

**LIBERTY COMMUNITY AUTHORITY
BUTLER COUNTY, OHIO
(A Component Unit of Butler County)**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016



Dave Yost • Auditor of State

Board of Trustees
Liberty Community Authority
4016 Townsfair Way
Suite 201
Columbus, Ohio 43219

We have reviewed the *Independent Auditor's Report* of the Liberty Community Authority, Butler County, prepared by Julian & Grube, Inc., for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Liberty Community Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 11, 2018

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**LIBERTY COMMUNITY AUTHORITY
BUTLER COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Liberty Community Authority
Butler County
4016 Townsfair Way, Suite 201
Columbus, Ohio 43219

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Liberty Community Authority, Butler County, Ohio, a component unit of Butler County, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Liberty Community Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Liberty Community Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Liberty Community Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall consolidated financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Liberty Community Authority, Butler County, Ohio, as of December 31, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with the 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 this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2018, on our consideration of the Liberty Community Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Liberty Community Authority's internal control over financial reporting and compliance.



Julian & Grube, Inc.
June 26, 2018

LIBERTY COMMUNITY AUTHORITY

Management's Discussion and Analysis

Years Ended December 31, 2017 and 2016

Unaudited

The management's discussion and analysis of the Liberty Community Authority's (Authority) financial performance provides an overall review of the Authority's financial activities for the years ended December 31, 2017 and 2016. While the intent of this discussion and analysis is to look at the Authority's financial performance, readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Authority's fiscal performance.

Financial Highlights

Key highlights for 2017:

- The Authority's community development charges increased by \$98,674.
- The Authority's total net position decreased \$1,343,872 in 2017 due in large part to the recognition of depreciation on infrastructure assets and reimbursements.

Overview of the Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Authority's financial activities and financial position. The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position provide information about the activities of the Authority, including all short-term and long-term financial resources and obligations. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included in the Statement of Net Position. The Statement of Net Position represents the financial position of the Authority. The Statement of Revenues, Expenses and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in net position. The Statement of Cash Flows reflects how the Authority finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the information provided on the basic financial statements.

These financial statements look at all financial transactions and ask the question, "How did we do financially?" These statements provide answers to that question. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position include all assets, liabilities, revenues and expenses of the Authority using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the System's net position and the changes in net position. The change in net position is important because it tells the reader whether the financial position of the Authority has improved or diminished. However, in evaluating this position, non-financial information such as the condition of capital assets will also need to be evaluated. The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. In the case of the Authority assets exceeded liabilities by \$7,603,020 as of December 31, 2017. While the Authority was formed in August 2013, no financial activity occurred until 2014 when the Authority obtained financing for public infrastructure and began construction.

LIBERTY COMMUNITY AUTHORITY

Management's Discussion and Analysis

Years Ended December 31, 2017 and 2016

Unaudited

The following table provides a summary of the Authority's net position for the years ended December 31, 2017, 2016 and 2015:

Table 1
Net Position

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Assets			
Current and other assets	\$ 1,831,571	\$ 2,179,916	\$ 2,434,777
Capital assets	<u>41,389,602</u>	<u>42,207,527</u>	<u>43,025,452</u>
Total Assets	<u>43,221,173</u>	<u>44,387,443</u>	<u>45,460,229</u>
Liabilities			
Current liabilities	1,312,609	658,597	1,142,319
Noncurrent liabilities	<u>34,305,544</u>	<u>34,781,954</u>	<u>31,131,727</u>
Total Liabilities	<u>35,618,153</u>	<u>35,440,551</u>	<u>32,274,046</u>
Net Position			
Net investment in capital assets	11,015,292	11,848,874	15,523,546
Unrestricted	<u>(3,412,272)</u>	<u>(2,901,982)</u>	<u>(2,337,363)</u>
Total Net Position	<u>\$ 7,603,020</u>	<u>\$ 8,946,892</u>	<u>\$ 13,186,183</u>

In 2017, the reduction of current and other assets was primarily due to using cash to make bond payments. Capital assets decreased due to depreciation on the parking garages and public infrastructure. Current liabilities increased primarily due to the payments on the OWDA loan set to start in 2018. The decrease in noncurrent liabilities is due to payment of bond principal and a classification of a portion of the OWDA loan as a current liability for the portion due in 2018.

In 2016, the reduction of current and other assets was primarily due to using cash held by a fiscal agent to make a bond payment. Capital assets decreased due to depreciation on the parking garages and public infrastructure. Current liabilities decreased primarily due to the repayment of construction costs advanced to the Authority by Liberty Center Holdings, LLC (Developer). The increase in noncurrent liabilities is due to an additional drawdown of the Ohio Water Development Authority (OWDA) loan in 2016 for the construction projects as well as the issuance of a development subordinate bond in November 2016.

The majority of the Authority's assets lie within the parking garages and infrastructure which are for the benefit and use of tenants and customers and thus, are not readily available for future spending. The Authority's investment in its capital assets is reported net of related debt and it should be noted that the resources needed to repay these debts must be provided from other sources, primarily the revenues of the Authority, since the capital assets themselves cannot be used to liquidate the liabilities.

LIBERTY COMMUNITY AUTHORITY

Management's Discussion and Analysis

Years Ended December 31, 2017 and 2016

Unaudited

The following table provides a summary of the changes in the Authority's net position for the years ended December 31, 2017, 2016, and 2015.

Table 2
Changes in Net Position

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating revenues:			
Assessed valuation charges	\$ 743,388	\$ 673,752	168,438
Facility charges	<u>626,457</u>	<u>597,419</u>	<u>159,897</u>
<i>Total operating revenues</i>	<u>1,369,845</u>	<u>1,271,171</u>	<u>328,335</u>
Operating expenses:			
Professional services	40,530	78,200	158,311
Depreciation	817,925	817,925	204,481
Other operating expenses	<u>350,103</u>	<u>348,790</u>	<u>2,515</u>
<i>Total operating expenses</i>	<u>1,208,558</u>	<u>1,244,915</u>	<u>365,307</u>
<i>Operating income (loss)</i>	<u>161,287</u>	<u>26,256</u>	<u>(36,972)</u>
Nonoperating revenues (expenses)			
Interest income	8,779	60	1,829
Bond and loan issuance costs	-	-	-
Developer reimbursement	-	(2,941,091)	-
Interest and fiscal charges	<u>(1,513,938)</u>	<u>(1,324,516)</u>	<u>(1,424,626)</u>
<i>Total nonoperating expenses</i>	<u>(1,505,159)</u>	<u>(4,265,547)</u>	<u>(1,422,797)</u>
<i>Income (loss) before capital contributions</i>	<u>(1,343,872)</u>	<u>(4,239,291)</u>	<u>(1,459,769)</u>
Capital contributions	<u>-</u>	<u>-</u>	<u>15,289,634</u>
<i>Change in net position</i>	(1,343,872)	(4,239,291)	13,829,865
<i>Net position, beginning of year</i>	<u>8,946,892</u>	<u>13,186,183</u>	<u>(643,682)</u>
<i>Net position, end of year</i>	<u>\$ 7,603,020</u>	<u>\$ 8,946,892</u>	<u>\$ 13,186,183</u>

The Authority began collecting its community development charges in the form of Assessed Valuation Charges and Facility Charges in October of 2015. In 2017, these revenues increased by nearly 8% in the second full year of operations as new tenants and landowners opened for business. The 2016 Assessed Valuation Charges and Facility Charges represent a full year of activity as opposed to a partial year in 2015. Operating expenses in 2017 were comparable to 2016. Operating expenses increased significantly in 2016 as it represented the first full year of operations for Liberty Center. Depreciation expense in both 2017 and 2016 is a full year of straight-line depreciation while 2015 was only a partial year. Other operating expenses increased in 2016 as the Authority shared in developer funded operating costs for janitorial, security and general operations.

LIBERTY COMMUNITY AUTHORITY

Management's Discussion and Analysis

Years Ended December 31, 2017 and 2016

Unaudited

Capital Assets and Debt Administration

Capital Assets: As of December 31, 2017, the Authority had \$43 million in capital assets which consist of parking garages and infrastructure for water, sewer and storm water improvements. The construction of these items and transfer to the Authority occurred in 2015. The Authority financed the majority of the construction costs but both Butler County and Liberty Township also financed a portion of the construction. Note 6 provides capital asset activity during 2017 and 2016.

Debt Administration: At the end of 2017, the Authority had three outstanding long-term obligations consisting of the 2014 Public Infrastructure Revenue Bonds in the amount of \$19,745,000, an OWDA loan of \$12,267,111 and a Development Subordinate Bond of \$3,071,806 (including accrued interest). In 2017, the Authority made interest payments as well as a principal payment on the outstanding bonds. Repayment of the OWDA loan begins on January 1, 2018. The Development Subordinate Bond was issued in November 2016 in accordance with the Authority's construction services agreement with the Developer. See Note 7 for a discussion of long-term obligations.

Economic Factors and Future Trends

As noted above, Liberty Center is open for business and additional tenants continue to locate their retail businesses and offices within the jurisdiction of the Authority. In addition, occupancy of residential units began in 2016 as well as the opening of a hotel.

The Authority is collecting community development charges as expected and monitoring its ability to pay future debt service as well as ongoing operational costs.

Requests for Information

This financial report is designed to provide our citizens, customers, taxpayers, creditors, investors and elected officials with an overview of the Authority's finances and to show accountability for the money it receives. If you have any questions about this report or need additional information, contact the Authority's Treasurer, 4016 Townsfair Way, Suite 201, Columbus, Ohio 43219.

**LIBERTY COMMUNITY AUTHORITY
STATEMENTS OF NET POSITION
DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 187,778	564,749
Assessed valuation charges receivable	19,826	-
Facility charges receivable	<u>92,191</u>	<u>88,925</u>
Total current assets	<u>299,795</u>	<u>653,674</u>
Restricted assets:		
Cash with fiscal agents	1,531,776	1,526,242
Capital assets:		
Land	2,333,662	2,333,662
Parking garages and infrastructure	40,896,271	40,896,271
Accumulated depreciation	<u>(1,840,331)</u>	<u>(1,022,406)</u>
Total capital assets	<u>41,389,602</u>	<u>42,207,527</u>
Total assets	<u>43,221,173</u>	<u>44,387,443</u>
LIABILITIES		
Current liabilities:		
Accounts payable	327	-
Due to developer - current	229,525	227,250
Accrued interest payable	248,289	96,347
OWDA loan payable - current	479,468	-
Bonds payable - current	<u>355,000</u>	<u>335,000</u>
Total current liabilities	<u>1,312,609</u>	<u>658,597</u>
Noncurrent liabilities:		
Due to developer	463,175	310,996
OWDA loan payable	11,787,643	12,207,604
Bonds payable, net of discount	18,982,920	19,322,263
Development subordinate bond payable	<u>3,071,806</u>	<u>2,941,091</u>
Total noncurrent liabilities	<u>34,305,544</u>	<u>34,781,954</u>
Total liabilities	<u>35,618,153</u>	<u>35,440,551</u>
NET POSITION		
Net investment in capital assets	11,015,292	11,848,874
Unrestricted	<u>(3,412,272)</u>	<u>(2,901,982)</u>
Total net position	<u>\$ 7,603,020</u>	<u>8,946,892</u>

See accompanying notes to the basic financial statements.

**LIBERTY COMMUNITY AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Assessed valuation charges	\$ 743,388	673,752
Facility charges	<u>626,457</u>	<u>597,419</u>
Total operating revenues	<u>1,369,845</u>	<u>1,271,171</u>
Operating expenses:		
Professional services	40,530	78,200
Utilities	31,610	19,926
Bank charges	8,929	8,776
Insurance	21,633	19,792
Maintenance	54,023	64,479
Share of developer funded expenses:		
Janitorial	97,374	95,728
Facility operations	41,880	40,707
Security	85,412	93,084
Depreciation	817,925	817,925
Other operating expenses	<u>9,242</u>	<u>6,298</u>
Total operating expenses	<u>1,208,558</u>	<u>1,244,915</u>
Operating income (loss)	161,287	26,256
Non-operating revenues (expenses):		
Investment earnings	8,779	60
Developer reimbursement	-	(2,941,091)
Interest and fiscal charges	<u>(1,513,938)</u>	<u>(1,324,516)</u>
Total non-operating revenues (expenses)	<u>(1,505,159)</u>	<u>(4,265,547)</u>
Change in net position	(1,343,872)	(4,239,291)
Net position - beginning of year	<u>8,946,892</u>	<u>13,186,183</u>
Net position - end of year	\$ <u>7,603,020</u>	<u>8,946,892</u>

See accompanying notes to the basic financial statements.

**LIBERTY COMMUNITY AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Cash received from tenants and land owners	\$ 1,347,080	1,446,042
Cash paid for goods and services	<u>(236,179)</u>	<u>(233,776)</u>
Net cash provided by operating activities	<u>1,110,901</u>	<u>1,212,266</u>
Cash flows from capital and related financing activities:		
Bond principal paid	(335,000)	(100,000)
Paid to developer for capital advances	-	(719,671)
OWDA loan proceeds	-	719,671
Debt interest payments	<u>(1,156,117)</u>	<u>(1,191,432)</u>
Net cash used by capital and related financing activities	<u>(1,491,117)</u>	<u>(1,291,432)</u>
Cash flows from investing activities:		
Interest income	<u>8,779</u>	<u>60</u>
Net cash provided by investing activities	<u>8,779</u>	<u>60</u>
Net change in cash	(371,437)	(79,106)
Cash and cash equivalents at beginning of year	<u>2,090,991</u>	<u>2,170,097</u>
Cash and cash equivalents at end of year	<u>\$ 1,719,554</u>	<u>2,090,991</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 161,287	26,256
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	817,925	817,925
Changes in Assets and Liabilities:		
Receivables	(23,092)	175,755
Payables	327	(884)
Due to developer	<u>154,454</u>	<u>193,214</u>
Net cash provided by operating activities	<u>\$ 1,110,901</u>	<u>1,212,266</u>
Schedule of noncash activities:		
Interest on OWDA loan	<u>\$ 59,507</u>	<u>117,845</u>
Interest on subordinate bond	<u>\$ 130,715</u>	<u>-</u>
Issuance of development subordinate bond	<u>\$ -</u>	<u>2,941,091</u>

See accompanying notes to the basic financial statements.

LIBERTY COMMUNITY AUTHORITY

Notes to Financial Statements Years Ended December 31, 2017 and 2016

1. REPORTING ENTITY

The Liberty Community Authority, Butler County, Ohio (the "Authority") is a community authority created pursuant to Chapter 349 of the Ohio Revised Code (ORC) and is a component unit of Butler County. Liberty Center Holdings, LLC (the Developer) filed a petition (the Petition) for creation of the Authority with the Board of County Commissioners of Butler County, Ohio, and the Petition was accepted by Resolution No. 13-08-03783 of the Board of County Commissioners of Butler County on August 22, 2013. The Petition, which may be subject to amendment or change, defines the boundaries of the Authority and allows the Authority to finance the costs of publicly owned and operated improvements and community facilities with Community Development Charges.

By its Resolution, the Board of County Commissioners of Butler County determined the Authority would be conducive to the public health, safety, convenience and welfare, and that it was intended to result in the development of a new community as described in ORC. The Authority thereby was organized as a body corporate and politic in the State. While the Authority was formed in 2013, no financial activity occurred until the issuance of bonds in November 2014.

By law, the Authority is governed by a seven member board of trustees. At inception, the Board of County Commissioners of Butler County appointed four of the trustees and the remaining three trustees were appointed by the Developer.

The Authority includes approximately 65 acres of land located in Liberty Township, Butler County, Ohio with a mixed use commercial project known as Liberty Center including retail space, office space, hospitality components and residential units. Liberty Center's grand opening was in October 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting and Basis of Presentation – The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Operating revenues are those revenues that are generated from the primary activity of the Authority and consist of both assessed valuation charges and facility charges. Operating expenses consist of administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Cash and Cash Equivalents – The Authority considers all highly liquid investments with an original maturity of three months or less at the time they are purchased to be cash and cash equivalents.

Capital Assets and Depreciation – Capital assets, including parking garages and infrastructure, are recorded at historical cost for assets acquired or constructed and acquisition value for contributed infrastructure. Expenses that increase values or extend the useful life of the respective assets are capitalized while the costs of maintenance and repairs are charged to operating expenses. Interest costs related to the construction are capitalized. Depreciation is calculated on a straight-line basis over the estimated useful life of the various classes of assets. The useful life for computing depreciation is 50 years for parking garages and infrastructure.

LIBERTY COMMUNITY AUTHORITY

Notes to Financial Statements Years Ended December 31, 2017 and 2016

Bonds Payable and Discounts – Bonds payable are reported net of the unamortized bond discount which is deferred and amortized over the term of the bonds. Issuance costs are expensed as incurred.

Due to Developer – The amounts reported as Due to Developer represent administrative and construction costs funded by the Developer in accordance with the master agreement to be reimbursed by the Authority.

Net Position – Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Use of Estimates – The preparation of the 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.

3. CASH AND CASH EQUIVALENTS

Deposits – 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 custodial risk policy. Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the Authority places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). Financial institutions participating in the Ohio Pooled Collateral System (OPCS), a centralized collateral system monitored by the Ohio Treasurer of State, must pledge eligible securities equal to at least 102% of the carrying value of all public deposits held by each institution. Financial institutions choosing not to participate in the OPCS must pledge eligible securities equal to at least 105% of the carrying value of the all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

As of December 31, 2017 and 2016, the carrying amount and bank balance of the Authority's deposits was \$30,604, and \$23,434, respectively. These balances were covered by the FDIC.

Cash Equivalents - As of December 31, 2017 and 2016, the Authority also had \$157,174 and \$541,315, respectively in a US Treasury Money Market account. In addition, the Authority had cash on deposit with US Bank (Trustee) in accordance with the Authority's Master Trust Agreement with the Trustee. The amount on deposit with the Trustee at December 31, 2017 and 2016 was \$1,531,776 and \$1,526,242, respectively and consists of a US Treasury money market fund. These accounts are reported as restricted cash with fiscal agent on the Statement of Net Position.

LIBERTY COMMUNITY AUTHORITY

**Notes to Financial Statements
Years Ended December 31, 2017 and 2016**

4. COMMUNITY DEVELOPMENT CHARGES

The Authority can levy community development charges, as defined, for the benefit and use of the Authority to cover all or part of land acquisitions, development, construction, operation and maintenance of land, land development and community facilities, the debt service therefor and any other cost incurred by the Authority. The Authority levies both an Assessed Valuation Change and Facilities Charge.

Assessed Valuation Charge

The Assessed Valuation Charge is an annual charge on each chargeable parcel of land within the Authority based on the Assessed Valuation of each parcel which may be expressed as a number of mills. In 2017 and 2016, the Assessed Valuation Charge was the full 10 mills on the total Assessed Valuation.

Facility Charge

The Authority levies a Facility Charge upon all retail sales conducted within the Authority of one half one percent (0.5%) of the price paid by each consumer in connection with such retail sales. The Facility Charge is collected by tenants from consumers and remitted on a monthly basis.

5. RESTRICTED ASSETS

Restricted assets consist of cash with fiscal agent whose use has been restricted by bond indenture for a debt service reserve and a capitalized interest fund to pay debt service during construction. Restricted assets at December 31, 2017 and 2016 were \$1,531,776 and \$1,526,242. The capitalized interest fund was used to pay bond interest payments on June 1, 2016.

6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Balance			Balance
	1/1/17	Increases	Decreases	12/31/17
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,333,662	-	-	2,333,662
<i>Capital assets being depreciated:</i>				
Parking garages	\$ 27,025,015	-	-	27,025,015
Infrastructure	13,871,256	-	-	13,871,256
	<u>40,896,271</u>	<u>-</u>	<u>-</u>	<u>40,896,271</u>
Less accumulated depreciation:				
Parking garages	(675,625)	(540,500)	-	(1,216,125)
Infrastructure	(346,781)	(277,425)	-	(624,206)
Total accumulated depreciation	<u>(1,022,406)</u>	<u>(817,925)</u>	<u>-</u>	<u>(1,840,331)</u>
Capital assets, net	\$ <u>42,207,527</u>	<u>(817,925)</u>	<u>-</u>	<u>41,389,602</u>

LIBERTY COMMUNITY AUTHORITY

**Notes to Financial Statements
Years Ended December 31, 2017 and 2016**

Capital asset activity for the year ended December 31, 2016 was as follows:

	Balance 1/1/16	Increases	Decreases	Balance 12/31/16
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,333,662	-	-	2,333,662
<i>Capital assets being depreciated:</i>				
Parking garages	27,025,015	-	-	27,025,015
Infrastructure	13,871,256	-	-	13,871,256
	<u>40,896,271</u>	<u>-</u>	<u>-</u>	<u>40,896,271</u>
Less accumulated depreciation:				
Parking garages	(135,125)	(540,500)	-	(675,625)
Infrastructure	(69,356)	(277,425)	-	(346,781)
Total accumulated depreciation	<u>(204,481)</u>	<u>(817,925)</u>	<u>-</u>	<u>(1,022,406)</u>
Capital assets, net	\$ <u>43,025,452</u>	<u>(817,925)</u>	<u>-</u>	<u>42,207,527</u>

7. LONG-TERM DEBT

In November 2014, the Authority entered into a funding agreement with the Butler County Port Authority for the issuance of public infrastructure revenue bonds in the amount of \$20,180,000 for the primary purpose of financing the cost of construction of parking garages and water, sewer and storm water system improvements. The proceeds were also used to fund capitalized interest on the bonds through the June 1, 2016 payment date, fund a debt service reserve and pay costs of issuance. The bonds were issued at discount and pay interest at rates ranging from 5% to 6% and fully mature on December 1, 2043.

The Authority has pledged its community development charges, including both Assessed Valuation Charges and Facility Charges, for the payment of principal and interest on the bonds.

The bond issuance was a portion of a partnership with Butler County and Liberty Township for the construction of public parking garages and infrastructure for the Liberty Center project. The constructed assets belong to the Authority. The parties entered into a funding agreement and issued \$37,310,000 in bonds for capital financing through the Butler County Port Authority. The bonds will be paid solely from the pledged amounts identified in the funding agreement and the Port Authority shall never be required to use its own funds to make such payments. The County pledged revenues for the \$11,085,000 Series A bonds. The Series B bonds in the amount of \$6,045,000 will be paid by Liberty Township and the Series C bonds of \$20,180,000 will be paid by the Authority as noted above.

Also in November 2014, the Authority entered into a loan with the Ohio Water Development Authority (OWDA) in the amount of \$12,000,000 to finance the construction of a storm water collection system throughout the Liberty Center site. The loan matures on July 1, 2037 and pays annual interest at 2.5% with the first payment due on January 1, 2018. The interest capitalization period ran through June 30, 2017.

LIBERTY COMMUNITY AUTHORITY

**Notes to Financial Statements
Years Ended December 31, 2017 and 2016**

Debt activity for the years ended December 31, 2017 and 2016 was as follows:

	Balance 1/1/17	Additions	Reductions	Balance 12/31/17	Due Within One Year
2014 Revenue Bonds	\$ 20,080,000	-	(335,000)	19,745,000	355,000
Less deferred amount for issuance discounts	<u>(422,737)</u>	<u>-</u>	<u>15,657</u>	<u>(407,080)</u>	<u>-</u>
	<u>19,657,263</u>	<u>-</u>	<u>(319,343)</u>	<u>19,337,920</u>	<u>355,000</u>
OWDA Loan	12,207,604	59,507	-	12,267,111	479,468
Development Subordinate Bond	<u>2,941,091</u>	<u>130,715</u>	<u>-</u>	<u>3,071,806</u>	<u>-</u>
	<u>\$ 34,805,958</u>	<u>190,222</u>	<u>(319,343)</u>	<u>34,676,837</u>	<u>834,468</u>

	Balance 1/1/16	Additions	Reductions	Balance 12/31/16	Due Within One Year
2014 Revenue Bonds	\$ 20,180,000	-	(100,000)	20,080,000	335,000
Less deferred amount for issuance discounts	<u>(438,393)</u>	<u>-</u>	<u>15,656</u>	<u>(422,737)</u>	<u>-</u>
	<u>19,741,607</u>	<u>-</u>	<u>(84,344)</u>	<u>19,657,263</u>	<u>335,000</u>
OWDA Loan	11,370,088	837,516	-	12,207,604	-
Development Subordinate Bond	<u>-</u>	<u>2,941,091</u>	<u>-</u>	<u>2,941,091</u>	<u>-</u>
	<u>\$ 31,111,695</u>	<u>3,778,607</u>	<u>(84,344)</u>	<u>34,805,958</u>	<u>335,000</u>

In accordance with the Construction Services Agreement between the Authority and the Developer for the construction of community facilities by the Developer, the Authority agreed to issue notes or bonds to the Developer to evidence the Authority's obligation to reimburse the Developer for public infrastructure costs funded by the Developer. The Developer incurred additional development costs that were included in the Public Infrastructure Scope that exceeded the amounts paid for by the Bond Issuance and the OWDA loan that could be reimbursable to the Developer after all other obligations are fulfilled per the Funding and Trust Agreements. In 2016, the Developer submitted cost certificates to the Authority which were approved by the Board for reimbursement of costs. Thus, in November 2016, the Authority issued a Development Subordinate Bond payable to the Developer in the principal amount of \$2,941,091. In 2017, there was \$130,715 in capitalized interest on the bond.

The bond matures 40 years from the date of issuance in 2056 and bears interest at a rate of 4% per year. Principal and interest payments shall be payable on each February 1 and August 1 until the principal has been paid provided that interest and principal shall be payable only to the extent of available pledged revenues after the payment of revenue bonds, OWDA loan and operating costs. Thus, no specific repayment schedule is provided.

LIBERTY COMMUNITY AUTHORITY

**Notes to Financial Statements
Years Ended December 31, 2017 and 2016**

Annual debt service requirements for the bonds payable as of December 31, 2017 follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$	355,000	1,139,412	1,494,412
2019		370,000	1,121,662	1,491,662
2020		390,000	1,103,162	1,493,162
2021		410,000	1,083,662	1,493,662
2022		430,000	1,063,162	1,493,162
2023-2027		2,520,000	4,958,086	7,478,086
2028-2032		3,350,000	4,155,576	7,505,576
2033-2037		4,470,000	3,064,313	7,534,313
2038-2042		6,015,000	1,555,800	7,570,800
2043		<u>1,435,000</u>	<u>86,100</u>	<u>1,521,100</u>
Total	\$	<u>19,745,000</u>	<u>19,330,935</u>	<u>39,075,935</u>

Annual debt service requirements for the OWDA Loan as of December 31, 2017 follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$	479,468	303,700	783,168
2019		491,529	291,638	783,167
2020		503,894	279,273	783,167
2021		516,570	266,597	783,167
2022		529,565	253,602	783,167
2023-2027		2,854,483	1,061,352	3,915,835
2028-2032		3,232,048	683,787	3,915,835
2033-2037		<u>3,659,554</u>	<u>256,281</u>	<u>3,915,835</u>
Total	\$	<u>12,267,111</u>	<u>3,396,230</u>	<u>15,663,341</u>

8. RELATED PARTY TRANSACTIONS

Under an agreement with the Authority, the Developer was responsible for overseeing the construction and development of the public infrastructure projects. In addition, the Developer will fulfill certain administrative and operational functions for the Authority on an ongoing basis. The Developer has paid operating costs on behalf of the Authority for which it is eligible for reimbursement. At a minimum, the Authority will pay the Developer \$225,000 per year to reimburse these costs. However, the agreement also allows for additional reimbursements to the Developer after debt obligations are paid if surplus revenues exist. Thus, the Authority has reported amounts due to the Developer for operating costs incurred on its behalf by the Developer.

During 2017 and 2016, the Authority paid \$227,250 and \$225,000, respectively, as required to the Developer. In addition, the Authority repaid the Developer advanced construction costs from the final draw down from OWDA in the amount of \$719,671 in 2016.

LIBERTY COMMUNITY AUTHORITY

Notes to Financial Statements Years Ended December 31, 2017 and 2016

By law, the Authority is governed by a seven member board of trustees. At inception, the Board of County Commissioners of Butler County appointed four of the trustees and the remaining three trustees were appointed by the Developer. The trustees appointed by the Developer are employees of a related party to the Developer.

9. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts and liability, damage to and theft of or destruction of assets; errors and omissions; and natural disasters. The Authority maintains comprehensive insurance coverage with private carriers for property and general liability insurance. Claim payments have not exceeded coverage in the past three years. There was no decline in the level of coverage from the prior year.

10. CONTINGENT LIABILITIES

There are no claims and lawsuits pending against the Authority.

11. SUBSEQUENT EVENT

The Trustee did not transmit the payment timely for the OWDA debt service due on January 1, 2018. Funds were transferred and full payment was made on January 31, 2018. No event of default occurred and the loan is in good standing.



Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Liberty Community Authority
Butler County
4016 Townsfair Way, Suite 201
Columbus, Ohio 43219

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Liberty Community Authority, Butler County, Ohio, a component unit of Butler County, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Liberty Community Authority's basic financial statements and have issued our report thereon dated June 26, 2018.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Liberty Community Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Liberty Community Authority's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Liberty Community Authority's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Board of Trustees
Liberty Community Authority

Compliance and Other Matters

As part of reasonably assuring whether the Liberty Community Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results and does not opine on the effectiveness of the Liberty Community Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Liberty Community Authority's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
June 26, 2018



Dave Yost • Auditor of State

LIBERTY COMMUNITY AUTHORITY

BUTLER COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER, 25 2018**