

**Redevelopment Authority of the  
County of Butler**

Financial Statements and  
Required Supplementary  
Information

Year Ended December 31, 2018  
with Independent Auditor's Report

**MaherDuessel**

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# REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

YEAR ENDED DECEMBER 31, 2018

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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, 2018, 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, 2018, 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.

## 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  
July 29, 2019

## **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 (Authority) financial performance provides an overall review of the Authority's financial activities for the year ended December 31, 2018. 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 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, 2018.

- Net position increased from a deficit balance of \$13,038 at December 31, 2017 to a surplus balance of \$130,359 at December 31, 2018.
- Total operating revenues were \$3,422,901 in 2018, an increase of \$2,101,710 from 2017. Total operating expenses increased by \$2,149,916 in 2018 to \$3,259,872. As a result, the Authority had a net gain of \$163,029 for 2018 compared to a net gain of \$211,235 in calendar year 2017.

#### **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, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
Current Assets	\$ 277,414	\$ 183,137	\$ 94,277
Capital Assets	357,025	158,355	198,670
Other Non-Current Assets	<u>425,667</u>	<u>418,396</u>	<u>7,271</u>
Total Assets	<u>1,060,106</u>	<u>759,888</u>	<u>300,218</u>
Deferred Outflows of Resources	<u>74,704</u>	<u>-</u>	<u>74,704</u>
Current Liabilities	482,286	323,418	158,868
Non-Current Liabilities	<u>522,165</u>	<u>449,508</u>	<u>72,657</u>
Total Liabilities	<u>1,004,451</u>	<u>772,926</u>	<u>231,525</u>
Unrestricted	<u>130,359</u>	<u>(13,038)</u>	<u>143,397</u>
Total Net Position	<u>\$ 130,359</u>	<u>\$ (13,038)</u>	<u>\$ 143,397</u>

A comparison of the Authority's revenues, expenses, and changes in net position for the years 2018 and 2017 is as follows:

	2018	2017	Increase (Decrease)
Contract service fees	\$ 2,288,339	\$ 632,742	\$ 1,655,597
Housing rehabilitation grants	1,079,140	566,639	512,501
Administrative fees	25,000	114,050	(89,050)
Tenant revenue	25,702	7,730	17,972
Other revenue	4,720	30	4,690
<b>Total Operating Revenues</b>	<b>3,422,901</b>	<b>1,321,191</b>	<b>2,101,710</b>
Salaries	1,619,794	414,256	1,205,538
Employee benefits	770,665	249,631	521,034
Housing rehabilitation grant expenses	761,983	362,464	399,519
Professional services	10,149	7,496	2,653
Contract costs	2,242	10,491	(8,249)
Insurance	17,357	5,848	11,509
Miscellaneous administrative expenses	46,403	21,613	24,790
Administrative contracts	25,415	36,090	(10,675)
Maintenance and operations	4,820	1,743	3,077
Utilities	1,044	324	720
<b>Total Operating Expenses</b>	<b>3,259,872</b>	<b>1,109,956</b>	<b>2,149,916</b>
<b>Change in Net Position</b>	<b>\$ 163,029</b>	<b>\$ 211,235</b>	<b>\$ (48,206)</b>

#### **FINANCIAL ANALYSIS OF THE AUTHORITY (Continued)**

Contract service fee income increased from \$632,742 in 2017 to \$2,288,339 in 2018 due mainly to a contracted service agreement with the Housing Authority for services needed related to administration, maintenance, and operations. At various dates 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 2018.

The increase in Housing Rehabilitation Grants reflects mainly 1) new HOME/Act 137 funding for the rehabilitation of homeowner-occupied single family housing in a targeted area of Butler County, 2) new Penn CDBG funding for single family housing rehabilitation, and 3) additional funding for the Butler Acquisition and Rehabilitation (BAR) program, for the acquisition of blighted properties and the subsequent rehabilitation and rental of these properties. Income related to the HOME program increased \$342,876 from 2017 and income related to the new Penn CDBG program was \$76,248 in 2018. Income also increased by \$60,437 in 2018 for the BAR program. Additionally Act 137 blight funding increased by \$29,488, County CDBG funding increased by \$10,335 and PHARE/Act 137 funding for rehabilitation projects in various areas of the County increased by \$108,301 in 2018. Jefferson CDBG funding decreased from 2017 to 2018 by \$93,238. HPG funding also decreased from \$35,675 in 2017 to \$12,945 in 2018. As a

result of a net increase in funding for redevelopment/rehabilitation projects, overall grant related expenditures increased in 2018.

## **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 2019:
  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 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, 2018

<b>Assets and Deferred Outflows of Resources</b>	
Assets:	
Current assets:	
Cash and cash equivalents	\$ 20,706
Grants receivable	222,400
Due from Housing Authority of the County of Butler	31,407
Prepaid expenses	2,901
Total current assets	277,414
Non-current assets:	
Due from Housing Authority of the County of Butler	425,667
Capital assets, non-depreciable	29,843
Capital assets, net of accumulated depreciation	327,182
Total non-current assets	782,692
<b>Total Assets</b>	<b>1,060,106</b>
Deferred Outflows of Resources:	
Deferred outflows of resources for OPEBs	74,704
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 1,134,810</b>
<b>Liabilities and Net Position</b>	
Liabilities:	
Current liabilities:	
Accounts payable	83,342
Accrued compensated absences	21,066
Due to the Housing Authority of the County of Butler	376,401
Total current liabilities	480,809
Non-current liabilities:	
Accrued compensated absences	189,586
Net OPEB obligation	332,579
Total non-current liabilities	522,165
<b>Total Liabilities</b>	<b>1,002,974</b>
Net Position:	
Unrestricted	131,836
<b>Total Liabilities and Net Position</b>	<b>\$ 1,134,810</b>

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, 2018

<b>Operating Revenues:</b>	
Contract service fees	\$ 2,288,339
Housing rehabilitation grants	1,079,140
Administrative fees	25,000
Tenant revenue	27,179
Other revenue	4,720
	3,424,378
<b>Operating Expenses:</b>	
Salaries	1,619,794
Employee benefits	770,665
Housing rehabilitation grant expenses	761,983
Professional services	10,149
Contract costs	2,242
Insurance	17,357
Miscellaneous administrative expenses	46,403
Administrative contracts	25,415
Maintenance and operations	-
Utilities	5,864
	3,259,872
<b>Operating Income (Loss)</b>	164,506
<b>Non-Operating Revenues (Expenses):</b>	
Depreciation expense	(19,632)
<b>Net Position:</b>	
Net position - beginning	(13,038)
Net position - ending	\$ 131,836

See accompanying notes to financial statements.

# REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

## STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

<b>Cash Flows From Operating Activities:</b>	
Fees for services	\$ 2,313,339
Operating grants received	1,139,926
Tenant revenue	27,179
Other receipts	4,720
Payments to employees	(2,431,708)
Payments for goods, services, and housing rehabilitation	(839,601)
Net cash provided by (used in) operating activities	213,855
<b>Cash Flows From Capital and Related Financing Activities:</b>	
Purchase of capital assets	(218,302)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(4,447)</b>
<b>Cash and Cash Equivalents:</b>	
Beginning of year	25,153
End of year	\$ 20,706
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>	
Operating income (loss)	\$ 164,506
Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities:	
Change in assets, liabilities, and deferred outflows:	
Grants receivable	(68,333)
Due from Housing Authority of the County of Butler	(38,678)
Prepaid expenses	1,016
Deferred outflows of resources for OPEBs	(74,704)
Accounts payable	29,546
Due to Housing Authority of the County of Butler	129,119
Tenant security deposits	(750)
Accrued compensated absences	(5,249)
Net OPEB obligation	77,382
Total adjustments	49,349
Net cash provided by (used in) operating activities	\$ 213,855

See accompanying notes to financial statements.

# REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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### 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, 2018

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### 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.

### Deferred Outflows

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 and/or fund balance that

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# REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) 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.

### 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, 2018

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### 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. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,"* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions of this statement have been adopted and incorporated into these financial statements.

GASB Statement No. 85, *"Omnibus 2017,"* addresses practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurements and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The adoption of this statement did not impact the financial statements of the Authority.

GASB Statement No. 86, *"Certain Debt Extinguishment Issues,"* improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. The adoption of this statement did not impact the financial statements of the Authority.

### Pending Pronouncements

GASB has issued statements that will become effective in future years, including Statement Nos. 83 (Asset Retirement Obligations), 84 (Fiduciary Activities), 87 (Leases), 88 (Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements), 89 (Accounting for Interest Cost Incurred before the End of a Construction Period), 90 (Majority Equity Interests – an amendment of GASB Statements No. 14 and No.61), and 91

# REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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(Conduit Debt Obligations). 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, 2018, the Authority's entire bank balance of \$79,383 was insured by the Federal Deposit Insurance Corporation. These deposits have a carrying amount of \$20,706 as of December 31, 2018.

### 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. The liabilities outstanding as of December 31, 2018 were \$439,692. In 2018, the Authority entered into a loan agreement with the Housing Authority for the repayment of the balance

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# REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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in equal annual installments from 2018 through 2032. As such, the Authority reports a due from the Housing Authority of \$457,074 on the statement of net position at December 31, 2018, which includes the \$439,692, along with other amounts due from the Housing Authority related to ongoing operations.

A summary of future payments is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>
2019	\$ 31,407
2020	31,407
2021	31,407
2022	31,407
2023	31,407
2024-2028	157,033
2029-2032	<u>125,624</u>
	<u>\$ 439,692</u>

# REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

### 4. Capital Assets

A summary of changes in capital assets during 2018 for the Authority is as follows:

	<u>January 1, 2018</u>	<u>Increases/ Transfers</u>	<u>Decreases/ Transfers</u>	<u>December 31, 2018</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 158,355	\$ -	\$ (128,512)	\$ 29,843
Total capital assets, not being depreciated	<u>158,355</u>	<u>-</u>	<u>(128,512)</u>	<u>29,843</u>
Capital assets, being depreciated:				
Buildings	-	318,546	-	318,546
Furniture, equipment, and machinery - administration	-	148,621	-	148,621
Total capital assets, being depreciated	<u>-</u>	<u>467,167</u>	<u>-</u>	<u>467,167</u>
Less: accumulated depreciation	<u>-</u>	<u>(139,985)</u>	<u>-</u>	<u>(139,985)</u>
Total capital assets being depreciated, net	<u>-</u>	<u>327,182</u>	<u>-</u>	<u>327,182</u>
Total capital assets	<u>\$ 158,355</u>	<u>\$ 327,182</u>	<u>\$ (128,512)</u>	<u>\$ 357,025</u>

The additions to capital assets at December 31, 2018 relate to capitalization of recent Authority projects from construction in progress, house purchases, and vehicle transfers from the Housing Authority.

### 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, 2018, employer and employee contributions to the Plan were \$170,768 and \$11,576, respectively.

# REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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### 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, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. During 2018, the employer contributions were approximately \$7,374.

## 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.

As of December 31, 2018, the date of the most recent actuarial valuation, participants were as follows:

	<u>Employees</u>
Participants:	
Retired	2
Active	29
	<u>31</u>

# REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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Details of the benefits provided are as follows:

### Funding Policy

The costs of these benefits are expensed when incurred and are financed on a pay-as-you-go basis. During 2018, the Authority paid healthcare benefits for two retirees and life insurance benefits for multiple retirees totaling \$26,300.

### Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2018 using the following actuarial assumptions:

- Actuarial cost method: Entry Age Normal as a Level Percentage of Pay
- Mortality: RPH-2014 Total dataset Mortality Table projected using Scale MP-2018
- Discount rate: 4.10% - based on the Bond Buyers 20-Bond Index
- Inflation rate: 3.00%
- Salary increases: 2.50%
- Participation: 100% of eligible retirees

The actuarial assumptions used in the December 31, 2018 valuation were based on actual experience.

# REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

### Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at December 31, 2017	\$ 255,197
Changes for the year:	
Service cost	20,334
Interest	9,483
Changes of benefit terms	-
Differences between expected and actual experience	54,809
Changes of assumptions or other inputs	7,986
Benefit payments	<u>(15,230)</u>
Net changes	<u>77,382</u>
Balance at December 31, 2018	<u><u>\$ 332,579</u></u>

There were no changes of benefit terms. Changes in actuarial assumptions and other inputs include a discount rate updated from 4.00% to 4.10%, updated mortality table to RPH-2014 Total Dataset using Projection Scale MP-2018, change of cost method from projected unit credit to entry age normal as a level percentage of pay, change in aging factors to utilize the morbidity factors developed by Dale H. Yamamoto in "Health Care Costs – From Birth to Death," and updated medical trend rates.

### 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, 2018:

	1% Decrease (3.10%)	Discount Rate (4.10%)	1% Increase (5.10%)
Total OPEB liability	\$ 344,855	\$ 332,579	\$ 317,899

*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

# REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates as of December 31, 2018:

	1% Decrease	Cost Trend Rate	1% Increase
Total OPEB liability	\$ 317,554	\$ 332,579	\$ 349,411

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

For the year ended December 31, 2018, the Authority recognized OPEB expense of \$36,042. At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 50,593	\$ -
Changes of assumptions or other inputs	24,111	-
Benefit payments subsequent to measurement date	-	-
Total deferred outflows of resources	\$ 74,704	\$ -

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

Year Ending December 31,	
2019	\$ 6,225
2020	6,225
2021	6,225
2022	6,225
2023	6,225
Thereafter	43,579
Total	\$ 74,704

# REDEVELOPMENT AUTHORITY OF THE COUNTY OF BUTLER

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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### 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, 2018, the Authority is indebted to the Housing Authority for \$376,401 for advanced operating costs related to the HOME Program and the Housing Authority is indebted to the Authority for \$439,692 for costs related to the transfer of employees from the Housing Authority during 2017 as described in Note 3. In addition, in 2018, the Authority paid the Housing Authority \$20,705 for management, administrative, and inspector services provided, and the Housing Authority paid the Authority \$2,224,486 for administrative and inspector services provided.

### 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**

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

YEAR ENDED DECEMBER 31  
LAST 10 FISCAL YEARS\*

	2018
<b>Total OPEB Liability:</b>	
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)
<b>Net Change in Total OPEB Liability</b>	77,382
<b>Total OPEB Liability - Beginning</b>	255,197
<b>Total OPEB Liability - Ending</b>	\$ 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, 2018

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### Actuarial Methods and Assumptions

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

Actuarial valuation date	12/31/2018
Actuarial cost method	Entry Age Normal
Discount rate	4.10%
Mortality	RP-2014 Total Dataset Mortality Table projected using Scale MP-2018
Inflation	3.00%
Healthcare cost trend rates	6.75%
Retirement age	Age 62 with 10 years of service
Benefit commitment	Until age 65

### Benefit Changes

There were no changes of benefit terms.

### Changes of Assumptions

- 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 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