

City of Butler

Single Audit

Year Ended December 31, 2024

MaherDuessel

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CITY OF BUTLER

YEAR ENDED DECEMBER 31, 2024

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YEAR ENDED DECEMBER 31, 2024

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Independent Auditor's Report

**City Council and Mayor
City of Butler**

Report on the Audit of the Financial Statements

Opinions

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), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's modified cash basis financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2024, and the respective changes in modified cash basis financial position, budgetary comparisons, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note 1 of the financial statements.

Basis for Opinions

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

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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in the Notes of the financial statements, and for 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 Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Supplementary 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 supplementary information listed in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2025 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Mahe Duessel

Pittsburgh, Pennsylvania
May 21, 2025

CITY OF BUTLER

STATEMENT OF NET POSITION (MODIFIED CASH BASIS)

DECEMBER 31, 2024

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets			
Cash and cash equivalents	\$ 93,875,501	\$ 110,030	\$ 93,985,531
Total Assets	<u>93,875,501</u>	<u>110,030</u>	<u>93,985,531</u>
Net Position			
Restricted for:			
Roads and bridges	210,961	-	210,961
Revolving loan program	91,516	-	91,516
Police K-9	35,576	-	35,576
Unrestricted	<u>93,537,448</u>	<u>110,030</u>	<u>93,647,478</u>
Total Net Position	<u>93,875,501</u>	<u>110,030</u>	<u>93,985,531</u>
Total Net Position	<u>\$ 93,875,501</u>	<u>\$ 110,030</u>	<u>\$ 93,985,531</u>

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

CITY OF BUTLER

STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2024

Functions/Programs	Program Revenues				Net (Disbursement) Receipt and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants	Capital Grants	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 1,418,079	\$ 215,577	\$ 76,327	\$ -	\$ (1,126,175)	\$ -	\$ (1,126,175)
Public safety	5,941,221	176,684	522,952	107,474	(5,134,111)	-	(5,134,111)
Health and welfare	14,850	73,981	-	-	59,131	-	59,131
Public works - highways	841,335	-	408,124	-	(433,211)	-	(433,211)
Public works - other	65,122	-	-	-	(65,122)	-	(65,122)
Culture and recreation	414,439	-	12,750	-	(401,689)	-	(401,689)
Community development	977,788	-	883,458	-	(94,330)	-	(94,330)
Debt service	3,372,399	-	-	-	(3,372,399)	-	(3,372,399)
Total governmental activities	13,045,233	466,242	1,903,611	107,474	(10,567,906)	-	(10,567,906)
Business-type activities:							
Parking	69,748	951,411	-	-	-	881,663	881,663
Total business-type activities	69,748	951,411	-	-	-	881,663	881,663
Total Primary Government	\$ 13,114,981	\$ 1,417,653	\$ 1,903,611	\$ 107,474	(10,567,906)	881,663	(9,686,243)
General revenues:							
Real estate taxes, including penalty and interest					2,794,627	-	2,794,627
Real estate transfer taxes					145,049	-	145,049
Earned income taxes, including penalty and interest					1,334,955	-	1,334,955
Business gross receipts taxes					1,509,755	-	1,509,755
Local services tax, including penalty and interest					267,269	-	267,269
All other taxes					83,719	-	83,719
Interest and rents					747,678	5,308	752,986
Miscellaneous					181,094	-	181,094
Proceeds from issuance of debt					1,500,000	-	1,500,000
Transfers in (out)					883,746	(883,746)	-
Extraordinary items:							
Proceeds from sale of Butler Area Sewer Authority					93,528,430	-	93,528,430
Total general revenues, transfers, and extraordinary items					102,976,322	(878,438)	102,097,884
Change in Net Position					92,408,416	3,225	92,411,641
Net Position - beginning of year					1,467,085	106,805	1,573,890
Net Position - end of year					\$ 93,875,501	\$ 110,030	\$ 93,985,531

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

CITY OF BUTLER

BALANCE SHEET (MODIFIED CASH BASIS) GOVERNMENTAL FUNDS

DECEMBER 31, 2024

	General	Capital Projects Fund	Liquid Fuels Fund	Housing Redevelopment Fund	CDBG Fund	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 93,352,901	\$ 220,123	\$ 210,961	\$ 91,516	\$ -	\$ 93,875,501
Total Assets	<u>\$ 93,352,901</u>	<u>\$ 220,123</u>	<u>\$ 210,961</u>	<u>\$ 91,516</u>	<u>\$ -</u>	<u>\$ 93,875,501</u>
Fund Balance						
Restricted for:						
Roads and bridges	\$ -	\$ -	\$ 210,961	\$ -	\$ -	\$ 210,961
Revolving loan program	-	-	-	91,516	-	91,516
Police K-9	35,576	-	-	-	-	35,576
Assigned	-	220,123	-	-	-	220,123
Unassigned	<u>93,317,325</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,317,325</u>
Total Fund Balance	<u>93,352,901</u>	<u>220,123</u>	<u>210,961</u>	<u>91,516</u>	<u>-</u>	<u>93,875,501</u>
Total Liabilities and Fund Balance	<u>\$ 93,352,901</u>	<u>\$ 220,123</u>	<u>\$ 210,961</u>	<u>\$ 91,516</u>	<u>\$ -</u>	<u>\$ 93,875,501</u>

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, 2024

	General	Capital Projects Fund	Liquid Fuels Fund	Housing Redevelopment Fund	CDBG Fund	Total Governmental Funds
Receipts:						
Taxes, including penalty and interest	\$ 6,135,374	\$ -	\$ -	\$ -	\$ -	\$ 6,135,374
Licenses and permits	318,948	-	-	-	-	318,948
Fines and forfeits	44,886	-	-	-	-	44,886
Interest and rents	717,510	9,017	9,227	11,924	-	747,678
Intergovernmental	717,367	-	408,124	-	822,876	1,948,367
Community development	-	-	-	60,582	-	60,582
Charges for services	104,544	-	-	-	-	104,544
Miscellaneous	181,054	-	40	-	-	181,094
Total receipts	8,219,683	9,017	417,391	72,506	822,876	9,541,473
Disbursements:						
Current:						
General government	1,175,371	-	-	14	-	1,175,385
Public safety	5,941,221	-	-	-	-	5,941,221
Health and welfare	14,850	-	-	-	-	14,850
Public works - highways	364,129	42,074	435,132	-	-	841,335
Public works - others	65,122	-	-	-	-	65,122
Culture and recreation	414,439	-	-	-	-	414,439
Community development	-	-	-	154,912	822,876	977,788
Other	242,694	-	-	-	-	242,694
Debt service	3,372,399	-	-	-	-	3,372,399
Total disbursements	11,590,225	42,074	435,132	154,926	822,876	13,045,233
Excess (Deficiency) of Receipts over Disbursements	(3,370,542)	(33,057)	(17,741)	(82,420)	-	(3,503,760)
Other Financing Sources (Uses):						
Proceeds from issuance of debt	1,500,000	-	-	-	-	1,500,000
Transfers in (out)	884,695	(949)	-	-	-	883,746
Total other financing sources (uses)	2,384,695	(949)	-	-	-	2,383,746
Extraordinary Items:						
Proceeds from sale of Butler Area Sewer Authority	93,528,430	-	-	-	-	93,528,430
Net Change in Fund Balance	92,542,583	(34,006)	(17,741)	(82,420)	-	92,408,416
Fund Balance:						
Beginning of year	810,318	254,129	228,702	173,936	-	1,467,085
End of year	\$ 93,352,901	\$ 220,123	\$ 210,961	\$ 91,516	\$ -	\$ 93,875,501

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

CITY OF BUTLER

BUDGETARY COMPARISON STATEMENT (MODIFIED CASH BASIS) GENERAL FUND

YEAR ENDED DECEMBER 31, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Receipts:				
Taxes, including penalty and interest	\$ 6,636,250	\$ 6,636,250	\$ 6,135,374	\$ (500,876)
Licenses and permits	353,610	353,610	318,948	(34,662)
Fines and forfeits	81,000	81,000	44,886	(36,114)
Interest and rents	37,000	37,000	717,510	680,510
Intergovernmental	1,615,526	1,615,526	717,367	(898,159)
Charges for services	109,344	109,344	104,544	(4,800)
Miscellaneous	149,500	149,500	181,054	31,554
Total receipts	8,982,230	8,982,230	8,219,683	(762,547)
Disbursements:				
Current:				
General government	1,109,336	1,109,336	1,175,371	(66,035)
Public safety	5,700,238	5,700,238	5,941,221	(240,983)
Health and welfare	14,850	14,850	14,850	-
Public works - highways	395,768	395,768	364,129	31,639
Public works - other	89,630	89,630	65,122	24,508
Culture and recreation	454,276	454,276	414,439	39,837
Community development	500	500	-	500
Other	397,526	397,526	242,694	154,832
Debt service	2,365,106	2,365,106	3,372,399	(1,007,293)
Total disbursements	10,527,230	10,527,230	11,590,225	(1,062,995)
Excess (Deficiency) of Receipts over Disbursements	(1,545,000)	(1,545,000)	(3,370,542)	(1,825,542)
Other Financing Sources (Uses):				
Proceeds from issuance of debt	1,500,000	1,500,000	1,500,000	-
Transfers in (out)	45,000	45,000	884,695	839,695
Total other financing sources (uses)	1,545,000	1,545,000	2,384,695	839,695
Extraordinary Items:				
Proceeds from sale of Butler Area Sewer Authority	-	-	93,528,430	93,528,430
Net Change in Fund Balance	\$ -	\$ -	\$ 92,542,583	\$ 92,542,583

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, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Receipts:				
Interest and rents	\$ 2,500	\$ 2,500	\$ 9,227	\$ 6,727
Intergovernmental	404,096	404,096	408,124	4,028
Miscellaneous	-	-	40	40
Total receipts	406,596	406,596	417,391	10,795
Disbursements:				
Public works - highways	635,500	635,500	435,132	200,368
Total disbursements	635,500	635,500	435,132	200,368
Excess (Deficiency) of Receipts over Disbursements	(228,904)	(228,904)	(17,741)	211,163
Fund Balance				
Restricted for:				
Roads and bridges	228,904	228,904	228,702	(202)
Excess (Deficiency) of Receipts over Disbursements and Fund Balance	\$ -	\$ -	\$ 210,961	\$ 210,961

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

CITY OF BUTLER

STATEMENT OF NET POSITION (MODIFIED CASH BASIS) PROPRIETARY FUND

DECEMBER 31, 2024

	<u>Enterprise Fund</u> <u>Parking</u> <u>Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 110,030</u>
Total Assets	<u>110,030</u>
Net Position	
Unrestricted	<u>110,030</u>
Total Net Position	<u><u>\$ 110,030</u></u>

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, 2024

	Enterprise Fund Parking Fund
Operating Receipts:	
Parking rentals	\$ 936,839
Miscellaneous	14,572
Total operating receipts	951,411
Operating Disbursements:	
Utilities	30,091
Repair and maintenance	19,346
Bank charges	95
Meters	170
Postage and other office supplies	5,069
Miscellaneous	14,977
Total operating disbursements	69,748
Operating Income (Loss)	881,663
Nonoperating Receipts (Disbursements):	
Interest income	5,308
Total nonoperating receipts (disbursements)	5,308
Transfers in (out)	(883,746)
Change in Net Position	3,225
Net Position:	
Beginning of year	106,805
End of year	\$ 110,030

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, 2024

	<u>Enterprise Fund</u> <u>Parking</u> <u>Fund</u>
Cash Flows From Operating Activities:	
Receipts from customers	\$ 951,411
Payments for operating costs	(69,748)
Net cash provided by (used in) operating activities	<u>881,663</u>
Cash Flows From Noncapital Financing Activities:	
Net cash transfers with General Fund	<u>(883,746)</u>
Net cash provided by (used in) noncapital financing activities	<u>(883,746)</u>
Cash Flows From Investing Activities:	
Purchase (sale) of investments	162
Interest received	<u>5,308</u>
Net cash provided by (used in) investing activities	<u>5,470</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>3,387</u>
Cash and Cash Equivalents:	
Beginning of year	<u>106,643</u>
End of year	<u><u>\$ 110,030</u></u>

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

CITY OF BUTLER

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

DECEMBER 31, 2024

Assets	Pension Trust Funds	Custodial Funds
Cash equivalents	\$ 1,419,022	\$ 105,101
Investments (at fair value):		
Registered investment companies	46,574,268	-
Accrued interest and dividends	35,958	-
Total Assets	48,029,248	105,101
Net Position		
Restricted for:		
Pension benefits	48,029,248	-
Individuals, organizations, and other	-	105,101
Total Net Position	48,029,248	105,101
Total Liabilities and Net Position	\$ 48,029,248	\$ 105,101

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

CITY OF BUTLER

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

YEAR ENDED DECEMBER 31, 2024

	Pension Trust Funds	Custodial Funds
Additions:		
Contributions:		
Commonwealth	\$ 426,888	\$ -
Employer	32,587	-
Employee	203,101	-
Other	347	40,667
Total contributions	662,923	40,667
Investment income:		
Net accrued income (loss)	4,018	-
Net appreciation (depreciation) in fair value of investments	3,449,589	-
Interest and dividends	1,474,149	1,542
Total investment income (loss)	4,927,756	1,542
Investment expense	68,818	-
Net investment income (loss)	4,858,938	1,542
Taxes received	-	42,621
Miscellaneous	-	57
Total additions	5,521,861	84,887
Deductions:		
Benefits	2,373,631	-
Administrative expense	9,198	-
Other	-	130,085
Total deductions	2,382,829	130,085
Increase (Decrease) in Net Position	3,139,032	(45,198)
Net Position:		
Beginning of year	44,890,216	150,299
End of year	\$ 48,029,248	\$ 105,101

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

CITY OF BUTLER

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2024

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.

Butler Area Sewer Authority (Sewer Authority)

The Sewer Authority was created under the Municipality Authorities Act of 1945, P.L. 382, as amended and supplemented, having been duly organized by joint action of the City of Butler and the Township. The Sewer Authority provides sanitary sewer collection and treatment for the City of Butler and the Township, Center Township, areas in East Butler Borough, and limited areas of Summit, Connoquenessing, Oakland, and Penn Townships. The Sewer Authority is not a component unit as its Board members cannot be removed at will by the City.

On September 13, 2022, the Sewer Authority Board announced that Pennsylvania American Water Company (PAWC) formally presented the Sewer Authority with an offer to acquire the wastewater system. The Sewer Authority is jointly governed by Butler City and Butler Township. In 2024, PAWC acquired the Sewer Authority and the City received \$93,528,430, with additional proceeds to be received in 2025 upon dissolution of the Sewer Authority. As of the report date, these proceeds are uncommitted by the City and are included in the General Fund on the financial statements as an extraordinary item.

CITY OF BUTLER

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2024

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 basis of accounting 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.

CITY OF BUTLER

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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 *Community Development Block Grant Fund* is a Special Revenue Fund. It accounts for the receipts and expenditures of the grant awards.

The government reports the following major proprietary fund:

The *Parking Fund* is used to account for parking revenues as well as expenses related to maintenance, utilities, meter collection, and other miscellaneous costs to maintain certain parking facilities of the City of Butler.

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Additionally, the government reports the following other fund information:

The *Fiduciary Funds* are comprised of the following:

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 a custodial 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 a custodial 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 a custodial fund comprised of donations and used for the skate park.

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

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

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

The *Tax Increment Fund* is a custodial 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.

CITY OF BUTLER

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YEAR ENDED DECEMBER 31, 2024

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 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, interfund transfers, and debt issuances.

CITY OF BUTLER

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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. 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

CITY OF BUTLER

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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 \$210,961, \$91,516, and \$35,576 related to roads and bridges, the revolving loan program, and Police K-9, 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.

K. 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, and Police K-9.

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- 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, 2024.
- 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.

L. 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.

M. Adopted Pronouncements

The following GASB Statements were adopted for the year ended December 31, 2024: Statement Nos. 100 (Accounting Changes and Error Corrections) and 101 (Compensated Absences). These statements had no significant impact on the City's financial statements for the year ended December 31, 2024.

N. Pending Pronouncements

GASB has issued statements that will become effective in future years including Statement Nos. 102 (Certain Risk Disclosures), 103 (Financial Reporting Model Improvements), and 104 (Disclosure of Certain Capital Assets). Management has not yet determined the impact of these statements on the financial statements.

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YEAR ENDED DECEMBER 31, 2024

2. Tax Levies

The taxes levied for 2024 were as follows:

Real estate:	
General purposes	30 mills
Debt service	11.50 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'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.

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NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2024

3. Deposits and Investments

The City's investment authority for all funds, except fiduciary funds, is set by Pennsylvania statutes that 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 allow pooling of governmental funds for investment purposes.

In addition to the investments authorized for governmental funds and proprietary 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, 2024, \$250,000 of the City's \$94,087,293 bank balance was insured by the Federal Deposit Insurance Corporation (FDIC). The remaining bank balance of \$93,837,293 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 \$93,985,531 as of December 31, 2024.

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

CITY OF BUTLER

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

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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 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.

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, 2024, the City had the following cash and investments in its pension trust funds:

Cash or Investment Type	Fair Value
Mutual funds - money market	\$ 1,419,022
Registered investment companies	46,574,268
Total cash equivalents and investments reported on statement of fiduciary net position (modified cash basis) - pension trust funds	\$ 47,993,290

Mutual funds and registered investment companies are valued using quoted market prices (Level 1 inputs).

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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, 2024, the City's investments are not rated 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, 2024, \$1,419,022 (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, 2024 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.

Custodial Fund

The City maintains bank accounts for the escrowed funds. As of December 31, 2024, the book and bank balance was \$105,101. Of this bank balance, \$64,223 is insured by the FDIC and \$40,878 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.

CITY OF BUTLER

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

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4. Interfund Transfers

The composition of interfund balances on the statement of receipts, disbursements, and changes in fund balance is as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Government Funds:		
General	\$ 1,161,540	\$ 276,845
Capital Projects	276,845	277,794
Total governmental funds	1,438,385	554,639
Proprietary Funds:		
Parking	-	883,746
Total proprietary funds	-	883,746
	<u>\$ 1,438,385</u>	<u>\$ 1,438,385</u>

5. Revolving Loans

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, 2024 was \$125,118.

In 2019, the City entered into a business loan agreement with a local small business for the borrowing of \$140,000. The loan bears an interest rate of 4.00%. Monthly payments will be \$1,036 beginning July 2019 and continuing through June 2034. The outstanding balance on the loan at December 31, 2024 was \$99,472.

In 2023, the City entered into a business loan agreement with a local small business for the borrowing of \$80,000. The loan bears an interest rate of 3.99%. Monthly payments will be

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\$1,093 beginning May 2023 and continuing through April 2030. The outstanding balance on the loan at December 31, 2024 was \$62,678.

In 2024, the City entered into a business loan agreement with a local small business for the borrowing of \$100,000. The loan bears an interest rate of 3.99%. Monthly payments will be \$1,841 beginning in April 2024 and continuing through March 2029. The outstanding balance on the loan at December 31, 2024 was \$93,803.

In 2024, the City entered into a business loan agreement with a local small business for the borrowing of \$50,000. The loan bears an interest rate of 3.99%. Monthly payments will be \$509 beginning in April 2024 and continuing through March 2034. The outstanding balance on the loan at December 31, 2024 was \$46,870.

The schedule of future payments to be received for the loans are as follows:

	Principal	Interest	Total
2025	\$ 76,245	\$ 11,064	\$ 87,309
2026	138,981	9,513	148,494
2027	46,334	5,985	52,319
2028	48,218	4,291	52,509
2029	33,380	2,750	36,130
2030-2034	84,783	8,235	93,018
	<u>\$ 427,941</u>	<u>\$ 41,838</u>	<u>\$ 469,779</u>

6. Debt

General Obligation Bonds 2015 Series

In October 2015, the City issued direct placement 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 2.0%-4.0% and are payable annually through December 1, 2040.

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NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

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Butler County Infrastructure Bank

In December 2018, the City obtained a General Obligation Note through the Butler County Infrastructure Bank for \$1,839,215 to be used for qualified municipal infrastructure projects including the Main Street Lighting Project and the Sullivan Run Flood Control Project. In October 2020, the City refunded the Note and issued a General Obligation Note Series 2020 for \$1,885,000. This Note bears interest at a rate of 0.56% with annual principal payments payable through December 2028. The City's interest payments and future interest obligations will be shown net of 1.5% that the Butler County Infrastructure Bank is subsidizing. The Note is secured by the full faith, credit, and taxing power of the City. Upon the occurrence of any event of default, the outstanding principal balance and accrued interest under the Note together with any additional amounts payable shall be immediately due and payable without demand or notice of any kind.

General Obligation Note 2021 Series

In June 2021, the City issued a direct borrowing General Obligation Note for \$1,329,763 to be used for the purchase of a ladder truck. This General Obligation Note bears interest at a rate of 2.85% with annual principal payments payable through June 2032. The Note is secured by the full faith, credit, and taxing power of the City.

General Obligation Note 2023 Series

In December 2023, the City issued a direct borrowing General Obligation Note for \$1,000,000 as an emergency bridge loan to cover year end costs. This General Obligation Note bears interest at a rate of 6.91% with annual principal payments payable through January 2024. The Note is secured by the full faith, credit, and taxing power of the City. The General Obligation Note was paid in full as of December 31, 2024.

Tax Anticipation Note

In January 2024, the City obtained a tax anticipation note in the amount of \$1,500,000. Note proceeds were used for general operating expenses in anticipation of current year tax revenues in 2024. The tax anticipation note was paid in full as of December 31, 2024.

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NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

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Summary of Changes in Debt

	Balance at January 1, 2024	Additions	Deletions	Balance at December 31, 2024	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds:					
General Obligation Bonds, Series of 2015	\$ 5,290,000	\$ -	\$ (240,000)	\$ 5,050,000	\$ 245,000
	5,290,000	-	(240,000)	5,050,000	245,000
Direct Borrowings:					
Butler County Infrastructure Bank 2020	1,127,000	-	(222,000)	905,000	223,000
General Obligation Note, Series of 2021	1,153,792	-	(121,530)	1,032,262	125,144
General Obligation Note, Series of 2023	1,000,000	-	(1,000,000)	-	-
Tax Anticipation Note - 2024	-	1,500,000	(1,500,000)	-	-
	3,280,792	1,500,000	(2,843,530)	1,937,262	348,144
Total Long-Term Debt	\$ 8,570,792	\$ 1,500,000	\$ (3,083,530)	\$ 6,987,262	\$ 593,144

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

Year	Governmental Activities				Total
	General Obligation Bonds		Direct Borrowings		
	Principal	Interest	Principal	Interest	
2025	\$ 245,000	\$ 179,519	\$ 348,144	\$ 40,859	\$ 813,522
2026	245,000	173,088	351,786	34,251	804,125
2027	260,000	166,350	357,534	27,537	811,421
2028	265,000	158,875	370,340	20,739	814,954
2029	275,000	150,594	140,360	13,713	579,667
2030-2034	1,525,000	608,763	369,098	16,153	2,519,014
2035-2039	1,825,000	305,744	-	-	2,130,744
2040	410,000	16,400	-	-	426,400
	\$ 5,050,000	\$ 1,759,333	\$ 1,937,262	\$ 153,252	\$ 8,899,847

As of December 31, 2024, the City's S&P Global Ratings bond rating is BB.

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NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

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7. 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

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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 2024, 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 \$231,278, \$88,617, and \$0, respectively. The Police, Firefighter, and General Employees MMO were fully paid with the Commonwealth of Pennsylvania allocation as well as a distribution from the General Fund. Actual contributions for the Police, Firefighter, and General Employees Plans were \$270,543, \$140,860, and \$0, respectively.

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, 2023, 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:	\$ 15,925,988	\$ 15,806,739	\$ 119,249	100.75%	\$ 1,761,563	6.77%
Firefighter:	23,013,623	21,030,786	1,982,837	109.43%	1,504,543	131.79%
General Employees:	7,898,850	6,233,777	1,665,073	126.71%	1,133,574	146.89%

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Actuarial assumptions - The actuarially accrued liability for the three Plans was determined by an actuarial valuation performed on January 1, 2023 using the following actuarial assumptions, applied to all periods in the measurement:

	Firefighter Plan	Police Plan	General Employees Plan
	Entry Age Normal	Entry Age Normal	Entry Age Normal
Actuarial cost method			
Actuarial assumptions:			
Investment rate of return	7.00%	7.00%	7.00%
Projected salary increases	4.50%	4.50%	4.25%
Underlying inflation rate	2.75%	2.75%	2.75%
Cost-of-living adjustment	3.50%	n/a	n/a
Mortality	2010 Public Retirement Plan - Public Safety mortality tables (PubS-2010)	2010 Public Retirement Plan - Public Safety mortality tables (PubS-2010)	2010 Public Retirement Plan - General Employees mortality tables (PubG-2010)

Actuarial assumptions based on actuarial experience study for the period January 1, 2021 to December 31, 2022.

Changes in Actuarial Assumptions – There were no changes in the actuarial assumptions from the January 1, 2021 actuarial valuation.

Changes in Benefits – There were no benefit changes reported since the January 1, 2021 actuarial valuation.

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.

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YEAR ENDED DECEMBER 31, 2024

The following was the asset allocation policy for each major asset class included in the Plans' target asset allocation as of December 31, 2024:

Asset Class	Target Allocation		
	Firefighter Plan	Police Plan	General Employees Plan
Large Cap Core	10-20%	10-20%	10-20%
Large Cap Value	0-10%	0-10%	0-10%
Large Cap Growth	0-10%	0-10%	0-10%
Mid Cap Core	5-15%	5-15%	5-15%
Small Cap Core	0-10%	0-10%	0-10%
International Developed Markets	5-15%	5-15%	5-15%
International Emerging Markets	0-10%	0-10%	0-10%
Core Fixed Income	15-25%	15-25%	15-25%
Short-Term Fixed Income	0-5%	0-5%	0-5%
Intermediate Treasury Inflation Protected Securities	0-5%	0-5%	0-5%
High Yield	5-15%	5-15%	5-15%
Non-US Fixed Income	0-10%	0-10%	0-10%
Real Estate	0-10%	0-10%	0-10%
Cash	0-5%	0-5%	0-5%

8. 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, 2024, no retirees were enrolled in the City's group health insurance plan and 16 retirees were enrolled in the City's group life insurance plan.

CITY OF BUTLER

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2024

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.

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 279 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 2024 were \$75,644. 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

CITY OF BUTLER

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2024

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 a custodial fund in the accompanying financial statements.

CITY OF BUTLER

NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2024

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 a custodial fund in the accompanying financial statements.

12. Subsequent Event

In January 2025, the City approved a loan to the Historic Pullman Park of \$35,000. In March 2025, the City approved an additional loan to the Historic Pullman Park of \$35,000.

CITY OF BUTLER

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

DECEMBER 31, 2024

	Police	Firefighter	General Employees	Total
Assets				
Cash equivalents	\$ 587,859	\$ 516,745	\$ 314,418	\$ 1,419,022
Investments (at fair value):				
Registered investment companies	15,650,456	23,122,981	7,800,831	46,574,268
Accrued interest and dividends	12,578	17,084	6,296	35,958
Total Assets	16,250,893	23,656,810	8,121,545	48,029,248
Liabilities	-	-	-	-
Plan Net Position Restricted for Pension Benefits	\$ 16,250,893	\$ 23,656,810	\$ 8,121,545	\$ 48,029,248

CITY OF BUTLER

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

YEAR ENDED DECEMBER 31, 2024

	Police	Firefighter	General Employees	Total
Additions:				
Contributions:				
Commonwealth	\$ 270,543	\$ 140,860	\$ 15,485	\$ 426,888
Employer	-	32,587	-	32,587
Employee	82,382	60,654	60,065	203,101
Other	125	171	51	347
Total contributions	353,050	234,272	75,601	662,923
Investment income:				
Net accrued income (loss)	1,151	1,988	879	4,018
Net appreciation (depreciation) in fair value of investments	1,153,574	1,712,943	583,072	3,449,589
Interest and dividends	499,001	726,009	249,139	1,474,149
Total investment income (loss)	1,653,726	2,440,940	833,090	4,927,756
Investment expense	26,943	37,515	4,360	68,818
Net investment income (loss)	1,626,783	2,403,425	828,730	4,858,938
Total additions	1,979,833	2,637,697	904,331	5,521,861
Deductions:				
Benefits	950,990	1,098,116	324,525	2,373,631
Administrative expense	-	-	9,198	9,198
Total deductions	950,990	1,098,116	333,723	2,382,829
Increase (Decrease) in Plan Net Position	1,028,843	1,539,581	570,608	3,139,032
Plan Net Position Restricted for Pension Benefits:				
Beginning of year	15,222,050	22,117,229	7,550,937	44,890,216
End of year	\$ 16,250,893	\$ 23,656,810	\$ 8,121,545	\$ 48,029,248

CITY OF BUTLER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2024

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
<u>U.S. Department of Housing and Urban Development:</u>					
Passed Through the Pennsylvania Department of Community and Economic Development:					
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	C000082625	\$ 100,199	\$ 100,199	\$ 100,199
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	C000084348	40,542	40,542	40,542
COVID-19 - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii - 2020	14.228	C000083801	646,039	646,039	646,039
Subtotal - 14.228			786,780	786,780	786,780
Home Investment Partnerships Program	14.239	C000082625	36,096	36,096	36,096
Total U.S. Department of Housing and Urban Development			822,876	822,876	822,876
<u>U.S. Department of Transportation:</u>					
Passed through the Pennsylvania Department of Transportation:					
Highway Planning and Construction	20.205	R21100003	12,750	42,074	-
Total U.S. Department of Transportation			12,750	42,074	-
<u>U.S. Department of Homeland Security:</u>					
Passed Through the Federal Emergency Management Agency:					
Assistance to Firefighters Grant	97.044	EMW-2021-FG-12003	13,300	9,043	-
Total U.S. Department of Homeland Security			13,300	9,043	-
Total Expenditures of Federal Awards			\$ 848,926	\$ 873,993	\$ 822,876

See accompanying notes to schedule of expenditures of federal awards

CITY OF BUTLER

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2024

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the City of Butler (City) under programs of the federal government for the year ended December 31, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in net position of the City.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The City has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

City of Butler

Independent Auditor's Reports
Required by
the Uniform Guidance

Year Ended December 31, 2024

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

**City Council and Mayor
City of Butler**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 21, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mahe Duessel

Pittsburgh, Pennsylvania
May 21, 2025

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

**City Council and Mayor
City of Butler**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Butler (City)'s compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2024. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

A *deficiency in internal control* over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing

City Council and Mayor
City of Butler
Independent Auditor's Report on Compliance for Each Major
Program and on Internal Control over Compliance

their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mahe Duessel

Pittsburgh, Pennsylvania
May 21, 2025

CITY OF BUTLER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2024

I. Summary of Audit Results

1. Type of auditor's report issued: Unmodified, prepared in accordance with the modified cash basis of accounting

2. Internal control over financial reporting:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiencies identified that are not considered to be material weakness(es)?
☐ yes ☒ none reported

3. Noncompliance material to financial statements noted? ☐ yes ☒ no

4. Internal control over major programs:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiencies identified that are not considered to be material weakness(es)?
☐ yes ☒ none reported

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

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? ☐ yes ☒ no

7. Major Programs:

Assistance Listing Number(s)

Name of Federal Program or Cluster

14.228

Community Development Block Grants/State's
Program and Non-Entitlement Grants in Hawaii

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

9. Auditee qualified as low-risk auditee? ☐ yes ☒ no

II. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

No matters were reported.

III. Findings and question costs for federal awards

No matters were reported.

CITY OF BUTLER

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2024

Finding 2023-001: Internal Control over Activities Allowed or Unallowed and Allowable Costs

Condition: The City did not have a process in place to obtain invoices or other supporting documentation from the subrecipient to ensure that the CDBG funding was spent on activities allowed and allowable costs prior to reimbursing the subrecipient.

Current Status: Corrective action has been implemented