.00	76,142.71		0.29
Deferred Charges and Statutory Expenditures:					
Contribution to:					
Public Employees' Retirement System	71,750.00	71,750.00	71,748.00	2.00	
Social Security System (O.A.S.I.)	51,500.00	55,500.00	54,720.22	779.78	
Unemployment Compensation Insurance	300.00	300.00	258.75	41.25	
Disability Insurance	500.00	500.00		500.00	
	<u>\$ 2,037,192.00</u>	<u>\$ 2,037,192.00</u>	<u>\$ 1,814,978.39</u>	<u>\$ 89,664.48</u>	<u>\$ 132,549.13</u>

Ref.

D

BOROUGH OF BUTLER
WATER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

	<u>Ref.</u>	<u>Analysis of</u>	
		<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>
Adopted Budget		<u>\$ 2,037,192.00</u>	
Cash Disbursed			\$ 1,762,718.49
Encumbrances Payable	D		7,092.15
Accrued Interest on Bonds, Loan and Notes			<u>45,167.75</u>
			<u>\$ 1,814,978.39</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF BUTLER
COUNTY OF MORRIS
2016
ELECTRIC UTILITY FUND

BOROUGH OF BUTLER
ELECTRIC UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	E-5	\$ 5,651,878.14	\$ 6,648,305.53
Petty Cash Fund		50.00	50.00
		<u>5,651,928.14</u>	<u>6,648,355.53</u>
Prepaid Sales Tax Payable		11,924.00	
		<u>5,663,852.14</u>	<u>6,648,355.53</u>
Receivables and Inventory With Full Reserves:			
Consumer Accounts Receivable	E-8	786,678.35	831,574.15
Public Power Association Receivable		42,067.76	42,067.76
Inventory	E-8a	<u>1,310,857.65</u>	<u>1,247,609.71</u>
Total Receivables and Inventory with Full Reserves		<u>2,139,603.76</u>	<u>2,121,251.62</u>
Total Operating Fund		<u>7,803,455.90</u>	<u>8,769,607.15</u>
Capital Fund:			
Cash and Cash Equivalents	E-5	679,078.15	573,959.58
Fixed Capital	E-9	19,577,272.73	19,466,272.73
Fixed Capital Authorized and Uncompleted	E-10	<u>3,793,000.00</u>	<u>3,389,000.00</u>
Total Capital Fund		<u>24,049,350.88</u>	<u>23,429,232.31</u>
TOTAL ASSETS		<u>\$ 31,852,806.78</u>	<u>\$ 32,198,839.46</u>

BOROUGH OF BUTLER
ELECTRIC UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(Continued)

		December 31	
	Ref.	2016	2015
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves:			
Encumbered	E-4;E-11	\$ 136,151.58	\$ 102,707.07
Unencumbered	E-4;E-11	467,578.44	1,656,881.91
		<u>603,730.02</u>	<u>1,759,588.98</u>
Accounts Payable - Vendors		849,269.22	984,977.54
Accrued Interest on Bonds and Notes		41,396.51	45,538.32
Sales Tax Payable			20,772.00
Electric Rent Overpayments		116,489.90	93,890.17
Reserve for Meter Deposits		531,061.95	525,220.92
		<u>2,141,947.60</u>	<u>3,429,987.93</u>
Reserve for Receivables and Inventory	E	2,139,603.76	2,121,251.62
Fund Balance	E-1	<u>3,521,904.54</u>	<u>3,218,367.60</u>
Total Operating Fund		<u>7,803,455.90</u>	<u>8,769,607.15</u>
Capital Fund:			
Bond Anticipation Notes Payable	E-16	1,035,000.00	820,000.00
Serial Bonds Payable	E-17	5,351,000.00	5,946,000.00
Improvement Authorizations:			
Funded	E-12	111,462.43	113,473.89
Unfunded	E-12	511,246.55	389,116.52
Capital Improvement Fund	E-13	8,157.79	23,157.79
Reserve for:			
Debt Service		2,541.05	2,541.05
Amortization		16,194,452.73	15,536,952.73
Deferred Amortization	E-14	759,000.00	521,500.00
Fund Balance	E-2	<u>76,490.33</u>	<u>76,490.33</u>
Total Capital Fund		<u>24,049,350.88</u>	<u>23,429,232.31</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE			
		<u>\$ 31,852,806.78</u>	<u>\$ 32,198,839.46</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF BUTLER
ELECTRIC UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN
OPERATING FUND BALANCE - REGULATORY BASIS

		Year Ended December 31	
	Ref.	2016	2015
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 662,291.00	\$ 500,000.00
LEAC Revenue		12,210,316.42	15,469,226.34
Base Rate Revenue		6,704,659.06	6,877,364.15
Miscellaneous Revenue		155,935.75	179,268.92
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		1,597,988.78	1,047,117.22
Total Income		21,331,191.01	24,072,976.63
<u>Expenditures</u>			
Operating		18,449,585.00	20,202,208.62
Capital Improvements		200,000.00	100,000.00
Debt Service		853,933.07	811,460.37
Deferred Charges and Statutory Expenditures		493,845.00	468,300.00
Total Expenditures		19,997,363.07	21,581,968.99
Excess in Revenue		1,333,827.94	2,491,007.64
<u>Fund Balance</u>			
Balance January 1		3,218,367.60	1,595,359.96
		4,552,195.54	4,086,367.60
Decreased by:			
Utilization as Anticipated Revenue		662,291.00	500,000.00
Prior Year Fund Balance Appropriated as Revenue -			
Current Fund		368,000.00	368,000.00
Balance December 31	E	\$ 3,521,904.54	\$ 3,218,367.60

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF BUTLER
ELECTRIC UTILITY CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	
Balance December 31, 2015	E	\$ 76,490.33
Balance December 31, 2016	E	\$ 76,490.33

ELECTRIC UTILITY OPERATING FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Operating Fund Balance Anticipated	\$ 662,291.00	\$ 662,291.00	
LEAC Revenues	13,337,709.00	12,210,316.42	\$ 1,127,392.58 *
Base Rate Revenues	6,872,812.00	6,704,659.06	168,152.94 *
Miscellaneous Revenue	100,000.00	155,935.75	55,935.75
	<u>\$ 20,972,812.00</u>	<u>\$ 19,733,202.23</u>	<u>\$ 1,239,609.77 *</u>

Analysis of Realized Miscellaneous Revenue

Miscellaneous Revenue:

Interest on Electric Rents	\$ 27,736.04	
Meter/Pole Installation	15,299.65	
Electric Search Fees	4,866.00	
Underground Service	11,553.96	
Temporary Service	168.00	
Miscellaneous Reimbursements	19,150.50	
		\$ 78,774.15
Interest Earned		10,410.03
		89,184.18
Interest Earned - Electric Utility Capital Fund		1,216.87
Flood Lighting		36,059.70
State Aid "Lifeline"		29,475.00
		<u>\$ 155,935.75</u>

BOROUGH OF BUTLER
ELECTRIC UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	Appropriations		Expended by		Unexpended Balance Cancelled
	Budget	Budget After Modi- fication	Paid or Charged	Reserved	
Operating:					
Administration:					
Salaries and Wages	\$ 397,155.00	\$ 397,155.00	\$ 383,855.26	\$ 13,299.74	
Other Expenses	568,100.00	562,950.00	409,064.54	103,885.46	\$ 50,000.00
Operations:					
Salaries and Wages	2,235,290.00	2,235,290.00	1,937,300.03	147,989.97	150,000.00
Other Expenses	623,000.00	623,000.00	480,755.01	142,244.99	
Other Expenses - Purchase Power	14,000,000.00	14,000,000.00	13,251,751.10	248.90	748,000.00
Dispatching:					
Salaries and Wages	310,015.00	310,015.00	284,837.39	25,177.61	
Other Expenses	1,000.00	1,000.00		1,000.00	
Night Out:					
Other Expenses	7,500.00	7,500.00	6,611.90	888.10	
Buildings and Grounds:					
Salaries and Wages	86,210.00	86,260.00	86,252.62	7.38	
Other Expenses	7,000.00	7,000.00	854.02	6,145.98	
Group Insurance for Employees	1,015,000.00	1,015,000.00	978,356.52	11,643.48	25,000.00
MELJIF Liability	91,750.00	96,750.00	96,749.80	0.20	
MELJIF Worker's Compensation	80,665.00	80,665.00	80,662.51	2.49	
Capital Improvements:					
Capital Improvement Fund	200,000.00	200,000.00	200,000.00		
Debt Service:					
Payment of Bond Principal	595,000.00	595,000.00	595,000.00		
Payment of Bond Anticipation Notes	85,000.00	85,000.00	85,000.00		
Interest on Bonds	167,752.00	167,752.00	167,751.35		0.65
Interest on Notes	8,630.00	8,630.00	6,181.72		2,448.28
Statutory Expenditures:					
Contribution to:					
Public Employees' Retirement System	286,995.00	286,995.00	286,992.00	3.00	
Social Security System (O.A.S.I.)	205,000.00	205,000.00	191,032.61	13,967.39	
Unemployment Compensation Insurance	750.00	850.00	776.25	73.75	
Disability (N.J.S.A. 43:21-3 et.seq.)	1,000.00	1,000.00		1,000.00	
	<u>\$ 20,972,812.00</u>	<u>\$ 20,972,812.00</u>	<u>\$ 19,529,784.63</u>	<u>\$ 467,578.44</u>	<u>\$ 975,448.93</u>

Ref.

E

BOROUGH OF BUTLER
ELECTRIC UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

	<u>Ref.</u>	<u>Analysis of</u>	
		<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>
Adopted Budget		<u>\$ 20,972,812.00</u>	
Cash Disbursed			\$ 18,370,430.76
Encumbered	E		136,151.58
Accounts Payable			849,269.22
Accrued Interest on Bonds and Notes			<u>173,933.07</u>
			<u>\$ 19,529,784.63</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF BUTLER
COUNTY OF MORRIS
2016
PUBLIC ASSISTANCE FUND

BOROUGH OF BUTLER
PUBLIC ASSISTANCE FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	F-1	\$ 7,749.75	\$ 7,724.48
<u>TOTAL ASSETS</u>		<u>\$ 7,749.75</u>	<u>\$ 7,724.48</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Reserve for Public Assistance		\$ 7,749.75	\$ 7,724.48
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 7,749.75</u>	<u>\$ 7,724.48</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
 ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF BUTLER
COUNTY OF MORRIS
2016

GENERAL FIXED ASSETS ACCOUNT GROUP

BOROUGH OF BUTLER
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE STATEMENT OF GENERAL FIXED ASSETS - REGULATORY BASIS

	December 31,	
	2016	2015
<u>ASSETS</u>		
Land	\$ 2,814,937.00	\$ 2,814,937.00
Buildings	2,818,103.00	2,789,594.00
Furniture and Equipment	1,072,059.00	3,210,747.00
Vehicles	6,428,349.00	6,087,874.00
<u>TOTAL ASSETS</u>	<u>\$ 13,133,448.00</u>	<u>\$ 14,903,152.00</u>
 <u>RESERVE</u>		
Reserve for Fixed Assets	<u>\$ 13,133,448.00</u>	<u>\$ 14,903,152.00</u>
 <u>TOTAL RESERVE</u>	<u>\$ 13,133,448.00</u>	<u>\$ 14,903,152.00</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
 ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF BUTLER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Except as noted below, the financial statements of the Borough of Butler include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Butler, as required by N.J.S. 40A:5-5. Accordingly, the financial statements of the Borough of Butler do not include the operations of the Municipal Library or Volunteer Fire and First Aid Organizations.

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of GASB Codification Section 2100 were not followed and, accordingly, the reporting entity could be different from accounting principles generally accepted in the United States of America.

B. Description of Funds

The accounting policies of the Borough of Butler conform to the accounting practices applicable to municipalities which have been prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Such practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough of Butler accounts for its financial transactions through the following separate funds:

Current Fund - Resources and expenditures for governmental operations of a general nature, including federal and state grant funds.

Trust Fund - Receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

BOROUGH OF BUTLER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

B. Description of Funds (Cont'd)

Assessment Trust Fund- Resources and expenditures for the payment of Assessment Trust Fund Debt.

General Capital Fund - Receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund.

Water Utility Operating and Capital Funds – Account for the operations and acquisition of capital facilities of the municipally owned Water Utility.

Electric Utility Operating and Capital Funds – Account for the operations and acquisition of capital facilities of the municipally owned Electric Utility.

Public Assistance Fund - Receipt and disbursement of funds that provide assistance to certain residents of the municipality pursuant to Title 44 of New Jersey Statutes. The operations of the State funded General Assistance Program were transferred to the County of Morris in a prior year.

General Fixed Assets Account Group – Estimated values of land, buildings and certain fixed assets of the Borough as discussed in Note 1E.

C. Basis of Accounting

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The more significant accounting policies in New Jersey follow.

Revenue is recorded when received in cash except for certain amounts which may be due from the State of New Jersey and for the prepayment of future years' revenue. Grant revenue is realized in the operating funds when it is budgeted and in the capital funds when improvements are authorized. The amounts recorded as property taxes and consumer accounts receivable have not been included in revenue. Other amounts that are due to the municipality, which are susceptible of accrual, are recorded as receivables with offsetting reserves in the Current Fund.

Expenditures are generally charged to operations based on budgeted amounts. Exceptions to this general rule include:

1. Accumulated unpaid vacation, sick pay and other employee amounts are not accrued.
2. Prepaid expenses, such as insurance premiums applicable to subsequent periods, are charged to current budget appropriations in total.
3. Principal and interest on long-term debt are recognized when due.

BOROUGH OF BUTLER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

C. Basis of Accounting (Cont'd)

Expenditures, if any, in excess of appropriations, appropriation reserves or ordinances become deferred charges which must be raised by future taxes. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the statutory appropriation reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31 of each year and recorded as liabilities, except for amounts which may be cancelled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

Had the Borough's financial statements been prepared under accounting principles generally accepted in the United States of America, encumbrances would not be considered as expenditures; appropriation reserves would not be recorded; revenue susceptible to accrual would have been reflected without offsetting reserves; Federal and State grants and assistance would be recognized when earned, not when awarded; inventories would not be reflected as expenditures at the time of purchase, investments would generally be stated at fair value and fixed assets purchased by the Utility Capital Funds would be depreciated and the Borough's net pension liability and related deferred inflows and outflows would be recorded.

The cash basis of accounting is followed in the Trust and Capital Funds.

- D. Deferred Charges to Future Taxation – The General Capital Fund balance sheet includes both funded and unfunded deferred charges. Funded means that bonds have been issued and are being paid off on a serial basis. Unfunded means that debt has been authorized but not permanently financed. A municipality can eliminate an unfunded deferred charge by raising it in the budget, by collecting a grant, by selling bonds, by issuing loans or through capital lease purchase agreements.

- E. Other significant accounting policies include:

Management Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Amounts include petty cash, change funds, amounts on deposit, and short-term investments with original maturities of three months or less.

Investments – Investments are stated at cost, which approximates market.

Grants Receivable – Grants receivable represent total grant awards less amounts collected to date. Because the amount of grants funds to be collected are dependent on the total costs eligible for reimbursement, the actual amount collected may be less than the total amount awarded.

Allowance for Uncollectible Accounts – No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Compensated Absences – Expenditures relating to unused vested accumulated vacation and sick pay are not recorded until paid.

BOROUGH OF BUTLER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

E. Other significant accounting policies include: (Cont'd)

Foreclosed Property - Foreclosed Property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

Inventories of Supplies - The cost of inventories of supplies for all funds, except the Electric and Water Utilities, is recorded as an expenditure at the time individual items are purchased. The cost of the Electric Utility Operating and Water Utility Funds inventory is included on these Funds balance sheets and are offset by a reserve.

General Fixed Assets Account Group - In accordance with N.J.A.C. accounting requirements, the Borough has developed a fixed assets accounting and reporting system based on the following:

General fixed assets are recorded at cost except for land, which is recorded at estimated historical cost. Infrastructure assets are not included in general fixed assets, as per state directive. Major renewals and betterments are charged to the asset accounts; maintenance and minor repairs and replacements, which do not improve or extend the lives of the respective assets, are expensed currently. Donated fixed assets are valued at their fair market value on the date donated. No depreciation has been provided on general fixed assets. The total value recorded for general fixed assets is offset by a "Reserve for Fixed Assets". When properties are retired or otherwise disposed of, the asset and the reserve are adjusted accordingly. Assets recorded in the General Fixed Assets Account Group may also be recorded in the Current Fund, the General Capital Fund and the Utility Funds. The values recorded in the General Fixed Assets Account Group and the Current, General Capital and Utility Funds may not always agree due to differences in valuation methods, timing of recognition of assets and the recognition of infrastructures. Fixed assets are reviewed for impairment.

Property and equipment purchased by the Water and Electric Utility Funds are recorded in their respective capital accounts at cost. The amounts shown do not purport to represent replacement costs or current value. Contributions in aid of construction are not capitalized. The balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital funds represent charges to operations for the costs of acquisitions of property, equipment and improvements. The utilities do not record depreciation on fixed assets.

BOROUGH OF BUTLER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

- F. Budget/Budgetary Control – Annual appropriated budgets are usually prepared in the first quarter for the Current and Water and Electric Utility Operating Funds. The budgets are submitted to the governing body and the Division of Local Government Services. Budgets are prepared using the cash basis of accounting. The legal level of budgetary control is established at the line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the flexible chart of accounts referenced in N.J.S.A. 40A. All budget amendments/transfers must be approved by the Borough during the year.

Note 2: Long-Term Debt

The Local Bond Law governs the issuance of bond to finance general Borough capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. All bonds issued by the Borough are general obligation bonds. The Borough's full faith and credit and taxing power has been pledged to the payment of the general obligation debt principal and interest.

Summary of Municipal Debt

	December 31,		
	2016	2015	2014
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 5,196,726	\$ 5,365,779	\$ 5,556,711
Water Utility:			
Bonds, Loans and Notes	2,899,329	2,939,848	2,637,996
Electric Utility:			
Bonds and Notes	6,386,000	6,766,000	7,211,000
Total Issued	<u>14,482,055</u>	<u>15,071,627</u>	<u>15,405,707</u>
Less:			
Funds Temporarily Held			
to Pay Bonds and Notes:			
General	171,780	203,501	123,501
Water Utility			26,132
Electric Utility	2,541	2,541	2,541
Total Deductions	<u>174,321</u>	<u>206,042</u>	<u>152,174</u>
Net Debt Issued	<u>14,307,734</u>	<u>14,865,585</u>	<u>15,253,533</u>

BOROUGH OF BUTLER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 2: Long-Term Debt (Cont'd)

Summary of Municipal Debt (Cont'd)

	December 31,		
	2016	2015	2014
<u>Authorized but not Issued:</u>			
General:			
Bonds, Loans and Notes			\$ 40,000
Electric Utility:			
Bonds and Notes	\$ 30,820	\$ 30,820	30,820
Total Authorized but not Issued	30,820	30,820	70,820
 Net Bonds and Notes Issued and Authorized but not Issued	 \$ 14,338,554	 \$ 14,896,405	 \$ 15,324,353

Summary of Municipal Debt Issued and Outstanding – Prior Year

	Balance 12/31/14	Additions	Retirements	Balance 12/31/15
Serial Bonds:				
General Capital Fund	\$ 4,830,000		\$ 500,000	\$ 4,330,000
Water Utility Capital Fund	1,443,000		80,000	1,363,000
Electric Utility Capital Fund	6,521,000		575,000	5,946,000
Bond Anticipation Notes:				
General Capital Fund	693,250	\$ 1,013,250	693,250	1,013,250
Water Utility Capital Fund	765,000	1,215,000	765,000	1,215,000
Electric Utility Capital Fund	690,000	820,000	690,000	820,000
Loans Payable:				
General Capital Fund:				
Green Trust Loans	33,461		10,932	22,529
Water Utility Capital Fund:				
Dam Restoration Loan	429,996		68,148	361,848
 Total	 \$ 15,405,707	 \$ 3,048,250	 \$ 3,382,330	 \$ 15,071,627

BOROUGH OF BUTLER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 2: Long-Term Debt (Cont'd)

Summary of Municipal Debt Issued and Outstanding – Current Year

	Balance 12/31/15	Additions	Retirements	Balance 12/31/16
Serial Bonds:				
General Capital Fund	\$ 4,330,000		\$ 510,000	\$ 3,820,000
Water Utility Capital Fund	1,363,000		85,000	1,278,000
Electric Utility Capital Fund	5,946,000		595,000	5,351,000
Bond Anticipation Notes:				
General Capital Fund	1,013,250	\$ 1,365,350	1,013,250	1,365,350
Water Utility Capital Fund	1,215,000	1,329,000	1,215,000	1,329,000
Electric Utility Capital Fund	820,000	1,035,000	820,000	1,035,000
Loans Payable:				
General Capital Fund:				
Green Trust Loans	22,529		11,153	11,376
Water Utility Capital Fund:				
Dam Restoration Loan	361,848		69,519	292,329
Total	<u>\$ 15,071,627</u>	<u>\$ 3,729,350</u>	<u>\$ 4,318,922</u>	<u>\$ 14,482,055</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition, which follows, is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .65%.

	Gross Debt	Deductions	Net Debt
Local School District Debt	\$ 4,351,000	\$ 4,351,000	
Water Utility Debt	2,899,329	2,899,329	
Electric Utility Debt	6,416,820	5,133,603	\$ 1,283,217
General Debt	5,196,726	171,780	5,024,946
	<u>\$ 18,863,875</u>	<u>\$ 12,555,712</u>	<u>\$ 6,308,163</u>

Net Debt: \$6,308,163 divided by Equalized Valuation basis per N.J.S. 40A:2-2, as amended, of \$967,202,240 = .65%.

Borrowing Power Under N.J.S. 40A:2-6 As Amended

3-1/2% Average Equalized Valuation of Real Property	\$ 33,852,078
Net Debt	<u>6,308,163</u>
Remaining Borrowing Power	<u>\$ 27,543,915</u>

BOROUGH OF BUTLER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 2: Long-Term Debt (Cont'd)

Calculation of "Self-Liquidating Purpose", Water Utility Per N.J.S.40A:2-45

Cash Receipts from Fees, Rents or Other Charges for Year	\$ 2,110,527
Deductions:	
Operating and Maintenance Cost	\$ 1,658,957
Debt Service	<u>205,686</u>
	<u>1,864,643</u>
Excess in Revenue	<u><u>\$ 245,884</u></u>

Calculation of "Self-Liquidating Purpose", Electric Utility Per N.J.S.40A:2-45

Cash Receipts from Fees, Rents or Other Charges for Year	\$ 19,733,202
Deductions:	
Operating and Maintenance Cost	\$ 18,943,430
Debt Service	<u>853,933</u>
	<u>19,797,363</u>
Deficit in Revenue	<u><u>\$ (64,161)</u></u>

Note: If there is a deficit in revenue, then the utility debt is not deductible to the extent of 20 times such deficit amount.

Schedule of Annual Debt Service for the Next Five Years and Thereafter for
Bonded Debt and Loans Issued and Outstanding

Year Ended December 31,	General		Water Utility		Electric Utility		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 531,376	\$ 81,652	\$ 160,916	\$ 34,521	\$ 620,000	\$ 155,643	\$ 1,312,292	\$ 271,816
2018	550,000	71,200	167,341	31,821	645,000	136,692	1,362,341	239,713
2019	555,000	59,625	173,795	28,904	680,000	117,005	1,408,795	205,534
2020	565,000	47,000	175,277	25,671	705,000	96,080	1,445,277	168,751
2021	580,000	33,050	100,000	22,540	740,000	73,780	1,420,000	129,370
2022-2026	1,050,000	23,550	450,000	66,035	1,961,000	102,955	3,461,000	192,540
2027-2028			343,000	14,925			343,000	14,925
	<u>\$ 3,831,376</u>	<u>\$ 316,077</u>	<u>\$ 1,570,329</u>	<u>\$ 224,417</u>	<u>\$ 5,351,000</u>	<u>\$ 682,155</u>	<u>\$ 10,752,705</u>	<u>\$ 1,222,649</u>

The foregoing debt information is in agreement with the Annual Debt Statement filed by the Chief Financial Officer.

BOROUGH OF BUTLER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 2: Long-Term Debt (Cont'd)

Analysis of Debt Issued and Outstanding at December 31, 2016

General Capital Fund

Serial Bonds

<u>Purpose</u>	<u>Maturities of Bonds</u> <u>Outstanding Dec. 31, 2016</u>		<u>Interest</u>	<u>Balance</u>
	<u>Date</u>	<u>Amount</u>	<u>Rate</u>	<u>Dec. 31, 2016</u>
Refunding Bonds	09/01/2017	\$115,000	4.00%	
	09/01/2018	130,000	4.00%	
	09/01/2019	125,000	4.00%	
	09/01/2020	125,000	4.00%	
	09/01/2021	125,000	4.00%	
	09/01/2022	125,000	4.00%	\$ 745,000
General Bonds	11/15/2017	405,000	1.25%	
	11/15/2018	420,000	1.50%	
	11/15/2019	430,000	1.50%	
	11/15/2020	440,000	2.00%	
	11/15/2021	455,000	2.00%	
	11/15/2022	460,000	2.00%	
	11/15/2023	465,000	2.00%	3,075,000
				<u>\$ 3,820,000</u>

Loan Payable

<u>Purpose</u>	<u>Final Maturity Date of Green</u> <u>Trust Loan Payable</u>	<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
Development of Stoney Brook Park	12/21/2017	2.00%	<u>\$ 11,376</u>

Bond Anticipation Notes

<u>Purpose</u>	<u>Maturities of Notes</u> <u>Outstanding Dec. 31, 2016</u>		<u>Interest</u>	<u>Balance</u>
	<u>Date</u>	<u>Amount</u>	<u>Rate</u>	<u>Dec. 31, 2016</u>
Improvement to Various Roads in and by Butler Borough	9/15/2017	\$363,750	0.85%	\$ 363,750
Improvements of Roads	9/15/2017	60,000	0.85%	60,000
Acquisition of Leasehold Interest in the Butler High School	9/15/2017	99,500	0.85%	99,500
Purchase of a Dump Truck	9/15/2017	60,000	0.85%	60,000
Improvements to Various Roads	9/15/2017	230,000	0.85%	230,000
Improvements to Various Roads	9/15/2017	495,000	0.85%	495,000
Gifford Street Sidewalk Assessment	9/15/2017	57,100	0.85%	57,100
				<u>\$ 1,365,350</u>

BOROUGH OF BUTLER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 2: Long-Term Debt (Cont'd)

Analysis of Debt Issued and Outstanding at December 31, 2016

Water Utility Capital Fund

<u>Loan Payable</u>	Final Maturity Date of Dam Restoration and Inland Water Project Loan Payable	Interest Rate	Balance Dec. 31, 2016
<u>Purpose</u>			
Improvement of Water Supply and Distribution System	10/21/2020	2.00%	<u>\$ 292,329</u>

<u>Serial Bonds</u>	Maturities of Bonds Outstanding Dec. 31, 2016		Interest Rate	Balance Dec. 31, 2016
<u>Purpose</u>	<u>Date</u>	<u>Amount</u>		
General Bonds	11/15/2017	\$ 90,000	1.25%	
	11/15/2018	95,000	1.50%	
	11/15/2019	100,000	1.50%	
	11/15/2020	100,000	2.00%	
	11/15/2021	100,000	2.00%	
	11/15/2022	110,000	2.00%	
	11/15/2023	115,000	2.00%	
	11/15/2024	110,000	3.00%	
	11/15/2025	115,000	3.00%	
	11/15/2026	120,000	3.00%	
	11/15/2027	120,000	3.00%	
	11/15/2028	103,000	3.00%	<u>\$ 1,278,000</u>
				<u>\$ 1,278,000</u>

<u>Bond Anticipation Notes</u>	Maturities of Notes Outstanding Dec. 31, 2016		Interest Rate	Balance Dec. 31, 2016
<u>Purpose</u>	<u>Date</u>	<u>Amount</u>		
Improvement of Water System	9/15/2017	\$ 309,000	0.85%	\$ 309,000
Improvement of Water System	9/15/2017	450,000	0.85%	450,000
Water System Improvements	9/15/2017	450,000	0.85%	450,000
Water System Improvements	9/15/2017	120,000	0.85%	<u>120,000</u>
				<u>\$ 1,329,000</u>

BOROUGH OF BUTLER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 2: Long-Term Debt (Cont'd)

Analysis of Debt Issued and Outstanding at December 31, 2016

Electric Utility Capital Fund

Bond Anticipation Notes

<u>Purpose</u>	<u>Maturities of Notes</u>		<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
	<u>Outstanding Dec. 31, 2016</u>			
	<u>Date</u>	<u>Amount</u>		
Acquisition of New Vehicles	9/15/2017	\$ 165,000	0.85%	\$ 165,000
Improvement of the Electrical Supply and Distribution System	9/15/2017	205,000	0.85%	205,000
Acquisition of New Vehicles	9/15/2017	205,000	0.85%	205,000
Acquisition of New Vehicles	9/15/2017	160,000	0.85%	160,000
Electrical System Improvements	9/15/2017	300,000	0.85%	300,000
				<u>\$ 1,035,000</u>

Serial Bonds

<u>Purpose</u>	<u>Maturities of Bonds</u>		<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
	<u>Outstanding Dec. 31, 2016</u>			
	<u>Date</u>	<u>Amount</u>		
Refunding Bonds	9/1/2017	\$ 390,000	4.00%	
	9/1/2018	390,000	4.00%	
	9/1/2019	390,000	4.00%	
	9/1/2020	390,000	4.00%	
	9/1/2021	385,000	4.00%	
	9/1/2022	380,000	4.00%	\$ 2,325,000
General Bonds	11/15/2017	230,000	1.25%	
	11/15/2018	255,000	1.50%	
	11/15/2019	290,000	1.50%	
	11/15/2020	315,000	2.00%	
	11/15/2021	355,000	2.00%	
	11/15/2022	380,000	2.00%	
	11/15/2023	400,000	2.00%	
	11/15/2024	405,000	3.00%	
	11/15/2025	396,000	3.00%	3,026,000
				<u>\$ 5,351,000</u>
Total Debt Issued and Outstanding				<u>\$ 14,482,055</u>

BOROUGH OF BUTLER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 2: Long-Term Debt (Cont'd)

General Capital New Jersey Green Acres Trust Loans

The Borough entered into a loan agreement with the New Jersey Department of Environmental Protection under the Green Acres Trust Loan program. The loan was for the development of Stoney Brook Park project in the amount of \$150,000, which represents the loan proceeds drawn down and bearing 2% interest, was effective June 25, 1999 with principal and interest payments commencing June 21, 2003 and continuing on a semiannual basis through December 21, 2017.

The balance of the loan at December 31, 2016 was as follows:

Development of Stoney Brook Park	\$ 11,376
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Water Utility Capital Dam Restoration and Inland Water Project Loan

The Borough entered into a loan agreement with the New Jersey Department of Environmental Protection under the Dam Restoration program. The loan, which was obtained to fund the Kakeout Dam and Dike project in the amount of \$929,000, represents the loan proceeds drawn down and bearing 2% interest, was effective July 25, 2006 with principal and interest payments commencing on April 21, 2007 and continuing on a semiannual basis through October 21, 2020. The balance of the loan at December 31, 2016 was \$292,329.29.

Refunding Bonds:

On September 1, 2010, the Borough issued \$5,510,000 refunding bonds with interest rates ranging from 3.00% to 4.00% to refund \$5,585,000 of the \$8,885,000 General Improvement Bonds dated September 1, 2002 with an interest rates ranging from 4.00% to 4.625%. The refunding bonds will mature on September 1, 2011 through September 1, 2022 and constitute an advanced refunding. The refunding met the requirements of an in-substance debt defeasance.

As a result of the advance refunding, the Borough reduced its total debt service requirement by \$327,431 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$278,934.

Net Pension Liability

The Borough's share of the State of New Jersey Public Employees' Retirement System's (PERS) net pension liability was calculated to be \$17,464,087 at June 30, 2016. The Borough's share of the State of New Jersey Police Firemen's Retirement System's (PFRS) net pension liability was calculated to be \$9,895,724 at June 30, 2016. See Note 4 for further information on the PERS and PFRS.

Note 3: Fund Balances Appropriated

Fund balances at December 31, 2016, which were appropriated and included as anticipated revenue in their own respective funds in the adopted budget for the year ending December 31, 2017 are as follows:

Current Fund	\$ 865,000
Water Utility Operating Fund	234,722
Electric Utility Operating Fund	1,314,737

BOROUGH OF BUTLER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 4: Pension Plans

Borough employees participate in one of the two contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employee's Retirement System (PERS) or the State of New Jersey Police and Firemen's Retirement System (PFRS); or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

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

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

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009.

BOROUGH OF BUTLER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 4: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Contributions (Cont'd)

Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law.

This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Borough contributions to PERS amounted to \$478,320 for 2016.

The employee contribution rate was 7.06% effective July 1, 2015 and increased to 7.20% effective July 1, 2016. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities and Pension Expense

At June 30, 2016, the Borough's liability was \$17,464,087 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the Borough's proportion was 0.059%, which was an increase of 0.003% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Borough recognized actual pension expense in the amount of \$478,320.

Actuarial Assumptions

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

Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females.

BOROUGH OF BUTLER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 4: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Actuarial Assumptions (Cont'd)

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

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

Long Term Expected Rate of Return

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

BOROUGH OF BUTLER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 4: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex. U.S.	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

BOROUGH OF BUTLER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 4: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Sensitivity of the Borough's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Borough's proportionate share of the collective net pension liability as of June 30, 2016 calculated using the discount rate as disclosed below, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2016		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Borough's proportionate share of the Net Pension Liability	\$ 21,400,200	\$ 17,464,087	\$ 14,214,484

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Police and Firemen's Retirement System (PFRS)

Plan Description

The State of New Jersey, State of New Jersey Police and Firemen's Retirement System (PFRS), is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the PFRS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:16A. The PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after 4 years of service.

The following represents the membership tiers for PFRS:

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

BOROUGH OF BUTLER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 4: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Benefits Provided (Cont'd)

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

Contributions

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing members. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual amounts over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of the assets.

Special Funding Situation

Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specified financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer. The June 30, 2016 State special funding situation net pension liability amount is the accumulated difference between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The State special funding situation pension expense for the fiscal year ended June 30, 2016 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2016. The pension expense is deemed to be a State administrative expense due to the special funding situation.

BOROUGH OF BUTLER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 4: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Special Funding Situation (Cont'd)

Borough contributions to PFRS amounted to \$375,419 for the year ended December 31, 2016. During the fiscal year ended June 30, 2016, the State of New Jersey contributed \$31,841 to the PFRS for normal pension benefits on behalf of the Borough, which is less than the contractually required contribution of \$106,138.

The employee contributions for PFRS are 10.00% of employees' annual compensation, as defined.

Pension Liabilities and Pension Expense

At June 30, 2016, the Borough's liability for its proportionate share of the net pension liability was \$9,895,724. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the Borough's proportion was 0.052%, which was an increase of 0.006% from its proportion measured as of June 30, 2015.

Additionally, the State's proportionate share of the net pension liability attributable to the Borough is \$830,995 as of June 30, 2016. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The State's proportionate share of the net pension liability associated with the Borough was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the State's proportion was 0.052%, which was an increase of 0.006% from its proportion measured as of June 30, 2015 which is the same proportion as the Borough's.

Borough's Proportionate Share of the Net Pension Liability	\$ 9,895,724
State's Proportionate Share of the Net Pension Liability Associated with the Borough	<u>830,995</u>
Total Net Pension Liability	<u><u>\$ 10,726,719</u></u>

For the year ended December 31, 2016, the Borough recognized total pension expense of \$375,419.

Actuarial Assumptions

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

BOROUGH OF BUTLER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 4: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Actuarial Assumptions (Cont'd)

Inflation Rate	3.08%
Salary Increases:	
Through 2026	2.10% - 8.98% based on age
Thereafter	3.10% - 9.98% based on age
Investment Rate of Return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Pre-retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for female service retirements and beneficiaries are based on the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability retirement rates were based on the special mortality tables used for the period after disability retirement.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

Long Term Expected Rate of Return

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

BOROUGH OF BUTLER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 4: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex. U.S.	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate – PFRS

The discount rate used to measure the total pension liability was 5.55% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2050. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2050, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

BOROUGH OF BUTLER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 4: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Sensitivity of the Total Net Pension Liability (including the State's proportionate share of the net pension liability attributable to the Borough) to Changes in the Discount Rate

The following presents the total net pension liability (including the State's proportionate share of the net pension liability attributable to the Borough) as of June 30, 2016 calculated using the discount rate as disclosed above, as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2016		
	1% Decrease (4.55%)	Current Discount Rate (5.55%)	1% Increase (6.55%)
Borough's proportionate share of the NPL and the State's proportionate share of the Net Pension Liability associated with the Borough	\$ 13,831,318	\$ 10,726,719	\$ 8,195,106

Pension Plan Fiduciary Net Position - PFRS

Detailed information about the PFRS's fiduciary net position is available in the separately issued PFRS financial statements.

C. Defined Contribution Retirement Program (DCRP)

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

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

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the Borough recognized pension expense of \$818 for the year ended December 31, 2016. Employee contributions to DCRP amounted to \$5,064 for the year ended December 31, 2016.

BOROUGH OF BUTLER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 5: Local School District Taxes

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district.

The Borough of Butler has elected not to defer school taxes.

Note 6: Accrued Sick and Vacation Benefits

The Borough permits employees to accrue a limited amount of unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$410,092 at December 31, 2016. This amount is not reported either as expenditure or a liability. It is expected that the cost of such unpaid compensation would be included in the Borough's budget operating expenditures in the year in which it is used.

Note 7: Selected Tax Information

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1.

A ten-day grace period is usually granted before the taxes are considered delinquent and the imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the prior year may be placed in lien at a tax sale held after April 1 and through December 31. Unpaid Taxes of the current year may be placed in lien at a tax sale held after December 10.

Comparative Schedule of Tax Rate Information

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Tax Rate</u>	\$ 3.424	\$ 3.369	\$ 3.265
<u>Apportionment of Tax Rate</u>			
Municipal	0.944	0.934	0.914
County	0.326	0.341	0.329
Local School	2.154	2.094	2.022
<u>Assessed Valuations</u>			
2016	\$ 758,162,450		
2015		\$ 751,986,550	
2014			\$ 749,559,450

BOROUGH OF BUTLER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 7: Comparison of Tax Levies and Collection Currently (Cont'd)

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collections</u>
2016	\$ 25,991,487	\$ 25,706,893	98.90%
2015	25,503,376	25,175,521	98.71%
2014	24,556,598	24,319,451	99.03%

Selected Tax Information

Also, increases in future tax levies can also be warranted if revenue sources outside of those directly generated by the municipality, such as federal or state aid, should decline without corresponding decreases in budgeted expenditures.

Note 8: Cash and Cash Equivalents

Cash and cash equivalents include petty cash, change funds, amounts in deposits, money market accounts, and short-term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The Borough classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40 *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the Borough in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the Borough ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Borough limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed on the following two pages.

Custodial Credit Risk – The Borough's policy with respect to custodial credit risk requires that the Borough ensures that Borough funds are only deposited in financial institutions in which NJ municipalities are permitted to invest their funds

BOROUGH OF BUTLER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 8: Cash and Cash Equivalents (Cont'd)

Deposits:

New Jersey statutes require that municipalities deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Municipalities are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of collected public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5% of the average daily balance of public funds on deposit.

In addition to the above collateral requirement, if public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments

New Jersey statutes permit the Borough to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;

BOROUGH OF BUTLER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 8: Cash and Cash Equivalents (Cont'd)

Investments: (Cont'd)

- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of December 31, 2016, cash and cash equivalents of the Borough of Butler consisted of the following:

<u>Fund</u>	<u>Cash on Hand</u>	<u>Checking Accounts</u>	<u>NJ Cash Management</u>	<u>Total</u>
Current Fund	\$ 575	\$ 3,642,303	\$ 24,177	\$ 3,667,055
Animal Control Trust Fund	50	5,140		5,190
Other Trust Fund		832,634	11,623	844,257
General Capital Fund		1,220,817	1,488	1,222,305
Water Utility Operating Fund		417,963	14,659	432,622
Water Utility Capital Fund		286,245	2,735	288,980
Electric Utility Operating Fund	50	5,629,044	22,834	5,651,928
Electric Utility Capital Fund		674,306	4,772	679,078
Public Assistance Fund		7,750		7,750
	<u>\$ 675</u>	<u>\$ 12,716,202</u>	<u>\$ 82,288</u>	<u>\$ 12,799,165</u>

During the period ended December 31, 2016, the Borough did not hold any investments. The carrying amount of the Borough's cash and cash equivalents at December 31, 2016, was \$12,799,165 and the bank balance was \$12,673,188. The \$82,288 invested with the State of New Jersey Cash Management Fund is uninsured and unregistered.

Note 9: Risk Management

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Health benefits are provided to employees through the State of New Jersey health benefits plan.

BOROUGH OF BUTLER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 9: Risk Management (Cont'd)

The Borough of Butler is a member of the Morris County Municipal Joint Insurance Fund. This fund is both an insured and self-administered group of municipalities established for the purpose of providing low-cost insurance coverage for their members in order to keep local property taxes at a minimum.

The following coverages are offered by the fund to its members:

- a.) Workers' Compensation and Employers' Liability
- b.) Liability Other Than Motor Vehicles
- c.) Property Damage Other Than Motor Vehicles
- d.) Motor Vehicle
- e.) Public Officials' Liability/Employment Practices Coverage
- f.) Environmental Coverage

As a member of the Fund, the Borough could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities.

The fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. The members may either receive payment or offset their subsequent year assessments with their respective share of the distribution.

The December 31, 2016 audit report of the Morris County Municipal Joint Insurance Fund is not filed as of the date of this audit. Selected financial information for the Fund as of December 31, 2015 is as follows:

Total Assets	<u>\$ 24,775,454</u>
Net Position	<u>\$ 8,631,831</u>
Total Revenue	<u>\$ 17,370,144</u>
Total Expenses	<u>\$ 17,918,337</u>
Change in Net Position	<u>\$ (548,193)</u>
Members Dividends	<u>\$ -0-</u>

Financial statements for the fund are available at the Office of the Executive Director:

Morris County Municipal Joint Insurance Fund
PERMA Risk Management Services
9 Campus Drive, Suite 216
Parsippany, New Jersey 07054
(201) 881-7632

BOROUGH OF BUTLER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 9: Risk Management (Cont'd)

New Jersey Unemployment Compensation Insurance

The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Borough is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Borough is billed quarterly for amounts due to the State.

The following is a summary of Borough and employee contributions, interest earned and reimbursements to the State for benefits paid and the ending balance of the Borough's expendable trust fund for the current and previous two years:

Year	Borough/ Employee Contributions	Interest Earned	Amount Reimbursed	Ending Balance
2014	\$ 8,262	\$ 72	\$ 24,896	\$ 21,362
2015	7,627	19	10,921	18,087
2016	8,592	33	8,349	18,363

Note 10: Post-Retirement Medical Benefits

In addition to the pension benefits described in Note 4, the Borough provides other post-retirement benefits to certain Borough employees after retirement, substantially similar in nature to the health benefits provided to employees presently working.

The Borough contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq. to provide health benefits to State employees, retirees, and their dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP.

The Borough provides post-retirement benefits, as follows, to Borough employees, other than the Police, who meet the following criteria:

Upon retirement, full time employees with twenty-five (25) years in the State Pension Plan at age fifty-five (55) will receive full benefits, (i.e., Health Care, Major Medical, and Prescription plans) which will cover the retiring employee, their spouse and/or dependents.

The Police bargaining unit has negotiated the following benefits:

Police

Upon retirement, full time employees with twenty-five (25) years in the State Pension Plan will receive full benefits, (i.e., Health Care, Major Medical, prescription, dental, life insurance, vision and disability insurance plans) which will cover the retiring employee, their spouse and/or dependents.

BOROUGH OF BUTLER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 10: Post-Retirement Medical Benefits (Cont'd)

Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to:

State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295

Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Borough on a monthly basis.

The Borough's portion of post-retirement benefits is funded on a pay-as-you-go basis from the Current Fund operating budget. During 2016, the Borough had 50 employees who met eligibility requirements and recognized expenses of approximately \$915,385. In 2015, the Borough had 46 employees who met eligibility requirements and recognized expenses of approximately \$788,743.

Note 11: Deferred Compensation Plan

The Borough of Butler offers its employees a deferred compensation plan (the "Plan") created in accordance with Section 457 of the Internal Revenue Code. The Plan, which is administered by AXA Equitable, is available to all Borough employees and permits participants to defer a portion of their salary. The deferred compensation is not available to employees until termination, retirement, unforeseeable emergency, or upon death to their beneficiaries.

Note 12: Interfund Receivables and Payables

The following interfund balances remain on the balance sheets at December 31, 2016:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 2,851	\$ 567,076
Federal and State Grand Fund	111,617	
Other Trust Funds		2,851
Assessment Trust Fund	455,459	451,339
General Capital Fund	451,339	
	<u>\$ 1,021,266</u>	<u>\$ 1,021,266</u>

BOROUGH OF BUTLER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 12: Interfund Receivables and Payables (Cont'd)

The Borough utilizes the Current Fund as a clearing account for receipts and disbursements of the other funds. The Chief Financial Officer monitors all interfunds for these accounts and liquidates them on a monthly basis. The balances remaining at December 31, 2016, represent activity not liquidated by year end which will be subsequently liquidated in 2017.

Note 13: Commitments and Contingencies

The Borough is periodically involved in various lawsuits arising in the normal course of the Borough's operations including claims for property damage, personal injury and various contract disputes. The Borough vigorously contest these lawsuits and believes the ultimate resolution will not have a material adverse effect on the Borough's financial position and operations as of December 31, 2016.

Amounts received or receivable from grantors, principally the federal and state governments are subject to regulatory requirements and adjustments by the agencies. Any disallowed claims, including amounts previously recognized by the Borough as revenue would constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although Borough officials expect such amounts, if any, to be immaterial.

Note 14: Economic Dependency

The Borough receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Borough's programs and activities.

Note 15: Fixed Assets

The following is a summarization of the activity of the Borough of Butler's fixed assets for the year ended December 31, 2016:

	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Additions</u>	<u>Adjustments/ Deletions</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
Land	\$ 2,814,937			\$ 2,814,937
Building	2,789,594	\$ 28,509		2,818,103
Furniture and Equipment	3,210,747	69,976	\$ (2,208,664)	1,072,059
Vehicles	6,087,874	683,615	(343,140)	6,428,349
	<u>\$ 14,903,152</u>	<u>\$ 782,100</u>	<u>\$ (2,551,804)</u>	<u>\$ 13,133,448</u>

The adjustment to vehicles, furniture and equipment is due to a change in the threshold.

BOROUGH OF BUTLER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 16: Tax Abatements

During the year ended December 31, 2016, the Borough implemented Governmental Accounting Standards Board (GASB) Statement 77, *Tax Abatements*, which requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

As of December 31, 2016, the Borough provides a tax abatement to a nonprofit housing corporation for its senior citizen housing development in the Borough pursuant to the authority contained in Section 5 of the Senior Citizens Nonprofit Rental Housing Tax Law (N.J.S.A. 55:14I-5) (the "Law") and a resolution of the governing body dated December 18, 1990 and an agreement dated December 18, 1990. In consideration of the full abatement of taxes, the nonprofit housing corporation is required to pay to the Borough an annual service charge. The annual service charge made by the nonprofit corporation will be equal to 15% of the annual gross rents derived from such housing project as detailed in the tax abatement agreement. The tax abatement provided under the agreement shall be terminated when the nonprofit corporation or its successors and the development cease to remain subject to the provisions of the Law or a period of not more than 50 years from the effective date of the tax exemption, whichever event occurs first.

The Borough recognized revenue in the amount of \$71,407.88 from this annual service charge or payment in lieu of taxes which is recorded as a miscellaneous revenue anticipated in the Current Fund. The taxes which would have been paid on this property for 2016 without the abatement would have been \$201,533.22 of which \$55,562.90 would have been for the local municipal tax, minimum library tax and municipal open space tax.

BOROUGH OF BUTLER

SUPPLEMENTARY DATA

BOROUGH OF BUTLER
ROSTER OF OFFICIALS
YEAR ENDED DECEMBER 31, 2016

The following officials were in office during the period under audit:

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name of Corporate or Personal Surety</u>
Robert Alviene	Mayor		
Edwin Vath	Council President		
Robert Fox	Councilman		
Robert Meier	Councilman		
Stephen Regis	Councilman		
Raymond Verdonik	Councilman		
Sean McNear	Councilman		
James Lampmann	Administrator	*	
Mary A. O'Keefe	Clerk	*	
James Kozimor	Chief Financial Officer	*	
Cora Ashley	Tax Collector	**	
	Supervisor of Utilities		
Pamela Krattiger	Tax Clerk	*	
Shawn Hopkins	Tax Assessor	*	
Robert H. Oostdyk, Jr.	Attorney		
John A Paparazzo	Magistrate	*	
Cheryl Wiltshire	Court Administrator	*	

* Covered under a \$50,000.00 Public Employees Bond with the Morris County Municipal Joint Insurance Fund and \$950,000.00 Public Employees Bond with the Municipal Excess Liability Joint Insurance Fund.

** \$50,000.00 Basic coverage with the Morris County Municipal Joint Insurance Fund and \$950,000.00 Excess coverage with the Municipal Excess Liability Joint Insurance Fund.

All bonds were examined and were properly executed.

BOROUGH OF BUTLER
COUNTY OF MORRIS
2016
CURRENT FUND

BOROUGH OF BUTLER
CURRENT FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2015	A	\$ 3,544,580.59
Increased by Receipts:		
Tax Collector	\$ 26,110,138.82	
Revenue Accounts Receivable	2,267,125.43	
Miscellaneous Revenue Not Anticipated	188,467.19	
Due from / to State of New Jersey:		
Veterans and Senior Citizens' Deductions	61,337.67	
Construction Code Fees Payable	6,674.00	
Marriage License Fees Payable	1,250.00	
Interest on Investments	14,862.50	
Gas Reimbursement Receipts	5,712.09	
Payroll Tax Receivable	3,293.35	
Appropriation Refunds	110,775.00	
Due to/from:		
Federal and State Grant Fund:		
Federal and State Grants Receivable	76,075.00	
Unappropriated Reserves	22,449.46	
Other Trust Fund	968.55	
Animal Control Fund	29.87	
General Capital Fund	2,932.14	
Trust Assessment Fund - Assessments Receivable	3,248.65	
Butler Library	371,935.43	
Sewer Charges	1,010,065.90	
Sewer Overpayments	2,513.03	
		30,259,854.08
		33,804,434.67
Decreased by Disbursements:		
2016 Appropriation Expenditures	10,484,547.31	
2015 Appropriation Reserves	172,241.94	
Tax Overpayment Refunds	31,234.69	
Sewer Overpayment Refunds	847.90	
Third Party Liens	144,999.98	
Local School District Taxes	16,327,073.00	
County Taxes	2,475,556.60	
Due State of New Jersey:		
Marriage License Fees Payable	1,225.00	
Construction Code Fees Payable	6,484.00	
Gas Reimbursement Disbursements	6,167.27	
Refund of Prior Year Revenue - County Tax Board Appeal	38,459.30	
Due to / from:		
Federal and State Grant Fund:		
Appropriated Reserves	77,769.70	
Butler Library	371,347.60	
		30,137,954.29
Balance December 31, 2016	A	\$ 3,666,480.38

BOROUGH OF BUTLER
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2016

Increased by Receipts:

Taxes Receivable	\$ 25,774,636.17	
2017 Prepaid Taxes	101,495.10	
Interest and Costs on Taxes	57,766.86	
Third Party Liens	144,999.98	
Tax Overpayments	31,240.71	
	<hr/>	
		\$ 26,110,138.82

Decreased by:

Payments to Treasurer		<u><u>\$ 26,110,138.82</u></u>
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BOROUGH OF BUTLER
CURRENT FUND
SCHEDULE OF CASH - GRANT FUNDS
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

BOROUGH OF BUTLER
CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance	2016 Levy	Collections		Overpayments Applied	State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Transferred to Tax Title Liens	Balance
	Dec 31, 2015		2015	2016					Dec 31, 2016
2015	\$ 251,534.67			\$ 252,581.20		\$ (1,063.01)	\$ 9.90		\$ 6.58
2016		\$ 25,991,486.69	\$ 112,025.73	25,522,054.97	\$ 12,952.04	59,860.28	58,201.17	\$ 13,798.72	212,593.78
	<u>\$ 251,534.67</u>	<u>\$ 25,991,486.69</u>	<u>\$ 112,025.73</u>	<u>\$ 25,774,636.17</u>	<u>\$ 12,952.04</u>	<u>\$ 58,797.27</u>	<u>\$ 58,211.07</u>	<u>\$ 13,798.72</u>	<u>\$ 212,600.36</u>

Ref.

A

A

Analysis of 2016 Property Tax Levy

Tax Yield:

General Purpose Tax	\$ 25,934,529.89	
Business Personal Property Taxes	24,952.40	
Added and Omitted Taxes	32,004.40	
	<u>\$ 25,991,486.69</u>	

Tax Levy:

Local School District Taxes		\$ 16,327,073.00
County Taxes	\$ 2,458,469.49	
Due County for Added and Omitted Taxes	3,052.10	
		<u>2,461,521.59</u>
		18,788,594.59
Minimum Library Tax		317,630.77
Local Tax for Municipal Purposes		
Levied	6,851,921.73	
Add: Additional Tax Levied	33,339.60	
	<u>6,885,261.33</u>	
	<u>\$ 25,991,486.69</u>	

BOROUGH OF BUTLER
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

	<u>Ref.</u>	
Balance December 31, 2015	A	\$ 102,498.02
Increased by:		
Transfer from Taxes Receivable		<u>13,798.72</u>
Balance December 31, 2016	A	<u><u>\$ 116,296.74</u></u>

BOROUGH OF BUTLER
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	<u>Balance</u> <u>Dec 31, 2015</u>	<u>Accrued</u> <u>in 2016</u>	<u>Received</u> <u>in 2016</u>	<u>Balance</u> <u>Dec 31, 2016</u>
Clerk:				
Alcoholic Beverages Licenses		\$ 15,506.00	\$ 15,506.00	
Other Licenses		5,771.00	5,771.00	
Fees and Permits		2,690.00	2,690.00	
Health Officer and Registrar:				
Other Licenses		1,940.00	1,940.00	
Fees and Permits		470.00	470.00	
Board of Adjustment:				
Fees and Permits		215.00	215.00	
Construction Code Official:				
Fees and Permits		119,553.00	119,553.00	
Municipal Court:				
Fines and Costs	\$ 9,807.42	109,918.11	114,448.78	\$ 5,276.75
Police:				
Fees and Permits		2,756.00	2,756.00	
Energy Receipts Taxes		962,902.00	962,902.00	
Zoning Rent Registration		21,950.00	21,950.00	
Garden State Preservation Fund		3,766.00	3,766.00	
Utility Operating Surplus of Prior Year		368,000.00	368,000.00	
Payments in Lieu of Taxes on State Exempt Property		71,407.78	71,407.78	
Uniform Fire Safety Act		23,797.40	23,797.40	
Library		47,500.00	47,500.00	
Sale of Leaf Bags		2,046.00	2,046.00	
Interlocal Services Agreement - Pequannock River				
Basin Regional Sewerage Authority		33,525.00	33,525.00	
Cell Tower Rental		99,430.19	99,430.19	
Dispatching Services - Kinnelon		31,000.00	31,000.00	
Dispatching Services - Riverdale		8,000.00	8,000.00	
Assessing Services - Riverdale		52,500.00	52,500.00	
Tax Collection Services - Riverdale		30,600.00	30,600.00	
Water Utility Services - Riverdale		30,000.00	30,000.00	
General Capital Fund - Fund Balance		25,000.00	25,000.00	
General Capital Fund - Reserve for Debt Service		140,000.00	140,000.00	
Billing Services - Bloomingdale		52,351.28	52,351.28	
	<u>\$ 9,807.42</u>	<u>\$ 2,262,594.76</u>	<u>\$ 2,267,125.43</u>	<u>\$ 5,276.75</u>

Ref.

A

A

BOROUGH OF BUTLER
CURRENT FUND
SCHEDULE OF SEWER ACCOUNTS RECEIVABLE

	<u>Ref.</u>	
Balance December 31, 2015	A	\$ 23,413.94
Increased by:		
Sewer Billings		<u>1,013,202.67</u>
		1,036,616.61
Decreased by:		
Sewer Collections	\$ 1,010,065.90	
Overpayments Applied	<u>2,137.01</u>	
		<u>1,012,202.91</u>
Balance December 31, 2016	A	<u><u>\$ 24,413.70</u></u>

BOROUGH OF BUTLER
CURRENT FUND
SCHEDULE OF 2015 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2016

	Balance Dec 31, 2015	Balance After Modi- fication	Paid or Charged	Balance Lapsed
General Government:				
Administrative and Executive:				
Salaries and Wages	\$ 1,835.78	\$ 1,835.78		\$ 1,835.78
Other Expenses	3,456.38	3,456.38	\$ 1,466.91	1,989.47
Mayor and Council:				
Other Expenses	99.73	99.73		99.73
Municipal Clerk:				
Other Expenses	2,506.52	2,506.52	20.52	2,486.00
Other Expenses - Codification	2,500.00	2,500.00		2,500.00
Assessment of Taxes:				
Salaries and Wages	206.45	206.45		206.45
Other Expenses	1,976.76	1,976.76		1,976.76
Collection of Taxes:				
Salaries and Wages	1.27	1.27		1.27
Other Expenses	2,699.38	2,699.38	335.01	2,364.37
Financial Administration:				
Salaries and Wages	2,784.17	2,784.17		2,784.17
Other Expenses	797.63	1,297.63	1,045.26	252.37
Annual Audit	874.00	874.00		874.00
Legal Services and Costs:				
Other Expenses	826.59	2,326.59	2,043.88	282.71
Municipal Prosecutor:				
Salaries and Wages	999.94	999.94		999.94
Engineering Services and Costs:				
Other Expenses	5,937.67	5,937.67	1,259.20	4,678.47
Public Buildings and Grounds:				
Salaries and Wages	923.10	923.10		923.10
Other Expenses	15,770.50	3,970.50	3,809.84	160.66
Municipal Land Use Law:				
Planning Board:				
Salaries and Wages	4.98	4.98		4.98
Other Expenses	10,397.56	10,397.56	10,045.00	352.56
Insurance:				
General Liability	18.90	18.90		18.90
Fireman's	3,894.52	3,894.52		3,894.52
Road Bond	150.00	150.00		150.00
Workmen's Compensation	17.70	17.70		17.70
Employee Group Health	25,412.75	25,412.75	44.29	25,368.46
Unemployment	500.00	500.00		500.00
Public Safety:				
Fire:				
Salaries and Wages	951.80	951.80		951.80
Other Expenses	29,763.53	29,763.53	14,253.07	15,510.46

BOROUGH OF BUTLER
CURRENT FUND
SCHEDULE OF 2015 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2016

	Balance Dec 31, 2015	Balance After Modi- fication	Paid or Charged	Balance Lapsed
Public Safety:				
Zoning Officer:				
Other Expenses	\$ 223.00	\$ 223.00		\$ 223.00
Police:				
Salaries and Wages	9,901.75	9,901.75	\$ 5,592.44	4,309.31
Other Expenses	2,389.44	2,389.44	2,310.48	78.96
First Aid Organization Contribution	0.19	0.19		0.19
Emergency Management Services:				
Salaries and Wages	307.76	307.76		307.76
Other Expenses	582.46	582.46	270.60	311.86
Municipal Court:				
Salaries and Wages	214.85	214.85		214.85
Other Expenses	1,985.98	1,985.98	146.45	1,839.53
Road Repairs and Maintenance:				
Salaries and Wages	38,092.04	38,092.04	1,924.40	36,167.64
Other Expenses	10,061.77	11,061.77	1,501.13	9,560.64
Sewer System:				
Salaries and Wages	48,063.98	48,063.98		48,063.98
Other Expenses	5,236.67	5,486.67	5,436.74	49.93
Garbage and Trash Removal:				
Salaries and Wages	4.98	4.98		4.98
Other Expenses	87,088.63	77,088.63	74,778.58	2,310.05
Vehicle Maintenance:				
Salaries and Wages	0.01	19,775.01	19,767.60	7.41
Other Expenses	1,099.61	1,874.61	1,859.98	14.63
Recreation Program:				
Salaries and Wages	178.10	178.10		178.10
Other Expenses	3,086.26	3,086.26	2,800.00	286.26
Health Department:				
Salaries and Wages	352.87	352.87		352.87
Other Expenses	3,957.56	3,957.56	225.00	3,732.56
Celebration of Public Events, Anniversary or Holiday:				
Other Expenses	8.53	8.53		8.53
Museum:				
Other Expenses	2,369.39	2,369.39	1,424.54	944.85
Dial-A-Ride:				
Salaries and Wages	1,477.16	1,477.16		1,477.16
Other Expenses	2.00	2.00		2.00
Senior Advisory:				
Other Expenses	1,358.03	1,358.03		1,358.03

BOROUGH OF BUTLER
CURRENT FUND
SCHEDULE OF 2015 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2016

	Balance Dec 31, 2015	Balance After Modi- fication	Paid or Charged	Balance Lapsed
Unclassified Expenditures:				
Electricity	\$ 6,909.38	\$ 12,909.38	\$ 12,686.35	\$ 223.03
Street Lighting	90.38	90.38		90.38
Telephone	2,903.05	2,903.05	727.00	2,176.05
Water	5,778.50	5,778.50	1,839.64	3,938.86
Fuel Oil	14,149.53	6,149.53		6,149.53
Gasoline	29,506.39	29,506.39	3,256.73	26,249.66
Contribution to :				
Public Employees' Retirement System	0.50	0.50		0.50
Social Security System (O.A.S.I)	1,978.88	1,978.88		1,978.88
Disability Insurance	201.41	201.41		201.41
Deined Contribution Retirement Program	190.82	190.82	68.19	122.63
Shared Service Agreements -				
Billing Services - Bloomingdale:				
Salaries and Wages	39.92	39.92		39.92
Other Expenses	646.09	646.09	646.09	
Construction Code Official- Bloomingdale:				
Other Expenses	2,905.80	2,905.80	204.25	2,701.55
Dispatching Services - Kinnelon:				
Salaries and Wages	5,000.00	5,000.00		5,000.00
Other Expenses	19,100.00	19,100.00		19,100.00
Water Billing Services - Riverdale:				
Salaries and Wages	3.19	3.19		3.19
Other Expenses	12,422.70	12,422.70	452.77	11,969.93
Tax Collection Services - Riverdale:				
Other Expenses	7,700.00	7,700.00		7,700.00
Tax Assessment Services - Riverdale:				
Salaries and Wages	3,255.81	3,255.81		3,255.81
	<u>\$ 446,132.98</u>	<u>\$ 446,132.98</u>	<u>\$ 172,241.94</u>	<u>\$ 273,891.04</u>

Analysis of Balance December 31, 2015

Ref.

Encumbered	A	\$ 38,175.96
Unencumbered	A	407,957.02
		<u>\$ 446,132.98</u>

BOROUGH OF BUTLER
CURRENT FUND
SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2016

Increased by:

Levy - Calendar Year 2016

\$ 16,327,073.00

Decreased by:

Payments to Local School District

\$ 16,327,073.00

BOROUGH OF BUTLER
FEDERAL AND STATE GRANT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE

Grant	Balance Dec 31, 2015	2016 Realized Revenue	2016 Receipts	Transferred from Unappropriated Reserves	Balance Dec 31, 2016
Safe and Secure Communities Program	\$ 15,000.00	\$ 60,000.00	\$ 60,000.00		\$ 15,000.00
Municipal Alliance on Alcoholism and Drug Abuse	15,430.00	9,475.00	9,075.00		15,830.00
Municipal Alliance on Alcoholism and Drug Abuse - DARE Program	2,000.00	2,000.00	2,000.00		2,000.00
Donation to Municipal Alliance		5,000.00	5,000.00		
Bullet Proof Vest Program Grant	1,596.12				1,596.12
Reserve for Recycling Tonnage Grant		4,940.91		\$ 4,940.91	
Clean Communities Program		15,895.39		15,895.39	
	<u>\$ 34,026.12</u>	<u>\$ 97,311.30</u>	<u>\$ 76,075.00</u>	<u>\$ 20,836.30</u>	<u>\$ 34,426.12</u>
<u>Ref.</u>	A				A
Original Budget		\$ 80,836.30			
Added by NJSA 40A:4-87		16,475.00			
		<u>\$ 97,311.30</u>			

BOROUGH OF BUTLER
FEDERAL AND STATE GRANT FUND
SCHEDULE OF UNAPPROPRIATED RESERVES

<u>Grant</u>	<u>Balance Dec 31, 2015</u>	<u>Cash Received</u>	<u>Budget Revenue Realized</u>	<u>Balance Dec 31, 2016</u>
Drunk Driving Enforcement Fund		\$ 1,647.34		\$ 1,647.34
Body Armor Fund		1,783.18		1,783.18
Alcohol Education Rehabilitation Fund		846.04		846.04
Clean Communities Program	\$ 15,895.39	18,172.90	\$ 15,895.39	18,172.90
Recycling Tonnage Grant	4,940.91		4,940.91	
	<u>\$ 20,836.30</u>	<u>\$ 22,449.46</u>	<u>\$ 20,836.30</u>	<u>\$ 22,449.46</u>
<u>Ref.</u>	A			A

BOROUGH OF BUTLER
FEDERAL AND STATE GRANT FUND
SCHEDULE OF APPROPRIATED RESERVES

Grant	Balance Dec 31, 2015	Transferred From 2016 Budget Appropriations	Paid or Charged	Balance Dec 31, 2016
Drunk Driving Enforcement Fund	\$ 12,188.16		\$ 576.88	\$ 11,611.28
Body Armor Replacement Fund	6.00			6.00
Clean Communities Program	34,525.01	\$ 15,895.39	5,691.42	44,728.98
Municipal Alliance on Alcoholism and Drug Abuse	9,475.00	9,475.00	7,275.00	11,675.00
Municipal Alliance on Alcoholism and Drug Abuse - DARE Program		2,000.00		2,000.00
Donation to Municipal Alliance		5,000.00	3,630.00	1,370.00
Recycling Tonnage Grant	47,602.62	4,940.91	596.40	51,947.13
Safe and Secure Communities		60,000.00	60,000.00	
Morris County Historic Preservation Trust Grant	0.01			0.01
Reserve for Stormwater Management Grant	255.00			255.00
	<u>\$ 104,051.80</u>	<u>\$ 97,311.30</u>	<u>\$ 77,769.70</u>	<u>\$ 123,593.40</u>
<u>Ref.</u>	A			A

BOROUGH OF BUTLER
COUNTY OF MORRIS
2016
TRUST FUNDS

BOROUGH OF BUTLER
TRUST FUNDS
SCHEDULE OF CASH - TREASURER

	Ref.	Animal Control Fund	Other Trust Funds
Balance December 31, 2015	B	\$ 5,135.33	\$ 1,028,644.98
Increased by Receipts:			
Animal Control Fees		\$ 6,742.00	
Due to State Board of Health		976.20	
Hospitalization Claim Deposits			\$ 4.62
Recreation Receipts			167,703.07
Tax Sale Premiums			21,000.00
Parking Offense Adjudication Fees			128.00
Interest Earned - Due to Current Fund		29.87	1,803.66
Public Defender			10,383.50
Unemployment Insurance Deposits			8,624.86
Special Deposits			97,626.14
		<u>7,748.07</u>	<u>307,273.85</u>
		12,883.40	1,335,918.83
Decreased by Disbursements:			
State Board of Health		975.00	
Expenditures Under R.S. 4:19-15.11		6,738.46	
Due to Current Fund		29.87	968.55
Special Deposit Expenditures			139,548.71
Tax Sale Premiums Refunded			115,700.00
State Unemployment Insurance Expenditures			8,349.65
Due from State of New Jersey -			
State Unemployment Insurance Overpayment			8,591.59
Public Defender Expenditures			4,683.00
Recreation Expenditures			213,820.28
		<u>7,743.33</u>	<u>491,661.78</u>
Balance December 31, 2016	B	<u>\$ 5,140.07</u>	<u>\$ 844,257.05</u>

BOROUGH OF BUTLER
ASSESSMENT TRUST FUND
ANALYSIS OF CASH

	Balance (Deficit) Dec 31, 2015	Transfers		Balance (Deficit) Dec 31, 2016
		From	To	
Fund Balance	\$ 19,984.00			\$ 19,984.00
Due From Current Fund	(452,210.18)	\$ 3,248.65		(455,458.83)
Assessment Serial Bonds:				
Ord. #91-13 Various Sidewalk Improvements	(13,982.00)			(13,982.00)
Due General Capital Fund:				
Ord. #93-10 Various Sidewalk Improvements	53,523.49			53,523.49
Ord. #92-14 Improvements to Senior Citizen Housing	4,590.90			4,590.90
Ord. #94-11 Improvements to Carey Avenue, Robert Street and High St.	33,363.87			33,363.87
Ord. #95-09 Improvements to Carey Avenue	70,160.75			70,160.75
Ord. #97-02 Improvements to Sanitary Sewer System	8,402.67			8,402.67
Ord. #98-03 Improvements to High Street Roadway and Sidewalk	64,237.41			64,237.41
Ord. #98-33 Improvements to George Street, William Street and Central Street	52,003.53			52,003.53
Ord. #99-7, 99-11 Improvements to Arch Street	103,174.07		\$ 2,021.78	105,195.85
Ord. #2010-5 Improvements to Myrtle Ave	56,751.49		1,226.87	57,978.36
	<u>\$ -0-</u>	<u>\$ 3,248.65</u>	<u>\$ 3,248.65</u>	<u>\$ -0-</u>

BOROUGH OF BUTLER
ASSESSMENT TRUST FUND
SCHEDULE OF ASSESSMENTS RECEIVABLE

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Date of Confirmation</u>	<u>Annual Installments</u>	<u>Balance Dec 31, 2015</u>	<u>Collected in Current Fund</u>	<u>Balance Dec 31, 2016</u>	<u>Balance Pledged to General Capital Fund</u>
99-07;99-11	Improvements to Arch Street	09/21/99	10	\$ 3,740.93	\$ 2,021.78	\$ 1,719.15	\$ 1,719.15
2010-05	Improvements to Myrtle Avenue	03/15/11	10	<u>1,389.98</u>	<u>1,226.87</u>	<u>163.11</u>	<u>163.11</u>
				<u>\$ 5,130.91</u>	<u>\$ 3,248.65</u>	<u>\$ 1,882.26</u>	<u>\$ 1,882.26</u>
			<u>Ref.</u>	B		B	

BOROUGH OF BUTLER
ASSESSMENT TRUST FUND
SCHEDULE OF AMOUNTS TO BE RAISED BY TAXATION - FUNDED BY ASSESSMENT BONDS

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance December 31,</u>	
		<u>2016</u>	<u>2015</u>
91-13	Various Sidewalk Improvements	<u>\$ 13,982.00</u>	<u>\$ 13,982.00</u>
	<u>Ref.</u>	B	B

BOROUGH OF BUTLER
ASSESSMENT TRUST FUND
SCHEDULE OF AMOUNTS TO BE RAISED BY TAXATION - FUNDED BY BOND ANTICIPATION NOTES
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

BOROUGH OF BUTLER
ASSESSMENT TRUST FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

BOROUGH OF BUTLER
ASSESSMENT TRUST FUND
SCHEDULE OF SERIAL BONDS PAYABLE
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

BOROUGH OF BUTLER
ANIMAL CONTROL FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

	<u>Ref.</u>		
Balance December 31, 2015	B	\$	5,183.93
Increased by:			
Animal License Fees Collected		\$	6,411.00
Late Fees			330.00
			<u>6,742.00</u>
			11,925.93
Decreased by:			
Animal Control Fund Expenditures Under R.S. 4:19-15.11			<u>6,738.46</u>
Balance December 31, 2016	B	\$	<u>5,187.47</u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2014	\$ 6,272.20
2015	<u>6,319.80</u>
Maximum Allowable Reserve	<u>\$ 12,592.00</u>

BOROUGH OF BUTLER
COUNTY OF MORRIS
2016
GENERAL CAPITAL FUND

BOROUGH OF BUTLER
GENERAL CAPITAL FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2015	C	\$ 1,076,436.91
Increased by Receipts:		
Received from Current Fund Budget Appropriation:		
Capital Improvement Fund	\$ 400,000.00	
Payment of Bond Anticipation Notes	200,000.00	
Interest Earned on Investments - Due to Current Fund	2,932.14	
Community Development Block Grant Receivable	58,687.20	
Contribution from Borough of Butler School District -		
Reserve to Pay Debt Service	110,000.00	
Bond Anticipation Notes Issued	1,365,350.00	
		<u>2,136,969.34</u>
		3,213,406.25
Decreased by Disbursements:		
Improvement Authorization Expenditures	809,918.98	
Bond Anticipation Notes Matured	1,013,250.00	
Due to Current Fund	2,932.14	
Due to Current Fund as Anticipated Revenue:		
Reserve to Pay Debt Service	140,000.00	
Fund Balance	25,000.00	
		<u>1,991,101.12</u>
Balance December 31, 2016	C	<u>\$ 1,222,305.13</u>

BOROUGH OF BUTLER
GENERAL CAPITAL FUND
ANALYSIS OF CASH

	Balance (Deficit) Dec. 31, 2015	Receipts		Disbursements		Balance (Deficit) Dec. 31, 2016			
		Other	Bond Anticipation Notes	Improvement Authorizations	Other		Bond Anticipation Notes		
								Transfers	
		From	To						
Fund Balance	\$ 212,087.64				\$ 25,000.00		\$ 1,721.00	\$ 188,808.64	
Capital Improvement Fund	32,388.51	\$ 400,000.00				\$ 331,900.00		100,488.51	
Due to/from Current Fund		202,932.14			2,932.14	200,000.00			
Due from Assessment Trust Fund	(451,339.09)							(451,339.09)	
N.J. Department of Transportation Grant Receivable	(235,175.72)					245,000.00	200,175.72	(280,000.00)	
Community Development Block Grant Receivable	(58,687.20)	58,687.20							
Developer Contribution Receivable	(27,227.00)							(27,227.00)	
Reserve for N.J. Department of Transportation Grant Receivable	200,175.72					200,175.72	245,000.00	245,000.00	
Unappropriated Grant Funds	1,721.00					1,721.00			
Reserve for Sewer Improvements	820,000.00					250,000.00		570,000.00	
Reserve to Pay Debt Service	201,780.48	110,000.00			140,000.00			171,780.48	
Ord. No.	Improvement Description								
	General Improvements:								
01-33	Construction of New Recreational Center	523.05						523.05	
04-11	Televising and Repair or Replacement of Various Sewer Lines	100,389.66		\$ 43,498.99				56,890.67	
11-09	Improvements to Streets and Roads Equipment	10,956.46		8,391.30				2,565.16	
12-09	Improvements to Municipal Buildings	8,450.00		895.00				7,555.00	
13-08	Improvements to Various Roads In and By Butler Borough		\$ 363,750.00			\$ 403,750.00	40,000.00		
13-09	Acquisition of Equipment for the Police Department	668.29						668.29	
13-11	Improvements to Sewer Pump Stations	26,055.00		9,560.74				16,494.26	
13-16	Purchase of Dump Truck and Pick-Up Truck	655.06		655.06					
14-06	Improvements of Roads		60,000.00			80,000.00	20,000.00		
14-08	Acquisition of Equipment for the Police Department	13,272.77		9,714.50				3,558.27	
14-10	Acquisition and Improvement of Equipment for Streets and Roads Department	7,775.00		6,823.10				951.90	
14-12	Acquisition of Leasehold Interest in the Butler High School		99,500.00			209,500.00	110,000.00		
15-05	Purchase of a Dump Truck	75,000.00	60,000.00	75,000.00		70,000.00	10,000.00		
15-06	Ogden Terrace Sewer System Improvements	58,369.52		48,084.88				10,284.64	
15-07	Acquisition of Equipment for the Police Department	2,781.69		2,781.69					
15-08	Acquisition of Equipment for the Fire Department	22,949.02		22,949.02					
15-09	Improvement to the Butler Museum	3,600.00		224.65				3,375.35	
15-10	Acquisition and Installation of Generator	20,000.00						20,000.00	
15-13	Improvements to Various Roads	29,267.05	230,000.00	29,267.05		250,000.00	20,000.00		
16-04	Purchase of a Jet Vac Truck			220,435.00			250,000.00	29,565.00	
16-06	Acquisition of Equipment for the Police Department			3,964.11			17,000.00	13,035.89	
16-07	Improvements to Buildings and Grounds			3,202.50			38,000.00	34,797.50	
16-08	Purchase of a Fire Police Vehicle						35,000.00	35,000.00	
16-09	Acquisition of Equipment for the Fire Department			14,009.95			24,000.00	9,990.05	
16-10	Improvements to Sewer Pump Stations						10,000.00	10,000.00	
16-13	Improvements to Various Roads		495,000.00	281,562.50			205,000.00	418,437.50	
16-17	Gifford Street Sidewalk Assessment		57,100.00	28,898.94			2,900.00	31,101.06	
	\$1,076,436.91	\$ 771,619.34	\$1,365,350.00	\$ 809,918.98	\$167,932.14	\$ 1,013,250.00	\$1,228,796.72	\$ 1,228,796.72	\$ 1,222,305.13

BOROUGH OF BUTLER
GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

Ord. No.	Improvement Description	Balance Dec. 31, 2015	2016 Authorizations	Funded by Budget Appropriation	Balance Dec. 31, 2016	Analysis of Balance December 31, 2016	
						Bond Anticipation Notes	Unexpended Improvement Authorizations
	General Improvements:						
13-08	Improvement to Various Roads In and By Butler Borough	\$ 403,750.00		\$ 40,000.00	\$ 363,750.00	\$ 363,750.00	
14-06	Improvements of Roads	80,000.00		20,000.00	60,000.00	60,000.00	
14-12	Acquisition of Leasehold Interest in the Butler High School	209,500.00		110,000.00	99,500.00	99,500.00	
15-05	Purchase of a Dump Truck	70,000.00		10,000.00	60,000.00	60,000.00	
15-13	Improvements to Various Roads	250,000.00		20,000.00	230,000.00	230,000.00	
16-13	Improvements to Various Roads		\$ 495,000.00		495,000.00	495,000.00	
16-17	Gifford Street Sidewalk Assessment		57,100.00		57,100.00	57,100.00	
		<u>\$1,013,250.00</u>	<u>\$ 552,100.00</u>	<u>\$ 200,000.00</u>	<u>\$1,365,350.00</u>	<u>\$ 1,365,350.00</u>	<u>\$ -0-</u>
Ref.		C			C		

Improvement Authorization Unfunded	\$ 449,538.56
Less: Unexpended Proceeds - Bond Anticipation Notes:	
Ordinance #16-13	\$ 418,437.50
Ordinance #16-17	<u>31,101.06</u>
	449,538.56
	<u>\$ -0-</u>

BOROUGH OF BUTLER
GENERAL CAPITAL FUND
SCHEDULE OF PROSPECTIVE ASSESSMENTS RAISED BY TAXATION
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

BOROUGH OF BUTLER
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	2016 Improvement Authorizations									
		Ordinance		Balance Dec. 31, 2015		Reserve for Sewer Improvements	Capital Improvement Fund	Deferred Charges to Future Taxation - Unfunded	Paid or Charged	Balance Dec. 31, 2016	
		Date	Amount	Funded	Unfunded					Funded	Unfunded
	<u>General Improvements:</u>										
01-33	Construction of New Recreational Center	12/18/01	\$ 200,000.00	\$ 523.05						\$ 523.05	
04-11	Televising and Repair or Replacement of Various Sewer Lines	08/17/04	250,000.00	100,389.66					\$ 43,498.99	56,890.67	
11-09	Improvements to Streets and Roads Equipment	06/21/11	22,000.00	10,956.46					8,391.30	2,565.16	
12-09	Improvements to Municipal Buildings	07/17/12	15,000.00	8,450.00					895.00	7,555.00	
13-09	Acquisition of Equipment for the Police Department	06/18/13	20,500.00	668.29						668.29	
13-11	Improvements to Sewer Pump Stations	06/18/13	30,000.00	26,055.00					9,560.74	16,494.26	
13-16	Purchase of a Dump Truck and Pick-Up Truck	09/17/13	65,000.00	655.06					655.06		
14-08	Acquisition of Equipment for the Police Department	06/17/14	51,500.00	13,272.77					9,714.50	3,558.27	
14-10	Acquisition and Improvement of Equipment for Streets and Roads Department	06/17/14	10,000.00	7,775.00					6,823.10	951.90	
15-05	Purchase of a Dump Truck	05/19/15	75,000.00	5,000.00	\$ 70,000.00				75,000.00		
15-06	Ogden Terrace Sewer System Improvements	05/19/15	80,000.00	58,369.52					48,084.88	10,284.64	
15-07	Acquisition of Equipment for the Police Department	05/19/15	24,000.00	2,781.69					2,781.69		
15-08	Acquisition of Equipment for the Fire Department	05/19/15	25,000.00	22,949.02					22,949.02		
15-09	Improvement to the Butler Museum	05/19/15	5,000.00	3,600.00					224.65	3,375.35	
15-10	Acquisition and Installation of Generator	05/19/15	20,000.00	20,000.00						20,000.00	
15-13	Improvements to Various Roads	05/19/15	300,000.00		29,267.05				29,267.05		
16-04	Purchase of a Jet Vac Truck	04/05/16	250,000.00			\$ 250,000.00			220,435.00	29,565.00	
16-06	Acquisition of Equipment for the Police Department	05/17/16	17,000.00				\$ 17,000.00		3,964.11	13,035.89	
16-07	Improvements to Buildings and Grounds	05/17/16	38,000.00				38,000.00		3,202.50	34,797.50	
16-08	Purchase of a Fire Police Vehicle	05/17/16	35,000.00				35,000.00			35,000.00	
16-09	Acquisition of Equipment for the Fire Department	05/17/16	24,000.00				24,000.00		14,009.95	9,990.05	
16-10	Improvements to Sewer Pump Stations	05/17/16	10,000.00				10,000.00			10,000.00	
16-13	Improvements to Various Roads	05/17/16	700,000.00				205,000.00	\$ 495,000.00	281,562.50		\$ 418,437.50
16-17	Gifford Street Sidewalk Assessment	06/21/16	60,000.00				2,900.00	57,100.00	28,898.94		31,101.06
				<u>\$ 281,445.52</u>	<u>\$ 99,267.05</u>	<u>\$ 250,000.00</u>	<u>\$ 331,900.00</u>	<u>\$ 552,100.00</u>	<u>\$ 809,918.98</u>	<u>\$ 255,255.03</u>	<u>\$ 449,538.56</u>
	<u>Ref.</u>			C	C					C	C

BOROUGH OF BUTLER
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2015	C	\$ 32,388.51
Increased by:		
Current Fund Budget Appropriation		400,000.00
		<u>432,388.51</u>
Decreased by:		
Appropriated to Finance		
Improvement Authorizations		<u>331,900.00</u>
Balance December 31, 2016	C	<u><u>\$ 100,488.51</u></u>

BOROUGH OF BUTLER
GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

Ord. No.	Improvement Description	Original Amount Issued	Issue of Original Note	Date of		Interest Rate	Balance Dec. 31, 2015	Issued	Matured	Balance Dec. 31, 2016
				Issue	Maturity					
13-08	Improvement to Various Roads In and By Butler Borough	\$ 403,750.00	09/18/14	09/17/15 09/15/16	09/16/16 09/15/17	0.62% 0.85%	\$ 403,750.00	\$ 363,750.00	\$ 403,750.00	\$ 363,750.00
14-06	Improvements of Roads	80,000.00	09/18/14	09/17/15 09/15/16	09/16/16 09/15/17	0.62% 0.85%	80,000.00	60,000.00	80,000.00	60,000.00
14-12	Acquisition of Leasehold Interest in the Butler High School	209,500.00	09/18/14	09/17/15 09/15/16	09/16/16 09/15/17	0.62% 0.85%	209,500.00	99,500.00	209,500.00	99,500.00
15-05	Purchase of a Dump Truck	70,000.00	09/17/15	09/17/15 09/15/16	09/16/16 09/15/17	0.62% 0.85%	70,000.00	60,000.00	70,000.00	60,000.00
15-13	Improvements to Various Roads	250,000.00	09/17/15	09/17/15 09/15/16	09/16/16 09/15/17	0.62% 0.85%	250,000.00	230,000.00	250,000.00	230,000.00
16-13	Improvements to Various Roads	495,000.00	09/15/16	09/15/16	09/15/17	0.85%		495,000.00		495,000.00
16-17	Gifford Street Sidewalk Assessment	57,100.00	09/15/16	09/15/16	09/15/17	0.85%		57,100.00		57,100.00
							<u>\$ 1,013,250.00</u>	<u>\$ 1,365,350.00</u>	<u>\$ 1,013,250.00</u>	<u>\$ 1,365,350.00</u>
							Ref.	C		C

Renewals	\$ 813,250.00	\$ 813,250.00
New Issues	552,100.00	
Paid by Budget Appropriation		200,000.00
	<u>\$ 1,365,350.00</u>	<u>\$ 1,013,250.00</u>

BOROUGH OF BUTLER
GENERAL CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2015	Matured	Balance Dec. 31, 2016
			Date	Amount				
Refunding Bonds	09/01/10	\$1,295,000.00	09/01/17	\$ 115,000.00	4.00%			
			09/01/18	130,000.00	4.00%			
			09/01/19	125,000.00	4.00%			
			09/01/20	125,000.00	4.00%			
			09/01/21	125,000.00	4.00%			
			09/01/22	125,000.00	4.00%	\$ 860,000.00	\$ 115,000.00	\$ 745,000.00
General Bonds	05/22/13	4,230,000.00	11/15/2017	405,000.00	1.25%			
			11/15/2018	420,000.00	1.50%			
			11/15/2019	430,000.00	1.50%			
			11/15/2020	440,000.00	2.00%			
			11/15/2021	455,000.00	2.00%			
			11/15/2022	460,000.00	2.00%			
			11/15/2023	465,000.00	2.00%			
						<u>3,470,000.00</u>	<u>395,000.00</u>	<u>3,075,000.00</u>
						<u>\$ 4,330,000.00</u>	<u>\$ 510,000.00</u>	<u>\$ 3,820,000.00</u>
				<u>Ref.</u>		C		C

BOROUGH OF BUTLER
GENERAL CAPITAL FUND
SCHEDULE OF GREEN TRUST LOAN PAYABLE

	<u>Ref.</u>	
Balance December 31, 2015	C	\$ 22,528.54
Less: 2016 Payment of Principal		<u>11,152.21</u>
Balance December 31, 2016	C	<u><u>\$ 11,376.33</u></u>

Schedule of Principal and Interest Payments Outstanding December 31, 2016

<u>Payment Number</u>	<u>Due Date</u>	<u>Interest</u>	<u>Principal</u>	<u>Loan Balance</u>
				\$ 11,376.33
28	6/21/2017	\$ 113.76	\$ 5,659.88	5,716.45
29	12/21/2017	57.15	5,716.45	
		<u>\$ 170.91</u>	<u>\$ 11,376.33</u>	

BOROUGH OF BUTLER
GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
YEAR ENDED DECEMBER 31, 2016

Ord. No.	Improvement Description	2016 Authorizations	Bond Anticipation Notes Issued
	<u>General Improvements:</u>		
16-13	Improvements to Various Roads	\$ 495,000.00	\$ 495,000.00
16-17	Construction or Reconstruction of Sidewalks	57,100.00	57,100.00
		<u>\$ 552,100.00</u>	<u>\$ 552,100.00</u>

BOROUGH OF BUTLER
COUNTY OF MORRIS
2016
WATER UTILITY FUND

BOROUGH OF BUTLER
WATER UTILITY FUND
SCHEDULE OF CASH-TREASURER

	<u>Ref.</u>	<u>Operating</u>	<u>Capital</u>
Balance December 31, 2015	D	\$ 436,338.09	\$ 329,498.65
Increased by Receipts:			
Consumer Accounts Receivable		\$ 1,848,567.25	
Fire Hydrant Service		21,000.00	
Capital Fund Balance		10,000.00	
Water Rent Overpayments		7,155.85	
Interest on Investments		688.78	\$ 694.93
Miscellaneous Revenue		12,827.78	
Due from Water Utility Capital Fund		694.93	
Meter Deposits		15,758.87	
Community Development Block Grant Receivable			76,911.00
Received from Water Utility Operating Fund Budget Appropriation:			
Capital Improvement Fund			40,000.00
Bond Anticipation Notes Payable			6,000.00
Bond Anticipation Notes Issued			1,329,000.00
		<u>1,916,693.46</u>	<u>1,452,605.93</u>
		2,353,031.55	1,782,104.58
Decreased by Disbursements:			
2016 Appropriation Expenditures		1,762,718.49	
2015 Appropriation Reserves		94,950.03	
Interest on Bonds, Loan and Notes		44,418.15	
Refund of Water Rent Overpayments		1,809.72	
Meter Deposit Refunds		16,512.91	
Due to Water Utility Operating Fund - Fund Balance			
Utilized as Anticipated Revenue			10,000.00
Due to Water Utility Operating Fund:			
Interest on Investments			694.93
Bond Anticipation Notes Matured			1,215,000.00
Improvement Authorizations			267,429.88
		<u>1,920,409.30</u>	<u>1,493,124.81</u>
Balance December 31, 2016	D	<u>\$ 432,622.25</u>	<u>\$ 288,979.77</u>

BOROUGH OF BUTLER
WATER UTILITY CAPITAL FUND
ANALYSIS OF WATER CAPITAL CASH

	Balance (Deficit) Dec. 31, 2015	Receipts		Disbursements			Transfers		Balance (Deficit) Dec. 31, 2016
		Bond Anticipation Notes	Miscellaneous	Bond Anticipation Notes	Improvement Authorizations	Miscellaneous	From	To	
Fund Balance	\$ 11,050.84					\$ 10,000.00			\$ 1,050.84
Due to Water Utility Operating Fund			\$ 6,694.93			694.93	\$ 6,000.00		
Community Development Block Grant Receivable	(2,990.17)		76,911.00				76,911.00		(2,990.17)
Capital Improvement Fund	5,730.51		40,000.00				21,000.00		24,730.51
Ord. No.	General Improvements								
07-20	Acquisition of New and Additional Vehicular Equipment								2,046.63
12-09	Improvements to Municipal Buildings and Grounds								13,150.52
13-06	Improvement of Water Supply and Distribution System	\$ 309,000.00		\$ 315,000.00	\$ 13,827.78			\$ 6,000.00	
13-13	Purchase of Various Equipment				6,200.00				764.96
14-02	Site Remediation - Funded				2,999.34				1,410.83
14-07	Improvement to Water System	450,000.00		450,000.00					
15-04	Water System Improvements	275,263.18	450,000.00	450,000.00	148,084.59				127,178.59
15-11	Purchase Utility Truck								44.23
16-02	Water Main Replacement to Gifford Street				76,911.00			76,911.00	
16-07	Improvements to Buildings and Grounds				10,200.00			11,000.00	800.00
16-08	Purchase of Building Maintenance Truck							10,000.00	10,000.00
16-11	Improvement of Water Supply and Distribution	120,000.00			9,207.17				110,792.83
	<u>\$ 329,498.65</u>	<u>\$ 1,329,000.00</u>	<u>\$ 123,605.93</u>	<u>\$ 1,215,000.00</u>	<u>\$ 267,429.88</u>	<u>\$ 10,694.93</u>	<u>\$ 103,911.00</u>	<u>\$ 103,911.00</u>	<u>\$ 288,979.77</u>

BOROUGH OF BUTLER
WATER UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

	<u>Ref.</u>	
Balance December 31, 2015	D	\$ 34,896.58
Increased by:		
Water Rents Levied		1,857,575.50
		<u>1,892,472.08</u>
Decreased by:		
Collections:		
Water Collections	\$ 1,848,567.25	
Overpayments Applied	<u>5,231.06</u>	
		<u>1,853,798.31</u>
Balance December 31, 2016	D	<u>\$ 38,673.77</u>

WATER UTILITY OPERATING FUND
SCHEDULE OF WATER UTILITY LIENS RECEIVABLE
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

BOROUGH OF BUTLER
WATER UTILITY OPERATING FUND
SCHEDULE OF INVENTORY

	<u>Ref.</u>	
Balance December 31, 2015	D	\$ 49,054.60
Net Inventory Decrease		<u>3,396.33</u>
Balance December 31, 2016	D	<u><u>\$ 45,658.27</u></u>

BOROUGH OF BUTLER
WATER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL

	Balance Dec. 31, 2015	Additions by Ordinance	Balance Dec. 31, 2016
Fixed Capital Prior to September 15, 1931	\$ 275,000.00		\$ 275,000.00
Engineering	9,096.15		9,096.15
Organization	3,179.87		3,179.87
Transmission Mains and Accessories	629,234.25		629,234.25
Distribution Mains and Accessories	120,437.02		120,437.02
Structures	36,612.95		36,612.95
Water Treatment Equipment	57,512.39		57,512.39
Water Meters	660,276.34		660,276.34
Service Pipes and Stops	82,587.09		82,587.09
General Equipment	389,542.99		389,542.99
Reservoir	205,590.56		205,590.56
Screen House	1,592.60		1,592.60
Filter Plant	2,584,867.29		2,584,867.29
Office Furniture and Equipment	24,546.19		24,546.19
Storage Tank and Pump House	562,542.54		562,542.54
Land and Land Rights:			
Source of Supply Plant	118,919.44		118,919.44
Water Treatment Plant	1,500.00		1,500.00
Transmission and Distribution Plant	7,698.72		7,698.72
Administration Office	23,000.00		23,000.00
Dam Study	4,000.00		4,000.00
Construction of Intake Structure	74,306.92		74,306.92
Various Improvements Ord. #81-19;88-17;89-16;99-14; #90-20;95-05;05-11;07-18;09-05;07-22;14-07	2,253,757.12		2,253,757.12
Filter and Clarifier Plant Roof Repairs	39,080.27		39,080.27
Water Main Installation	52,906.55		52,906.55
Guenter Street Road Improvements	13,541.71		13,541.71
Water Main Replacement	323,718.19	\$ 76,911.00	400,629.19
Rehabilitation of Filters	63,329.21		63,329.21
Soil and Ground Water Remediation	10,000.00		10,000.00
Replacement of Reservoir Fuel Tank	10,000.00		10,000.00
Garage Exhaust Emissions System	1,806.00		1,806.00
Cook Street and Boonton Avenue Water Improvements	24,899.63		24,899.63
Homestead Avenue Water Main Renovations	61,861.04		61,861.04
Purchase of Security System for Municipal Building	3,000.00		3,000.00
Data Processing Equipment	7,498.41		7,498.41
Employee Time Keeping System	3,729.41		3,729.41
Vehicles	284,252.38		284,252.38
Automated Envelope Stuffer	1,000.00		1,000.00
Upgrade of Elevator at Kakeout Dam Water Plant	10,000.00		10,000.00
Acquisition of Server and Related Software	2,500.00		2,500.00
Acquisition and Installation of Police Emergency Generator	24,000.00		24,000.00
Improvements to Municipal Buildings and Grounds	93,250.00		93,250.00
Improvements to Water Lines Ord. #02-29	40,000.00		40,000.00
Acquisition of Digital Imaging System Ord. #03-05	4,000.00		4,000.00
Improvements to Main Street	200,000.00		200,000.00
Improvements to Route 23	1,091,408.57		1,091,408.57
Removal of Lower Kakeout Dam	127,356.46		127,356.46
Acquisition of Automatic Chemical Feed	50,000.00		50,000.00
Acquisition and Replacement of Fire Hydrants	25,000.00		25,000.00
Improvements to High Street and Carey Avenue	500,000.00		500,000.00
Improvements of Water Supply and Distribution System	3,346,070.05	430,000.00	3,776,070.05
	<u>\$ 14,540,008.31</u>	<u>\$ 506,911.00</u>	<u>\$ 15,046,919.31</u>

D

D

BOROUGH OF BUTLER
WATER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

Improvement Description	Ord. No.	Balance Dec.31, 2015	2016 Authorizations	Costs to Fixed Capital	Balance Dec.31, 2016
Acquisition of New and Additional Vehicular Equipment	07-20	\$ 80,000.00			\$ 80,000.00
Improvements to Municipal Building and Grounds	12-09	15,000.00			15,000.00
Improvement of Water Supply and Distribution System	13-06	430,000.00		\$ 430,000.00	
Purchase of Various Equipment	13-13	17,000.00			17,000.00
Site Remediation - Funded	14-02	20,000.00			20,000.00
Water System Improvements	15-04	450,000.00			450,000.00
Purchase Utility Truck	15-11	30,000.00			30,000.00
Water Main Replacement to Gifford Street	16-02		\$ 76,911.00	76,911.00	
Improvements to Buildings and Grounds	16-07		11,000.00		11,000.00
Purchase of Building Maintenance Truck	16-08		10,000.00		10,000.00
Improvement of Water Supply and Distribution	16-11		120,000.00		120,000.00
		<u>\$ 1,042,000.00</u>	<u>\$ 217,911.00</u>	<u>\$ 506,911.00</u>	<u>\$ 753,000.00</u>
	<u>Ref.</u>	D			D

BOROUGH OF BUTLER
WATER UTILITY OPERATING FUND
SCHEDULE OF 2015 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2016

	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Operating:				
Administration:				
Salaries and Wages	\$ 500.66	\$ 500.66		\$ 500.66
Other Expenses	36,323.28	41,323.28	\$ 41,186.35	136.93
Operations:				
Salaries and Wages	48,645.16	43,645.16	33,227.16	10,418.00
Other Expenses	36,322.00	36,322.00	19,630.99	16,691.01
Dispatching:				
Salaries and Wages	2,500.71	2,500.71	701.22	1,799.49
Other Expenses	500.00	500.00		500.00
Buildings and Grounds:				
Salaries and Wages	1,000.00	1,000.00		1,000.00
Other Expenses	2,503.04	2,503.04	204.31	2,298.73
Group Health Insurance	595.41	595.41		595.41
MELJIF Liability	2.89	2.89		2.89
MELJIF Worker's Compensation	12.76	12.76		12.76
Statutory Expenditures:				
Disability Insurance	500.00	500.00		500.00
Social Security System	1,104.65	1,104.65		1,104.65
Unemployment Compensation Insurance	2.71	2.71		2.71
	<u>\$ 130,513.27</u>	<u>\$ 130,513.27</u>	<u>\$ 94,950.03</u>	<u>\$ 35,563.24</u>

Analysis of Balance December 31, 2015

	<u>Ref.</u>	
Unencumbered	D	\$ 120,357.03
Encumbered	D	<u>10,156.24</u>
		<u>\$ 130,513.27</u>

BOROUGH OF BUTLER
WATER UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance		Balance Dec. 31, 2015		2016 Authorizations			Paid or Charged	Balance Dec. 31, 2016	
		Date	Amount	Funded	Unfunded	Capital Improvement Fund	Community Development Block Grant	Deferred Charges to Future Revenue		Funded	Unfunded
07-20	Acquisition of New and Additional Vehicular Equipment	07/17/2007	\$ 80,000.00	\$ 2,046.63						\$ 2,046.63	
12-09	Improvements to Municipal Buildings and Grounds	07/17/2012	15,000.00	13,150.52						13,150.52	
13-06	Improvement of Water Supply and Distribution System	06/18/2013	430,000.00		\$ 13,827.78				\$ 13,827.78		
13-13	Purchase of Various Equipment	06/18/2013	17,000.00	6,964.96					6,200.00	764.96	
14-02	Site Remediation - Funded	02/18/2014	20,000.00	4,410.17					2,999.34	1,410.83	
15-04	Water System Improvements	05/19/2015	450,000.00		275,263.18				148,084.59		\$ 127,178.59
15-11	Purchase Utility Truck	05/19/2015	30,000.00	44.23						44.23	
16-02	Water Main Replacement to Gifford Street	03/15/2016	76,911.00				\$ 76,911.00		76,911.00		
16-07	Improvements to Buildings and Grounds	05/17/2016	11,000.00			\$ 11,000.00			10,200.00	800.00	
16-08	Purchase of Building Maintenance Truck	05/17/2016	10,000.00			10,000.00				10,000.00	
16-11	Improvement of Water Supply and Distribution	05/17/2016	120,000.00					\$ 120,000.00	9,207.17		110,792.83
				<u>\$ 26,616.51</u>	<u>\$ 289,090.96</u>	<u>\$ 21,000.00</u>	<u>\$ 76,911.00</u>	<u>\$ 120,000.00</u>	<u>\$ 267,429.88</u>	<u>\$ 28,217.17</u>	<u>\$ 237,971.42</u>
		<u>Ref.</u>		D	D					D	D

BOROUGH OF BUTLER
WATER UTILITY FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2015	D	\$ 5,730.51
Increased by:		
Water Operating Fund Budget Appropriation		<u>40,000.00</u>
		45,730.51
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>21,000.00</u>
Balance December 31, 2016	D	<u><u>\$ 24,730.51</u></u>

BOROUGH OF BUTLER
WATER UTILITY CAPITAL FUND
SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION

Ord. No.	Improvement Description	Date of Ordinance	Balance Dec. 31, 2015	2016 Authorizations	Funded by Operating Budget	Transferred to Reserve for Amortization	Balance Dec. 31, 2016
07-20	Acquisition of New and Additional Vehicular Equipment	07/17/07	\$ 52,224.00				\$ 52,224.00
12-09	Improvements to Municipal Buildings and Grounds	07/17/12	15,000.00				15,000.00
13-06	Improvement of Water Supply and Distribution System	06/18/13	85,000.00		\$ 6,000.00	\$ 91,000.00	
13-13	Purchase of Various Equipment	06/18/13	17,000.00				17,000.00
14-02	Site Remediation - Funded	06/17/14	20,000.00				20,000.00
15-11	Purchase Utility Truck	05/19/15	30,000.00				30,000.00
16-02	Water Main Replacement to Gifford St	03/15/16		\$ 76,911.00		76,911.00	
16-07	Improvements to Buildings and Grounds	05/17/16		11,000.00			11,000.00
16-08	Purchase of Building Maintenance Truck	05/17/16		10,000.00			10,000.00
			<u>\$ 219,224.00</u>	<u>\$ 97,911.00</u>	<u>\$ 6,000.00</u>	<u>\$ 167,911.00</u>	<u>\$ 155,224.00</u>
		<u>Ref.</u>	D				D

BOROUGH OF BUTLER
WATER UTILITY CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

Ord. No.	Improvement Description	Original Amount Issued	Date of		Interest Rate	Balance Dec. 31, 2015	Issued	Matured	Balance Dec. 31, 2016
			Issue of Original Note	Issue					
13-06	Improvement of Water Supply and Distribution System	\$ 345,000.00	12/19/13	09/17/15 09/15/16	09/16/16 09/15/17	0.62% 0.85%	\$ 315,000.00	\$ 315,000.00	\$ 309,000.00
14-07	Improvement of Water Supply and Distribution System	450,000.00	09/18/14	09/17/15 09/15/16	09/16/16 09/15/17	0.62% 0.85%	450,000.00	450,000.00	450,000.00
15-04	Water System Improvements	450,000.00	09/17/15	09/17/15 09/15/16	09/16/16 09/15/17	0.62% 0.85%	450,000.00	450,000.00	450,000.00
16-11	Water System Improvements	120,000.00	09/15/16	09/15/16	09/15/17	0.85%	120,000.00	120,000.00	120,000.00
						<u>\$ 1,215,000.00</u>	<u>\$ 1,329,000.00</u>	<u>\$ 1,215,000.00</u>	<u>\$ 1,329,000.00</u>
						<u>Ref.</u>	<u>D</u>		<u>D</u>
						New Issue	\$ 120,000.00		
						Renewals	1,209,000.00	\$ 1,209,000.00	
						Paid by Operating Budget		6,000.00	
							<u>\$ 1,329,000.00</u>	<u>\$ 1,215,000.00</u>	

BOROUGH OF BUTLER
WATER UTILITY FUND
SCHEDULE OF SERIAL BONDS PAYABLE

Purpose	Date of Issue	Original Issue	Maturities of Bonds			Interest Rate	Balance Dec. 31, 2015	Matured	Balance Dec. 31, 2016
			Outstanding December 31, 2016						
			Date	Amount					
General Bonds	5/22/2013	\$ 1,518,000.00	11/15/2017	\$ 90,000.00	1.25%	1,363,000.00	\$ 85,000.00	\$ 1,278,000.00	
			11/15/2018	95,000.00	1.50%				
			11/15/2019	100,000.00	1.50%				
			11/15/2020	100,000.00	2.00%				
			11/15/2021	100,000.00	2.00%				
			11/15/2022	110,000.00	2.00%				
			11/15/2023	115,000.00	2.00%				
			11/15/2024	110,000.00	3.00%				
			11/15/2025	115,000.00	3.00%				
			11/15/2026	120,000.00	3.00%				
			11/15/2027	120,000.00	3.00%				
			11/15/2028	103,000.00	3.00%				

BOROUGH OF BUTLER
WATER UTILITY CAPITAL FUND
SCHEDULE OF DAM RESTORATION AND INLAND WATER PROJECT LOAN PAYABLE

	<u>Ref.</u>	
Balance December 31, 2015	D	\$ 361,847.41
Less: 2016 Payment of Principal		<u>69,518.12</u>
Balance December 31, 2016	D	<u><u>\$ 292,329.29</u></u>

Schedule of Principal and Interest Payments Outstanding December 31, 2016

<u>Payment Number</u>	<u>Due Date</u>	<u>Interest</u>	<u>Principal</u>	<u>Loan Balance</u>
				\$ 292,329.29
21	4/21/2017	\$ 2,923.29	\$ 35,281.31	257,047.98
22	10/21/2017	2,570.48	35,634.12	221,413.86
23	4/21/2018	2,214.14	35,990.46	185,423.40
24	10/21/2018	1,854.23	36,350.37	149,073.03
25	4/21/2019	1,490.73	36,713.87	112,359.16
26	10/21/2019	1,123.59	37,081.01	75,278.15
27	4/21/2020	752.78	37,451.82	37,826.33
28	10/21/2020	378.26	37,826.33	
		<u>\$ 13,307.50</u>	<u>\$ 292,329.29</u>	

BOROUGH OF BUTLER
WATER UTILITY CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
YEAR ENDED DECEMBER 31, 2016

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>2016 Authorizations</u>	<u>Bond Anticipation Notes Issued</u>
15-04	Water System Improvements	\$ 120,000.00	\$ 120,000.00
		<u>\$ 120,000.00</u>	<u>\$ 120,000.00</u>

BOROUGH OF BUTLER
COUNTY OF MORRIS
2016
ELECTRIC UTILITY FUND

BOROUGH OF BUTLER
ELECTRIC UTILITY FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Operating</u>	<u>Capital</u>	
Balance December 31, 2015	E	\$ 6,648,305.53	\$ 573,959.58	
Increased by Receipts:				
Electric Utility Charges Receivable		\$ 18,857,145.01		
Miscellaneous Revenue		78,774.15		
Meter Deposits (With Interest)		153,600.34		
State Aid - "Lifeline"		29,475.00		
Sales Tax Payable		918,640.00		
Interest Earned on Investments		10,410.03	\$ 1,216.87	
Due to/from:				
Electric Utility Capital Fund		1,216.87		
Overpayments of Electric Charges		120,168.68		
Received from Electric Utility Operating Fund				
Budget Appropriation:				
Bond Anticipation Notes Payable			85,000.00	
Capital Improvement Fund			200,000.00	
Bond Anticipation Notes Issued			1,035,000.00	
		<u>20,169,430.08</u>	<u>1,321,216.87</u>	
		26,817,735.61	1,895,176.45	
Decreased by Disbursements:				
2016 Appropriation Expenditures		18,370,430.76		
2015 Appropriation Reserves		161,600.20		
Accounts Payable		984,977.54		
Sales Tax Payable		951,336.00		
Interest on Bonds and Notes		178,074.88		
Due to:				
Current Fund		368,000.00		
Electric Utility Operating Fund - Interest			1,216.87	
Electric Overpayments Refunded		3,678.78		
Meter Deposit Refunds		147,759.31		
Bond Anticipation Notes Matured			820,000.00	
Improvement Authorization Expenditures			394,881.43	
		<u>21,165,857.47</u>	<u>1,216,098.30</u>	
Balance December 31, 2016	E	<u>\$ 5,651,878.14</u>	<u>\$ 679,078.15</u>	

BOROUGH OF BUTLER
ELECTRIC UTILITY OPERATING FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

BOROUGH OF BUTLER
ELECTRIC UTILITY CAPITAL FUND
ANALYSIS OF ELECTRIC CAPITAL CASH

	Balance (Deficit) Dec. 31, 2015	Receipts		Disbursements			Transfers		Balance (Deficit) Dec. 31, 2016
		Miscellaneous	Bond Anticipation Notes	Improvement Authorizations	Miscellaneous	Bond Anticipation Notes	From	To	
Capital Fund Balance	\$ 76,490.33								\$ 76,490.33
Due - Electric Utility Operating Fund		\$ 86,216.87			\$ 1,216.87		\$ 85,000.00		
Capital Improvement Fund	23,157.79	200,000.00					215,000.00		8,157.79
Reserve for Debt Service	2,541.05								2,541.05
Improvement Authorizations:									
Ord.									
No.	General Improvements								
86-19	Acquisition of Equipment; Various Improvements	(2,320.00)							(2,320.00)
94-20	Soil and Ground Water Remediation	434.97		\$ 434.97					
04-12	Acquisition of New and Additional Vehicular Equipment	(28,500.00)							(28,500.00)
09-06	Improvement of the Electrical Supply and Distribution System	26,555.17		11,582.00					14,973.17
11-02	Acquisition of Equipment	1,991.90							1,991.90
11-07	Improvement to Municipal Buildings and Grounds	6,300.00		405.00					5,895.00
12-09	Improvement to Municipal Buildings and Grounds	22.36							22.36
12-10	Improvement to Municipal Buildings and Grounds	10,400.00							10,400.00
13-07	Acquisition of New Vehicle	4,648.74	\$ 165,000.00			\$ 185,000.00		\$ 20,000.00	4,648.74
14-01	Improvement of the Electrical Supply and Distribution System	199,617.18	205,000.00			230,000.00		25,000.00	199,617.18
14-02	Site Remediation at DPW Facilities	8,960.69		8,960.69					
14-05	Acquisition of New Vehicles	4,850.60	205,000.00			225,000.00		20,000.00	4,850.60
15-03	Acquisition of New Aerial Bucket Truck	200,000.00	160,000.00	197,869.97		180,000.00		20,000.00	2,130.03
15-10	Installation of Generator at Borough Hall	38,808.80		33,908.80					4,900.00
16-04	Purchase Jet-Vac Truck			128,975.00				130,000.00	1,025.00
16-07	Improvements to Buildings & Grounds			12,745.00				55,000.00	42,255.00
16-08	Purchase Vehicles							30,000.00	30,000.00
16-12	Improvements to Electrical System		300,000.00						300,000.00
	<u>\$ 573,959.58</u>	<u>\$ 286,216.87</u>	<u>\$ 1,035,000.00</u>	<u>\$ 394,881.43</u>	<u>\$ 1,216.87</u>	<u>\$ 820,000.00</u>	<u>\$ 300,000.00</u>	<u>\$ 300,000.00</u>	<u>\$ 679,078.15</u>

BOROUGH OF BUTLER
ELECTRIC UTILITY OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

	Balance Dec.31, 2015	2016 Billings	Cash Receipts	State Aid "Lifeline" Revenue	Overpayments Applied	Cancellations	Balance Dec.31, 2016
Electric Rents	\$ 793,113.96	\$ 19,775,106.88	\$ 19,666,698.72	\$ 29,475.00	\$ 93,890.17	\$ 1,797.93	\$ 776,359.02
Street Lighting	38,460.19	80,945.43	109,086.29				10,319.33
	<u>\$ 831,574.15</u>	<u>\$ 19,856,052.31</u>	<u>\$ 19,775,785.01</u>	<u>\$ 29,475.00</u>	<u>\$ 93,890.17</u>	<u>\$ 1,797.93</u>	<u>\$ 786,678.35</u>

Ref.

E

E

Realized Revenue

Cash Collections	\$ 18,857,145.01
Sales Tax Payable	<u>918,640.00</u>
	\$ 19,775,785.01
State Aid "Lifeline"	29,475.00
Overpayments Applied	<u>93,890.17</u>
	<u>\$ 19,899,150.18</u>

Analysis of Realized Revenue

LEAC Revenues	\$ 12,210,316.42
Base Rate Revenues	6,704,659.06
State Aid "Lifeline"	29,475.00
Flood Lighting	36,059.70
Sales Tax Payable	<u>918,640.00</u>
	<u>\$ 19,899,150.18</u>

BOROUGH OF BUTLER
ELECTRIC UTILITY OPERATING FUND
SCHEDULE OF INVENTORY

	<u>Ref.</u>	
Balance December 31, 2015	E	\$ 1,247,609.71
Net Inventory Increase		<u>14,752.18</u>
Balance December 31, 2016	E	<u><u>\$ 1,262,361.89</u></u>

BOROUGH OF BUTLER
ELECTRIC UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL

	Balance Dec.31, 2015	Additions by Ordinance	Balance Dec.31, 2016
Fixed Capital Prior To			
January 1, 1919	\$ 50,000.00		\$ 50,000.00
Production Plant and Equipment	390,481.05		390,481.05
Transmission Poles, Towers and Fixtures	170,233.62		170,233.62
Transmission-Overhead Conductor and Devices	26,614.73		26,614.73
Distribution Plant Structures	24,117.78		24,117.78
Distribution Poles, Towers and Fixtures	91,927.60		91,927.60
Distribution - Overhead Conductors and Devices	702,867.71		702,867.71
Line Transformers	667,496.17		667,496.17
Meters and Meter Reading Devices	301,890.16		301,890.16
Installations On Consumers' Premises	117,221.82		117,221.82
Street Lighting and Signal System	424,021.17		424,021.17
General Plant Structures	71,127.86		71,127.86
Land	20,000.00		20,000.00
Administration Office	96,758.01		96,758.01
Office Furniture and Equipment	345,858.69		345,858.69
General Plant Transportation	346,916.99		346,916.99
General Plant Equipment	2,638,700.10		2,638,700.10
Glen Wild Lake Co.	18,000.00		18,000.00
High Pressure Sodium Street Light Conversions, Removal and Replacement of Underground Storage Tanks, Carpeting at Municipal Building and Installation of Conversion for High Voltage Distribution System	348,000.00		348,000.00
Purchase of Computers and Computer System Expansion	17,841.67		17,841.67
Equipment / Various Improvements Ord.#86-19;96-06;97-12;00-21, 08-10	1,952,280.80		1,952,280.80
Municipal Building Roof	29,999.30		29,999.30
Brush Chipper	12,704.00		12,704.00
Various Utility Vehicles	1,347,531.30		1,347,531.30
Various Improvements Ord. # 88-15;89-15;91-10;00-16;02-31;03-06	5,007,940.81		5,007,940.81
Purchase of Megawatt Load System	107,812.82		107,812.82
Purchase of Transformers	47,182.00		47,182.00
Relocation of Electrical Lines	85,358.93		85,358.93
Purchase of Substation Transformer Upgrade	131,220.50		131,220.50
Installation of New Telephone System	6,849.90		6,849.90
Purchase of Copy Machine	4,987.34		4,987.34
Fencing and Security Equipment	18,975.28		18,975.28
Garage Exhaust Emissions System	1,843.20		1,843.20
Automated Envelope Stuffer and Postage System	21,744.25		21,744.25
Substation Improvements	165,000.00		165,000.00
Equipment Upgrade for Y2K	10,000.00		10,000.00
Software Upgrade and Replacement for Y2K	10,000.00		10,000.00
Purchase and Installation of Computer Equipment	72,384.69		72,384.69
Improvement of the Electrical Supply and Distribution System	3,461,882.48		3,461,882.48
Purchase of Security System for Municipal Building	7,500.00		7,500.00
Server and Related Software	10,000.00		10,000.00
Emergency Generator	40,000.00		40,000.00
Digital Imaging System	8,000.00		8,000.00
Improvements to Municipal Buildings and Grounds	35,000.00		35,000.00
Site, Soil and Ground Water Remediation		\$ 111,000.00	111,000.00
	<u>\$ 19,466,272.73</u>	<u>\$ 111,000.00</u>	<u>\$ 19,577,272.73</u>

Ref.

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BOROUGH OF BUTLER
ELECTRIC UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

Improvement Description	Ord. No.	Balance Dec.31, 2015	2016 Authorizations		Costs to Fixed Capital	Balance Dec.31, 2016
			Deferred Charges to Future Revenue	Capital Improvement Fund		
Soil and Ground Water Remediation	94-20	\$ 51,000.00			\$ 51,000.00	
Improvement of the Electrical Supply and Distribution System	09-06	2,100,000.00				\$ 2,100,000.00
Acquisition of Equipment	11-02	33,000.00				33,000.00
Improvement to Municipal Buildings and Grounds	12-09	15,000.00				15,000.00
Improvement to Municipal Buildings and Grounds	12-10	15,000.00				15,000.00
Acquisition of New Vehicles	13-07	230,000.00				230,000.00
Improvement of the Electrical Supply and Distribution System	14-01	250,000.00				250,000.00
Site Remediation at DPW Facilities	14-02	60,000.00			\$ 60,000.00	
Acquisition of New Vehicles	14-05	335,000.00				335,000.00
Acquisition of New Aerial Bucket Truck	15-03	200,000.00				200,000.00
Installation of Generator at Borough Hall	15-10	100,000.00				100,000.00
Purchase Jet-Vac Truck	16-04			\$ 130,000.00		130,000.00
Improvements to Buildings and Grounds	16-07			55,000.00		55,000.00
Purchase Vehicles	16-08			30,000.00		30,000.00
Improvements to Electrical Supply	16-12		\$ 300,000.00			300,000.00
		<u>\$ 3,389,000.00</u>	<u>\$ 300,000.00</u>	<u>\$ 215,000.00</u>	<u>\$ 111,000.00</u>	<u>\$ 3,793,000.00</u>

Ref.

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BOROUGH OF BUTLER
ELECTRIC UTILITY OPERATING FUND
SCHEDULE OF 2015 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2016

	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Operating:				
Administration:				
Salaries and Wages	\$ 12,435.56	\$ 12,435.56		\$ 12,435.56
Other Expenses	167,385.47	167,385.47	\$ 66,202.00	101,183.47
Operations:				
Salaries and Wages	123,734.68	123,734.68	5,716.75	118,017.93
Other Expenses	304,846.54	304,846.54	86,886.97	217,959.57
Other Expenses - Purchase Power	1,095,406.24	1,095,406.24		1,095,406.24
Dispatching:				
Salaries and Wages	16,709.38	16,709.38	1,636.18	15,073.20
Other Expenses	1,000.00	1,000.00		1,000.00
Buildings and Grounds:				
Salaries and Wages	1,226.99	1,226.99		1,226.99
Other Expenses	6,779.45	6,779.45		6,779.45
Purchased Power	4,600.00	4,600.00		4,600.00
Night Out:				
Other Expenses	24.54	24.54		24.54
Group Insurance for Employees	19,300.68	19,300.68	1,158.30	18,142.38
MELJIF Liability	11.08	11.08		11.08
MELJIF Worker's Compensation	0.42	0.42		0.42
Contribution to:				
Public Employees' Retirement System	3.60	3.60		3.60
Social Security System (O.A.S.I.)	5,016.20	5,016.20		5,016.20
Unemployment Compensation Insurance	108.15	108.15		108.15
Disability	1,000.00	1,000.00		1,000.00
	<u>\$ 1,759,588.98</u>	<u>\$ 1,759,588.98</u>	<u>\$ 161,600.20</u>	<u>\$ 1,597,988.78</u>

Analysis of Balance December 31, 2015

	<u>Ref.</u>	
Unencumbered	E	\$ 1,656,881.91
Encumbered	E	<u>102,707.07</u>
		<u>\$ 1,759,588.98</u>

BOROUGH OF BUTLER
ELECTRIC UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance		Balance December 31, 2015		2016 Authorizations		Paid or Charged	Balance December 31, 2016	
		Date	Amount	Funded	Unfunded	Capital Improve- ment Fund	Deferred Charges to Future Revenue		Funded	Unfunded
94-20	Soil and Ground Water Remediation	12/27/94	\$ 51,000.00	\$ 434.97				\$ 434.97		
09-06	Improvement of the Electrical Supply and Distribution System	07/07/09	2,100,000.00	26,555.17				11,582.00	\$ 14,973.17	
11-02	Acquisition of Equipment	05/03/11	33,000.00	1,991.90					1,991.90	
11-07	Improvement to Municipal Buildings and Grounds	06/21/11	10,000.00	6,300.00				405.00	5,895.00	
12-09	Improvement to Municipal Buildings and Grounds	07/17/12	15,000.00	22.36					22.36	
12-10	Improvement to Municipal Buildings and Grounds	07/17/12	15,000.00	10,400.00					10,400.00	
13-07	Acquisition of New Vehicles	06/18/13	230,000.00		\$ 4,648.74					\$ 4,648.74
14-01	Improvement of the Electrical Supply and Distribution System	01/21/14	250,000.00		199,617.18					199,617.18
14-02	Site Remediation at DPW Facilities	02/18/14	60,000.00	8,960.69				8,960.69		
14-05	Acquisition of New Vehicles	06/17/14	335,000.00		4,850.60					4,850.60
15-03	Acquisition of New Aerial Bucket Truck	05/19/15	200,000.00	20,000.00	180,000.00			197,869.97		2,130.03
15-10	Installation of Generator at Borough Hall	05/19/15	100,000.00	38,808.80				33,908.80	4,900.00	
16-04	Purchase Jet-Vac Truck	04/15/16	130,000.00			\$ 130,000.00		128,975.00	1,025.00	
16-07	Improvements to Buildings & Grounds	05/17/16	55,000.00			55,000.00		12,745.00	42,255.00	
16-08	Purchase Vehicles	05/17/16	30,000.00			30,000.00			30,000.00	
16-12	Improvements to Electrical System	05/17/16	300,000.00				\$ 300,000.00			300,000.00
				<u>\$ 113,473.89</u>	<u>\$ 389,116.52</u>	<u>\$ 215,000.00</u>	<u>\$ 300,000.00</u>	<u>\$ 394,881.43</u>	<u>\$ 111,462.43</u>	<u>\$ 511,246.55</u>
		<u>Ref.</u>		E	E				E	E

BOROUGH OF BUTLER
ELECTRIC UTILITY CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2015	E	\$ 23,157.79
Increased by:		
Electric Operating Fund Budget Appropriation		<u>200,000.00</u>
		223,157.79
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>215,000.00</u>
Balance December 31, 2016	E	<u><u>\$ 8,157.79</u></u>

BOROUGH OF BUTLER
ELECTRIC UTILITY CAPITAL FUND
SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION

Ord. No.	Improvement Description	Date of Ordinance	Balance Dec. 31, 2015	2016 Authorizations	Funded by Operating Budget	Transferred to Reserve for Amortization	Balance Dec. 31, 2016
94-20	Soil and Ground Water Remediation	12/27/94	\$ 2,500.00			\$ 2,500.00	
09-06	Improvement of the Electrical Supply and Distribution System	07/07/09	101,000.00				\$ 101,000.00
11-02	Acquisition of Equipment	05/03/11	33,000.00				33,000.00
12-09	Improvement to Municipal Buildings and Grounds	07/17/12	15,000.00				15,000.00
12-10	Improvement to Municipal Buildings and Grounds	07/17/12	15,000.00				15,000.00
13-07	Acquisition of New Vehicles	06/18/13	45,000.00		\$ 20,000.00		65,000.00
14-01	Improvement of the Electrical Supply and Distribution System	01/21/14	20,000.00		25,000.00		45,000.00
14-02	Site Remediation at DPW Facilities	02/18/14	60,000.00			60,000.00	
14-05	Acquisition of New Vehicles	06/17/14	110,000.00		20,000.00		130,000.00
15-03	Acquisition of New Aerial Bucket Truck	05/19/15	20,000.00		20,000.00		40,000.00
15-10	Installation of Generator at Borough Hall	05/19/15	100,000.00				100,000.00
16-04	Purchase Jet-Vac Truck	04/15/16		\$ 130,000.00			130,000.00
16-07	Improvements to Buildings & Grounds	05/17/16		55,000.00			55,000.00
16-08	Purchase Vehicles	05/17/16		30,000.00			30,000.00
			<u>\$ 521,500.00</u>	<u>\$ 215,000.00</u>	<u>\$ 85,000.00</u>	<u>\$ 62,500.00</u>	<u>\$ 759,000.00</u>
		<u>Ref.</u>	E				E

BOROUGH OF BUTLER
ELECTRIC UTILITY CAPITAL FUND
SCHEDULE OF FARMERS HOME ADMINISTRATION LOAN PAYABLE
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

BOROUGH OF BUTLER
ELECTRIC UTILITY CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

Ord. No.	Improvement Description	Issue of Original Note	Date of		Interest Rate	Balance Dec. 31, 2015	Issued	Matured	Balance Dec. 31, 2016
			Issue	Maturity					
13-07	Acquisition of New Vehicles	09/18/14	09/17/15 09/15/16	09/16/16 09/15/17	0.62% 0.85%	\$ 185,000.00	\$ 165,000.00	\$ 185,000.00	\$ 165,000.00
14-01	Improvement of the Electrical Supply and Distribution System	09/18/14	09/17/15 09/15/16	09/16/16 09/15/17	0.62% 0.85%	230,000.00	205,000.00	230,000.00	205,000.00
14-05	Acquisition of New Vehicles	09/18/14	09/17/15 09/15/16	09/16/16 09/15/17	0.62% 0.85%	225,000.00	205,000.00	225,000.00	205,000.00
15-03	Acquisition of New Vehicles	09/17/15	09/17/15 09/15/16	09/16/16 09/15/17	0.62% 0.85%	180,000.00	160,000.00	180,000.00	160,000.00
16-12	Electrical System Improvements	09/15/16	09/15/16	09/15/17	0.85%		300,000.00		300,000.00
						<u>\$ 820,000.00</u>	<u>\$ 1,035,000.00</u>	<u>\$ 820,000.00</u>	<u>\$ 1,035,000.00</u>
						Ref. E			E
							New Issue	\$ 300,000.00	
							Renewals	735,000.00	\$ 735,000.00
							Paid by Operating Budget	85,000.00	
								<u>\$ 1,035,000.00</u>	<u>\$ 820,000.00</u>

BOROUGH OF BUTLER
ELECTRIC UTILITY CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE

Purpose	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance Dec. 31, 2015	Matured	Balance Dec. 31, 2016
			Outstanding					
			Date	Amount				
Refunding Bonds	09/01/10	\$ 4,215,000.00	09/01/17	\$ 390,000.00	4.00%			
			09/01/18	390,000.00	4.00%			
			09/01/19	390,000.00	4.00%			
			09/01/20	390,000.00	4.00%			
			09/01/21	385,000.00	4.00%			
			09/01/22	380,000.00	4.00%	\$ 2,695,000.00	\$ 370,000.00	\$ 2,325,000.00
General Bonds	5/22/13	3,661,000.00	11/15/2017	230,000.00	1.25%			
			11/15/2018	255,000.00	1.50%			
			11/15/2019	290,000.00	1.50%			
			11/15/2020	315,000.00	2.00%			
			11/15/2021	355,000.00	2.00%			
			11/15/2022	380,000.00	2.00%			
			11/15/2023	400,000.00	2.00%			
			11/15/2024	405,000.00	3.00%			
			11/15/2025	396,000.00	3.00%	3,251,000.00	225,000.00	3,026,000.00
						\$ 5,946,000.00	\$ 595,000.00	\$ 5,351,000.00
			Ref.	E	E			

BOROUGH OF BUTLER
ELECTRIC UTILITY CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ord. No.	Improvement Description	Balance Dec. 31, 2015	2016 Authorizations	Bond Anticipation Notes Issued	Balance Dec. 31, 2016
86-19	Acquisition of Equipment/Various Improvements	\$ 2,320.00			\$ 2,320.00
04-12	Acquisition of New and Additional Vehicular Equipment	28,500.00			28,500.00
16-12	Improvements to Electrical System		\$ 300,000.00	\$ 300,000.00	
		<u>\$ 30,820.00</u>	<u>\$ 300,000.00</u>	<u>\$ 300,000.00</u>	<u>\$ 30,820.00</u>

BOROUGH OF BUTLER
COUNTY OF MORRIS
2016
PUBLIC ASSISTANCE FUND

BOROUGH OF BUTLER
PUBLIC ASSISTANCE FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>P.A.T.F. I</u>	<u>P.A.T.F. II</u>	<u>Fund Total</u>
Balance December 31, 2015	F	\$ 5,267.65	\$ 2,456.83	\$ 7,724.48
Increase by Receipts:				
Interest Earned			25.27	25.27
Balance December 31, 2016	F	<u>\$ 5,267.65</u>	<u>\$ 2,482.10</u>	<u>\$ 7,749.75</u>

BOROUGH OF BUTLER

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2016

BOROUGH OF BUTLER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2016

Name of Federal Agency or Department	Name of Program	C.F.D.A. Account Number	State Account Number	Grant Period		Grant Award Amount	Amount Received	Amount of Expenditures	Cumulative Expenditures	Amount Provided to Subrecipients
				From	To					
U.S. Department of Housing and Urban Development: (Passed through Morris County Office of Community Development)	Community Development Block Grant- Ogden Terrace Sewer Main Replacement	14.218	N/A	11/15/14	12/31/16	\$ 80,000.00	\$ 58,687.20	\$ 58,369.52	\$ 80,000.00	
	Gifford Street Water Main Replacement	14.218	N/A	11/19/15	05/15/16	76,911.00	76,911.00	76,911.00	76,911.00	
	Manning Avenue Water Main Replacement	14.218	N/A	10/01/16	05/30/17	80,000.00				
Total Department of Housing and Urban Development							135,598.20	135,280.52	156,911.00	
U.S. Department of Transportation: (Passed through New Jersey Department of Transportation)	Municipal Aid - Morse Avenue	20.205	480-078-6320-6010	01/01/13	12/31/17	140,000.00		12,800.00	12,800.00	
Total Department of Transportation								12,800.00	12,800.00	
TOTAL FEDERAL AWARDS							\$ 135,598.20	\$ 148,080.52	\$ 169,711.00	\$ -0-

N/A - Not Applicable/Available

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

BOROUGH OF BUTLER
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2016

Name of State Agency or Department	Name of Program	Name of Project	Grant I.D. No.	Grant Period		Grant Award Amount	Amount Received	Amount of Expenditures	Cumulative Expenditures		
				From	To						
Department of Health & Senior Services	Alcohol Education Rehabilitation Program	Alcohol Education Rehabilitation Program	760-098-Y900 001-X100-6020	01/01/16	12/31/17	\$ 846.04	\$ 846.04				
	Total Department of Health & Senior Services						846.04				
Department of Law and Public Safety	Safe and Secure Communities Program	Safe and Secure Communities Program	100-066-1020-232- YCJF-6120	01/01/15	12/31/15	60,000.00	45,000.00		\$ 60,000.00		
				01/01/16	12/31/16	60,000.00	15,000.00	\$ 60,000.00	60,000.00		
							60,000.00	60,000.00	120,000.00		
	Drunk Driving Enforcement Fund	Drunk Driving Enforcement Fund	100-078-6400- 260-YYYY	01/01/09	12/31/17	6,242.38		576.88	4,171.72		
				01/01/16	12/31/17	1,647.34	1,647.34				
							1,647.34	576.88	4,171.72		
	Body Armor Replacement Program	Body Armor Replacement Program	718-066-1020-001 YCJS-6120	01/01/16	12/31/17	1,783.18	1,783.18				
							1,783.18				
							63,430.52	60,576.88	124,171.72		
	Total Department of Law and Public Safety										
Department of the Treasury - (Passed Through the County of Morris - Governor's Council on Alcoholism and Drug Abuse)											
Municipal Alliance Grant	DARE/DEDR Program	100-082-2000- 044-995120	07/01/15	06/30/17	20,950.00	11,075.00	7,275.00	18,750.00			
						11,075.00	7,275.00	18,750.00			
						Total Department of the Treasury					
Department of Environmental Protection	Clean Communities Program	Clean Communities Program	765-042-4900- 004-V42Y-6020	01/01/12	12/31/17	11,877.31		5,691.42	10,066.19		
				01/01/15	12/31/17	18,172.90	18,172.90				
							18,172.90	5,691.42	10,066.19		
	Recycling Tonnage Grant	Recycling Tonnage Grant	752-042-4900- 001-V42Y-6020	01/01/10	12/31/17	7,684.26		596.40	2,108.77		
										596.40	2,108.77
										18,172.90	6,287.82
	Total Department of Environmental Protection						18,172.90	6,287.82	12,174.96		
	TOTAL STATE AWARDS							\$ 93,524.46	\$ 74,139.70	\$ 155,096.68	

N/A - Not Available

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

BOROUGH OF BUTLER
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2016

Note 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the "Schedules") include the federal and state grant activity of the Borough of Butler under programs of the federal and state governments for the year ended December 31, 2016. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the Borough, they are not intended to and do not present the financial position, changes in fund balance or cash flows of the Borough.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through identifying numbers are presented where available. The Borough has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

Note 4. STATE LOANS OUTSTANDING

The Borough of Butler has the following loans outstanding as of December 31, 2016:

Green Trust Loan Payable	\$ 11,376
Dam Restoration and Inland Water	
Project Loan Payable	<u>292,329</u>
	<u>\$ 303,705</u>

Currently the Borough is in the process of repaying the loan balances. There were no loan receipts or expenditures in the current year. The projects which relate to the loans are complete.



Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mt. Arlington, NJ 07856
973-328-1825 | 973-328-0507 Fax

Lawrence Business Center
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Newton, NJ 07860
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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*

Independent Auditors' Report

The Honorable Mayor and Members
of the Borough Council
Borough of Butler
Butler, New Jersey

We have audited in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements - *regulatory basis* - of the various funds of the Borough of Butler, in the County of Morris (the "Borough") as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated May 26, 2017. These financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough'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 Borough'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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Honorable Mayor and Members
of the Borough Council
Borough of Butler
Page 2

Compliance and Other Matters

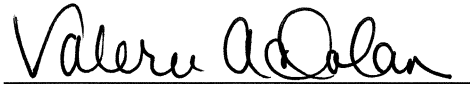
As part of obtaining reasonable assurance about whether the Borough's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 result of that testing, and not to provide an opinion on the effectiveness of the Borough'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 Borough's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mount Arlington, NJ
May 26, 2017

NISIVOCCIA LLP

A handwritten signature in black ink, reading "Valerie A. Dolan", is written over a horizontal line.

Valerie A. Dolan

Certified Public Accountant

Registered Municipal Accountant No. 548

BOROUGH OF BUTLER
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2016

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the Borough prepared in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' 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*.
- No instances of noncompliance material to the financial statements of the Borough which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- The Borough was not subject to the single audit provisions of the Uniform Guidance and New Jersey's OMB Circular 15-08 for 2016 as grant expenditures were less than the single audit thresholds of \$750,000 identified in the Uniform Guidance and New Jersey's OMB Circular 15-08.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Questioned Costs for Federal Awards:

- Not applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- Not applicable since state expenditures were below the single audit threshold.

BOROUGH OF BUTLER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

There were no prior year findings.

BOROUGH OF BUTLER

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2016

BOROUGH OF BUTLER
COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required to be Advertised for N.J.S.A. 40A:11-4

N.J.S. 40A:11-3 states:

a. " When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

b. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to subparagraph (i) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, c.198 (C.40A: 11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.

c. The Governor, in consultation with the Department of the Treasury, shall, no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L.1999, c.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L.1971, c.198 (C.40A11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. The adjustment shall become effective on July 1 of the year in which it is made."

N.J.S. 40A: 11-4 states: "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder."

Effective July 1, 2015 and thereafter the bid threshold in accordance with N.J.S.A. 40A:11-3 and 40A:11-3 (as amended) are \$17,500 for a contracting unit without a qualified purchasing agent and \$40,000 for a contracting unit with a qualified purchasing agent (QPA).

The governing body of the Borough of Butler has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the year and where question arises as to whether any contract or agreement might result in violation of the statute, the Borough Attorney's opinion should be sought before a commitment is made.

BOROUGH OF BUTLER
COMMENTS AND RECOMMENDATIONS
(Continued)

Contracts and Agreements Required to be Advertised for N.J.S.A. 40A:11-4 (Cont'd)

The minutes indicated that bids were requested by public advertising per N.J.S. 40A:11-4. The minutes also indicated that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" in accordance with N.J.S. 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. None were noted.

Collection of Interest on Delinquent Taxes, Utility Charges and Assessments

The statute provides the method for authorizing interest and the maximum rate to be charged for the nonpayment of taxes, utility charges or assessments on or before the date when they would become delinquent.

On January 5, 2016, the governing body adopted the following resolution authorizing interest to be charged on delinquent tax, assessment and utility charges:

BE IT RESOLVED by the Borough Council of the Borough of Butler, Morris County, New Jersey, that, in accordance with R.S. 54:4-67 as amended, the rate of interest to be charged for the nonpayment of taxes, utilities or assessments on or before the date when they would become delinquent be and the same is hereby fixed as follows:

1. No interest shall be charged if payment of tax, utility or assessment installment, as the case may be, is made within ten (10) days after the date upon which the same became payable.
2. The rate of interest to be charged for the nonpayment of taxes, utilities or assessment installments on or before the date when they become delinquent shall be eight percent (8%) per annum on the first \$1,500 of the delinquency and eighteen percent (18%) on any delinquency over \$1,500, to be calculated from the date the tax was payable until the date of actual payment. The interest to be charged a delinquent taxpayer for nonpayment of real property taxes shall be an additional penalty of 6% if the amount of delinquency is in excess of \$10,000 at the end of the calendar year.

It appears from an examination of the Collector's records that interest was generally collected in accordance with the foregoing resolution.

BOROUGH OF BUTLER
COMMENTS AND RECOMMENDATIONS
(Continued)

Delinquent Taxes and Tax Title Liens

The last tax sale was held on November 18, 2016.

The following comparison is made of the number of tax title liens receivable on December 31, of the last three years:

<u>Year</u>	<u>Tax Title Liens</u>
2016	4
2015	4
2014	6

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a taxpaying basis.

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services, consisting of verification notices as follows:

<u>Type</u>	<u>Number Mailed</u>
Payment of 2016 Taxes	20
Payment of 2017 Taxes	20
Delinquent Taxes	15
Tax Title Liens	3
Payment of Water/Sewer Utility Charges	20
Delinquent Sewer Utility Charges	15
Delinquent Water Utility Charges	15
Payment of Electric Utility Charges	20
Delinquent Electric Utility Charges	15

For items not returned, alternative procedures were performed, as appropriate.

Accounting Requirements under New Jersey Administrative Code

The Division of Local Government Services has established three (3) accounting requirements which are prescribed in the New Jersey Administrative Code. They are as follows:

1. Maintenance of an encumbrance accounting system.
2. Fixed asset accounting and reporting system.
3. General ledger accounting system.

The Borough complies with these accounting requirements.

BOROUGH OF BUTLER
COMMENTS AND RECOMMENDATIONS
(Continued)

Municipal Court

The report of the Municipal Court has been forwarded to the Division of Local Government Services and the Borough's Magistrate under separate cover. Reflected below is a summary of receipts and disbursements for the year ended December 31, 2016.

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance Dec. 31, 2015	Receipts	Disbursements	Balance Dec. 31, 2016
Municipal Treasurer:				
Fines and Costs	\$ 9,807.42	\$109,918.11	\$ 114,448.78	\$ 5,276.75
Restitution		1,119.93	969.93	150.00
POAA FTA	2.00	132.00	128.00	6.00
Weights and Measures	1,850.00	4,600.00	5,450.00	1,000.00
Public Defender	778.50	9,824.00	10,383.50	219.00
County:				
Fines	4,290.50	49,948.44	51,658.69	2,580.25
State:				
Fines and Costs	6,248.58	64,391.77	68,636.85	2,003.50
Conditional Discharge		895.00	895.00	
Bail	6,400.00	62,095.00	64,645.00	3,850.00
TOTAL	<u>\$ 29,377.00</u>	<u>\$302,924.25</u>	<u>\$ 317,215.75</u>	<u>\$ 15,085.50</u>

Inherent internal control problems exist throughout the State for the municipal court system. Throughout the State there is the possibility that court employees can recall warrants, postpone court cases, set bail and lift suspensions of licenses. However, our review of the records of the Municipal Court revealed no internal control deficiencies.

Management Suggestion

The next Governmental Accounting Standards Board ("GASB") statement which will have a significant impact on the Borough will be GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, will be effective for the calendar year ending December 31, 2018. This standard replaces GASB No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. It is similar to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* in that successful implementation of this standard will require the provision of certain key financial and non-financial information from the State of New Jersey.

Corrective Action Plan

The Borough had no prior year audit recommendations.

BOROUGH OF BUTLER
SUMMARY OF RECOMMENDATIONS

There are no recommendations.

* * * * *