City of Butler

Financial Statements (Cash Basis) and Supplementary Information

Year Ended December 31, 2014 with Independent Auditor's Report



YEAR ENDED DECEMBER 31, 2014

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Independent Auditor's Report

City Council and Mayor City of Butler

We have audited the accompanying cash basis financial statements (financial statements) of the governmental activities, the aggregate discretely presented component unit, 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, 2014, 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 cash basis of accounting described in Note 1; this includes determining that the 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 cash basis financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of

City Council and Mayor City of Butler Independent Auditor's Report Page 2

December 31, 2014, and the respective changes in cash basis financial position, thereof, and the respective budgetary comparison for the General Fund and the Liquid Fuels Fund for the year then ended in accordance with the 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 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 and the statements 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 and the statements 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 combining nonmajor fund financial statements and the statements of changes in assets and liabilities are fairly stated in all material respects in relation to the basic financial statements as a whole.

Maher Duessel

Pittsburgh, Pennsylvania May 15, 2015

STATEMENT OF NET POSITION (CASH BASIS)

DECEMBER 31, 2014

Assets		Primary Government Governmental Activities			Omponent Unit Parking Authority	
Augus	_					
Cash and cash equivalents		\$	629,224	\$	492,376	
Due from City of Butler			-		603	
Investments			-		585,827	
Other current assets			297			
Total Assets			629,521	1,078,80		
Liabilities	_					
Due to component unit			603		-	
Due to City of Butler						
Total Liabilities			603			
Net Position	_					
Restricted for:						
Roads and bridges		11,311			-	
Recreation		100			-	
Revolving loan program			67,208		-	
Trust indenture			-		349,732	
Unrestricted			550,299		729,074	
Total Net Position		\$	628,918	\$	1,078,806	

See accompanying notes to financial statements (cash basis).

STATEMENT OF ACTIVITIES (CASH BASIS)

YEAR ENDED DECEMBER 31, 2014

					Prog	ram Revenues				Net (Expense) Changes in N		
	Expenses		(Charges for Operating Capital Services Grants Grants			G	overnmental Activities	Autl	ponent Unit Parking nority of the y of Butler		
Functions/Programs												
Primary Government: Governmental activities:												
General government	\$	1,063,713	\$	431,770	\$	20,604	\$		\$	(611,339)	\$	
Public safety	Ф	4,815,266	Ф	515,188	Ф	613,776	Ф	_	Ф	(3,686,302)	Ф	_
Health and welfare		10,667		67,676		013,770		_		57,009		
Public works - highways		1,334,416		-		311,588		168,892		(853,936)		_
Public works - other		113,598		_		511,500		100,072		(113,598)		_
Culture and recreation		434,461		_		65,000		_		(369,461)		_
Community development		395,374		_		458,216		_		62,842		_
Debt service		1,087,698		-		-				(1,087,698)		
Total governmental activities	\$	9,255,193	\$	1,014,634	\$	1,469,184	\$	168,892		(6,602,483)		
Component Unit:												
Parking Authority of the City of Butler	\$	634,610	\$	505,162	\$	_	\$	_				(129,448)
	Rea Rea Earn Bus Loc All Inte Mis Unr	l estate transfer	taxes es, inclusipts tax ss) on i	nvestments		est				2,666,859 97,290 955,440 1,402,799 286,341 67,554 15,594 196,095		9,860 5,752 21,726
	T	otal general rev	enues							5,892,972		37,338
		Change in Net	Positio	on						(709,511)		(92,110)
Net Positio	n - begi	nning of year								1,338,429		1,170,916
Net Positio	n - end	of year							\$	628,918	\$	1,078,806

See accompanying notes to financial statements (cash basis).

BALANCE SHEET (CASH BASIS) GOVERNMENTAL FUNDS

DECEMBER 31, 2014

	 General	Capital Projects Fund	Liquid Fuels Fund	lousing evelopment Fund	Gove	Other rnmental unds	Gov	Total vernmental Funds
Assets								
Cash and cash equivalents	\$ 445,571	\$ 105,034	\$ 11,311	\$ 67,208	\$	100	\$	629,224
Other current assets	 297	 	 					297
Total Assets	\$ 445,868	\$ 105,034	\$ 11,311	\$ 67,208	\$	100	\$	629,521
Liabilities and Fund Balance								
Liabilities								
Due to component unit	\$ 603	\$ 	\$ 	\$ 	\$		\$	603
Fund Balance:								
Restricted for:								
Roads and bridges	-	-	11,311	-		-		11,311
Recreation	-	-	-	_		100		100
Revolving loan program	-	-	-	67,208		-		67,208
Assigned	-	105,034	-	-		-		105,034
Unassigned	 445,265	 	 	 				445,265
Total Fund Balance	 445,265	 105,034	 11,311	 67,208		100		628,918
Total Liabilities and Fund Balance	\$ 445,868	\$ 105,034	\$ 11,311	\$ 67,208	\$	100	\$	629,521

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (CASH BASIS) GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2014

	 General	 Capital Projects Fund	 Liquid Fuels Fund	Housing evelopment Fund	Go	Other vernmental Funds	Go	Total overnmental Funds
Receipts:								
Taxes, including penalty and interest	\$ 5,476,283	\$ -	\$ -	\$ -	\$	-	\$	5,476,283
Licenses and permits	385,050	-	-	-		-		385,050
Fines and forfeits	238,253	-	9	- 0.252		-		238,253
Interest and rents	7,216	17	,	8,352		220.274		15,594
Intergovernmental	998,672	126,420	311,588	29,942		330,374		1,796,996
Charges for services Miscellaneous	232,411	-	-	-		100		232,411
Miscenaneous	 195,995	 <u> </u>	 	 <u> </u>		100		196,095
Total receipts	 7,533,880	 126,437	311,597	 38,294		330,474		8,340,682
Disbursements:								
Current:								
General government	881,276	-	-	2,000		-		883,276
Public safety	4,786,461	28,805	-	-		-		4,815,266
Health and welfare	10,667	-	-	-		-		10,667
Public works - highways	703,314	303,193	327,909	-		-		1,334,416
Public works - others	113,598	-	-	-		-		113,598
Culture and recreation	434,461	-	-	-		-		434,461
Community development	65,000	-	-	-		330,374		395,374
Other	180,437	-	-	-		-		180,437
Debt service	 1,087,698	 -	 -	 				1,087,698
Total disbursements	 8,262,912	 331,998	 327,909	 2,000		330,374		9,255,193
Excess (Deficiency) of Receipts over Disbursements	 (729,032)	 (205,561)	 (16,312)	 36,294		100		(914,511)
Other Financing Sources (Uses):								
Proceeds from issuance of debt	205,000	-	-	-		-		205,000
Transfers in (out)	(205,000)	 205,000	 _	 				-
Total other financing sources (uses)	 	 205,000	 -	 -				205,000
Net Change in Fund Balance	 (729,032)	 (561)	 (16,312)	 36,294		100		(709,511)
Fund Balance:								
Beginning of year	 1,174,297	 105,595	 27,623	 30,914				1,338,429
End of year	\$ 445,265	\$ 105,034	\$ 11,311	\$ 67,208	\$	100	\$	628,918

See accompanying notes to financial statements (cash basis).

$\begin{array}{c} \text{BUDGETARY COMPARISON STATEMENT (CASH BASIS)} \\ \text{GENERAL FUND} \end{array}$

YEAR ENDED DECEMBER 31, 2014

	Budgeted	Amounts	Actual	Variance with
	Original	Final	Amounts	Final Budget
Receipts:				
Taxes, including penalty and interest	\$ 5,322,824	\$ 5,322,824	\$ 5,476,283	\$ 153,459
Licenses and permits	364,835	364,835	385,050	20,215
Fines and forfeits	276,000	276,000	238,253	(37,747)
Interest and rents	6,200	6,200	7,216	1,016
Intergovernmental	607,034	607,034	998,672	391,638
Charges for services	236,621	236,621	232,411	(4,210)
Miscellaneous	259,771	259,771	195,995	(63,776)
Total receipts	7,073,285	7,073,285	7,533,880	460,595
Disbursements:				
Current:				
General government	876,932	876,932	881,276	(4,344)
Public safety	4,513,268	4,513,268	4,786,461	(273,193)
Health and welfare	10,667	10,667	10,667	-
Public works - highways	510,162	510,162	703,314	(193,152)
Public works - other	102,841	102,841	113,598	(10,757)
Culture and recreation	429,280	429,280	434,461	(5,181)
Community development	-	-	65,000	(65,000)
Other	186,167	186,167	180,437	5,730
Debt service	443,968	443,968	1,087,698	(643,730)
Total disbursements	7,073,285	7,073,285	8,262,912	(1,189,627)
Excess (Deficiency) of Receipts over Disbursements			(729,032)	(729,032)
Other Financing Sources (Uses):				
Proceeds from issuance of debt	-	-	205,000	205,000
Transfers out			(205,000)	(205,000)
Total other financing sources (uses)				
Net Change in Fund Balance	\$ -	\$ -	\$ (729,032)	\$ (729,032)

BUDGETARY COMPARISON STATEMENT (CASH BASIS) LIQUID FUELS FUND

YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts			Actual		Variance with		
	Original		Final		Amounts		Fin	al Budget
Receipts:								
Interest and rents	\$	150	\$	150	\$	9	\$	(141)
Intergovernmental		278,596		278,596		311,588		32,992
Miscellaneous		85,000		85,000				(85,000)
Total receipts		363,746		363,746		311,597		(52,149)
Disbursements:								
Public works - highways		363,746		363,746		327,909		35,837
Excess (Deficiency) of Receipts over Disbursements	\$		\$		\$	(16,312)	\$	(16,312)

See accompanying notes to financial statements (cash basis).

STATEMENT OF FIDUCIARY NET POSITION (CASH BASIS) FIDUCIARY FUNDS

DECEMBER 31, 2014

Assets	Pension Trust Funds	Tax Collection Fund	Fire Escrow Fund	Total
Cash equivalents	\$ 895,464	\$ 131,375	\$ 29,876	\$ 1,056,715
Investments (at fair value):				
U.S. government securities	7,103,985	-	-	7,103,985
Corporate bonds	2,484,810	-	-	2,484,810
Common stock	22,114,962	-	-	22,114,962
Mutual funds	3,809,768	-	-	3,809,768
Accrued interest and dividends	78,637			78,637
Total Assets	36,487,626	131,375	29,876	36,648,877
Liabilities				
Due to other governments	-	131,375	-	131,375
Escrow liability			29,876	29,876
Total Liabilities		131,375	29,876	161,251
Plan Net Position Held in Trust for Pension Benefits	\$ 36,487,626	\$ -	\$ -	\$ 36,487,626

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

YEAR ENDED DECEMBER 31, 2014

Additions:	
Contributions:	
Commonwealth	\$ 395,013
Employer	14,474
Employee	150,439
Other	 7,559
Total contributions	567,485
Investment income:	
Net accrued income	15,351
Net appreciation in fair value of investments	1,071,855
Interest and dividends	769,744
	, ,,,,,
Total investment income	1,856,950
Investment expense	 190,815
Net investment income	 1,666,135
Total additions	 2,233,620
Deductions:	
Benefits	1,773,426
Administrative expense	 63,154
Total deductions	 1,836,580
Increase (Decrease) in Plan Net Position	397,040
Plan Net Position Held in Trust for Pension Benefits:	
Beginning of year	36,090,586
End of year	\$ 36,487,626

See accompanying notes to financial statements (cash basis).

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2014

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, and general administrative services.

Component Unit

A component unit is a legally separate entity that satisfies at least one of the following criteria: 1) elected officials of a primary government are financially accountable for the entity; or 2) the nature and significance of the relationship between the entity and a primary government are such that to exclude the entity from the financial reporting entity would render the financial statements misleading or incomplete. The following is the discretely presented component unit of the City:

Parking Authority of the City of Butler (Parking Authority)

The Parking Authority operates under the laws of the Commonwealth of Pennsylvania with a Board appointed by the City's Council. The Parking Authority was created to acquire, construct, improve, maintain and operate parking facilities, and to either borrow funds or issue bonds to carry out its purpose. A continuing financing relationship exists through guarantees made by the City for two bond issues of the Parking Authority. The Parking Authority's fiscal year is from January 1 through December 31. Separately issued financial statements of the Authority are available through the Parking Authority's Solicitor at 106 South Main Street, Butler, PA 16001.

The Parking Authority maintains an operating agreement with the City. Under the terms of the Parking Authority's operating agreement with the City, the Parking Authority contracts with the City to provide certain services with respect to the operations of the Parking Authority's off-street parking facilities, including maintaining and servicing parking meters and off-street parking facilities, issuing monthly parking permits to the public, collecting and depositing funds on behalf of the Parking Authority, monitoring and enforcing parking meter compliance,

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2014

providing police supervision and protection for the off-street parking system, maintaining Parking Authority financial records, and providing general liability insurance for the off-street parking system according to amounts established by the Parking Authority. In consideration for the services provided, the Parking Authority pays the City an administrative fee as agreed upon by the City and the Parking Authority.

The Parking Authority is an enterprise fund used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Services from such activities are provided to outside parties.

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 and its component unit. 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. Likewise, the primary government is reported separately from its legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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 cash

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2014

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 cash basis of accounting, including investments, is followed by the Parking Authority, whereby amounts are generally recognized when received rather than when earned and when paid rather than when obligations are incurred.

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.

Additionally, the government reports the following other fund information:

The *Other Governmental Funds* are comprised of two Special Revenue Funds. The Special Revenue Funds are used to account for the proceeds of specific

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2014

revenue sources (other than major capital projects) that are restricted to expenditures for specified purposes. The City uses the following Special Revenue Funds: Community Development Block Grant Fund and Support Our Spray Park 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.

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 and component units. 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 Housing Redevelopment Fund is not legally required to adopt a budget. The budgets are adopted on a cash basis, which is a comprehensive 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:

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2014

- 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. <u>Investments</u>

Investments, principally common stocks, mutual funds, and money market funds are carried at fair value. Funds are invested in accordance with the City's investment policy guidelines as described in Note 3.

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2014

H. Parking Authority Cash and Cash Equivalents

The Parking Authority's cash and cash equivalents consist of time deposits, certificates of deposits, and all highly liquid debt instruments with maturities of three months or less when purchased.

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 cash basis of accounting, no liability is recorded.

J. Designated Taxes for Debt Service

The City designated 6.25 mills of the real estate tax levy for payment of debt service. During 2014 and prior, the collection of these taxes have been less than debt service payments in the amount of \$307,665. 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 cash basis, and is not required to record capital assets, this component is not applicable to the City.

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2014

- 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 \$11,311, \$67,208, and \$100 related to roads and bridges, the revolving loan program, and recreation, 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, and recreation.
- 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, 2014.
- 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.

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2014

 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 9), 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 Pronouncements

Governmental Accounting Standards Board (GASB) Statement No. 69, "Government Combinations and Disposals of Government Operations." This statement provides new accounting and financial reporting standards for government mergers and acquisitions and for government operations that have been transferred or sold.

GASB Statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees." This statement specifies the information required to be disclosed by governments that extend non-exchange financial guarantees, and requires a government that extends a non-exchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee.

O. Pending Pronouncements

GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions," and Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date," effective for fiscal years beginning after June 15, 2014 (the City's December 31, 2015 financial statements). These

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2014

statements establish new financial reporting requirements for most governments that provide their employees with pension benefits.

GASB Statement No. 72, "Fair Value Measurement and Application," effective for fiscal years beginning after June 15, 2015 (the City's December 31, 2016 financial statements). This statement addresses accounting and financial reporting issues related to fair value measurements.

Management has not yet determined the impact of these statements on the City's financial statements.

2. TAX LEVIES

The taxes levied for 2014 were as follows:

Real	estate:
ixcai	cstate.

30 mills
6.25 mills
2 mills
.5 mills
\$10
\$5
0.5%
\$52
0.5%
1.5 mills
1 mill
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

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2014

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. and Pennsylvania government obligations, 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 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.

Primary Government

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, 2014, \$433,627 of the City's \$549,648 bank balance was insured by the Federal Deposit Insurance Corporation (FDIC). The remaining bank balance of \$116,021 was exposed to custodial credit risk, which is

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2014

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 \$629,224 as of December 31, 2014.

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, 2014, the City had the following cash and investments in its pension trust funds:

			Investment Maturities from December 31, 2014								
Cash or Investment Type		Fair Market Value		Less than 1 year		1-5 Years		6-10 Years		More than 10 years	
U.S. Government securities	\$	7,103,985	\$		\$	4,895,069	\$	486,728	\$	1,722,188	
Total debt securities		7,103,985	\$		\$	4,895,069	\$	486,728	\$	1,722,188	
Cash equivalents		895,464									
Corporate bonds		2,484,810									
Mutual funds		3,809,768									
Common stock		22,114,962									
Total cash equivalents and other investments		29,305,004									
Total cash equivalents and investments reported on statement of fiduciary net position (cash basis) - pension trust funds	\$	36,408,989									

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.

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

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2014

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, 2014, the City's entire pension cash equivalents balance of \$895,464 (bank and book 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, 2014 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.

Agency Fund

The City maintains bank accounts for the escrowed funds. As of December 31, 2014, the bank and book balance was \$161,251, which is insured by the FDIC.

Parking Authority

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, insured or collateralized time deposits, and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of funds for investment purposes.

The following is a description of the Authority's deposit and investment risks:

Custodial Credit Risk – Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Parking Authority's deposits may not be returned to it. The Parking Authority does not have a formal deposit policy for custodial credit risk. As of December 31, 2014, the Parking Authority's bank balance of \$144,859 was insured by the FDIC. These deposits have carrying amounts of \$142,644 as of December 31, 2014.

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2014

In addition to the deposits noted above, included in cash and cash equivalents on the statements of net position are short-term investments in money market funds totaling \$349,732 as of December 31, 2014. 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.

As of December 31, 2014, the Parking Authority held the following investment balances:

			Maturity in Years						
		Fair	L	ess	1.	-5	N	Iore than	
	Market Value		than 1 year		years		5 years		
U.S. government obligations	\$	223,890	\$		\$		\$	223,890	
Money market funds		361,937							
Total investments reported on the statement of net position	\$	585,827							

The following is a description of the Parking Authority'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 Parking Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside entity. The Parking Authority does not have a formal investment policy for custodial credit risk. The Parking Authority's investments in money markets of \$361,937 for December 31, 2014 are in the Parking Authority's name and are insured by the FDIC. The Parking Authority's certificates of deposit and asset-backed securities are all underlying securities held by the investment's counterparty, not in the Parking Authority'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.

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2014

Interest Rate Risk. The Parking Authority 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 Parking Authority 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, 2014, the Parking Authority's investments in the Bank of New York are rated AA- and Raymond James Financial, Inc. are rated BBB by Standard & Poor's.

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, 2014 was \$424,744. As the City's financial statements are prepared on the 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
2015	\$ 28,130	\$ 7,219	\$ 35,349
2016	28,595	6,754	35,349
2017	29,098	6,251	35,349
2018	29,611	5,738	35,349
2019	30,133	5,216	35,349
Thereafter	279,177	20,540	299,717
	\$ 424,744	\$ 51,718	\$ 476,462

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2014

5. LONG-TERM DEBT

Primary Government

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. 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 is now payable through December 2016. The Redevelopment Authority of the City of Butler has pledged they will make the annual debt service payment.

General Obligation Note 2013 Series

In April 2013, the City issued a General Obligation Note for \$205,600 to be used for capital projects. This General Obligation Note bears interest at a rate of 2.39%, with an annual principal payment of \$102,800. The note was paid in full in 2014.

General Obligation Note 2014 Series

In May 2014, the City issued a General Obligation Note for \$205,000 to be used for street paving purposes. This General Obligation Note bears interest at a rate of 2.39%, with an annual principal payment of \$102,500 payable through December 2015.

Tax Anticipation Note

At December 31, 2013, the City obtained a tax anticipation note in the amount of \$600,000. Note proceeds were used for general operating expenses in anticipation of current year tax revenues in 2014. The tax anticipation note was paid in full as of December 31, 2014.

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2014

Summary of Changes in Debt

	Balance at January 1, 2014		Additions		Deletions		Balance at December 31, 201	
General Obligation Bonds, Series of 2005	\$	1,895,000	\$	_	\$	(155,000)	\$	1,740,000
General Obligation Note, Series of 2010		146,951		-		(38,677)		108,274
General Obligation Note, Series of 2013		102,800		-		(102,800)		-
General Obligation Note, Series of 2014		-		205,000		(102,500)		102,500
Tax Anticipation Note - 2014		600,000				(600,000)		_
	\$	2,744,751	\$	205,000	\$	(998,977)	\$	1,950,774

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

Year	Principal Amount	 Interest	Total			
2015	\$ 312,586	\$ 74,948	\$ 387,534			
2016	233,188	62,646	295,834			
2017	175,000	54,795	229,795			
2018	185,000	49,200	234,200			
2019	195,000	41,800	236,800			
2020-2023	850,000	 88,038	 938,038			
	\$ 1,950,774	\$ 371,427	\$ 2,322,201			

Parking Authority

Long-term debt consists of the following in 2014:

	Balance at			Balance at
	January 1,			December 31,
	2014	Issuance	Payments	2014
Revenue bonds:				
2003 Series	\$ 1,035,000	\$ -	\$ 100,000	\$ 935,000
2005 Series	843,773		38,080	805,693
	\$ 1,878,773	\$ -	\$ 138,080	\$ 1,740,693

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2014

Series of 2003

During 2003, the Parking Authority refunded its Series of 1997 Bonds (1997 Bonds) by issuing \$1,915,000 of revenue bonds. The 1997 Bonds are secured by a pledge of receipts of the Parking Authority and is unconditionally guaranteed by the City. Interest is payable semi-annually on January 15 and July 15. The interest rate varies from 1.8% to 4.1%. Accordingly, the Parking Authority has agreed to incur no additional debt or engage in any transaction outside of the normal course of business without the City's prior written consent. Principal payments commenced on July 2004 and are due annually thereafter, until the maturity date of July 2022 when a payment of final maturity is due.

Series of 2005

During 2005, the Parking Authority issued Guaranteed Revenue Bonds, Series 2005 (Bonds) for \$1,100,000. The Bonds are secured by a pledge of receipts of the Authority and is unconditionally guaranteed by the City. Interest is payable semi-annually on June 1 and December 1. The interest rate is fixed at 4.20% for the life of the Bonds. Principal payments commenced on December 2006 and are due annually thereafter, until the maturity date of December 2015 when a payment of final maturity of \$807,644 is due. The proceeds of the Bonds were used to construct a parking deck.

Annual debt service requirements for the Guaranteed Parking System Revenue Bonds, Series of 2003 and 2005, are as follows:

	I	Principal					
Year		Amount		Interest	Total		
2015	\$	905,693	\$	69,098	\$	974,791	
2016		105,000		31,926		136,926	
2017		115,000		28,252		143,252	
2018		115,000		24,082		139,082	
2019		120,000		19,770		139,770	
2020-2022		380,000		31,070		411,070	
	\$	1,740,693	\$	204,198	\$	1,944,891	

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2014

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 reported as the Pension Funds in the accompanying financial statements. The Pension Funds 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 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.

At December 31, 2014, there were no individual investments that constituted more than 5% of any of the plan net position available for benefits. In addition, the Plans did not have any investment transactions with related parties during the year.

Contributions and Funding Policy

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

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2014

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 2014, the Police were required to contribute 5% and the Firefighters were required to contribute 3% of monthly pay (excluding overtime) to the pension plan. The contribution rate was 5% of monthly pay for the General Employees' plan. The City contributed the funds necessary to meet the MMO for the Police and Firefighter plans in the amounts of \$161,788 and \$189,046, respectively. The Police and Firefighter MMOs were fully paid with the Commonwealth of Pennsylvania allocation. There was no MMO for the General Employees' plan in 2014. After the payment of the MMOs, the Police, Firefighter, and General Employees' plans had an additional \$16,575, \$20,576, and \$7,028, respectively, of the Commonwealth of Pennsylvania allocation allocated to them. In addition to the state aid, the City contributed \$13,928 to the Firefighter plan as of December 31, 2014.

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, 2013, is as follows:

		Actuarial	Excess of			Excess
Actuarial	Actuarial	Accrued	Assets			(Deficiency)
Valuation	Value of	Liability (AAL)	Over (Under)	Funded	Covered	as a % of Covered
	Assets	Entry Age	AAL	Ratio	Payroll	Payroll
Police:	\$ 11,223,363	\$ 11,359,013	\$ (135,650)	98.81%	\$ 1,534,250	-8.84%
Firefighter:	15,365,294	14,310,064	1,055,230	107.37%	1,238,118	85.23%
General Employees:	5,513,650	4,791,982	721,668	115.06%	904,971	79.74%

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

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2014

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, 2014, no retirees were enrolled in the City's group health insurance plan and 33 retirees were enrolled in the City's group life insurance plan.

8. 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.

9. 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 214 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

NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2014

the Pennsylvania Department of Labor and Industry as mandated by Act 44 of 1993 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 2014 were \$65,196. 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.

10. Subsequent Events

In January 2015, the City authorized the issuance of Tax Revenue Anticipation Note Series 2015 with a local bank in the amount of \$750,000 with an interest rate of 1.68%.

For the 2015 budget, the City raised their debt service tax from 6.25 mills to 7.5 mills.

The City is currently involved in the Centre City Project, which focuses on the development of downtown Butler. As part of this project, a parking garage will be constructed with funds received from the City and the Parking Authority will take over management of the garage once construction is completed. The Parking

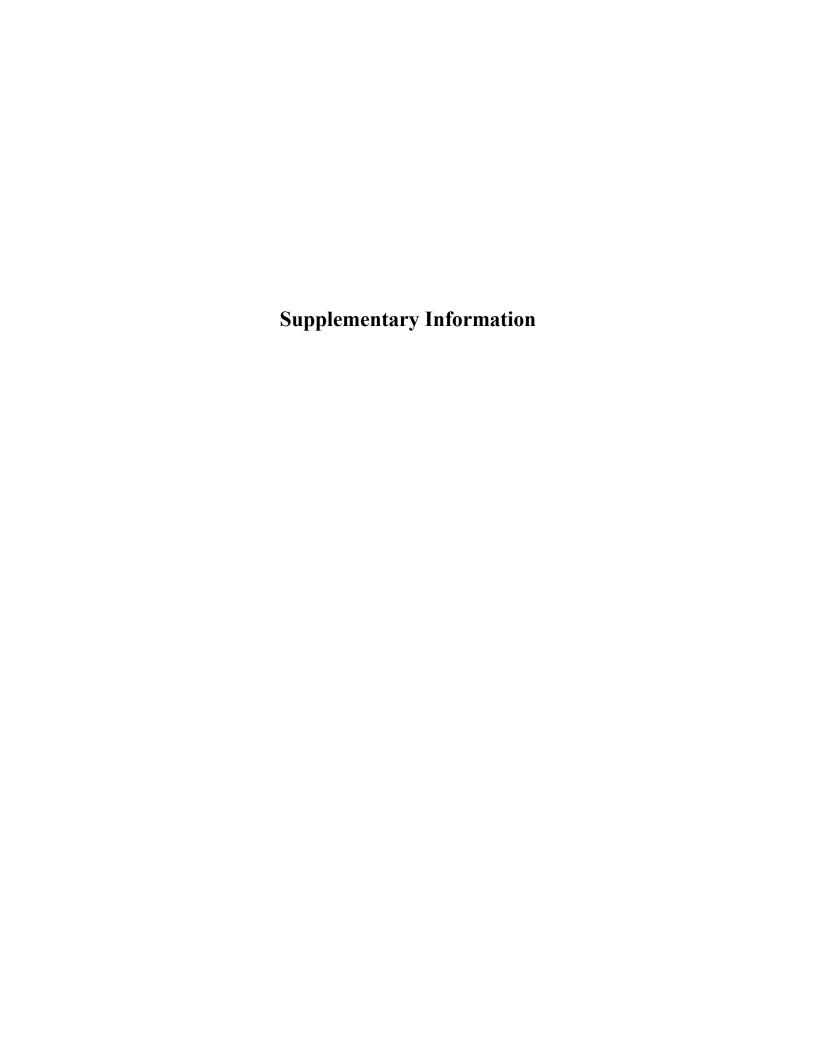
NOTES TO FINANCIAL STATEMENTS (CASH BASIS)

YEAR ENDED DECEMBER 31, 2014

Authority has agreed to pay for the cost of the parking garage design and engineering upfront. The City and Parking Authority have entered into an agreement where the City will reimburse the Parking Authority for these costs for an amount not to exceed \$165,000. The City is in the process of issuing general obligation bonds for an amount not to exceed \$7 million that will pay for the parking garage and that will pay off the Parking Authority's Revenue Bonds, Series 2003 and 2005.

11. LIQUIDITY

The City had a decrease in net position of \$709,511 at December 31, 2014, resulting in ending net position of \$628,918. 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.



COMBINING BALANCE SHEET (CASH BASIS) OTHER GOVERNMENTAL FUNDS

DECEMBER 31, 2014

	_	Special Revenue Funds							
		Community					Total Other		
		Devel	opment	Supp	ort Our	Gove	rnmental		
	_	Block	Grant	Spr	ay Park	F	unds		
Assets									
Cash and cash equivalents	=	\$		\$	100	\$	100		
Fund Balance									
Fund Balance:									
Restricted for:									
Recreation	-	\$		\$	100	\$	100		
Total Fund Balance	_	\$		\$	100	\$	100		

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (CASH BASIS) OTHER GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2014

	Co	mmunity		_	Total Other	
	De	Supp	ort Our	Governmental Funds		
	Ble	Spra	ıy Park			
Receipts:						
Intergovernmental	\$	330,374	\$	-	\$	330,374
Miscellaneous				100		100
Total receipts		330,374		100		330,474
Disbursements:						
Community development		330,374				330,374
Total disbursements		330,374				330,374
Excess (Deficiency) of Receipts over Disbursements		-		100		100
Net Change in Fund Balance		-		100		100
Fund Balance:						
Beginning of year						
End of year	\$	_	\$	100	\$	100

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

DECEMBER 31, 2014

			General	eral		
	Police	Firefighter	Employees	Total		
Assets						
Cash equivalents	\$ 359,691	\$ 341,354	\$ 194,419	\$ 895,464		
Investments (at fair value):						
U.S. government securities	2,643,188	3,308,140	1,152,657	7,103,985		
Corporate bonds	579,329	1,430,350	475,131	2,484,810		
Common stock	7,829,784	10,592,714	3,692,464	22,114,962		
Mutual funds	1,329,845	1,827,994	651,929	3,809,768		
Accrued interest and dividends	22,773	42,680	13,184	78,637		
Total Assets	12,764,610	17,543,232	6,179,784	36,487,626		
Liabilities						
Plan Net Position Held in Trust for Pension Benefits	\$ 12,764,610	\$ 17,544,755	\$ 6,178,261	\$ 36,487,626		

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

YEAR ENDED DECEMBER 31, 2014

	Police		Firefighter		General Employees		Total	
Additions:								
Contributions:								
Commonwealth	\$	178,363	\$	209,622	\$	7,028	\$	395,013
Employer		-		13,928		546		14,474
Employee		68,513		34,310		47,616		150,439
Other		1,633		1,506		4,420		7,559
Total contributions		248,509		259,366	_	59,610	_	567,485
Investment income:								
Net accrued income		(975)		12,036		4,290		15,351
Net appreciation in fair value of investments		399,979		502,544		169,332		1,071,855
Interest and dividends		268,076		369,613		132,055		769,744
Total investment income (loss)		667,080		884,193		305,677		1,856,950
Investment expense		69,245		83,248		38,322		190,815
Net investment income (loss)		597,835		800,945		267,355		1,666,135
Total additions		846,344		1,060,311		326,965		2,233,620
Deductions:								
Benefits		679,278		779,079		315,069		1,773,426
Administrative expense		9,282		47,522		6,350		63,154
Total deductions		688,560		826,601		321,419		1,836,580
Increase (Decrease) in Plan Net Position		157,784		233,710		5,546		397,040
Plan Net Position Held in Trust for Pension Benefits: Beginning of year	1	2,606,826	1	7,311,045		6,172,715	3	36,090,586
End of year	\$ 1	2,764,610	\$ 1	7,544,755	\$	6,178,261	\$ 3	36,487,626

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

DECEMBER 31, 2014

	Balance at January 1, 2014		 Additions	Deductions		Balance at December 31, 2014	
Assets							
Cash equivalents	\$	167,628	\$ 5,833,143	\$	5,869,396	\$	131,375
Liabilities							
Due to other governmental units	\$	167,628	\$ 5,833,143	\$	5,869,396	\$	131,375

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

DECEMBER 31, 2014

	Janu	nce at ary 1, 014	Additions		Deductions		Balance at December 31, 2014	
Assets	_							
Cash equivalents	\$	249	\$	108,225	\$	78,598	\$	29,876
Liabilities	_							
Escrow liability	_\$	249	\$	108,225	\$	78,598	\$	29,876