

**Redevelopment Authority of the
County of Butler**

Financial Statements and
Required Supplementary
Information

Year Ended December 31, 2017
with Independent Auditor's Report

MaherDuessel

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REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

YEAR ENDED DECEMBER 31, 2017

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the Redevelopment Authority of the County of Butler (Authority), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2017, and 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other postemployment benefit plan information as described in the table of contents be presented to supplement the basic financial statements. Such information, 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 audit 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.

Mahe Duessel

Pittsburgh, Pennsylvania
June 28, 2018

REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the Redevelopment Authority of the County of Butler's financial performance provides an overall review of the Authority's financial activities for the year ended December 31, 2017. The intent of the 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 statement 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, 2017.

- Net position increased from a deficit of \$224,273 at December 31, 2016 to a deficit balance of \$13,038 at December 31, 2017.
- Total operating revenues were \$1,321,191 in 2017, an increase of \$885,191 from 2016. Total operating expenses increased by \$619,034 in 2017 to \$1,109,956. As a result, the Authority had a net gain of \$211,235 for 2017 compared to a net loss of \$54,922 in calendar year 2016.

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, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
Current Assets	\$ 601,533	\$ 152,183	\$ 449,350
Capital Assets	<u>158,355</u>	<u>-</u>	<u>158,355</u>
Total Assets	<u>759,888</u>	<u>152,183</u>	<u>607,705</u>
Current Liabilities	323,418	341,031	(17,613)
Non-Current Liabilities	<u>449,508</u>	<u>35,425</u>	<u>414,083</u>
Total Liabilities	<u>772,926</u>	<u>376,456</u>	<u>396,470</u>
Unrestricted	<u>(13,038)</u>	<u>(224,273)</u>	<u>211,235</u>
Total Net Position	<u>\$ (13,038)</u>	<u>\$ (224,273)</u>	<u>\$ 211,235</u>

A comparison of the Authority's revenues, expenses, and changes in net position for the years 2017 and 2016 is as follows:

	2017	2016	Increase (Decrease)
Contract service fees	\$ 632,742	\$ 29,489	\$ 603,253
Housing rehabilitation grants	566,639	405,944	160,695
Administrative fees	114,050	-	114,050
Tenant revenue	7,730	-	7,730
Other revenue	30	567	(537)
Total Operating Revenues	1,321,191	436,000	885,191
Salaries	414,256	33,622	380,634
Employee benefits	249,631	28,327	221,304
Housing rehabilitation grant expenses	362,464	346,472	15,992
Professional services	7,496	8,147	(651)
Contract costs	10,491	62,857	(52,366)
Insurance	5,848	5,174	674
Miscellaneous administrative expenses	21,613	6,323	15,290
Administrative contracts	36,090	-	36,090
Maintenance and operations	1,743	-	1,743
Utilities	324	-	324
Total Operating Expenses	1,109,956	490,922	619,034
Change in Net Position	\$ 211,235	\$ (54,922)	\$ 266,157

FINANCIAL ANALYSIS OF THE AUTHORITY (Continued)

Contract service fee income increased from \$29,489 in 2016 to \$632,742 in 2017 due mainly to a contracted service agreement with the Housing Authority for services needed related to administration, maintenance, and operations. In 2017, the Housing Authority terminated their employees, who were then hired by the Redevelopment Authority. As a result of this, salary and employee benefits expenses also increased in 2017.

The increase in Housing Rehabilitation Grants reflects mainly new PHARE/Act 137 funding for a new program, Butler Acquisition and Rehabilitation, for the acquisition of blighted properties and the subsequent rehabilitation and rental of these properties. Income related to this program was \$185,015 in 2017. Jefferson CDBG funding also increased from 2016 to 2017 by \$80,575. PHARE/Act 137 funding for rehabilitation projects in various areas of the County for 2017 was \$107,926, compared to \$176,627 in the previous calendar year. HPG funding decreased from \$55,930 in 2016 to \$35,675 in 2017. Additionally, Act 137 blight funding decreased by \$18,321 from 2016 to 2017. As a result of a net increase in funding for redevelopment/rehabilitation projects, overall grant related expenditures increased in 2017.

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 2018:
 1. HOME Program
 2. Jefferson Township CDBG
 3. Emergency Program
 4. HPG Program
 5. Blight Removal Program
 6. PHARE Fund Programs
 7. Penn Township CDBG

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 Directors' 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, 2017

Assets	
Current assets:	
Cash and cash equivalents	\$ 25,153
Grants receivable	154,067
Due from Housing Authority of the County of Butler	418,396
Prepaid expenses	3,917
Total current assets	<u>601,533</u>
Non-current assets:	
Capital assets, non-depreciable	<u>158,355</u>
Total non-current assets	<u>158,355</u>
Total Assets	<u><u>\$ 759,888</u></u>
Liabilities and Net Position	
Liabilities:	
Current liabilities:	
Accounts payable	\$ 53,796
Accrued compensated absences	21,590
Due to the Housing Authority of the County of Butler	247,282
Tenant security deposits	750
Total current liabilities	<u>323,418</u>
Non-current liabilities:	
Accrued compensated absences	194,311
Net OPEB obligation	255,197
Total non-current liabilities	<u>449,508</u>
Total Liabilities	<u>772,926</u>
Net Position:	
Unrestricted	<u>(13,038)</u>
Total Liabilities and Net Position	<u><u>\$ 759,888</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, 2017

Operating Revenues:

Contract service fees	\$	632,742
Housing rehabilitation grants		566,639
Administrative fees		114,050
Tenant revenue		7,730
Other revenue		30
Total operating revenues		<u>1,321,191</u>

Operating Expenses:

Salaries		414,256
Employee benefits		249,631
Housing rehabilitation grant expenses		362,464
Professional services		7,496
Contract costs		10,491
Insurance		5,848
Miscellaneous administrative expenses		21,613
Administrative contracts		36,090
Maintenance and operations		1,743
Utilities		324
Total operating expenses		<u>1,109,956</u>

Operating Income (Loss) 211,235

Net Position:

Net position - beginning		<u>(224,273)</u>
Net position - ending	\$	<u><u>(13,038)</u></u>

See accompanying notes to financial statements.

REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

Cash Flows From Operating Activities:

Fees for services	\$	746,792
Operating grants received		489,014
Tenant revenue		7,730
Other receipts		30
Payments to employees		(646,610)
Payments for goods, services, and housing rehabilitation		(427,544)
		169,412

Cash Flows From Capital and Related Financing Activities:

Purchase of capital assets		(158,355)
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Net Increase (Decrease) in Cash and Cash Equivalents 11,057

Cash and Cash Equivalents:

Beginning of year		14,096
End of year	\$	25,153

Reconciliation of Operating Income (Loss) to Net Cash

Provided by (Used in) Operating Activities:

Operating income (loss)	\$	211,235
Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities:		
Change in assets and liabilities:		
Grants receivable		(19,618)
Due from Housing Authority of the County of Butler		(418,396)
Prepaid expenses		(279)
Accounts payable		18,804
Due to other governmental units		(58,007)
Accrued compensated absences		206,796
Net OPEB obligation		228,877
		(41,823)
Total adjustments		(41,823)
Net cash provided by (used in) operating activities	\$	169,412

See accompanying notes to financial statements.

REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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 Directors 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, 2017

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. Sick leave can be accumulated by regular, full-time employees, not to exceed the amount earned for a maximum of 90 days. The Authority's policy at the time of resignation is to pay all accumulated vacation 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 30 days. Therefore, half of the accrued sick leave is accrued as a liability at year-end.

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

REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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.”

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

Governmental Accounting Standards Board (GASB) Statement No. 80, *“Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14,”* clarifies the financial statement presentation requirements for the blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The adoption of this statement had no impact on the Authority’s financial statements.

REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

Pending Pronouncements

GASB has issued several statements that will become effective in future years including Statement Nos. 83 (Asset Retirement Obligations), 84 (Fiduciary Activities), 85 (Omnibus 2017), 86 (Certain Debt Extinguishment Issues), 87 (Leases), and 88 (Certain Debt Disclosures). 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.

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, 2017, the Authority's entire bank balance of \$181,210 was insured by the Federal Deposit Insurance Corporation. These deposits have a carrying amount of \$25,153 as of December 31, 2017.

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,

REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

and operations. As a result of this transfer, the Authority agreed to assume the accumulated employee obligations earned to date for these employees as of December 31, 2017. Additionally, the Housing Authority agreed to transfer funds to the Authority in an amount equal to the liability. The liabilities assumed as of that date were \$397,778 related to accrued post-employment benefits and accrued compensated absences. It is the Authority's understanding that the Housing Authority intends to make the cash payment related to this transfer in 2018. As such, the Authority reports a due from the Housing Authority at December 31, 2017 of \$397,778, which is recorded on the statement of net position.

4. Capital Assets

A summary of changes in capital assets during 2017 for the Authority is as follows:

	<u>January 1, 2017</u>	<u>Increases/ Transfers</u>	<u>Decreases/ Transfers</u>	<u>December 31, 2017</u>
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 158,355	\$ -	\$ 158,355
Total capital assets, not being depreciated	<u>\$ -</u>	<u>\$ 158,355</u>	<u>\$ -</u>	<u>\$ 158,355</u>

The additions to construction in progress at December 31, 2017 relate to recent Authority projects, which include the purchase and rehabilitation of four properties.

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, 2017, employer and employee contributions to the Plan were \$40,649 and \$1,211, respectively.

REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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. Dental and vision benefits are provided to retirees under the age of 65 (for spouses, benefits are provided up to the point where the retiree or the spouse turns 65, whichever occurs first). Retirees are provided with a \$5,000 life insurance benefit for the lifetime of the retiree.

Funding Policy

The costs of these benefits are expensed when incurred and are financed on a pay-as-you-go basis. During 2017, the Authority paid healthcare benefits for one retiree and life insurance benefits for multiple retirees totaling \$8,429.

Annual OPEB Cost and Net OPEB Obligation

The Authority's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of accounting standards. The following table shows the component of the Authority's annual OPEB cost for the year, the amount actually contributed, and changes in the Authority's net OPEB obligation:

Annual required contribution	\$	34,044
Interest on net OPEB obligation		9,775
Adjustment to annual required contribution		<u>(14,132)</u>
Annual OPEB cost		29,687
Contributions made		<u>(18,861)</u>
Increase in net OPEB obligation		10,826
Net OPEB obligation - beginning of year		<u>244,371</u>
Net OPEB obligation - end of year	\$	<u><u>255,197</u></u>

REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation were as follows:

Fiscal Year Ending	Annual OPEB Cost	% Contributed	Net OPEB Obligation
December 31, 2015	\$ 2,226	0.00%	\$ 24,139
December 31, 2016	2,186	0.20%	26,320
December 31, 2017	29,687	63.50%	255,197

Funding Status and Funding Progress

The schedule of funding progress for the postemployment healthcare benefits is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2012	\$ -	\$ 146,701	\$ (146,701)	0.0%	\$ 1,397,989	-10.5%
January 1, 2015	-	237,063	(237,063)	0.0%	1,293,644	-18.3%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status and the annual required contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and covered members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

For the January 1, 2015 actuarial valuation, the projected unit credit cost method was used. The unfunded actuarial accrued liability is being amortized using the level dollar method over a period of 30 years on an open basis. The inflation rate used was 2.75%. Investment return was not utilized in this valuation since there are no assets. Salary increases were not utilized in the actuarial valuation. Health care trend rates are assumed to increase as follows:

<u>Time Period</u>	<u>Medical</u>	<u>Dental & Vision</u>
01/01/2018 - 12/31/2018	6.75%	4.00%
01/01/2019 - 12/31/2019	6.50%	4.00%
01/01/2020 - 12/31/2020	6.25%	4.00%
01/01/2021 - 12/31/2021	6.00%	4.00%
01/01/2022 - 12/31/2022	5.50%	4.00%
01/01/2023 - 12/31/2023	5.00%	4.00%
01/01/2024 - 12/31/2024 & later	4.50%	4.00%

7. Related Party

The Board of Directors and Chief Executive Officer of the Authority serve in the same capacity for the Housing Authority. As of December 31, 2017, the Authority is indebted to the Housing Authority for \$247,282 for advanced operating costs related to the HOME Program and the Housing Authority is indebted to the Authority for \$397,778 for costs related to the transfer of employees from the Housing Authority during 2017 as described in Note 3. In addition, in 2017, the Authority paid the Housing Authority \$29,825 for management, administrative, and inspector services provided, and the Housing Authority paid the Authority \$611,936 for administrative and inspector services provided.

REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

8. 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.

9. 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 coverage in the prior year.

REQUIRED SUPPLEMENTARY INFORMATION

**REDEVELOPMENT AUTHORITY OF THE
COUNTY OF BUTLER**

POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEBs)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Excess of Assets Over (Under) AAL	Funded Ratio	Covered Payroll	Excess (Deficiency) as a Percentage of Covered Payroll
1/1/2012	\$ -	\$ 146,701	\$ (146,701)	0%	\$ 1,397,989	-10.5%
1/1/2015	-	237,063	(237,063)	0%	1,293,644	-18.3%

**REDEVELOPMENT AUTHORITY OF THE
COUNTY OF BUTLER**

POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEBs)

FACTORS AND TRENDS USED IN ACTUARIAL VALUATION

YEAR ENDED DECEMBER 31, 2017

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	1/1/2015
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar
Amortization period	30 years
Actuarial assumptions:	
Investment rate of return	n/a
Mortality	RP-2014 Total Data Set Mortality Table Projected Using MP-2015

n/a - Investment return was not utilized in this valuation since there are no assets.