City of Butler

Financial Statements (Modified Cash Basis) and
Supplementary Information

Year Ended December 31, 2018
with Independent Auditor's Report

CITY OF BUTLER

YEAR ENDED DECEMBER 31, 2018

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Supplementary Information:

MaherDuessel

Independent Auditor's Report

City Council and Mayor
City of Butler

We have audited the accompanying modified cash basis financial statements (financial statements) of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Butler (City), Pennsylvania, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2018, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and the Liquid Fuels Fund for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements, combining pension trust fund statements, and the agency funds statement of changes in assets and liabilities are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, combining pension trust fund statements, and the agency funds statement of changes in assets and liabilities are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Maher Duessel

Pittsburgh, Pennsylvania
June 27, 2019

CITY OF BUTLER

STATEMENT OF NET POSITION (MODIFIED CASH BASIS)

DECEMBER 31, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 1,028,890	$ 119,497	$ 1,148,387
Investments	-	228,961	228,961
Total Assets	1,028,890	348,458	1,377,348
Liabilities	-	-	-
Net Position			
Restricted for:			
Roads and bridges	373,974	-	373,974
Revolving loan program	147,866	-	147,866
Capital projects	123,373	-	123,373
Open Space Lighting	84,001	-	84,001
Unrestricted	299,676	348,458	648,134
Total Net Position	$ 1,028,890	$ 348,458	$ 1,377,348

See accompanying notes to financial statements (modified cash basis).

CITY OF BUTLER

STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2018

		Program Revenues			Net (Disbursement) Receipt and Changes in Net Position		
					Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
General government	$ 1,356,721	$ 274,591	$ 16,596	$ -	$ (1,065,534)	$ -	$ (1,065,534)
Public safety	5,155,027	255,495	601,459	14,492	(4,283,581)	-	(4,283,581)
Health and welfare	11,597	46,661	-	-	35,064	-	35,064
Public works - highways	1,376,780	-	440,324	78,527	(857,929)	-	(857,929)
Public works - other	67,746	-	-	-	(67,746)	-	(67,746)
Culture and recreation	399,877	-	-	-	(399,877)	-	(399,877)
Community development	468,599	-	497,761	-	29,162	-	29,162
Debt service	1,958,215	-	-	-	(1,958,215)	-	(1,958,215)
Total governmental activities	10,794,562	576,747	1,556,140	93,019	(8,568,656)	-	(8,568,656)
Business-type activities:							
Parking	105,868	833,319	-	-	-	727,451	727,451
Total business-type activities	105,868	833,319	-	-	-	727,451	727,451
Total Primary Government	$ 10,900,430	$ 1,410,066	$ 1,556,140	$ 93,019	(8,568,656)	727,451	(7,841,205)
General revenues:							
Real estate taxes, including penalty and interest					2,911,900	-	2,911,900
Real estate transfer taxes					231,240	-	231,240
Earned income taxes, including penalty and interest					994,846	-	994,846
Business gross receipts taxes					1,413,805	-	1,413,805
Local services tax, including penalty and interest					289,040	-	289,040
All other taxes					66,969	-	66,969
Interest and rents					25,877	3,834	29,711
Miscellaneous					266,398	-	266,398
Unrealized gain (loss) on investments					-	(2,108)	(2,108)
Transfers in (out)					752,421	(752,421)	-
Proceeds from issuance of debt					1,200,000	-	1,200,000
Total general revenues					8,152,496	(750,695)	7,401,801
Change in Net Position					(416,160)	(23,244)	(439,404)
Net Position - beginning of year					1,445,050	371,702	1,816,752
Net Position - end of year					$ 1,028,890	$ 348,458	$ 1,377,348

See accompanying notes to financial statements (modified cash basis).

CITY OF BUTLER

BALANCE SHEET (MODIFIED CASH BASIS)
GOVERNMENTAL FUNDS

DECEMBER 31, 2018

	General	Capital Projects Fund	Liquid Fuels Fund	Housing Redevelopment	2015 Series Bond Fund	Other Governmental Fund	Total Governmental Funds
Assets							
Cash and cash equivalents	$ 244,767	$ 138,910	$ 373,974	$ 147,866	$ 123,373	$ -	$ 1,028,890
Total Assets	$ 244,767	$ 138,910	$ 373,974	$ 147,866	$ 123,373	$ -	$ 1,028,890
Liabilities and Fund Balance							
Liabilities:	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Fund Balance:							
Restricted for:							
Roads and bridges	-	-	373,974	-	-	-	373,974
Revolving loan program	-	-	-	147,866	-	-	147,866
Capital projects	-	-	-	-	123,373	-	123,373
Open Space Lighting	84,001	-	-	-	-	-	84,001
Assigned	-	138,910	-	-	-	-	138,910
Unassigned	160,766	-	-	-	-	-	160,766
Total Fund Balance	244,767	138,910	373,974	147,866	123,373	-	1,028,890
Total Liabilities and Fund Balance	$ 244,767	$ 138,910	$ 373,974	$ 147,866	$ 123,373	$ -	$ 1,028,890

See accompanying notes to financial statements (modified cash basis).

CITY OF BUTLER

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS) GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2018

	General	Capital Projects Fund	Liquid Fuels Fund	Housing Redevelopment	2015 Series Bond Fund	Other Governmental Fund	Total Governmental Funds
Receipts:							
Taxes, including penalty and interest	$ 5,907,800	$ -	$ -	$ -	$ -	$ -	$ 5,907,800
Licenses and permits	378,828	-	-	-	-	-	378,828
Fines and forfeits	104,686	-	-	-	-	-	104,686
Interest and rents	18,673	431	217	5,795	761	-	25,877
Intergovernmental	682,295	78,527	440,324	29,804	-	407,709	1,638,659
Charges for services	103,733	-	-	-	-	-	103,733
Miscellaneous	265,351	-	-	-	-	1,047	266,398
Total receipts	7,461,366	78,958	440,541	35,599	761	408,756	8,425,981
Disbursements:							
Current:							
General government	1,021,285	92,925	-	93	-	1,047	1,115,350
Public safety	5,140,537	14,490	-	-	-	-	5,155,027
Health and welfare	11,597	-	-	-	-	-	11,597
Public works - highways	619,809	404,971	352,000	-	-	-	1,376,780
Public works - others	67,746	-	-	-	-	-	67,746
Culture and recreation	399,877	-	-	-	-	-	399,877
Community development	-	-	-	60,890	-	407,709	468,599
Other	241,371	-	-	-	-	-	241,371
Debt service	1,958,215	-	-	-	-	-	1,958,215
Total disbursements	9,460,437	512,386	352,000	60,983	-	408,756	10,794,562
Excess (Deficiency) of Receipts over Disbursements	(1,999,071)	(433,428)	88,541	(25,384)	761	-	(2,368,581)
Other Financing Sources (Uses):							
Proceeds from issuance of debt	1,200,000	-	-	-	-	-	1,200,000
Transfers in (out)	752,421	405,956	-	-	(405,956)	-	752,421
Total other financing sources (uses)	1,952,421	405,956	-	-	(405,956)	-	1,952,421
Net Change in Fund Balance	(46,650)	(27,472)	88,541	(25,384)	(405,195)	-	(416,160)
Fund Balance:							
Beginning of year	291,417	166,382	285,433	173,250	528,568	-	1,445,050
End of year	$ 244,767	$ 138,910	$ 373,974	$ 147,866	$ 123,373	$ -	$ 1,028,890

See accompanying notes to financial statements (modified cash basis).

CITY OF BUTLER

BUDGETARY COMPARISON STATEMENT (MODIFIED CASH BASIS)
GENERAL FUND

YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Receipts:				
Taxes, including penalty and interest	$ 5,753,340	$ 5,753,340	$ 5,907,800	$ 154,460
Licenses and permits	403,880	403,880	378,828	(25,052)
Fines and forfeits	196,500	196,500	104,686	(91,814)
Interest and rents	9,050	9,050	18,673	9,623
Intergovernmental	1,421,124	1,421,124	682,295	(738,829)
Charges for services	128,705	128,705	103,733	(24,972)
Miscellaneous	28,055	28,055	265,351	237,296
Total receipts	7,940,654	7,940,654	7,461,366	(479,288)
Disbursements:				
Current:				
General government	948,658	948,658	1,021,285	(72,627)
Public safety	4,981,437	4,981,437	5,140,537	(159,100)
Health and welfare	11,487	11,487	11,597	(110)
Public works - highways	624,260	624,260	619,809	4,451
Public works - other	80,055	80,055	67,746	12,309
Culture and recreation	359,804	359,804	399,877	(40,073)
Other	178,352	178,352	241,371	(63,019)
Debt service	756,601	756,601	1,958,215	(1,201,614)
Total disbursements	7,940,654	7,940,654	9,460,437	(1,519,783)
Excess (Deficiency) of Receipts over Disbursements	-	-	(1,999,071)	(1,999,071)
Other Financing Sources (Uses):				
Proceeds from issuance of debt	-	-	1,200,000	1,200,000
Transfers in (out)	-	-	752,421	752,421
Total other financing sources (uses)	-	-	1,952,421	1,952,421
Net Change in Fund Balance	$ -	$ -	$ (46,650)	$ (46,650)

See accompanying notes to financial statements (modified cash basis).

CITY OF BUTLER

BUDGETARY COMPARISON STATEMENT (MODIFIED CASH BASIS)
LIQUID FUELS FUND

YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Receipts:				
Interest and rents	$ 90	$ 90	$ 217	$ 127
Intergovernmental	431,332	431,332	440,324	8,992
Total receipts	431,422	431,422	440,541	9,119
Disbursements:				
General government	-	-	-	-
Public works - highways	431,422	431,422	352,000	79,422
Total disbursements	431,422	431,422	352,000	79,422
Excess (Deficiency) of Receipts over Disbursements	$ -	$ -	$ 88,541	$ 88,541

See accompanying notes to financial statements (modified cash basis).

CITY OF BUTLER

STATEMENT OF NET POSITION (MODIFIED CASH BASIS)

PROPRIETARY FUND

DECEMBER 31, 2018

	Enterprise Fund Parking Fund
Assets	
Cash and cash equivalents	$ 119,497
Investments	228,961
Total Assets	348,458
Net Position	
Unrestricted	348,458
Total Net Position	$ 348,458

See accompanying notes to financial statements (modified cash basis).

CITY OF BUTLER

STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN NET POSITION (MODIFIED CASH BASIS)

PROPRIETARY FUND

YEAR ENDED DECEMBER 31, 2018

	Enterprise Fund Parking Fund
Operating Receipts:	
Parking rentals	$ 809,572
Miscellaneous	23,747
Total operating receipts	833,319
Operating Disbursements:	
Utilities	27,492
Repair and maintenance	20,952
Bank charges	205
Rent	6,000
Meters	37,131
Postage and other office supplies	5,907
Miscellaneous	8,181
Total operating disbursements	105,868
Operating Income (Loss)	727,451
Nonoperating Receipts (Disbursements):	
Interest income	3,834
Unrealized gain (loss) on investments	(2,108)
Total nonoperating receipts (disbursements)	1,726
Transfers in (out)	(752,421)
Change in Net Position	(23,244)
Net Position:	
Beginning of year	371,702
End of year	$ 348,458

See accompanying notes to financial statements (modified cash basis).

CITY OF BUTLER

STATEMENT OF CASH FLOWS (MODIFIED CASH BASIS)

PROPRIETARY FUND

YEAR ENDED DECEMBER 31, 2018

	Enterprise Fund Parking Fund
Cash Flows From Operating Activities:	
Receipts from customers	$ 833,319
Payments for operating costs	(105,868)
Net cash provided by (used in) operating activities	727,451
Cash Flows From Noncapital Financing Activities:	
Net cash transfers with General Fund	(752,421)
Net cash provided by (used in) noncapital financing activities	(752,421)
Cash Flows From Investing Activities:	
Purchase (sale) of investments	(3,494)
Interest received	3,834
Net cash provided by (used in) investing activities	340
Increase (Decrease) in Cash and Cash Equivalents	(24,630)
Cash and Cash Equivalents:	
Beginning of year	144,127
End of year	$ 119,497

See accompanying notes to financial statements (modified cash basis).

CITY OF BUTLER

STATEMENT OF FIDUCIARY NET POSITION (MODIFIED CASH BASIS)
FIDUCIARY FUNDS

DECEMBER 31, 2018

Assets	Pension Trust Funds	Tax Collection Fund	Fire Escrow Fund	Father Marinaro Skate Park Fund	Parks and Recreation Fund	Shade Tree Commission Fund	Bicycle Fund	Total
Cash equivalents	$ 401,619	$ 298,521	$ 13,750	$ 1,164	$ 834	$ 20,281	$ 195	$ 736,364
Investments (at fair value):								
U.S. government securities	8,049,618	-	-	-	-	-	-	8,049,618
Corporate bonds	2,799,101	-	-	-	-	-	-	2,799,101
Common stock	9,699,001	-	-	-	-	-	-	9,699,001
Mutual funds	15,483,157	-	-	-	-	-	-	15,483,157
Accrued interest and dividends	79,462	-	-	-	-	-	-	79,462
Total Assets	36,511,958	298,521	13,750	1,164	834	20,281	195	36,846,703
Liabilities								
Due to other governments	-	298,521	-	1,164	834	20,281	195	320,995
Escrow liability	-	-	13,750	-	-	-	-	13,750
Total Liabilities	-	298,521	13,750	1,164	834	20,281	195	334,745
Plan Net Position Restricted for Pension Benefits	$ 36,511,958	$ -	$ -	$ -	$ -	$ -	$ -	$ 36,511,958

See accompanying notes to financial statements (modified cash basis).

CITY OF BUTLER

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
(MODIFIED CASH BASIS)
PENSION TRUST FUNDS

YEAR ENDED DECEMBER 31, 2018

Additions:		
Contributions:		
Commonwealth	$	440,333
Employer		22,747
Employee		193,199
Other		167
Total contributions		656,446
Investment income:		
Net accrued income		22,716
Net appreciation (depreciation) in fair value of investments		(2,164,012)
Interest and dividends		1,324,351
Total investment income (loss)		(816,945)
Investment expense		178,462
Net investment income (loss)		(995,407)
Total additions		(338,961)
Deductions:		
Benefits		2,077,353
Administrative expense		20,631
Total deductions		2,097,984
Increase (Decrease) in Plan Net Position		(2,436,945)
Plan Net Position Restricted for Pension Benefits:		
Beginning of year		38,948,903
End of year	$	36,511,958

See accompanying notes to financial statements (modified cash basis).

1. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Butler, Pennsylvania (City) is located in Western Pennsylvania, to the north of the City of Pittsburgh. It was incorporated on January 7, 1918, under the provisions of the Commonwealth of Pennsylvania. The City is a third-class city, operated under a Commission form of government. The City provides the following services which are authorized by its charter: public safety (police and fire), highways and streets, health, culture-recreation, public improvements, planning and zoning, parking facilities, and general administrative services.

City of Butler Parks Recreation Grounds and Facilities Authority

The City of Butler Parks Recreation Grounds and Facilities Authority should be included as a component unit of the City as the City guarantees their debt; however, the City concluded it was immaterial to their statements and, therefore, is not included as a component unit in this report.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by a given function or segment and 2) grants that are restricted to meeting the operational or 3) capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental, proprietary, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Within the enterprise fund there are operating and nonoperating revenues and expenses. Operating revenues and expenses are income and expense items incurred through the normal course of business. Nonoperating revenues and expenses are related to income and expense items incurred from activities that do not relate to normal business operations.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to the timing of the recognition of amounts in the financial statements. The City maintains its financial statements on the modified cash basis, including investments, which is a comprehensive basis other than accounting principles generally accepted in the United States of America. Accordingly, amounts are generally recognized when received rather than when earned and when paid rather than when obligations are incurred. Inventories, principally supplies, are accounted for as expenditures when purchased.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the disbursement of monies are recorded in order to reserve that portion of the applicable appropriation, is employed by the City. However, there were no significant outstanding encumbrances at year-end.

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government not accounted for and reported in another fund.

The *Capital Projects Fund* is used to account for financial resources to be used for capital outlays, including the acquisition or construction of major capital facilities.

The *Liquid Fuels Fund* is a Special Revenue Fund. It accounts for the state aid receipts used for building and improving roads and bridges.

The *Housing Redevelopment Fund* is a Special Revenue Fund. It accounts for the revolving loan program.

The *2015 Series Bond Fund* is a Capital Projects Fund. It accounts for the bond proceeds and uses related to the 2015 bond issuance.

The government reports the following major proprietary fund:

The *Parking Fund* is used to account for revenues and expenses incurred to maintain certain parking facilities of the City of Butler.

Additionally, the government reports the following other fund information:

The *Other Governmental Fund* is comprised of a Special Revenue Fund. The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted to expenditures for specified purposes. The City uses the following Special Revenue Fund: Community Development Block Grant Fund.

The *Pension Trust Funds* account for assets held by the City in a trustee capacity for the future payment of retirement benefits to employees. The City has three separate Pension Trust Funds: Police, Firefighter, and General Employees.

The *Tax Collection Fund* is an agency fund used to account for assets held by the City as an agent for individuals, private organizations, other governments, and/or other funds.

The *Fire Escrow Fund* is an agency fund used to account for amounts collected and held on behalf of residents whose houses have been damaged by fire.

The *Father Marinaro Skate Park Fund* is an agency fund comprised of donations and used for the skate park.

The *Parks and Recreation Fund* is an agency fund comprised of donations used for park and playground rehabilitation.

The *Shade Tree Commission Fund* is an agency fund comprised of donations and grants to be used for the Shade Tree Commission.

The *Bicycle Fund* is an agency fund comprised of donations to be used for the Bicycle Commission.

The *Tax Increment Fund* is an agency fund comprised of the collection and allocation of funds for specific use.

D. Interfund Activity in the Government-wide Statements

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City’s governmental activities, business-type activities, and fiduciary funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

E. Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control in the following funds of the City: General Fund, Capital Projects Fund, and Liquid Fuels Fund. The 2015 Series Bond Fund and the Housing Redevelopment Fund are not legally required to adopt a budget. The budgets are adopted on a modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Budgetary control for certain special receipt funds are maintained through enforcement of the related grant provisions.

The City follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- During August and September, the department heads use current financial status reports to develop financial projections for their programs for the ensuing year, which are then reviewed with the budget staff.

- A proposed operating budget for the fiscal year commencing the following January is submitted to the Council in November.

- The budget is legally advertised giving notice the budget is available for inspection.

- The budget is legally enacted through passage of an ordinance no later than the 31st day of December.

The Council may at any time, by resolution, make supplemental appropriations for any lawful purpose from any funds on hand or estimated to be received within the fiscal year and not otherwise appropriated, including proceeds of any borrowing now or hereafter authorized by law. The Council may authorize the transfer of any unencumbered balance of any appropriation item or any portion thereof. The legal level of required Council approval of budget amendments is the fund level.

During the year, there were no significant supplemental appropriations enacted. Appropriations lapse at the close of the fiscal year to the extent that they have not been expended or encumbered.

There were instances where total disbursements exceeded the budgeted amounts in the General Fund. These overages were funded by available fund balance.

F. Cash and Cash Equivalents

The City considers all investments with maturities of three months or less at the time of purchase to be cash equivalents.

G. Investments

Investments are carried at fair value. Funds are invested in accordance with the City's investment policy guidelines as described in Note 3.

H. Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

I. Accumulated Unpaid Sick Pay

In accordance with union contracts, employees are allowed to carryover unused sick days and at termination or retirement will be paid up to a maximum amount based upon a flat rate per day for City employees and a percentage for each day for firefighters and policemen. As the City's financial statements are prepared on the modified cash basis of accounting, no liability is recorded.

J. Designated Taxes for Debt Service

The City designated 7.5 mills of the real estate tax levy for payment of debt service. During 2018 and prior, the collection of these taxes has been less than debt service payments in the amount of $1,115,001. Therefore, no amount is restricted for future debt service payments on the statement of net position.

K. Net Position

The government-wide financial statements are required to report three components of net position:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources is included in the same net position component (restricted or unrestricted) as the unspent amount. As the City reports on the modified cash basis, and is not required to record capital assets, this component is not applicable to the City.

- Restricted - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets. The City has restricted net position of $373,974, $147,866, $123,373, and $84,001 related to roads and bridges, the revolving loan program, capital projects, and open space lighting, respectively.

- Unrestricted – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

It is the City's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

L. Fund Balance

In the fund financial statements, governmental funds report fund balance in categories based on the level of restriction placed upon the funds. These levels are as follows:

- Nonspendable – This category represents funds that are not in spendable form.

- Restricted – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties. This category includes funds that are legally restricted for roads and bridges, the revolving loan program, capital projects, and open space lighting.

- Committed – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending imposed by Council. There was no committed fund balance at December 31, 2018.

- Assigned – This category represents intentions of Council to use the funds for specific purposes. Council has delegated the City to assign amounts to be used for specific purposes to the City Clerk. This category includes amounts set aside for capital improvements.

- Unassigned – This category includes the residual classification for the City's General Fund and includes all spendable amounts not contained in other classifications.

The City has not established a policy for its use of unrestricted fund balance amounts; therefore, committed amounts should be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

M. Risk

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees; and natural disasters. Except for workmen's compensation (see Note 10), these risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

N. Adopted Pronouncement

The requirements of the following Governmental Accounting Standards Boards (GASB) statement were adopted for the City's 2018 financial statements:

GASB Statement No. 85, "*Omnibus 2017,*" addresses practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurements and application, and postemployment benefits (pensions and other postemployment benefits (OPEB).

O. Pending Pronouncements

GASB has issued the following statements that will become effective in future years as shown below. Management has not yet determined the impact of these statements on the City's financial statements:

GASB Statement No. 84, *"Fiduciary Activities,"* is effective for fiscal years beginning after December 15, 2018 (the City's financial statements for the year ending December 31, 2019). The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

GASB Statement No. 88, *"Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements,"* is effective for fiscal years beginning after June 15, 2018 (the City's financial statements for the year ending December 31, 2019). The objective of this statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt.

GASB Statement No. 90, *"Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61,"* is effective for fiscal years beginning after December 15, 2018 (the City's financial statements for the year ending December 31, 2019). The objective of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

2. Tax Levies

The taxes levied for 2018 were as follows:

Real estate:	
General purposes	30 mills
Debt service	7.50 mills
Street lighting	3.25 mills
Recreation	2 mills
Library	.5 mills
Per capita tax	$10
Act 511 residence tax	$5
Real estate transfer tax	0.5%
Local services tax	$52
Earned income tax for general purposes	0.5%
Mercantile tax, retail	1.5 mills
Mercantile tax, wholesale	1 mill
Business privilege tax	7 mills

The City collects its own real estate taxes and contracts out for the collection of per capita, mercantile, and business privilege taxes.

The City's property tax calendar is as follows:

March 1	- levy date
March 1 - April 30	- 2% discount period
May 1 - June 30	- face payment period
July 1 - January 1 of following year	- 10% penalty period

Real estate taxes attached as an enforceable lien on property as of January 1 and are levied on March 1. Butler County bills these taxes. Butler County collects delinquent real estate taxes for the City.

The City is permitted by the 3rd Class City Code of Pennsylvania to levy real estate taxes up to 25 mills on every dollar of assessed valuation for general City purposes. In 2010, City real estate taxes were levied for general purposes at 30 mills, with court approval, on 100% of assessed valuation.

3. Deposits and Investments

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. government obligations, short-term commercial paper issued by a public corporation, banker's acceptances, insured or collateralized time deposits, and certificates of deposit. The statutes also allow pooling of governmental funds for investment purposes.

In addition to the investments authorized for governmental funds, fiduciary fund investments may also be made in corporate stocks and bonds, real estate, and other investments consistent with sound business practice.

The deposit and investment policy of the City adheres to state statutes. Deposits of the governmental and proprietary funds are either maintained in demand deposits or invested in pools of government securities through a local bank's sweep account. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the City.

Deposits

The following is a description of the City's deposit risks:

Custodial Credit Risk - For a deposit, custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk.

As of December 31, 2018, $733,240 of the City's $1,417,978 bank balance was insured by the Federal Deposit Insurance Corporation (FDIC). The remaining bank balance of $684,738 was exposed to custodial credit risk, which is collateralized in accordance with

Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. These deposits have carrying amounts of $1,148,387 as of December 31, 2018.

As of December 31, 2018, the City held the following investment balances in its Enterprise Fund:

		Maturity in Years		
	Fair Value	Less than 1 year	1-5 years	More than 5 years
U.S. government obligations	$ 101,655	$ -	$ -	$ 101,655
Sweep account	127,306			
Total investments reported on statement of net position (modified cash basis)	$ 228,961			

U.S. government obligations are valued using quoted market prices (Level 1 inputs).

The following is a description of the City's investment risks:

Custodial Credit Risk. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside entity. The City does not have a formal investment policy for custodial credit risk. The City's certificates of deposit and U.S. government obligations are all underlying securities held by the investment's counterparty, not in the Enterprise Fund's name. These amounts are not insured by the FDIC, nor are they collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. The fair value of these investments is the same as their carrying amount.

Interest Rate Risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The City has no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations.

As of December 31, 2018, the City's investments in U.S. government obligations are rated BBB by Standard & Poor's.

Pension Trust Funds

The pension trust funds' investments are held separately from those of other City funds. Assets in the pension trust funds are stated at fair value. The City maintains investment policies that summarize the investment philosophy of the City and establishes investment guidelines and performance objectives for the Police, Firefighter, and General Employees Pension Plans.

As of December 31, 2018, the City had the following cash and investments in its pension trust funds:

		Investment Maturities from December 31, 2018			
Cash or Investment Type	**Fair Value**	Less than 1 year	1-5 Years	6-10 Years	More than 10 years
Debt Securities:					
U.S. Government securities	$ 8,049,618	$ -	$ 4,998,149	$ 762,441	$ 2,289,028
Corporate bonds	2,799,101	543,063	2,237,095	18,943	-
Total debt securities:	10,848,719	$ 543,063	$ 7,235,244	$ 781,384	$ 2,289,028
Mutual funds - money market	401,619				
Mutual funds - equity	15,483,157				
Common stock:					
Consumer discretionary	617,249				
Consumer staples	1,387,913				
Energy	242,281				
Financial	839,893				
Health care	2,687,276				
Industrials	102,444				
Information technology	2,392,825				
Materials	466,051				
Real estate	137,607				
Telecommunication services	692,221				
Unclassified	133,241				
Total equity securities	9,699,001				
Total cash equivalents and other investments	25,583,777				
Total cash equivalents and investments reported on statement of fiduciary net position (modified cash basis) - pension trust funds	$ 36,432,496				

U.S. Government Securities, money markets, mutual funds, and equities are valued using quoted market prices (Level 1 inputs). Corporate bonds are valued using matrix pricing model (Level 2 inputs).

The following is a description of the pension trust funds' deposit and investment risks:

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The pension trust funds have no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2018, the City's investments are not rated or rated AAA by Standard & Poor's.

Custodial Credit Risk – For deposits and investments, custodial credit risk is the risk that in the event of the failure of the bank or counterparty, the pension trust funds will not be able to recover the value of their deposits or investments or collateral securities that are in the possession of an outside entity. The pension trust funds do not have a formal deposit or investment policy for custodial credit risk. The City's investments in mutual funds cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form. As of December 31, 2018, $401,619 (bank and book balance) of the City's pension cash equivalents balance was exposed to custodial credit risk.

Concentration of Credit Risk – The City places no limit on the amount the City may invest in any one issuer. There were no investments in the Police, Firefighter, or General Employees Pension Plans that constituted more than 5% of any of the plan net position available for benefits at December 31, 2018 required for disclosure. In addition, the plans did not have any investment transactions with related parties during the year.

Interest Rate Risk – The pension trust funds do not have a formal deposit or investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

<u>Agency Fund</u>

The City maintains bank accounts for the escrowed funds. As of December 31, 2018, the book balance was $334,745 and bank balance was $334,745. Of this bank balance, $263,750 is insured by the FDIC and $70,995 is uninsured, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name.

4. Revolving Loan

In 2011, the City received a Housing and Redevelopment Assistance Program Grant from the Commonwealth of Pennsylvania Department of Community and Economic Development in the amount of $466,049. The grant was used to provide a revolving loan to a local small business to pay for the renovation of two buildings in the City. The loan is secured by the properties of the borrower and bears interest at a rate of 1.75%. Interest payments began in June 2011 and were paid monthly to the City through the completion of construction, or June 2013. Monthly payments of $2,946 began in July 2013 and will continue through the maturity date of June 2026. The outstanding balance on the loan at December 31, 2018 was $309,020.

In 2018, the City provided a loan to a local business to pay for the for renovation of a building in the City. The loan is secured by the property of the borrower and bears interest at a rate of 3.50%. Monthly payments of $250 began in January 2019 and will continue through the maturity date of December 2033. The outstanding balance on the loan at December 31, 2018 was $35,000. As the City's financial statements are prepared on the modified cash basis of accounting, a loan receivable is not recorded.

The schedule of future payments to be received for the loan is as follows:

	Principal	Interest	Total
2019	$ 31,939	$ 6,412	$ 38,351
2020	32,534	5,818	38,352
2021	33,136	5,215	38,351
2022	33,753	4,598	38,351
2023	34,384	3,968	38,352
Thereafter	178,274	9,894	188,168
	$ 344,020	$ 35,905	$ 379,925

5. Long-Term Debt

General Obligation Bonds 2005 Series

In December 2005, the City advance refunded the 1996 Series which were issued to refund the Series of 1993 General Obligation Bonds and to provide funds for capital projects. Total debt issued was $2,990,000. The bonds are secured by the full faith, credit, and taxing power of the City. The 2005 General Obligation Bonds bear interest at rates ranging from 3.5%-4.125% and are payable annually through March 1, 2023.

General Obligation Note 2010 Series

In April 2010, the City issued a General Obligation Note for $400,000 to purchase a pumper truck for the fire department. This General Obligation Note bears interest at a rate of 3.73%, with an annual principal and interest payment of $47,984 payable through December 2019. During 2011, the City made an additional principal payment of $77,016. As a result of the reduction, the General Obligation Note was paid in full in 2018.

General Obligation Bond 2015 Series

In October 2015, the City issued bonds totaling $6,800,000 to be used to provide the City with the funds required for various capital projects of the City, to refund the Parking Authority of the City of Butler Guaranteed Parking System Revenue Bonds, Series of 2003 and Series of 2005, and to pay all costs and expenses incurred by the City in connection with the issuance and sale of the Bonds. The bonds are $6,235,000 nontaxable and $565,000 taxable and are secured by the full faith, credit, and taxing power of the City. The 2015 General Obligation Bonds bear interest at rates ranging from 1.55%-4.0% and are payable annually through December 1, 2040.

General Obligation Note 2017 Series

In March 2017, the City issued a General Obligation Note for $390,000 to be used for storm sewer repairs, traffic signal upgrades, and a flood control project. This General Obligation Note bears interest at a rate of 1.8%, with an annual principal payment of $195,000 payable through December 2018. The note was paid in full in 2018.

General Obligation Note 2018 Series

In April 2018, the City issued a General Obligation Note for $200,000 to be used for the purchase of vehicles for the various City Departments. This General Obligation Note bears interest at a rate of 3.29%, with an annual principal payment of $100,000 payable through December 2019.

Tax Anticipation Note

In January 2018, the City obtained a tax anticipation note in the amount of $1,000,000. Note proceeds were used for general operating expenses in anticipation of current year tax revenues in 2018. The tax anticipation note was paid in full as of December 31, 2018.

Summary of Changes in Debt

	Balance at January 1, 2018	Additions	Deletions	Balance at December 31, 2018	Due Within One Year
General Obligation Bonds, Series of 2005	$ 1,230,000	$ -	$ (185,000)	$ 1,045,000	$ 195,000
General Obligation Bonds, Series of 2015	6,610,000	-	(200,000)	6,410,000	210,000
General Obligation Note, Series of 2010	3,006	-	(3,006)	-	-
General Obligation Note, Series of 2017	195,000	-	(195,000)	-	-
General Obligation Note, Series of 2018	-	200,000	(100,000)	100,000	100,000
Tax Anticipation Note - 2018	-	1,000,000	(1,000,000)	-	-
	$ 8,038,006	$ 1,200,000	$ (1,683,006)	$ 7,555,000	$ 505,000

Annual debt service requirements to maturity, including interest, are as follows:

Year	Principal Amount	Interest	Total
2019	$ 505,000	$ 254,578	$ 759,578
2020	420,000	238,588	658,588
2021	435,000	227,001	662,001
2022	450,000	213,838	663,838
2023	455,000	199,875	654,875
2024-2028	1,255,000	863,050	2,118,050
2029-2033	1,475,000	359,431	1,834,431
2034-2038	1,755,000	373,469	2,128,469
2039-2041	805,000	48,600	853,600
	$ 7,555,000	$ 2,778,430	$ 10,333,430

During 2017, S&P Global Ratings lowered the City's bond rating to B from BB+.

6. Pension Plans

Plan Descriptions

The City's Police, Firefighter, and General Employees Retirement Systems (Plans) are single-employer defined benefit pension plans governed by the Municipal Pension Plan Funding Standard Recovery Act (Act 205 of 1984) enacted by the General Assembly of the Commonwealth of Pennsylvania. The Plans are governed by the City's Council which has delegated the authority to manage certain Plan assets to the City Mayor. Plan provisions and contribution requirements are established and may be amended by the City. The Plans are reported as the Pension Trust Funds in the accompanying financial statements. The Plans do not issue separate reports.

All City employees become plan participants immediately upon becoming an employee.

All firefighters who retire on or after January 1, 2000, and who receive a pension benefit shall receive an annual cost of living adjustment of four percent payable upon the anniversary of their retirement, provided that the adjustment does not result in their pension benefit exceeding 50% of the base wage paid to the highest ranking firefighter within the firefighter's collective bargaining unit.

Summary of Significant Accounting Policies

Financial information of the City's Plans is presented on the modified cash basis of accounting, including investments. Employer contributions to each plan are recognized when paid. Benefits and refunds are recognized when paid in accordance with the terms of the individual plan.

Investments of the Plans are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price.

Contributions and Funding Policy

The Plans are funded by the City on an annual basis pursuant to the provisions of Act 205 of 1984. Act 205 of 1984 requires that annual contributions be based upon the calculation of the Minimum Municipal Obligation (MMO). The MMO calculation is based upon the biennial actuarial valuation. Employees are not required to contribute under Act 205 of 1984; such contributions are subject to collective bargaining. The Commonwealth of Pennsylvania allocates certain funds to assist in pension funding. Any financial requirement established by the MMO that exceeds the Commonwealth of Pennsylvania allocation must be funded by the City.

In 2018, the Police were required to contribute 5% and the Firefighters were required to contribute 5% of monthly pay (excluding overtime) to the pension plan which is matched dollar for dollar by the City for non-vested firefighters. The contribution rate was 5% of monthly pay for the General Employees Plan. The MMOs for the Police, Firefighter, and General Employees Plans were $167,806 $145,818, and $35,231, respectively. The Police, Firefighter, and General Employees MMOs were fully paid with the Commonwealth of Pennsylvania allocation. In excess of the MMO, the City paid $31,833, $44,214, and $15,431 into the Police, Firefighter, and General Employees Plans, respectively, with the Commonwealth of Pennsylvania allocation. In addition to the state aid, the City contributed $22,747 to the Firefighter Plan as of December 31, 2018.

Administrative costs, including investment, custodial trustee, and actuarial services are charged to the appropriate plan and funded from investment earnings and contributions.

The City's funded status and related information for each Plan as of the latest actuarial valuation date, January 1, 2017, is as follows:

Actuarial Valuation	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Excess of Assets Over (Under) AAL	Funded Ratio	Covered Payroll	Excess (Deficiency) as a % of Covered Payroll
Police:	$ 12,893,472	$ 13,133,788	$ (240,316)	98.17%	$ 1,519,813	-15.81%
Firefighter:	17,908,086	17,682,249	225,837	101.28%	1,283,970	17.59%
General Employees:	6,249,924	5,549,689	700,235	112.62%	998,661	70.12%

Actuarial assumptions - The actuarially accrued liability for the three Plans was determined by an actuarial valuation performed on January 1, 2017 using the following actuarial assumptions, applied to all periods in the measurement:

	Firefighter Plan	Police Plan	General Employees Plan
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Actuarial assumptions:			
Investment rate of return	7.25%	7.25%	7.25%
Projected salary increases	4.50%	4.50%	4.50%
Underlying inflation rate	2.75%	2.75%	2.75%
Cost-of-living adjustment	4.00%	n/a	n/a

Actuarial assumptions based on actuarial experience study for the period January 1, 2015 to December 31, 2016.

The three plans: RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with rates set forward 7 years for disabled members.

Changes in Actuarial Assumptions – Changes in actuarial assumptions from the previous report dated January 1, 2015 include a decrease in the long-term assumption of inflation from 3.0% to 2.75% per year and a decreased interest rate assumption from 7.5% to 7.25% per year.

Investment Policy – The Plans' policies in regard to the allocation of invested assets are established and may be amended by City Council. It is the policy of City Council to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

Long-Term Expected Rate of Return – The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The following was the asset allocation policy for each major asset class included in the Plans' target asset allocation as of December 31, 2018:

	Target Allocation		
Asset Class	Firefighter Plan	Police Plan	General Employees Plan
Equities	50-70%	50-70%	50-70%
Fixed income	30-45%	30-45%	30-45%
Cash and cash equivalents	0-15%	0-15%	0-15%

7. Post-Employment Health Care and Life Benefits

In addition to the pension benefits described above, the City permits all retirees to enroll in a post-retirement group life insurance plan, provided that such retirees pay the conversion rate to maintain life insurance coverage. Additionally, retiring police officers and firefighters are permitted to remain in the City's group health insurance plan, provided they pay 100 percent of their premium. In the event that the City's insurance carrier determines that such enrollment is no longer permitted, the City would be required to establish a separate group health plan for any affected police officer. If the premium for the police retiree plan is greater than that of the active duty plan, the City must pay, for a period of twelve months, an amount equal to and not to exceed 50 percent of the difference in the premium for the active duty plan and the police retiree group plan. This provision applies only to retired police officers as memorialized in a collective bargaining agreement, and no retiree is permitted to remain in the City's active duty health plan upon reaching age 65. As of December 31, 2018, three retirees were enrolled in the City's group health insurance plan and 26 retirees were enrolled in the City's group life insurance plan.

8. Capital Lease

In October 2016, the City entered into a five-year capital lease agreement for equipment for $107,500, with annual payments of $23,259. The City has the option to purchase the equipment at the end of the agreement for $1.

The annual amounts of principal payments required on the capital lease agreement are as follows:

	Principal
2019	$ 21,485
2020	22,061
2021	22,652
	$ 66,198

9. Commitments and Contingencies

Grant Programs

The City participates in state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The City is potentially liable for any disbursements that may be disallowed, pursuant to the terms of these grant programs.

Litigation

In the normal course of operations, the City is involved in various civil and legal disputes. Management of the City believes that any outcome resulting from these actions would not have a material effect on the City's financial position.

Vendor Overpayment

As of December 31, 2018, it was determined that the City owed approximately $64,000 to a vendor for overpayment. As the City reports on the modified cash basis of accounting, no amounts related to 2018 have been recognized in the financial statements.

10. Risk Financing

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage from coverage in the prior year.

For its workers' compensation insurance coverage, the City participates in the Municipal Risk Management Worker's Compensation Pooled Trust (Trust), a public entity risk pool operated for the benefit of 265 cities, municipalities, boroughs, townships, and municipal authorities. Trust underwriting and rate-setting policies are established after consultation with an independent actuary and certain approvals of the Pennsylvania Department of Labor and Industry as mandated by Act 44 of 1993 (Act 44). All Trust participants may be subject to a supplemental assessment/dividend based on the overall experience of the participants, pursuant to Act 44. Dividends received in 2018 were $105,917. Each participant of the Trust agrees to jointly and severally assume and discharge the liabilities arising under the Workers' Compensation Act and Occupational Disease Act of each and every participant of the Trust. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years the Trust purchased excess insurance coverage with statutory limits. The retention for this excess coverage is $750,000 per occurrence. There were no significant reductions in insurance coverage from coverage in the prior year. Political subdivisions joining the Trust must remain members for a minimum of four years; a member may withdraw from the Trust after that time by giving ninety days' notice, subject to approval by the Trust actuary under specified circumstances related to the continued fiscal stability of the pool. At the time of withdrawal, the participant is responsible for their share of assessments but has no claim on any assets of the Trust. Estimates of any additional assessments are unknown.

The City participates as a member in Municipal Employers Insurance Trust (d/b/a Municipal Benefit Services (MBS)), a public entity risk pool. MBS provides certain benefits including but not limited to, the following coverages: health benefits, short-term accident and sickness disability benefits, long-term accident and sickness disability benefits, dental benefits, vision care, prescription drugs, and life insurance for those eligible employers. All participants of MBS may be subject to supplemental premiums based on the overall experience of the participating members. Reserves generated by MBS for self-insured health premiums paid by members exceeding claims and expenses are held by MBS for the benefit of all participating members. Starting in 2015, a portion of the excess reserves were deposited in eligible clients' Rate Mitigation Accounts (RMA) as determined by the MBS's actuary. RMA funds are held by MBS and are available to the City to reduce future costs associate with participating coverage. RMA funds are forfeited if the member terminates participation in the MBS medical insurance program.

11. Tax Increment Financing

Pursuant to the Pennsylvania Tax Increment Financing Act, as amended (TIF Act), The Redevelopment Authority of the City of Butler (Authority) has created a tax increment district denominated the Butler City "Centre City" Tax Increment Financing (TIF) District (TIF District). As required by the TIF Act, the Authority prepared a tax increment financing plan (TIF Plan) for the design, construction, relocation, and widening/repaving of streets and alleyways, design and rebuilding of curbs, walls, and sidewalks, relocation and installation of public utilities, installation of new street lighting, and design and installation of new signage, creation and installation of new landscape areas, and installation of seating areas and walking/biking accommodations within the proposed TIF District. The Authority has entered into an intergovernmental cooperation agreement for the 20-year period of the TIF

District with the City, Butler County, and the Butler Area School District for the purpose of financing the public improvements and other costs associated with the Centre City Project. Beginning in 2017, the City serves solely as a pass-through entity for the increment funds collected related to the TIF District, and, as such, the activity is reported as an agency fund in the accompanying financial statements.

Pursuant to the TIF Act, the Authority has created a tax increment district denominated the West End Revitalization Project (West End TIF). As required by the TIF Act, the Authority prepared a TIF Plan for the financing and construction of (a) construction/restoration of Pullman Park, (b) costs of creation of additional parking in the TIF District, (c) funds for City of Butler flood control, (d) costs associated with improvements to the infrastructure, acquisition, clearance and environmental remediation of the area. The Authority has entered into an intergovernmental cooperation agreement for the 20-year period of the TIF District with the City, Butler County, and the Butler Area School District for the purpose of financing the public improvements and other costs associated with the West End TIF Project. The City serves solely as a pass-through entity for the increment funds collected related to the TIF District, and, as such, the activity is reported as an agency fund in the accompanying financial statements.

Related to the West End TIF, the City collected and retained $42,874 of City taxes that should have been remitted to the Commonwealth Financing Authority (CFA). Subsequent to year end, the City remitted the amounts to the CFA. As the City reports on the modified cash basis of accounting, the payable due to the CFA has not been recorded in the financial statements.

12. Subsequent Events

In December 2018, the City authorized the issuance of Tax Revenue Anticipation Note Series 2019 with a local bank in the amount of $1,000,000, with an interest rate of 3.13%.

13. Liquidity

The City has fund balance of the General Fund of $244,767 at December 31, 2018. Management is aware of the current financial condition of the City and will continue to closely monitor cash flow and look for ways to decrease operating costs and increase revenue.

SUPPLEMENTARY INFORMATION

CITY OF BUTLER

COMBINING BALANCE SHEET (MODIFIED CASH BASIS)
OTHER GOVERNMENTAL FUND

DECEMBER 31, 2018

	Special Revenue Fund	
	Community Development Block Grant	Total Other Governmental Fund
Assets		
Cash and cash equivalents	$ -	$ -
Fund Balance		
Fund Balance:	$ -	$ -
Total Fund Balance	$ -	$ -

CITY OF BUTLER

COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE (MODIFIED CASH BASIS) OTHER GOVERNMENTAL FUND

YEAR ENDED DECEMBER 31, 2018

	Special Revenue Fund Community Development Block Grant	Total Other Governmental Fund
Receipts:		
Intergovernmental	$ 407,709	$ 407,709
Miscellaneous	1,047	1,047
Total receipts	408,756	408,756
Disbursements:		
Community development	407,709	407,709
Other	1,047	1,047
Total disbursements	408,756	408,756
Net Change in Fund Balance	-	-
Fund Balance:		
Beginning of year	-	-
End of year	$ -	$ -

CITY OF BUTLER

COMBINING STATEMENT OF PLAN NET POSITION (MODIFIED CASH BASIS)
PENSION TRUST FUNDS

DECEMBER 31, 2018

	Police	Firefighter	General Employees	Total
Assets				
Cash equivalents	$ 180,554	$ 128,970	$ 92,095	$ 401,619
Investments (at fair value):				
U.S. government securities	2,628,102	3,810,414	1,611,102	8,049,618
Corporate bonds	1,071,148	1,573,896	154,057	2,799,101
Common stock	3,374,777	4,714,417	1,609,807	9,699,001
Mutual funds	5,379,335	7,449,846	2,653,976	15,483,157
Accrued interest and dividends	29,322	38,771	11,369	79,462
Total Assets	12,663,238	17,716,314	6,132,406	36,511,958
Liabilities	-	-	-	-
Plan Net Position Restricted for Pension Benefits	$ 12,663,238	$ 17,716,314	$ 6,132,406	$ 36,511,958

CITY OF BUTLER

COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION (MODIFIED CASH BASIS)
PENSION TRUST FUNDS

YEAR ENDED DECEMBER 31, 2018

	Police	Firefighter	General Employees	Total
Additions:				
Contributions:				
Commonwealth	$ 199,639	$ 190,032	$ 50,662	$ 440,333
Employer	-	22,747	-	22,747
Employee	84,551	51,838	56,810	193,199
Other	65	81	21	167
Total contributions	284,255	264,698	107,493	656,446
Investment income:				
Net accrued income	7,110	14,482	1,124	22,716
Net appreciation (depreciation) in fair value of investments	(754,688)	(1,045,062)	(364,262)	(2,164,012)
Interest and dividends	463,683	634,445	226,223	1,324,351
Total investment income (loss)	(283,895)	(396,135)	(136,915)	(816,945)
Investment expense	63,353	85,432	29,677	178,462
Net investment income (loss)	(347,248)	(481,567)	(166,592)	(995,407)
Total additions	(62,993)	(216,869)	(59,099)	(338,961)
Deductions:				
Benefits	802,388	913,919	361,046	2,077,353
Administrative expense	7,217	9,012	4,402	20,631
Total deductions	809,605	922,931	365,448	2,097,984
Increase (Decrease) in Plan Net Position	(872,598)	(1,139,800)	(424,547)	(2,436,945)
Plan Net Position Restricted for Pension Benefits:				
Beginning of year	13,535,836	18,856,114	6,556,953	38,948,903
End of year	$ 12,663,238	$ 17,716,314	$ 6,132,406	$ 36,511,958

CITY OF BUTLER

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
TAX COLLECTION FUND - AGENCY FUND

DECEMBER 31, 2018

	Balance at January 1, 2018	Additions	Deductions	Balance at December 31, 2018
Assets				
Cash equivalents	$ 341,636	$ 6,201,887	$ 6,245,002	$ 298,521
Liabilities				
Due to other governmental units	$ 341,636	$ 6,201,887	$ 6,245,002	$ 298,521

CITY OF BUTLER

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIRE ESCROW FUND - AGENCY FUND

DECEMBER 31, 2018

	Balance at January 1, 2018	Additions	Deductions	Balance at December 31, 2018
Assets				
Cash equivalents	$ 44,620	$ 67	$ 30,937	$ 13,750
Liabilities				
Escrow liability	$ 44,620	$ 67	$ 30,937	$ 13,750

CITY OF BUTLER

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FATHER MARINARO SKATE PARK FUND - AGENCY FUND

DECEMBER 31, 2018

	Balance at January 1, 2018	Additions	Deductions	Balance at December 31, 2018
Assets				
Cash equivalents	$ 1,891	$ 239	$ 966	$ 1,164
Liabilities				
Due to other governmental units	$ 1,891	$ 239	$ 966	$ 1,164

CITY OF BUTLER

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
PARKS AND RECREATION FUND - AGENCY FUND

DECEMBER 31, 2018

	Balance at January 1, 2018	Additions	Deductions	Balance at December 31, 2018
Assets				
Cash equivalents	$ 834	$ -	$ -	$ 834
Liabilities				
Due to other governmental units	$ 834	$ -	$ -	$ 834

CITY OF BUTLER

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SHADE TREE COMMISSION FUND - AGENCY FUND

DECEMBER 31, 2018

	Balance at January 1, 2018	Additions	Deductions	Balance at December 31, 2018
Assets				
Cash equivalents	$ 20,354	$ 2,485	$ 2,558	$ 20,281
Liabilities				
Due to other governmental units	$ 20,354	$ 2,485	$ 2,558	$ 20,281

CITY OF BUTLER

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
BICYCLE FUND - AGENCY FUND

DECEMBER 31, 2018

	Balance at January 1, 2018	Additions	Deductions	Balance at December 31, 2018
Assets				
Cash equivalents	$ 195	$ -	$ -	$ 195
Liabilities				
Due to other governmental units	$ 195	$ -	$ -	$ 195

CITY OF BUTLER

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
TAX INCREMENT FUND - AGENCY FUND

DECEMBER 31, 2018

	Balance at January 1, 2018	Additions	Deductions	Balance at December 31, 2018
Assets				
Cash equivalents	$ -	$ 86,582	$ 86,582	$ -
Liabilities				
Due to other governmental units	$ -	$ 86,582	$ 86,582	$ -