

**Redevelopment Authority of the
County of Butler**

Financial Statements
and Required Supplementary Information

Year Ended December 31, 2023
with Independent Auditor's Report

MaherDuessel

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REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

YEAR ENDED DECEMBER 31, 2023

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Independent Auditor's Report

**Board of Commissioners
Redevelopment Authority of the County of Butler**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Redevelopment Authority of the County of Butler (Authority), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority'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 financial position of the business-type activities of the Authority, as of December 31, 2023, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Authority 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial

statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinion. 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 Authority'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 Authority'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Maher Duessel

Pittsburgh, Pennsylvania
July 8, 2024

REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) of the Redevelopment Authority of the County of Butler's (Authority) financial performance provides an overall review of the Authority's financial activities for the year ended December 31, 2023. The intent of the management's discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the financial statements and notes to the financial statements to enhance their understanding of the Authority's financial performance.

FINANCIAL HIGHLIGHTS

The following are key financial highlights during the fiscal year ended December 31, 2023.

- Net position increased from a surplus balance of \$1,278,973 at December 31, 2022 to a surplus balance of \$2,031,328 at December 31, 2023.
- Total operating revenues were \$4,898,423 in 2023, an increase of \$435,243 from 2022. Total operating expenses increased by \$343,971 in 2023 to \$4,106,223. As a result, the Authority had a net gain of \$792,200 for 2023 compared to a net gain of \$700,928 in calendar year 2022.

USING THE ANNUAL FINANCIAL REPORT

The primary purposes of the Authority's basic financial statements are as follows:

- Statement of Net Position – Provides a view of the financial condition of the Authority including its liquidity, capital assets, long-term debt obligations and net position. Over time, increases or decreases in the Authority's net position are an indication of whether its financial health is improving or deteriorating.
- Statement of Revenues, Expenses, and Changes in Net Position – Provides information with regard to the types of revenues earned and expenses incurred by the Authority on an annual basis. In addition, this statement indicates whether charges for services to customers were sufficient to meet the current operating costs, and potentially certain capital costs, necessary to operate the Authority, or whether the Authority had to draw on prior net position reserves to meet its obligations.
- Statement of Cash Flows – Provides relevant information about the cash receipts and cash payments of the Authority during the year, specifically, how much cash was generated for operating needs, and the amount of cash required for capital needs and debt service obligations.

FINANCIAL ANALYSIS OF THE AUTHORITY

A breakdown of the assets, liabilities, and net position of the Authority for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022	Increase (Decrease)
Current Assets	\$ 3,720,696	\$ 778,959	\$ 2,941,737
Capital Assets	1,452,897	1,169,970	282,927
Other Non-Current Assets	<u>455,412</u>	<u>334,388</u>	<u>121,024</u>
 Total Assets	<u>5,629,005</u>	<u>2,283,317</u>	<u>3,345,688</u>
 Deferred Outflows of Resources	<u>70,066</u>	<u>68,207</u>	<u>1,859</u>
 Current Liabilities	3,096,400	468,676	2,627,724
Non-Current Liabilities	<u>426,944</u>	<u>442,253</u>	<u>(15,309)</u>
 Total Liabilities	<u>3,523,344</u>	<u>910,929</u>	<u>2,612,415</u>
 Deferred Inflows of Resources	<u>144,399</u>	<u>161,622</u>	<u>(17,223)</u>
 Investment in Capital Assets	1,452,897	1,169,970	282,927
Unrestricted	<u>578,431</u>	<u>109,003</u>	<u>469,428</u>
 Total Net Position	<u><u>\$ 2,031,328</u></u>	<u><u>\$ 1,278,973</u></u>	<u><u>\$ 752,355</u></u>

A comparison of the Authority's revenues, expenses, and changes in net position for the years 2023 and 2022 is as follows:

	2023	2022	Increase (Decrease)
Contract service fees	\$ 3,354,825	\$ 2,985,426	\$ 369,399
Housing rehabilitation grants	1,464,807	1,385,728	79,079
Administrative fees	15,000	-	15,000
Tenant revenue	59,226	37,182	22,044
Other revenue	4,565	54,844	(50,279)
 Total Operating Revenues	 4,898,423	 4,463,180	 435,243
 Salaries	 2,112,878	 2,023,826	 89,052
Employee benefits	810,678	818,665	(7,987)
Housing rehabilitation grant expenses	977,921	742,919	235,002
Professional services	11,154	13,658	(2,504)
Contract costs	10,720	9,325	1,395
Insurance	35,201	21,588	13,613
Miscellaneous administrative expenses	65,135	84,839	(19,704)
Administrative contracts	63,830	35,484	28,346
Maintenance and operations	13,458	9,558	3,900
Utilities	5,248	2,390	2,858
 Total Operating Expenses	 4,106,223	 3,762,252	 343,971
 Operating Income (Loss)	 \$ 792,200	 \$ 700,928	 \$ 91,272

Contract service fee income increased from \$2,985,426 in 2022 to \$3,354,825 in 2023 due mainly to a contracted service agreement with the Housing Authority of the County of Butler (Housing Authority) for services needed related to administration, maintenance, and operations. The increase was mainly a result of increased administration, maintenance, and operations contracted services, due to salary increases and bonuses paid to employees in 2023, as well as additional projects required to remedy the flooding damage that occurred during the year.

The increase in Housing Rehabilitation Grants mainly reflects: 1) an increase in HOME funds utilized for the rehabilitation of homeowner-occupied single-family housing in targeted areas of Butler County 2) increased blight abatement funding received from 152 funds from Butler County, 3) new PHARE funding received for owner occupied rehabilitation in several targeted impact areas of Butler County, and 4) new CDBG funding received for Whole Home rehabilitation. The Whole Homes Program assists Butler County low to moderate income homeowners in bringing their home up to code by addressing rehabilitation needs in the home. Eligible homeowners will have to be current on homeowner's insurance, utilities, mortgage payments, taxes and provide income verification. The increase was partially offset by a decrease in 1) funding utilized for the Butler Acquisition and Rehabilitation (BAR) program, for the acquisition of blighted properties and the subsequent rehabilitation and rental of these properties, 2) decreased Penn Township, Jefferson Township, Slippery Rock Township and Summit Township CDBG funding for single family housing rehabilitation due to COVID grants

that were depleted and not renewed, 3) decreased utilization of the Housing Preservation Grant funding for USDA eligible funding areas for eligible homeowners, and 4) reduced DCED blight remediation funding received to complete the demolition of the Butler City Memorial Park pool.

Income related to HOME program funding increased by \$222,573 from 2022. Income increased \$168,324 for blight abatement funding received from Act 152 funds. Revenue also increased by \$139,513 for the PHARE/ACT137 program for owner occupied rehabilitation and by \$25,308 for new DCED Whole Homes grant funding. These increases were partially offset by decreased funding levels of \$187,162 for the Butler Acquisition and Rehabilitation (BAR) program, \$86,752, \$34,493, \$33,077, and \$26,593, respectively for the Penn Twp., Slippery Rock Twp., Jefferson Twp. and Summit Twp. CDBG funding programs. Revenue also declined for the HPG program by \$62,179 and declined for the demolition of the Butler City Memorial Park pool by \$50,110. All other revenue fluctuations for the grant programs were immaterial. As a result of a net increase in funding for redevelopment/rehabilitation projects, overall grant related expenditures increased in 2023.

Administrative fees increased from \$0 in 2022 to \$15,000 in 2023. The \$15,000 fees earned in 2023 were due to an RACP reimbursement.

Other revenue decreased \$50,279 in 2023 from 2022 revenue, mainly due to \$26,835 for the sale of a conservatorship property and \$22,200 for land donated to the landbank in 2022.

Salaries expenses increased \$89,052, from 2022 to 2023, because of increased administration, maintenance, and operations payroll costs, due to salary increases paid to employees in 2023 as well as the addition of two housing operations positions in 2023.

Employee benefits costs decreased \$7,987 from 2022 to 2023 due to benefit coverages selected by employees.

Miscellaneous administrative expenses in 2023 decreased from 2022 expenses, mainly due to decreased vehicle costs, travel costs for employee training, and BAR property collection loss expense.

Administrative contract expenses increased in 2023 from 2022 expenses, mainly due to set-up fees for new payroll and retirement plan providers, for new computers, and for miscellaneous professional services.

CAPITAL ASSETS

At December 31, 2023, the Authority had \$1,452,897 invested in capital assets, including land, construction in progress, buildings, and furniture, equipment, and machinery, net of depreciation. These amounts represent a net increase of \$282,927, or approximately 24.18% from last year due to building and land additions alongside increases in construction in process. The Authority had \$324,160 in capital additions during the 2023 calendar year. The main capital asset addition for the Authority during the year was for house renovations completed in 2023 on a property obtained through the Butler Acquisition and Rehabilitation (BAR) program in 2023. There was also construction in progress activity related to two buildings being purchased in 2022 and two other buildings purchased prior to 2022 being renovated for the BAR program. The rehabilitation of these properties were completed in 2023. Additionally, a maintenance truck was purchased in 2023.

The following is a summary of capital assets at December 31, 2023 and 2022:

	2023	2022
Land	\$ 127,713	\$ 92,462
Buildings	1,126,510	673,726
Furniture, equipment, and machinery - administration	211,093	193,540
Accumulated depreciation	(250,891)	(233,437)
Construction in progress	<u>238,472</u>	<u>443,679</u>
 Total	 <u>\$ 1,452,897</u>	 <u>\$ 1,169,970</u>

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Community Development Block Grant
- Funding from the PA Department of Community and Economic Development
- Funding from the County of Butler
- Local labor supply and demand, which can affect salary and wage rates
- Governor's emphasis on Community Development
- Proposed and ongoing projects for 2024:
 1. HOME Program
 2. Jefferson Township CDBG
 3. Emergency Program
 4. HPG Program
 5. Blight Removal Program
 6. PHARE Fund Rehabilitation Programs
 7. Penn Township CDBG
 8. Slippery Rock Township CDBG
 9. Butler Acquisition and Rehabilitation Program
 10. Accessibility Program
 11. Whole Homes Program
 12. Landbank

CONTACTING THE AUTHORITY

Our financial report is designed to provide our customers, investors, and creditors with a general overview of the Authority's finances and to show the Board of Commissioners' accountability for the money they administer on behalf of the communities served by the Redevelopment Authority of the County of Butler. If you have any questions about this report or wish to request additional financial information, please contact the Redevelopment Authority of the County of Butler offices at 114 Woody Drive, Butler, PA 16001, (724) 287-6797.

REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

STATEMENT OF NET POSITION

DECEMBER 31, 2023

Assets and Deferred Outflows of Resources		
Assets:		
Current assets:		
Cash and cash equivalents	\$ 3,305,057	
Grants receivable	373,605	
Accounts receivable, net	5,291	
Due from Housing Authority of the County of Butler	31,407	
Prepaid expenses	5,336	
Total current assets	<u>3,720,696</u>	
Non-current assets:		
Due from Housing Authority of the County of Butler	455,412	
Capital assets, non-depreciable	366,185	
Capital assets, net of accumulated depreciation	<u>1,086,712</u>	
Total non-current assets	<u>1,908,309</u>	
Total Assets	<u>5,629,005</u>	
Deferred Outflows of Resources:		
Deferred outflows of resources for OPEBs	<u>70,066</u>	
Total Assets and Deferred Outflows of Resources	<u><u>\$ 5,699,071</u></u>	
Liabilities, Deferred Inflows of Resources, and Net Position		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 86,805	
Accrued compensated absences	28,514	
Unearned revenue	1,962,826	
Grants payable	1,000,000	
Due to the Housing Authority of the County of Butler	<u>18,255</u>	
Total current liabilities	<u>3,096,400</u>	
Non-current liabilities:		
Accrued compensated absences	256,620	
OPEB Liability	<u>170,324</u>	
Total non-current liabilities	<u>426,944</u>	
Total Liabilities	<u>3,523,344</u>	
Deferred Inflows of Resources:		
Deferred inflows of resources for OPEBs	<u>144,399</u>	
Net Position:		
Investment in capital assets	1,452,897	
Unrestricted	<u>578,431</u>	
Total Net Position	<u>2,031,328</u>	
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$ 5,699,071</u></u>	

See accompanying notes to financial statements.

REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED DECEMBER 31, 2023

Operating Revenues:

Contract service fees	\$ 3,354,825
Housing rehabilitation grants	1,464,807
Administrative fees	15,000
Tenant revenue	59,226
Other revenue	<u>4,565</u>
 Total operating revenues	 <u>4,898,423</u>

Operating Expenses:

Salaries	2,112,878
Employee benefits	810,678
Housing rehabilitation grant expenses	977,921
Professional services	11,154
Contract costs	10,720
Insurance	35,201
Miscellaneous administrative expenses	65,135
Administrative contracts	63,830
Maintenance and operations	13,458
Utilities	<u>5,248</u>
 Total operating expenses	 <u>4,106,223</u>

Operating Income (Loss)

Non-Operating Revenues (Expenses):

Depreciation expense	(41,233)
State grant revenue	1,000,000
Pass through grant expense	(1,000,000)
Gain on disposal of capital assets	<u>1,388</u>
 Total non-operating revenues (expenses)	 <u>(39,845)</u>

Change in Net Position

Net Position:

Beginning of year	<u>1,278,973</u>
End of year	<u>\$ 2,031,328</u>

See accompanying notes to financial statements.

REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2023

Cash Flows From Operating Activities:

Payments for services	\$ 3,248,801
Operating grants received	3,025,336
Tenant receipts	64,517
Other receipts	4,565
Payments to employees	(2,957,947)
Payments for goods, services, and housing rehabilitation	<u>(1,158,303)</u>
Net cash provided by (used in) operating activities	<u>2,226,969</u>

Cash Flows From Capital and Related Financing Activities:

Payments received from sale of capital assets	1,388
Purchase/construction of capital assets	<u>(324,160)</u>
Net cash provided by (used in) capital and related financing activites:	<u>(322,772)</u>

Cash Flows From Noncapital Financing Activities:

Pass through grant	<u>1,000,000</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>2,904,197</u>
Cash and Cash Equivalents:	

Beginning of year	400,860
End of year	<u>\$ 3,305,057</u>

Reconciliation of Operating Income (Loss) to Net Cash

Provided by (Used in) Operating Activities:

Operating income (loss)	\$ 792,200
Adjustments to reconcile operating income (loss) to cash	
provided by (used in) operating activities:	
Change in assets, liabilities, and deferred outflows and inflows:	
Grants receivable	(39,662)
Accounts receivable	5,291
Due from Housing Authority of the County of Butler	(121,024)
Prepaid expenses	(3,169)
Deferred outflows of resources for OPEBs	(1,859)
Accounts payable	26,978
Unearned revenue	1,622,344
Due to Housing Authority of the County of Butler	(22,153)
Accrued compensated absences	5,543
OPEB Liability	(20,297)
Deferred inflows of resources for OPEBs	<u>(17,223)</u>
Total adjustments	<u>1,434,769</u>
Net cash provided by (used in) operating activities	<u>\$ 2,226,969</u>

See accompanying notes to financial statements.

REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

1. Summary of Significant Accounting Policies

Reporting Entity

The Redevelopment Authority of the County of Butler (Authority) was created by Resolution of the Board of County Commissioners on November 29, 1966 and organized under the provisions of the Urban Redevelopment Law of 1945 by the Commonwealth of Pennsylvania. The Authority exists and operates for the purposes of the elimination of blighted areas through economically and socially sound redevelopment of such areas in conformity with the comprehensive general plan of surrounding municipalities. Members of the Board of Commissioners are appointed by the County of Butler (County) and have complete authority over the operations and administration of the Authority's activities.

The Authority is not considered to be a component unit of the County because, although the County appoints the governing body of the Authority, the County cannot impose its will on the Authority, and there is no financial burden or benefit relationship between the County and the Authority.

Basis of Accounting

The Authority is accounted for as a proprietary fund and is considered to be an Enterprise Fund and, as such, uses the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses that result from ongoing principal operations of the Authority. Operating revenues consist of contract service fees and housing rehabilitation grant income. Operating expenses are the necessary costs incurred to provide the aforementioned program services as described above.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Grants Receivable

The Authority records the total amount of grant revenue awarded in grants receivable. All grants receivable is deemed fully collectible and, as such, no allowance has been recorded.

Due from the Housing Authority of the County of Butler

The Authority records the amount owed from the Housing Authority of the County of Butler (Housing Authority) for services provided as well as liabilities assumed as described in Note 3.

Capital Assets

All assets, which exceed the Authority's capitalization policy threshold of \$5,000, are recorded at cost and include improvements that extend the physical or economic life of the asset. The purchase of capital assets, and the major construction or improvements to those assets, are capitalized. Routine repair and maintenance costs are charged to expense as incurred. Construction in progress consists of capital additions that have not been placed in service.

Compensated Absences

The Authority provides paid sick leave benefits to all eligible employees. Effective January 1, 2020, previously accumulated sick time remains with the employees until used, but future accruals have been eliminated. Effective January 1, 2020, employees now accrue Paid-Time-Off (PTO) instead of sick leave. The Authority's policy at the time of resignation is to pay all accumulated vacation, PTO, and unused personal time, with no sick day accumulation reimbursement. In addition, the Authority's Retirement Incentive Program stipulates that employees accepting early retirement shall be entitled to receive payment for accumulated sick leave at a 50% rate not to exceed 90 days (equivalent of 45 days' pay) and to receive accumulated vacation pay in full up to 50 days. Therefore, half of the accrued sick leave is accrued as a liability at year-end.

REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Unearned Revenue

The Authority's unearned revenue represents grants received but not yet expended for their eligible purpose at year-end and first-time homebuyer repayments for properties that were sold within 5 years of acquisition in which the funding has not yet been returned to the grant program. As of December 31, 2023, the unearned revenue balance relates to the following programs:

Program	Unearned Revenue
Whole Homes	\$ 1,422,868
PHARE Rehab	203,420
PHARE BAR	250,000
First Time Homebuyer	79,597
Tenant security deposits	4,731
Prepaid rent	2,210
	<u>\$ 1,962,826</u>

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has one item that qualifies for reporting in this category:

Certain amounts determined in connection with other post-employment benefit (OPEB) accounting requirements are reported as deferred outflows of resources on the statement of net position. These amounts are determined based on the actuarial valuation performed for the plan. Note 6 presents additional information about the OPEB plan.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for reporting in this category:

REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

In conjunction with other post-employment benefits (OPEB) accounting requirements, differences between expected and actual experience are recorded as deferred inflows of resources for OPEBs on the statement of net position. These amounts are determined based on an actuarial valuation performed for the plan. See Note 6 for additional information about the OPEB plan.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Classifications of Net Position

The following are the three categories of net position:

- Net investment in capital assets – The net investment in capital assets 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. If there are significant unspent related debt proceeds at the end of the reporting period, the portion of the debt attributable to the unspent amount is not included in the calculation of net investment in capital assets. Instead, that portion of the debt is included in the same net position component (restricted or unrestricted) as the unspent amount.
- Restricted – This component of net position consists of constraints placed on use of assets through external restrictions.
- Unrestricted – This component of net position consists of amounts that do not meet the definition of “restricted” or “net investment in capital assets.”

REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Use of Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Adopted Pronouncements

GASB Statement No. 96, "*Subscription-Based Information Technology Arrangements*," provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users and requires recognition of certain subscription assets and liabilities based on the contract provisions. The effects of this adoption had no impact on the financial statements.

Pending Pronouncements

GASB has issued statements that will become effective in future years including 100 (Accounting Changes and Error Corrections), 101 (Compensated Absences), 102 (Certain Risk Disclosures), and 103 (Financial Reporting Model Improvements). Management has not yet determined the impact of these statements on the financial statements.

2. Cash and Cash Equivalents

Statutes allow the Authority to invest in direct obligations of the federal government backed by the full faith and credit of the United States of America, obligations of federal government agencies, securities of government-sponsored agencies, commercial paper, bankers' acceptances, and demand and savings deposits. The Authority's depositories are required by statute to continuously and fully secure all deposits in excess of the amounts insured under federal or state plans by the deposit or setting aside of collateral of the types, and in the manner as is prescribed by state law for the security of public funds. Such collateral shall at all times be of a market value at least equal to the amount of deposits so secured.

REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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

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

As of December 31, 2023, \$250,000 of the Authority's \$3,349,038 bank balance was insured by the Federal Deposit Insurance Corporation. The remaining balance is collateralized 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 a carrying amount of \$3,305,057 as of December 31, 2023.

3. Due from the Housing Authority of the County of Butler

In 2017, the Housing Authority terminated their employees, who were then hired by the Authority at the same positions, salaries, and benefit structure. The Housing Authority has contracted with the Authority for services needed related to administration, maintenance, and operations. As a result of this transfer, the Authority agreed to assume the accumulated employee obligations earned as of December 31, 2017 relating to accrued post-employment benefits and accrued compensated absences for these employees. In 2018, the Authority entered into a loan agreement with the Housing Authority for the repayment of the balance in equal annual installments from 2018 through 2032. As such, the Authority reports a due from the Housing Authority of \$486,819 on the statement of net position at December 31, 2023, which consists of \$282,659 related to the accrued post-employment benefits and compensated absences described previously, along with other amounts due from the Housing Authority related to ongoing operations.

REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

A summary of future payments required related to the accrued OPEB and compensated absences are as follows and are repaid on an annual basis:

Year Ending December 31,	Principal
2024	\$ 31,407
2025	31,407
2026	31,407
2027	31,407
2028	31,407
2029-2032	<u>125,624</u>
	<u>\$ 282,659</u>

4. Capital Assets

A summary of changes in capital assets during 2023 for the Authority is as follows:

	January 1, 2023	Increases/ Transfers	Decreases/ Transfers	December 31, 2023
Capital assets, not being depreciated:				
Construction in progress	\$ 443,679	\$ 284,027	\$ (489,234)	\$ 238,472
Land	<u>92,462</u>	<u>36,451</u>	<u>(1,200)</u>	<u>127,713</u>
Total capital assets, not being depreciated	<u>536,141</u>	<u>320,478</u>	<u>(490,434)</u>	<u>366,185</u>
Capital assets, being depreciated:				
Buildings	673,726	452,784	-	1,126,510
Furniture, equipment, and machinery	<u>193,540</u>	<u>41,331</u>	<u>(23,778)</u>	<u>211,093</u>
Total capital assets, being depreciated	<u>867,266</u>	<u>494,115</u>	<u>(23,778)</u>	<u>1,337,603</u>
Less: accumulated depreciation	<u>(233,437)</u>	<u>(41,232)</u>	<u>23,778</u>	<u>(250,891)</u>
Total capital assets being depreciated, net	<u>633,829</u>	<u>452,883</u>	<u>-</u>	<u>1,086,712</u>
Total capital assets	<u>\$ 1,169,970</u>	<u>\$ 773,361</u>	<u>\$ (490,434)</u>	<u>\$ 1,452,897</u>

REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Total capital assets, not being depreciated, of \$366,185 were idle as of December 31, 2023 for rehabilitation purposes.

Land Bank

In November 2020, the Authority was designated to act as Land Bank for the County of Butler. The purpose of the Land Bank is to use available resources to facilitate the return of vacant, blighted, abandoned, and tax-delinquent properties to productive use, thereby combating community deterioration, creating economic growth, and stabilizing the housing and job market. As of December 31, 2023, \$21,000 of the land capital assets listed above were designated for Land Bank purposes.

5. Retirement Plan

Defined Contribution Plan

The Authority sponsors a defined contribution plan (Plan) covering all eligible full-time employees. Plan provisions and contribution requirements are established and may be amended by the Authority. All full-time employees are eligible to participate in the Plan after one year of service. Participants with five or more years of service under the Plan are 100% vested. The Authority's contribution to fund the Plan is 13% of basic compensation for each active participant. During the year ended December 31, 2023, employer and employee contributions to the Plan were \$192,649 and \$15,644, respectively.

Deferred Compensation

The Authority's Chief Executive Officer participates in a deferred compensation plan (plan) adopted under the provisions of Internal Revenue Code Section 457 (Deferred compensation plans with respect to service for State and Local Governments), which is considered a defined contribution pension plan. As part of its fiduciary role, the Authority has an obligation of due care in selecting the third-party administrator. Under the plan, the employee may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. During 2023, the employer contributions were \$10,854.

REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

6. Other Postemployment Benefits (OPEBs)

Plan Description

The Authority provides health care benefits for retired employees that have attained at least age 62 with 10 years of service through a single-employer plan. Medical benefits are provided to retirees under the age of 65. Medical, dental, and vision benefits for retirees are provided for 18 months or until the retiree reaches Medicare age, whichever occurs first. For spouses, benefits are provided up to the point where the retiree's benefit ends or the spouse turns 65, whichever occurs first. Retirees are provided with a \$5,000 life insurance benefit for the lifetime of the retiree. In 2021, the life insurance benefit was increased to \$10,000 for future retirees. Life insurance coverages lasts for the lifetime of the retiree. No assets are accumulated in a trust to pay related benefits.

As of December 31, 2023, the date of the most recent actuarial valuation, participants were as follows:

	<u>Employees</u>
Participants:	
Retired	-
Active	35
	<hr/>
	35
	<hr/>

Funding Policy

The costs of these benefits are expensed when incurred and are financed on a pay-as-you-go basis. During 2023, the Authority did not pay healthcare benefits for any retirees and life insurance benefits for multiple retirees of \$185.

Total OPEB Liability

The Authority's total OPEB liability of \$170,324 was measured as of December 31, 2023 and was determined by an actuarial valuation as of that date.

REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2023 using the following actuarial assumptions:

- Actuarial cost method: Entry Age Normal as a Level Percentage of Pay
- Mortality: Pri.H-2012 Total Dataset Mortality Table projected using Scale MP-2021
- Discount rate: 4.00% - Based on the S&P Municipal Bond 20-Year High Grade Rate Index
- Inflation rate: 3.00%
- Salary increases: 2.50%
- Participation: 100% of eligible retirees

The actuarial assumptions used in the December 31, 2023 valuation were based on actual experience.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at December 31, 2022	\$ 190,621
Changes for the year:	
Service cost	17,895
Interest	8,216
Changes of benefit terms	(56,099)
Differences between expected and actual experience	3,707
Changes of assumptions or other inputs	7,374
Benefit payments	<u>(1,390)</u>
Net changes	<u>(20,297)</u>
Balance at December 31, 2023	<u><u>\$ 170,324</u></u>

Changes in benefit terms include retirees only being eligible for 18 months of fully paid COBRA benefits upon retirement. Changes in actuarial assumptions and other inputs include a discount rate updated from 4.31% to 4.00% and updated healthcare trend rate assumptions.

REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate as of December 31, 2023:

	1% Decrease	Cost Trend Rate	1% Increase
	<u>3.00%</u>	<u>4.00%</u>	<u>5.00%</u>
Total OPEB liability	<u>\$ 188,880</u>	<u>\$ 170,324</u>	<u>\$ 151,543</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates as of December 31, 2023:

	1% Decrease	Cost Trend Rate	1% Increase
Total OPEB liability	<u>\$ 161,544</u>	<u>\$ 170,324</u>	<u>\$ 176,421</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2023, the Authority recognized OPEB expense of \$37,989. At December 31, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 32,911	\$ 90,810
Changes of assumptions or other inputs	<u>37,155</u>	<u>53,589</u>
Total deferred outflows of resources	<u>\$ 70,066</u>	<u>\$ 144,399</u>

REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in expense as follows:

<u>Year Ending December 31,</u>	
2024	\$ (8,001)
2025	(8,001)
2026	(8,001)
2027	(8,001)
2028	(8,001)
Thereafter	<u>(34,328)</u>
Total	<u>\$ (74,333)</u>

7. Non-Current Liabilities

Non-current liability activity for the year ended December 31, 2023 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 279,591	\$ 10,454	\$ (4,911)	\$ 285,134	\$ 28,514

8. Related Party

The Board of Commissioners and Chief Executive Officer of the Authority serve in the same capacity for the Housing Authority. As of December 31, 2023, the Authority is indebted to the Housing Authority for \$18,255 for advanced operating costs related to Homeownership and the Housing Authority is indebted to the Authority for \$189,383 for costs relating to the Rental Assistance Demonstration Program, and \$282,659 for costs related to the transfer of employees from the Housing Authority during 2017 as described in Note 3 and ongoing operations. In addition, in 2023, the Authority paid the Housing Authority \$23,005 for management and administrative services provided, and the Housing Authority paid the Authority \$3,336,602 for contracted administrative and maintenance staff services provided.

REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

9. Contingencies

Grant Programs

The Authority participates in both federal and state grant programs. These programs are subject to program compliance audits by grantors. The Authority could be liable for any expenditure which is disallowed by the grantor. Management is not aware of any such significant items.

10. Risk Management

The Authority faces exposure to various forms of risk of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, as well as medical benefits provided to employees. It carries commercial insurance coverage for risks to the extent as deemed prudent by the Authority's management. Settled claims relating to the commercial insurance have not exceeded the insurance coverage in past fiscal years. There has been no significant reduction in insurance coverage from the prior year.

REQUIRED SUPPLEMENTARY INFORMATION

**REDEVELOPMENT AUTHORITY OF THE
COUNTY OF BUTLER**

**SCHEDULE OF CHANGES IN THE AUTHORITY'S
TOTAL OPEB LIABILITY AND RELATED RATIOS**

YEAR ENDED DECEMBER 31
LAST 10 FISCAL YEARS*

	2023	2022	2021	2020	2019
Total OPEB Liability:					
Service cost	\$ 17,895	\$ 21,866	\$ 20,717	\$ 18,583	\$ 17,257
Interest	8,216	4,969	4,636	9,052	13,636
Changes of benefit terms	(56,099)	23,679	-	-	-
Differences between expected and actual experiences	3,707	(31,086)	-	(101,998)	-
Changes of assumptions and other inputs	7,374	(64,307)	7,365	2,805	14,930
Benefit payments	(1,390)	(5,724)	(10,184)	(40,099)	(48,055)
Net Change in Total OPEB Liability	(20,297)	(50,603)	22,534	(111,657)	(2,232)
Total OPEB Liability - Beginning	190,621	241,224	218,690	330,347	332,579
Total OPEB Liability - Ending	\$ 170,324	\$ 190,621	\$ 241,224	\$ 218,690	\$ 330,347

	2018
Total OPEB Liability:	
Service cost	\$ 20,334
Interest	9,483
Changes of benefit terms	-
Differences between expected and actual experiences	54,809
Changes of assumptions and other inputs	7,986
Benefit payments	(15,230)
Net Change in Total OPEB Liability	77,382
Total OPEB Liability - Beginning	255,197
Total OPEB Liability - Ending	\$ 332,579

* Until a full 10-year trend is compiled, the required information for the plan is presented for those years for which information is available.
See accompanying notes to schedules of required supplementary information - OPEBs.

REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – OPEBS

YEAR ENDED DECEMBER 31, 2023

Actuarial Methods and Assumptions

The methods and assumptions used to determine contribution rates are as follows:

Actuarial valuation date	12/31/2023
Actuarial cost method	Entry Age Normal as a Level Percentage of Pay
Discount rate	4.00%
Mortality	Pri.H-2012 Total Dataset Mortality Table projected using Scale MP-2021
Inflation	3.00%
Healthcare cost trend rates	7.50%
Retirement age	Age 62 with 10 years of service

Benefit Changes

In 2023, the duration of benefits changed. In prior years, benefits were provided for all retirees up to age 65. For spouses, benefits were provided up to the point where the retiree or the spouse turns 65, whichever occurred first. For 2023 and onward, benefits are provided for 18 months or until the retiree reaches Medicare age, whichever occurs first. For spouses, benefits are provided up to the point where the retiree's benefit ends or the spouse turns 65, whichever occurs first.

In 2021, the life insurance benefit was increased from \$5,000 to \$10,000 for future retirees.

Changes of Assumptions

The following changes were made to the actuarial assumptions used in the December 31, 2023 valuation compared to the previous actuarial valuation on December 31, 2022:

Updated the discount rate from 4.31% to 4.00%

The following changes were made to the actuarial assumptions used in the December 31, 2022 valuation compared to the previous actuarial valuation on December 31, 2021:

REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION – OPEBS

YEAR ENDED DECEMBER 31, 2023

- Updated the discount rate from 2.06% to 4.31%
- Updated the healthcare trend rates from 6.5% to 7.5%

The following changes were made to the actuarial assumptions used in the December 31, 2021 valuation compared to the previous actuarial valuation on December 31, 2020:

- Updated the discount rate from 2.12% to 2.06%
- Updated the mortality improvement scale to MP-2021

The following changes were made to the actuarial assumptions used in the December 31, 2020 valuation compared to the previous actuarial valuation on December 31, 2019:

- Updated the discount rate from 2.74% to 2.12%
- Updated the mortality table to RP-2012 Total Dataset using Projection Scale MP-2020
- Updated medical and dental and vision trend rates

The following changes were made to the actuarial assumptions used in the December 31, 2019 valuation compared to the previous actuarial valuation on December 31, 2018:

- Updated the discount rate from 4.10% to 2.74%
- Updated the mortality table to RP-2014 Total Dataset using Projection Scale MP-2019

The following changes were made to the actuarial assumptions used in the December 31, 2018 valuation compared to the previous actuarial valuation on December 31, 2017:

Updated the discount rate from 4.00% to 4.10%

Updated the mortality table to RP-2014 Total Dataset using Projection Scale MP-2018

Changed the cost method from projected unit credit to entry age normal as a level of percentage of pay

Changed the aging factors to utilize the morbidity factors developed by Dale H. Yamamoto in "Health Care Costs – From Birth to Death" (June 2013)

Updated the medical trend rates