

# **City of Butler**

## Financial Statements (Modified Cash Basis) and Supplementary Information

Year Ended December 31, 2025  
with Independent Auditor's Report

**MaherDuessel**

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# CITY OF BUTLER

YEAR ENDED DECEMBER 31, 2025

## TABLE OF CONTENTS

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### **Independent Auditor's Report**

### **Financial Statements (Modified Cash Basis):**

#### **Government-Wide Financial Statements:**

Statement of Net Position (Modified Cash Basis) 1

Statement of Activities (Modified Cash Basis) 2

#### **Fund Financial Statements:**

Balance Sheet (Modified Cash Basis) - Governmental Funds 3

Statement of Receipts, Disbursements, and Changes in Fund Balance  
(Modified Cash Basis) - Governmental Funds 4

Budgetary Comparison Statement (Modified Cash Basis) - General Fund 5

Budgetary Comparison Statement (Modified Cash Basis) - Liquid Fuels  
Fund 6

Statement of Net Position (Modified Cash Basis) - Proprietary Fund 7

Statement of Receipts, Disbursements, and Changes in Net Position  
(Modified Cash Basis) - Proprietary Fund 8

Statement of Cash Flows (Modified Cash Basis) - Proprietary Fund 9

Statement of Fiduciary Net Position (Modified Cash Basis) - Fiduciary  
Funds 10

Statement of Changes in Fiduciary Net Position (Modified Cash Basis) -  
Fiduciary Funds 11

Notes to Financial Statements (Modified Cash Basis) 12

# CITY OF BUTLER

YEAR ENDED DECEMBER 31, 2025

## TABLE OF CONTENTS

---

(Continued)

### **Supplementary Information:**

Combining Balance Sheet (Modified Cash Basis) - General Fund	38
Combining Statement of Receipts, Disbursements, and Changes in Fund Balance (Modified Cash Basis) - General Fund	39
Combining Statement of Plan Net Position (Modified Cash Basis) - Pension Trust Funds	40
Combining Statement of Changes in Plan Net Position (Modified Cash Basis) - Pension Trust Funds	41

## 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, Pennsylvania (City) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2025, and the respective changes in modified cash basis financial position and, cash flows thereof, and the respective budgetary comparison for the General Fund and the Liquid Fuels Fund for the year then ended in accordance with the modified cash basis of accounting 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. 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 these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's 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 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, 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 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Mahe Duessel*

Pittsburgh, Pennsylvania  
May 27, 2026

# CITY OF BUTLER

## STATEMENT OF NET POSITION (MODIFIED CASH BASIS)

DECEMBER 31, 2025

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>Assets</b>			
Cash and cash equivalents	\$ 16,579,592	\$ -	\$ 16,579,592
Investments	88,545,769	-	88,545,769
<b>Total Assets</b>	105,125,361	-	105,125,361
<b>Net Position</b>			
Restricted for:			
Roads and bridges	29,524	-	29,524
Revolving loan program	161,568	-	161,568
Police K-9	14,969	-	14,969
Unrestricted	104,919,300	-	104,919,300
Total Net Position	105,125,361	-	105,125,361
<b>Total Net Position</b>	\$ 105,125,361	\$ -	\$ 105,125,361

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

# CITY OF BUTLER

## STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2025

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
<b>Primary Government:</b>							
Governmental activities:							
General government	\$ 1,906,901	\$ 200,607	\$ 66,767	\$ -	\$ (1,639,527)	\$ -	\$ (1,639,527)
Public safety	6,277,924	260,978	548,125	15,246	(5,453,575)	-	(5,453,575)
Health and welfare	17,093	44,068	-	-	26,975	-	26,975
Public works - highways	3,223,974	-	408,691	-	(2,815,283)	-	(2,815,283)
Public works - other	846,905	889,752	-	-	42,847	-	42,847
Culture and recreation	971,116	-	-	-	(971,116)	-	(971,116)
Community development	421,744	-	480,608	-	58,864	-	58,864
Debt service	809,477	-	-	-	(809,477)	-	(809,477)
<b>Total governmental activities</b>	<b>14,475,134</b>	<b>1,395,405</b>	<b>1,504,191</b>	<b>15,246</b>	<b>(11,560,292)</b>	<b>-</b>	<b>(11,560,292)</b>
<b>Total Primary Government</b>	<b>\$ 14,475,134</b>	<b>\$ 1,395,405</b>	<b>\$ 1,504,191</b>	<b>\$ 15,246</b>	<b>(11,560,292)</b>	<b>-</b>	<b>(11,560,292)</b>
General revenues:							
Real estate taxes, including penalty and interest					2,766,170	-	2,766,170
Real estate transfer taxes					204,569	-	204,569
Earned income taxes, including penalty and interest					1,384,268	-	1,384,268
Business gross receipts taxes					1,600,698	-	1,600,698
Local services tax, including penalty and interest					280,766	-	280,766
All other taxes					98,523	-	98,523
Interest and rents					7,554,226	-	7,554,226
Miscellaneous					406,618	-	406,618
Transfers in (out)					110,030	(110,030)	-
Extraordinary items:							
Proceeds from sale of Butler Area Sewer Authority					8,404,284	-	8,404,284
<b>Total general revenues, transfers, and extraordinary items</b>					<b>22,810,152</b>	<b>(110,030)</b>	<b>22,700,122</b>
<b>Change in Net Position</b>					<b>11,249,860</b>	<b>(110,030)</b>	<b>11,139,830</b>
Net Position - beginning of year					93,875,501	110,030	93,985,531
Net Position - end of year					<b>\$ 105,125,361</b>	<b>\$ -</b>	<b>\$ 105,125,361</b>

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

## CITY OF BUTLER

### BALANCE SHEET (MODIFIED CASH BASIS) GOVERNMENTAL FUNDS

DECEMBER 31, 2025

	General	Capital Projects Fund	Liquid Fuels Fund	Housing Redevelopment Fund	CDBG Fund	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 16,201,114	\$ 187,386	\$ 29,524	\$ 161,568	\$ -	\$ 16,579,592
Investments	88,545,769	-	-	-	-	88,545,769
<b>Total Assets</b>	<b>\$ 104,746,883</b>	<b>\$ 187,386</b>	<b>\$ 29,524</b>	<b>\$ 161,568</b>	<b>\$ -</b>	<b>\$ 105,125,361</b>
<b>Fund Balance</b>						
Restricted for:						
Roads and bridges	\$ -	\$ -	\$ 29,524	\$ -	\$ -	\$ 29,524
Revolving loan program	-	-	-	161,568	-	161,568
Police K-9	14,969	-	-	-	-	14,969
Assigned	50,000,000	187,386	-	-	-	50,187,386
Unassigned	54,731,914	-	-	-	-	54,731,914
Total Fund Balance	104,746,883	187,386	29,524	161,568	-	105,125,361
<b>Total Liabilities and Fund Balance</b>	<b>\$ 104,746,883</b>	<b>\$ 187,386</b>	<b>\$ 29,524</b>	<b>\$ 161,568</b>	<b>\$ -</b>	<b>\$ 105,125,361</b>

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, 2025

	General	Capital Projects Fund	Liquid Fuels Fund	Housing Redevelopment Fund	CDBG Fund	Total Governmental Funds
<b>Receipts:</b>						
Taxes, including penalty and interest	\$ 6,334,994	\$ -	\$ -	\$ -	\$ -	\$ 6,334,994
Licenses and permits	306,219	-	-	-	-	306,219
Fines and forfeits	69,888	-	-	-	-	69,888
Interest and rents	7,529,020	8,492	5,155	11,559	-	7,554,226
Intergovernmental	622,138	-	408,691	-	415,496	1,446,325
Community development	-	-	-	65,112	-	65,112
Charges for services	1,027,298	-	-	-	-	1,027,298
Miscellaneous	406,552	-	66	-	-	406,618
Total receipts	<u>16,296,109</u>	<u>8,492</u>	<u>413,912</u>	<u>76,671</u>	<u>415,496</u>	<u>17,210,680</u>
<b>Disbursements:</b>						
Current:						
General government	1,655,526	-	-	371	-	1,655,897
Public safety	6,277,924	-	-	-	-	6,277,924
Health and welfare	17,093	-	-	-	-	17,093
Public works - highways	578,467	2,050,158	595,349	-	-	3,223,974
Public works - other	181,067	665,838	-	-	-	846,905
Culture and recreation	971,116	-	-	-	-	971,116
Community development	-	-	-	6,248	415,496	421,744
Other	251,004	-	-	-	-	251,004
Debt service	809,477	-	-	-	-	809,477
Total disbursements	<u>10,741,674</u>	<u>2,715,996</u>	<u>595,349</u>	<u>6,619</u>	<u>415,496</u>	<u>14,475,134</u>
<b>Excess (Deficiency) of Receipts over Disbursements</b>	<u>5,554,435</u>	<u>(2,707,504)</u>	<u>(181,437)</u>	<u>70,052</u>	<u>-</u>	<u>2,735,546</u>
<b>Other Financing Sources (Uses):</b>						
Transfers in (out)	(2,564,737)	2,674,767	-	-	-	110,030
Total other financing sources (uses)	<u>(2,564,737)</u>	<u>2,674,767</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>110,030</u>
<b>Extraordinary Items:</b>						
Proceeds from sale of Butler Area Sewer Authority	8,404,284	-	-	-	-	8,404,284
<b>Net Change in Fund Balance</b>	<u>11,393,982</u>	<u>(32,737)</u>	<u>(181,437)</u>	<u>70,052</u>	<u>-</u>	<u>11,249,860</u>
<b>Fund Balance:</b>						
Beginning of year	93,352,901	220,123	210,961	91,516	-	93,875,501
End of year	<u>\$ 104,746,883</u>	<u>\$ 187,386</u>	<u>\$ 29,524</u>	<u>\$ 161,568</u>	<u>\$ -</u>	<u>\$ 105,125,361</u>

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

# CITY OF BUTLER

## BUDGETARY COMPARISON STATEMENT (MODIFIED CASH BASIS) GENERAL FUND - BUDGETARY BASIS

YEAR ENDED DECEMBER 31, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Receipts:</b>				
Taxes, including penalty and interest	\$ 6,514,625	\$ 6,514,625	\$ 6,334,994	\$ (179,631)
Licenses and permits	348,550	348,550	306,219	(42,331)
Fines and forfeits	81,000	81,000	69,888	(11,112)
Interest and rents	700,958	700,958	46,565	(654,393)
Intergovernmental	576,791	576,791	622,138	45,347
Charges for services	1,021,925	1,021,925	984,578	(37,347)
Miscellaneous	149,268	149,268	401,916	252,648
<b>Total receipts</b>	<b>9,393,117</b>	<b>9,393,117</b>	<b>8,766,298</b>	<b>(626,819)</b>
<b>Disbursements:</b>				
Current:				
General government	1,251,772	1,251,772	1,511,389	(259,617)
Public safety	5,977,937	5,977,937	6,277,924	(299,987)
Health and welfare	15,593	15,593	17,093	(1,500)
Public works - highways	409,774	409,774	578,467	(168,693)
Public works - other	274,661	274,661	181,067	93,594
Culture and recreation	465,418	465,418	971,116	(505,698)
Community development	500	500	-	500
Other	188,337	188,337	251,004	(62,667)
Debt service	809,125	809,125	809,477	(352)
<b>Total disbursements</b>	<b>9,393,117</b>	<b>9,393,117</b>	<b>10,597,537</b>	<b>(1,204,420)</b>
<b>Excess (Deficiency) of Receipts over Disbursements</b>	<b>-</b>	<b>-</b>	<b>(1,831,239)</b>	<b>(1,831,239)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in (out)	-	-	1,196,440	1,196,440
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>1,196,440</b>	<b>1,196,440</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (634,799)</b>	<b>\$ (634,799)</b>

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, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Receipts:</b>				
Interest and rents	\$ 5,000	\$ 5,000	\$ 5,155	\$ 155
Intergovernmental	400,126	400,126	408,691	8,565
Miscellaneous	-	-	66	66
Total receipts	405,126	405,126	413,912	8,786
<b>Disbursements:</b>				
Public works - highways	515,126	515,126	595,349	(80,223)
Total disbursements	515,126	515,126	595,349	(80,223)
<b>Excess (Deficiency) of Receipts over Disbursements</b>	<b>(110,000)</b>	<b>(110,000)</b>	<b>(181,437)</b>	<b>(71,437)</b>
<b>Fund Balance</b>				
Restricted for:				
Roads and bridges	110,000	110,000	210,961	100,961
<b>Excess (Deficiency) of Receipts over Disbursements and Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 29,524</b>	<b>\$ 29,524</b>

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

# CITY OF BUTLER

## STATEMENT OF NET POSITION (MODIFIED CASH BASIS) PROPRIETARY FUND

DECEMBER 31, 2025

	<u>Enterprise Fund</u> <u>Parking</u> <u>Fund</u>
<hr/>	
<b>Assets</b>	
<hr/>	
Cash and cash equivalents	\$ -
<b>Total Assets</b>	<hr/> - <hr/>
<hr/>	
<b>Net Position</b>	
<hr/>	
Unrestricted	-
<b>Total Net Position</b>	<hr/> \$ - <hr/> <hr/>

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, 2025

	Enterprise Fund
	Parking Fund
<b>Operating Receipts:</b>	
Parking rentals	\$ -
Miscellaneous	-
Total operating receipts	-
<b>Operating Disbursements:</b>	
Utilities	-
Repair and maintenance	-
Bank charges	-
Meters	-
Postage and other office supplies	-
Miscellaneous	-
Total operating disbursements	-
<b>Operating Income (Loss)</b>	-
<b>Nonoperating Receipts (Disbursements):</b>	
Interest income	-
Total nonoperating receipts (disbursements)	-
Transfers in (out)	(110,030)
<b>Change in Net Position</b>	<b>(110,030)</b>
<b>Net Position:</b>	
Beginning of year	110,030
End of year	\$ -

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, 2025

	<u>Enterprise Fund</u> <u>Parking</u> <u>Fund</u>
<b>Cash Flows From Noncapital Financing Activities:</b>	
<u>Net cash transfers with General Fund</u>	<u>\$ (110,030)</u>
Net cash provided by (used in) noncapital financing activities	<u>(110,030)</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(110,030)</b>
<b>Cash and Cash Equivalents:</b>	
<u>Beginning of year</u>	<u>110,030</u>
End of year	<u><u>\$ -</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, 2025

<b>Assets</b>	Pension Trust Funds	Custodial Funds
Cash equivalents	\$ 1,366,876	\$ 105,178
Investments (at fair value):		
Registered investment companies	51,052,667	-
Accrued interest and dividends	40,060	-
<b>Total Assets</b>	<b>52,459,603</b>	<b>105,178</b>
<b>Net Position</b>		
Restricted for:		
Pension benefits	52,459,603	-
Individuals, organizations, and other	-	105,178
Total Net Position	52,459,603	105,178
<b>Total Liabilities and Net Position</b>	<b>\$ 52,459,603</b>	<b>\$ 105,178</b>

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, 2025

	Pension Trust Funds	Custodial Funds
<b>Additions:</b>		
<hr/>		
Contributions:		
Commonwealth	\$ 446,814	\$ -
Employer	43,083	-
Employee	215,812	-
Other	526	-
	<hr/>	<hr/>
Total contributions	706,235	-
	<hr/>	<hr/>
Investment income:		
Net accrued income (loss)	4,105	-
Net appreciation (depreciation) in fair value of investments	4,778,397	-
Interest and dividends	1,569,493	946
	<hr/>	<hr/>
Total investment income (loss)	6,351,995	946
	<hr/>	<hr/>
Investment expense	67,874	-
	<hr/>	<hr/>
Net investment income (loss)	6,284,121	946
	<hr/>	<hr/>
Taxes received	-	35,360
	<hr/>	<hr/>
Miscellaneous	-	6,170
	<hr/>	<hr/>
Total additions	6,990,356	42,476
	<hr/>	<hr/>
<b>Deductions:</b>		
<hr/>		
Benefits	2,549,376	-
Administrative expense	10,625	-
Other	-	42,399
	<hr/>	<hr/>
Total deductions	2,560,001	42,399
	<hr/>	<hr/>
<b>Increase (Decrease) in Net Position</b>	4,430,355	77
	<hr/>	<hr/>
<b>Net Position:</b>		
<hr/>		
Beginning of year	48,029,248	105,101
	<hr/>	<hr/>
End of year	\$ 52,459,603	\$ 105,178
	<hr/> <hr/>	<hr/> <hr/>

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

# CITY OF BUTLER

## NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2025

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### 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 dissolved as of July 1, 2025. As a result of the dissolution, ownership of Pullman Park and related assets were transferred to the City.

#### 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 the City and Butler Township. In 2024, PAWC acquired the Sewer Authority. The City received \$8,404,284 in additional proceeds related to the termination of the authority in 2025. 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, 2025

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### 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.

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# CITY OF BUTLER

## NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2025

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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. Included within the General Fund is the *Legacy Fund* which was created to account for the City's non-pension investments.

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. As of January 1, 2025, the activity of the parking fund was transferred to the General Fund and the Parking Fund was closed.

# CITY OF BUTLER

## NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2025

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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

## NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2025

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### 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 31<sup>st</sup> 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 and interfund transfers.

# CITY OF BUTLER

## NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2025

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The General Fund budget is presented on the budgetary basis of accounting and does not include the Legacy Fund. This results in a reconciliation of fund balance as follows:

	<u>General Fund</u>
Change in fund balance - December 31, 2025	\$ 11,393,982
Legacy Fund Revenues:	
Interest, proceeds from sale of Butler Area Sewer Authority	(15,934,095)
Legacy Fund Expenditures:	
General government	144,137
Interfund transfers	<u>3,761,177</u>
Budgetary basis: change in fund balance - December 31, 2025	<u>\$ (634,799)</u>

### 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.

# CITY OF BUTLER

## NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2025

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### 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 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 \$29,524, \$161,568, and \$14,969 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.

# CITY OF BUTLER

## NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2025

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### 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.
- 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, 2025.
- 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 and Legacy investments.
- 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.

# CITY OF BUTLER

## NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2025

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### M. Adopted Pronouncements

The City adopted Governmental Accounting Standards Board (GASB) Statement No. 102, *Certain Risk Disclosures*, for the year ended December 31, 2025. Adoption of this Statement did not have a significant impact on the City's financial statements for the current year.

### N. Pending Pronouncements

GASB has issued statements that will become effective in future years including Statement Nos. 103 (Financial Reporting Model Improvements), 104 (Disclosure of Certain Capital Assets), and 105 (Subsequent Events). Management has not yet determined the impact of these statements on the financial statements.

## 2. Tax Levies

The taxes levied for 2025 were as follows:

Real estate:	
General purposes	30 mills
Debt service	11.40 mills
Recreation	2 mills
Library	.5 mills
Shade tree	.1 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

# CITY OF BUTLER

## NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2025

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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 3<sup>rd</sup> 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. The assessed valuation was \$63,535,555 and 92% of the levy was collected for 2025.

### 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. 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.

# CITY OF BUTLER

## NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2025

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### 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, 2025, \$250,000 of the City's \$16,835,318 bank balance was insured by the Federal Deposit Insurance Corporation (FDIC). The remaining bank balance of \$16,585,318 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 \$16,579,592 as of December 31, 2025.

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

*Custodial Credit Risk*. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside entity. The City does not have a formal investment policy for custodial credit risk. The 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.

### Governmental Funds – Legacy Investments

The City maintains an investment policy for the City of Butler Legacy Trust (Trust). The Trust is intended to be managed on a perpetual time horizon with a moderate risk profile. The primary investment objective is preservation of principal, with secondary goals of long-term growth and income sufficient to support an approved spending policy and maintain the inflation-adjusted value of Trust assets over time.

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# CITY OF BUTLER

## NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2025

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The policy provides for a total return approach and a long-term spending rate averaging 5% of a moving 12-quarter average market value of the Trust. Annual spending in any one year may range from 0% to 7%, and may occasionally exceed this range, provided such spending does not cause the fair market value of the Trust assets to fall below \$50,000,000. Spending and distributions are subject to approval of City Council.

Strategic asset allocation with target weights and allowable ranges is as follows:

Asset Class	Minimum	Target	Maximum
U.S. equity (total)	20%	50%	70%
Large cap	15%	32%	50%
Mid cap	5%	7%	14%
Small cap	3%	5%	10%
REITs	0%	6%	10%
Non-U.S. equity (developed & emerging)	10%	20%	45%
U.S. fixed income (core & high yield)	10%	30%	60%
Non-U.S. fixed income	0%	0%	15%
Cash or cash equivalents	0%	0%	10%

# CITY OF BUTLER

## NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2025

All Trust investments are measured at fair value. Listed equities and mutual funds are valued using quoted prices in active markets for identical securities and are classified as Level 1 within the fair value hierarchy. The City does not hold any investments in this account valued using Level 2, Level 3, or net asset value (NAV) as a practical expedient.

Cash or Investment Type	Fair Value
Fixed income:	
EFTs	\$ 9,093,763
Mutual Funds	5,979,624
Equity Securities:	
Common Stocks & EFTs	34,323,286
Equity Mutual Funds	3,859,918
Total	53,256,591
Cash and Cash Equivalents	1,304,501
Total Investments	54,561,092

In addition to the Trust, the following investments are held within the Legacy Fund:

Cash or Investment Type	Total Fair Value	Investment Maturities (In Years) from December 31, 2025		
		Less than 1 Year	1-5 Years	6-10 Years
Fixed income				
U.S. Treasury Bonds	\$ 25,871,558	\$ 2,584,543	\$ 11,590,306	\$ 11,696,709
Agency Bonds	7,233,898	637,104	1,968,961	4,627,833
Total	33,105,456	\$ 3,221,647	\$ 13,559,267	\$ 16,324,542
Cash and Cash Equivalents	879,221			
Total investments	\$ 33,984,677			

# CITY OF BUTLER

## NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2025

<u>Cash or Investment Type</u>	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Fixed income				
U.S. Treasury Bonds	\$ 25,871,558	\$ 25,871,558	\$ -	\$ -
Agency Bonds	7,233,898	-	7,233,898	-
Total	33,105,456	<u>\$ 25,871,558</u>	<u>\$ 7,233,898</u>	<u>\$ -</u>
Cash and Cash Equivalents	879,221			
<b>Total investments</b>	<u>\$ 33,984,677</u>			

The valuation methods for recurring fair value measurements are as follows:

- U.S. Treasury bonds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.
- Agency bonds classified in Level 2 of the fair value hierarchy are valued using observable market inputs such as yield curves, spreads, and matrix pricing.

The fixed income holdings have a Moody's Credit Rating of Aa1 and, those that are rated, have a Standard & Poor's rating of AA+.

### 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.

# CITY OF BUTLER

## NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2025

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As of December 31, 2025, the City had the following cash and investments in its pension trust funds:

<u>Cash or Investment Type</u>	<u>Fair Value</u>
Mutual funds - money market	\$ 1,366,876
Registered investment companies	<u>51,052,667</u>
<b>Total cash equivalents and investments reported on statement of fiduciary net position (modified cash basis) - pension trust funds</b>	<b><u>\$ 52,419,543</u></b>

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

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

*Credit Risk* – The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The pension trust funds have no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2025, 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, 2025, \$1,366,876 (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, 2025 required for disclosure. In addition, the plans did not have any investment transactions with related parties during the year.

# CITY OF BUTLER

## NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2025

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*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, 2025, the book and bank balance was \$105,178. Of this bank balance, \$38,919 is insured by the FDIC and \$66,259 is uninsured, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name.

## 4. 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	\$ 110,030	\$ 2,674,767
Capital Projects	2,674,767	-
Total governmental funds	2,784,797	2,674,767
Proprietary Funds:		
Parking	-	110,030
Total proprietary funds	-	110,030
	<u>\$ 2,784,797</u>	<u>\$ 2,784,797</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

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# CITY OF BUTLER

## NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2025

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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, 2025 was \$91,746.

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, 2025 was \$90,438.

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 \$1,093 beginning May 2023 and continuing through April 2030. The outstanding balance on the loan at December 31, 2025 was \$51,875.

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, 2025 was \$85,247.

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, 2025 was \$43,523.

# CITY OF BUTLER

## NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2025

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 138,981	\$ 11,129	\$ 150,110
2027	46,334	7,418	53,752
2028	48,218	5,534	53,752
2029	44,513	3,796	48,309
2030	20,186	2,727	22,913
2031-2034	64,597	5,508	70,105
	<u>\$ 362,829</u>	<u>\$ 36,112</u>	<u>\$ 398,941</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. After 30 days of default, bondholders or a trustee representing 25% of holders may pursue legal remedies, including suit and court-ordered tax assessments, subject to bankruptcy and similar laws. The 2015 General Obligation Bonds bear interest at rates ranging from 2.0%-4.0% and are payable annually through December 1, 2040.

#### 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

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# CITY OF BUTLER

## NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2025

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. In the event of default, the Note is secured by the full faith, credit, and taxing power of the City and overdue principal and, to the extent permitted by law, overdue interest bear interest at 5.85% until paid.

### Summary of Changes in Debt

	Balance at January 1, 2025	Additions	Deletions	Balance at December 31, 2025	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds:					
General Obligation Bonds, Series of 2015	\$ 5,050,000	\$ -	\$ (245,000)	\$ 4,805,000	\$ 245,000
	<u>5,050,000</u>	<u>-</u>	<u>(245,000)</u>	<u>4,805,000</u>	<u>245,000</u>
Direct Borrowings:					
Butler County Infrastructure Bank 2020	905,000	-	(223,000)	682,000	223,000
General Obligation Note, Series of 2021	1,032,262	-	(125,165)	907,097	128,786
	<u>1,937,262</u>	<u>-</u>	<u>(348,165)</u>	<u>1,589,097</u>	<u>351,786</u>
Total Long-Term Debt	<u>\$ 6,987,262</u>	<u>\$ -</u>	<u>\$ (593,165)</u>	<u>\$ 6,394,097</u>	<u>\$ 596,786</u>

# CITY OF BUTLER

## NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2025

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

Year	Governmental Activities				Total
	General Obligation Bonds		Direct Borrowings		
	Principal	Interest	Principal	Interest	
2026	\$ 245,000	\$ 173,088	\$ 351,786	\$ 34,251	\$ 804,125
2027	260,000	166,350	357,534	27,536	811,420
2028	265,000	158,875	370,340	20,739	814,954
2029	275,000	150,594	140,360	13,713	579,667
2030	285,000	142,000	144,445	9,628	581,073
2031-2035	1,575,000	554,906	148,649	5,424	2,283,979
2036-2040	1,900,000	234,000	75,983	1,102	2,211,085
	\$ 4,805,000	\$ 1,579,813	\$ 1,589,097	\$ 112,393	\$ 8,086,303

## 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.

# CITY OF BUTLER

## NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2025

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### Summary of Significant Accounting Policies

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

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

### Contributions and Funding Policy

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

In 2025, 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 \$228,670, \$103,878, and \$0, respectively. The Police and Firefighter MMO's 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 \$270,604, \$202,755, and \$16,538, respectively.

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

# CITY OF BUTLER

## NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2025

The City's funded status and related information for each Plan as of the latest actuarial valuation date, January 1, 2025, 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:	\$ 16,172,959	\$ 15,504,990	\$ 667,969	104.31%	\$ 1,771,852	37.70%
Firefighter:	23,529,562	21,502,354	2,027,208	109.43%	1,349,562	150.21%
General Employees:	8,084,707	6,513,966	1,570,741	124.11%	1,196,091	131.32%

Actuarial assumptions - The actuarially accrued liability for the three Plans was determined by an actuarial valuation performed on January 1, 2025 using the following actuarial assumptions, applied to all periods in the measurement:

	<u>Firefighter Plan</u>	<u>Police Plan</u>	<u>General Employees Plan</u>
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
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, 2023 to December 31, 2024.

*Changes in Actuarial Assumptions* – There were no changes in the actuarial assumptions from the January 1, 2023 actuarial valuation.

*Changes in Benefits* – There were no benefit changes reported since the January 1, 2023 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

# CITY OF BUTLER

## NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2025

an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

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

The following was the asset allocation policy for each major asset class included in the Plans’ target asset allocation as of December 31, 2025:

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

# CITY OF BUTLER

## NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2025

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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, 2025, 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.

### 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.

#### Outstanding Contracts

At December 31, 2025, the City is committed under contracts for various projects with a total contract value of approximately \$2.2 million. As of that date, costs of approximately \$1.7 million have been incurred on the projects. The remaining commitment under these contracts is approximately \$436,000.

### 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

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# CITY OF BUTLER

## NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2025

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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 277 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 2025 were \$122,407. Each participant of the Trust agrees to jointly and severally assume and discharge the liabilities arising under the Workers' Compensation Act and Occupational Disease Act of each and every participant of the Trust. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years the Trust purchased excess insurance coverage with statutory limits. The retention for this excess coverage is \$750,000 per occurrence. There were no significant reductions in insurance coverage from coverage in the prior year. Political subdivisions joining the Trust must remain members for a minimum of four years; a member may withdraw from the Trust after that time by giving ninety days' notice, subject to approval by the Trust actuary under specified circumstances related to the continued fiscal stability of the pool. At the time of withdrawal, the participant is responsible for their share of assessments but has no claim on any assets of the Trust. Estimates of any additional assessments are unknown.

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

# CITY OF BUTLER

## NOTES TO FINANCIAL STATEMENTS (MODIFIED CASH BASIS)

YEAR ENDED DECEMBER 31, 2025

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### **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.

Related to the Centre City TIF, the City collected and retained \$20,060 of City taxes that should have been remitted to the Redevelopment Authority of the City of Butler (RACB). Payment to RACB was remitted after year end. As the City reports on the modified cash basis of accounting, the payable due to RACB has not been recorded in the financial statements.

## **SUPPLEMENTARY INFORMATION**

# CITY OF BUTLER

## COMBINING BALANCE SHEET (MODIFIED CASH BASIS) GENERAL FUND

DECEMBER 31, 2025

	General Fund	Legacy Fund	Total
<b>Assets</b>			
Cash equivalents	\$ 504,861	\$ 15,696,253	\$ 16,201,114
Investments	-	88,545,769	88,545,769
	<b>Total Assets</b>	<b>\$ 104,242,022</b>	<b>\$ 104,746,883</b>
<b>Fund Balance</b>			
Restricted for:			
Police K-9	\$ 14,969	\$ -	\$ 14,969
Assigned	-	50,000,000	50,000,000
Unassigned	489,892	54,242,022	54,731,914
	Total Fund Balance	104,242,022	104,746,883
	<b>Total Liabilities and Fund Balance</b>	<b>\$ 104,242,022</b>	<b>\$ 104,746,883</b>

**CITY OF BUTLER**

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

YEAR ENDED DECEMBER 31, 2025

	General Fund	Legacy Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Receipts:</b>			
Taxes, including penalty and interest	\$ 6,334,994	\$ -	\$ 6,334,994
Licenses and permits	306,219	-	306,219
Fines and forfeits	69,888	-	69,888
Interest and rents	46,565	7,482,455	7,529,020
Intergovernmental	622,138	-	622,138
Community development	-	-	-
Charges for services	984,578	42,720	1,027,298
Miscellaneous	401,916	4,636	406,552
	<u>8,766,298</u>	<u>7,529,811</u>	<u>16,296,109</u>
<b>Disbursements:</b>			
Current:			
General government	1,511,389	144,137	1,655,526
Public safety	6,277,924	-	6,277,924
Health and welfare	17,093	-	17,093
Public works - highways	578,467	-	578,467
Public works - other	181,067	-	181,067
Culture and recreation	971,116	-	971,116
Community development	-	-	-
Other	251,004	-	251,004
Debt service	809,477	-	809,477
	<u>10,597,537</u>	<u>144,137</u>	<u>10,741,674</u>
<b>Excess (Deficiency) of Receipts over Disbursements</b>	<u>(1,831,239)</u>	<u>7,385,674</u>	<u>5,554,435</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in (out)	1,196,440	(3,761,177)	(2,564,737)
Total other financing sources (uses)	<u>1,196,440</u>	<u>(3,761,177)</u>	<u>(2,564,737)</u>
<b>Extraordinary Items:</b>			
Proceeds from sale of Butler Area Sewer Authority	-	8,404,284	8,404,284
<b>Net Change in Fund Balance</b>	<u>(634,799)</u>	<u>12,028,781</u>	<u>11,393,982</u>
<b>Fund Balance</b>			
Beginning of year	1,139,660	92,213,241	93,352,901
End of year	<u>\$ 504,861</u>	<u>\$ 104,242,022</u>	<u>\$ 104,746,883</u>

# CITY OF BUTLER

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

DECEMBER 31, 2025

	Police	Firefighter	General Employees	Total
<b>Assets</b>				
Cash equivalents	\$ 451,493	\$ 618,138	\$ 297,245	\$ 1,366,876
Investments (at fair value):				
Registered investment companies	17,272,845	25,191,938	8,587,884	51,052,667
Accrued interest and dividends	13,445	19,518	7,097	40,060
<b>Total Assets</b>	<b>17,737,783</b>	<b>25,829,594</b>	<b>8,892,226</b>	<b>52,459,603</b>
<b>Plan Net Position Restricted for Pension Benefits</b>	<b>\$ 17,737,783</b>	<b>\$ 25,829,594</b>	<b>\$ 8,892,226</b>	<b>\$ 52,459,603</b>

**CITY OF BUTLER**

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

YEAR ENDED DECEMBER 31, 2025

	Police	Firefighter	General Employees	Total
<b>Additions:</b>				
<u>Contributions:</u>				
Commonwealth	\$ 270,604	\$ 159,672	\$ 16,538	\$ 446,814
Employer	-	43,083	-	43,083
Employee	88,045	63,793	63,974	215,812
Other	184	229	113	526
<b>Total contributions</b>	<u>358,833</u>	<u>266,777</u>	<u>80,625</u>	<u>706,235</u>
<u>Investment income:</u>				
Net accrued income (loss)	868	2,435	802	4,105
Net appreciation (depreciation) in fair value of investments	1,622,388	2,368,956	787,053	4,778,397
Interest and dividends	529,963	770,333	269,197	1,569,493
<b>Total investment income (loss)</b>	<u>2,153,219</u>	<u>3,141,724</u>	<u>1,057,052</u>	<u>6,351,995</u>
Investment expense	27,379	35,624	4,871	67,874
<b>Net investment income (loss)</b>	<u>2,125,840</u>	<u>3,106,100</u>	<u>1,052,181</u>	<u>6,284,121</u>
<b>Total additions</b>	<u>2,484,673</u>	<u>3,372,877</u>	<u>1,132,806</u>	<u>6,990,356</u>
<u>Deductions:</u>				
Benefits	997,783	1,200,093	351,500	2,549,376
Administrative expense	-	-	10,625	10,625
<b>Total deductions</b>	<u>997,783</u>	<u>1,200,093</u>	<u>362,125</u>	<u>2,560,001</u>
<b>Increase (Decrease) in Plan Net Position</b>	1,486,890	2,172,784	770,681	4,430,355
<u>Plan Net Position Restricted for Pension Benefits:</u>				
Beginning of year	16,250,893	23,656,810	8,121,545	48,029,248
End of year	<u>\$ 17,737,783</u>	<u>\$ 25,829,594</u>	<u>\$ 8,892,226</u>	<u>\$ 52,459,603</u>