

***LIBERTY TOWNSHIP  
BUTLER COUNTY***

***AUDIT REPORT***

***FOR THE YEAR ENDED DECEMBER 31, 2017***







# Dave Yost • Auditor of State

Board of Trustees  
Liberty Township  
7162 Liberty Centre Drive, Suite A  
Liberty Township, Ohio 45069

We have reviewed the *Independent Auditor's Report* of Liberty Township, Butler County, prepared by Charles E. Harris & Associates, 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. Liberty Township 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 19, 2018

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**LIBERTY TOWNSHIP  
BUTLER COUNTY**

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**INDEPENDENT AUDITOR'S REPORT**

Liberty Township  
Butler County  
7162 Liberty Centre Drive, Suite A  
Liberty Township, OH 45069

To the Board of Trustees:

***Report on the Financial Statements***

We have audited the accompanying modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Township, Butler County, Ohio (the Township), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Township'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 the modified cash accounting basis Note 2 describes; 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 opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Township'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 Township'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 opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Township, Butler County, Ohio, as of December 31, 2017, and the respective changes in modified cash financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the accounting basis described in Note 2.

### **Accounting Basis**

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the modified cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Township's basic financial statements. The budgetary comparison information for the General, Fire, Police, and Road and Bridge fund, as listed in the table of contents, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2018, on our consideration of the Township'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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Township's 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 Township's internal control over financial reporting and compliance.



**Charles E. Harris & Associates, Inc.**

June 19, 2018



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**Liberty Township, Butler County, Ohio****Statement of Net Position - Modified Cash Basis****December 31, 2017**

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	<b>Governmental Activities</b>
<b>Assets</b>	
Equity in pooled cash, cash equivalents, and investments	\$ 30,198,353
Total Assets	<u>30,198,353</u>
<b>Net Position</b>	
Restricted for	
Capital projects	5,140,891
Debt service	1,100,871
Public safety	5,426,621
Public works	2,039,139
Cemetery	114,513
Recreation programs	40,994
Self-insurance	999,479
Unrestricted	15,335,845
Total net position	<u>\$ 30,198,353</u>

See accompanying notes to the basic financial statements

# Liberty Township, Butler County, Ohio

## Statement of Activities - Modified Cash Basis

For the year ended December 31, 2017

	Cash Disbursements	Program Receipts			Net Receipts (Disbursements) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
<b>Governmental Activities</b>					
Current:					
General government	\$ (4,487,084)	\$ 611,628	\$ -	\$ 138,801	\$ (3,736,655)
Public safety	(8,161,434)	386,246	1,066,905	-	(6,708,283)
Public works	(1,486,027)	420,634	432,016	-	(633,377)
Health	(34,718)	14,771	-	-	(19,947)
Conservation-Recreation	(284,588)	4,515	-	-	(280,073)
Payments to schools and escrow agent	(4,344,025)	-	-	-	(4,344,025)
Capital outlay	(3,411,955)	-	-	-	(3,411,955)
Debt service:					
Principal retirement	(6,805,000)	-	-	-	(6,805,000)
Interest and fiscal charges	(524,799)	-	-	-	(524,799)
Total governmental activities	<u>\$ (29,539,630)</u>	<u>\$ 1,437,794</u>	<u>\$ 1,498,921</u>	<u>\$ 138,801</u>	<u>\$ (26,464,114)</u>

### General Receipts

Property taxes levied for:

General purposes	2,370,251
Public safety	6,654,196
Public works	1,092,852
Payments in lieu of taxes	8,950,752
Grants and entitlements not restricted to specific purposes	633,430
Earnings on investments	78,204
Proceeds from sale of bonds	8,975,000
Miscellaneous	308,035
Total general receipts	<u>29,062,720</u>

**Change in net position** 2,598,606

**Net position, beginning of year** 27,599,747

**Net position, end of year** \$ 30,198,353

See accompanying notes to the basic financial statements

# Liberty Township, Butler County, Ohio

## Statement of Assets and Fund Balances - Modified Cash Basis - Governmental Funds

December 31, 2017

	General	Fire Fund	Police Fund	Road and Bridge	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in pooled cash, cash equivalents, and investments	\$ 15,335,845	\$ 2,083,673	\$ 2,542,790	\$ 1,302,103	\$ 7,934,463	\$ 29,198,874
Total assets	<u>\$ 15,335,845</u>	<u>\$ 2,083,673</u>	<u>\$ 2,542,790</u>	<u>\$ 1,302,103</u>	<u>\$ 7,934,463</u>	<u>\$ 29,198,874</u>
<b>Fund Balances</b>						
Restricted	\$ -	\$ 2,083,673	\$ 2,542,790	\$ 1,302,103	\$ 7,934,463	\$ 13,863,029
Assigned	129,238	-	-	-	-	129,238
Unassigned	15,206,607	-	-	-	-	15,206,607
Total fund balances	<u>\$ 15,335,845</u>	<u>\$ 2,083,673</u>	<u>\$ 2,542,790</u>	<u>\$ 1,302,103</u>	<u>\$ 7,934,463</u>	<u>\$ 29,198,874</u>

See accompanying notes to the basic financial statements

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**Liberty Township, Butler County, Ohio*****Reconciliation of Total Governmental Fund Balances - Modified Cash Basis to Net Position of Governmental Activities - Modified Cash Basis  
December 31, 2017***

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***Total fund balance - Governmental funds*** **\$ 29,198,874**

***Amounts reported for governmental activities in the statement of net position are different because:***

Internal service funds are used by management to charge the cost of certain health insurance, to individual funds. The assets and liabilities of the internal service fund must fund activities, such as to be added to the statement of net position.

999,479

Net position of governmental activities

**\$ 30,198,353**

## Liberty Township, Butler County, Ohio

### Statement of Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis - Governmental Funds Year ended December 31, 2017

	General	Fire Fund	Police Fund	Road & Bridge Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Property and other local taxes	\$ 2,370,251	\$ 4,465,073	\$ 2,189,123	\$ 773,162	\$ 319,690	\$ 10,117,299
Charges for services	4,515	-	-	-	368,809	373,324
Licenses, permits and fees	564,526	10,837	6,600	-	14,771	596,734
Fines and forfeitures	41,122	-	-	-	-	41,122
Intergovernmental	772,231	851,625	215,280	134,166	297,850	2,271,152
Special assessments	5,980	-	-	-	420,634	426,614
Payments in lieu of taxes	-	-	-	-	8,950,752	8,950,752
Earnings on investments	74,465	-	-	-	1,744	76,209
Miscellaneous	42,861	202,367	32,354	15,455	18,997	312,034
Total receipts	3,875,951	5,529,902	2,443,357	922,783	10,393,247	23,165,240
<b>Disbursements</b>						
Current:						
General government	1,870,414	-	-	-	2,633,539	4,503,953
Public safety	-	5,219,617	2,734,620	-	237,877	8,192,114
Public works	-	-	-	894,847	596,766	1,491,613
Health	19,420	-	-	-	15,298	34,718
Conservation-Recreation	285,657	-	-	-	-	285,657
Payments to schools and escrow agent	-	-	-	-	4,111,466	4,111,466
Capital outlay	536,343	81,503	-	1,989,067	805,042	3,411,955
Debt service:						
Principal retirement	-	-	-	-	790,000	790,000
Interest and fiscal charges	-	-	-	-	524,799	524,799
Refunding bond issuance costs	-	-	-	236,558	-	236,558
Total disbursements	2,711,834	5,301,120	2,734,620	3,120,472	9,714,787	23,582,833
Excess (deficiency) of receipts over (under) disbursements	1,164,117	228,782	(291,263)	(2,197,689)	678,460	(417,593)
<b>Other financing sources (uses)</b>						
Proceeds from sale of bonds	-	-	-	2,750,000	-	2,750,000
Refunding bonds issued	-	-	-	210,000	6,015,000	6,225,000
Payment to refunded bond escrow agent	-	-	-	-	(6,015,000)	(6,015,000)
Transfers in	1,206,586	-	-	-	836,806	2,043,392
Transfers out	(185,102)	(133,760)	-	(28,413)	(1,696,117)	(2,043,392)
Advances in	191,284	-	-	-	-	191,284
Advances out	-	-	-	-	(191,284)	(191,284)
Total other financing sources (uses)	1,212,768	(133,760)	-	2,931,587	(1,050,595)	2,960,000
Net change in fund balances	2,376,885	95,022	(291,263)	733,898	(372,135)	2,542,407
<b>Fund balances, beginning of year</b>	12,958,960	1,988,651	2,834,053	568,205	8,306,598	26,656,467
<b>Fund balances, end of year</b>	\$ 15,335,845	\$ 2,083,673	\$ 2,542,790	\$ 1,302,103	\$ 7,934,463	\$ 29,198,874

See accompanying notes to the basic financial statements

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**Liberty Township, Butler County, Ohio****Reconciliation of the Statement of Receipts, Disbursements and Changes in Fund Balance - Modified Cash Basis - Governmental Funds to the Statement of Activities - Modified Cash Basis  
Year ended December 31, 2017**

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**Changes in fund balances - Governmental funds** \$ 2,542,407

**Amounts reported for governmental activities in the statement of net position are different because:**

Internal service funds are used by management to charge the cost of certain health insurance, to individual funds. The assets and liabilities of the internal service fund must fund activities, such as to be added to the statement of net position.

56,199

Total change in net position of governmental activities

\$ 2,598,606

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**Liberty Township, Butler County, Ohio****Statement of Fund Net Position - Modified Cash Basis - Proprietary Fund****December 31, 2017**

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	<b>Governmental Activities</b>
	<b>Internal</b>
	<b>Service Fund</b>
<b>Assets</b>	
Equity in pooled cash, cash equivalents, and investments	\$ 999,479
Total assets	<u>999,479</u>
<b>Net Position</b>	
Restricted - self-insurance	999,479
Total net position	<u>\$ 999,479</u>

See accompanying notes to the basic financial statements

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**Liberty Township, Butler County, Ohio****Statement of Receipts, Disbursements and Changes in Fund Net Position - Modified****Cash Basis - Proprietary Fund****Year ended December 31, 2017**

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	<b>Governmental Activities Internal Service Fund</b>
<b>Operating receipts</b>	
Charges for services	\$ 1,147,913
Total operating receipts	<u>1,147,913</u>
<b>Operating disbursements</b>	
Purchased services	359,130
Claims	<u>734,579</u>
Total operating disbursements	<u>1,093,709</u>
<b>Operating income</b>	54,204
<b>Nonoperating receipts</b>	
Earnings on investments	<u>1,995</u>
Changes in net position	56,199
<b>Net position, beginning of year</b>	<u>943,280</u>
<b>Net position, end of year</b>	<u><u>\$ 999,479</u></u>

See accompanying notes to the basic financial statements



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**Liberty Township, Butler County, Ohio****Statement of Cash Flows - Modified Cash Basis - Proprietary Fund****Year ended December 31, 2017**

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	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b><i>Cash flows from operating activities</i></b>	
Cash received from interfund services provided	\$ 1,147,913
Cash payments to suppliers for goods and services	(359,130)
Cash payments for employee medical, dental, and life insurance claims	(734,579)
Net cash flows from operating activities	<u>54,204</u>
<b><i>Cash flows from investing activities</i></b>	
Interest	<u>1,995</u>
Net increase in cash and cash equivalents	56,199
<b><i>Cash and cash equivalents, beginning of year</i></b>	<u>943,280</u>
<b><i>Cash and cash equivalents, end of year</i></b>	<u><u>\$ 999,479</u></u>
<b><i>Reconciliation of operating income to net cash flows from operating activities</i></b>	
Operating income/net cash from operating activities	<u><u>\$ 54,204</u></u>

See accompanying notes to the basic financial statements

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**Liberty Township, Butler County, Ohio****Statement of Fiduciary Net Position - Modified Cash Basis - Fiduciary Fund****December 31, 2017**

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	<u>Private Purpose Trust</u>	<u>Agency</u>
<b>Assets</b>		
Equity in pooled cash, cash equivalents, and investments	\$ 13,241	\$ 68,744
Total assets	<u>\$ 13,241</u>	<u>\$ 68,744</u>
<b>Net Position</b>		
Held in trust for cemetery maintenance:		
Nonexpendable	\$ 5,000	\$ -
Expendable	8,241	-
Held on behalf of employees	-	68,744
Total net position	<u>\$ 13,241</u>	<u>\$ 68,744</u>

See accompanying notes to the basic financial statements

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**Liberty Township, Butler County, Ohio****Statement of Changes in Fiduciary Net Position - Modified Cash Basis - Fiduciary Fund**  
**Year ended December 31, 2017**

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	<b>Private Purpose Trust</b>
<b><i>Additions</i></b>	
Earnings on investments	\$ 9
Total additions	<u>9</u>
<b><i>Change in net position</i></b>	9
<b><i>Net position, beginning of year</i></b>	<u>13,232</u>
<b><i>Net position, end of year</i></b>	<u><u>\$ 13,241</u></u>

See accompanying notes to the basic financial statements

**Liberty Township**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2017**

**Note 1. Reporting Entity**

Liberty Township, Butler County, Ohio, (the Township) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading.

Primary government:

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Butler County Sheriff's Office for police protection.

Public entity risk pool:

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**Note 2. Summary of Significant Accounting Policies**

These financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting.

Following are the more significant of the Township's accounting policies.

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended December 31, 2017**

**Note 2. Summary of Significant Accounting Policies, Continued**

*Basis of presentation:*

The Township's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

*Government-wide financial statements:*

The statement of net position and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service funds is eliminated to avoid "doubling up" receipts and disbursements.

The statement of net position presents the cash balances of the governmental activities of the Township at December 31, 2017. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the Township's general receipts.

*Fund financial statements:*

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statement. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include cost of sales and services and administrative costs. The proprietary fund statement reports all other receipts and disbursements as nonoperating.

*Fund accounting:*

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are divided into three categories: governmental, proprietary, and fiduciary.

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended December 31, 2017**

**Note 2. Summary of Significant Accounting Policies, Continued**

Governmental funds:

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants), and other non-exchange transactions as governmental funds. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Township's major governmental funds:

*General Fund:* This fund is the general operating fund and accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Police Fund:* This fund accounts for proceeds from property taxes and other cash receipts restricted for police department operations and protection services.

*Fire Fund:* This fund accounts for proceeds from property taxes and other cash receipts restricted for fire department and life squad protection and emergency services.

*Road and Bridge Fund:* This fund accounts for and reports property tax (inside millage) committed for the construction, reconstruction, resurfacing and repair of Township roads and bridges.

The other governmental funds of the Township account for grants and other resources whose uses are restricted to a particular purpose.

Proprietary funds:

The Township classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds focus on the determination of operating income, changes in net position, financial position and cash flows. The Township's proprietary fund is an internal service fund. Internal service funds account for the financing of services provided by one department or agency to another department or agencies of the Township on a cost-reimbursement basis. The Township's internal service fund reports on self-insurance programs for employee medical and prescription drug benefits.

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended December 31, 2017**

**Note 2. Summary of Significant Accounting Policies, Continued**

*Fiduciary funds:*

Fiduciary fund reporting focuses on net position and changes in net position. The Township's fiduciary funds include private purpose trust funds and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. The Township's private purpose trust funds were established for memorial purposes by former residents who are buried at the Township's Spring Hill Cemetery. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township's agency fund accounts for the flexible spending account available to employees.

*Basis of accounting:*

The Township's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not reported in these financial statements.

*Equity in pooled cash, cash equivalents, and investments:*

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash, Cash Equivalents and Investments."

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended December 31, 2017**

**Note 2. Summary of Significant Accounting Policies, Continued**

Equity in pooled cash, cash equivalents, and investments (continued):

During 2017, the Township invested in US Government Securities, which consisted of Federal National Mortgage Association Step Coupon Bond, Federal Farm Credit Banks Funding Corporation Notes, Federal Home Loan Mortgage Corporation Notes, negotiable certificates of deposit, and money market funds, which were all recorded at fair value on December 31, 2017. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to observable inputs such as quoted prices in active markets for identical assets or liabilities (Level 1), the next highest priority to inputs from observable data other than quoted prices (Level 2) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. Management does not consider the differences between the cost and fair value of investment securities as of December 31, 2017, to be significant.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2017 were \$74,465, which includes \$45,032 assigned from other Township funds.

Interfund receivables/payables:

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

Accumulated leave:

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's modified cash basis of accounting.

Employer contributions to cost-sharing pension plans:

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-term obligations:

The Township's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.



**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended December 31, 2017**

**Note 2. Summary of Significant Accounting Policies, Continued**

Net position:

Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted net position includes resources restricted for maintaining roads and bridges, maintaining fire and life squad services, and maintaining police services.

All levied funds are restricted in their expenditures, in that they can only be used for the operations of the purpose they were voted for. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position is available.

Fund balance:

Fund balance is divided into five classifications based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable:* The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

*Restricted:* Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or are imposed by law through constitutional provisions.

Enabling legislation authorizes the Township to assess, levy, charge, or otherwise mandated payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Township can be compelled by an external party, such as citizens, public interest groups, or the judiciary, to use resources created by enabling legislation only for the purposes specified by the legislation.

*Committed:* The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Township Trustees. Those committed amounts cannot be used for any other purpose unless the Township Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Township Trustees, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended December 31, 2017**

**Note 2. Summary of Significant Accounting Policies, Continued**

Fund balance, continued:

*Assigned:* Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute. The Township may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget in the General Fund.

*Unassigned:* Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. The Township had the following in outstanding encumbrances included as part of fund balance as of December 31, 2017:

<u>Fund Name</u>	<u>\$ Amount</u>
General Fund	\$ 129,238
Fire Fund	9,752
Road and Bridge	733,755
Nonmajor Funds	1,365,458
<b>Total</b>	<u><u>\$ 2,238,203</u></u>

Interfund transactions:

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**Note 3. Deposits and Investments**

Monies held by the Township are classified by State Statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended December 31, 2017**

**Note 3. Deposits and Investments (Continued)**

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items 1 and 2 above;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper notes, limited to 40% (5% for a single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed two hundred and seventy days, and;
9. Bankers acceptances, limited to 40% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the Township had \$100 in undeposited cash on hand which is included as part of "Equity in Pooled Cash, Cash Equivalents and Investments" on the financial statements.

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended December 31, 2017**

**Note 3. Deposits and Investments (Continued)**

Deposits:

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the Township's deposits was \$14,960,758 and the bank balance was \$15,241,401. Based on the criteria established in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2017, none of the Township's bank balance was exposed to custodial risk as described above.

The Township has no deposit policy for custodial risk beyond the requirements of State Statute. Ohio law requires that deposits be either insured or be protected by:

Eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least one hundred five percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be one hundred two percent of the deposits being secured or a rate set by the Treasurer of State.

Investments:

As of December 31, 2017, the Township had the following investments:

	Carrying Value	Investment Maturities (in Years)		
		Less than 1	1 - 2	3 - 5
Federal Home Loan Mortgage Corporation Notes	\$ 5,191,867	\$ 399,267	\$ 696,783	\$ 4,095,817
Federal Home Loan Bank	734,948	199,761	44,648	490,539
Federal National Mortgage Association	935,035	198,814	248,548	487,673
Bank certificates of deposit	3,098,100	1,519,789	890,363	687,948
Money market funds	5,277,645	5,277,645	-	-
	<u>\$ 15,237,595</u>	<u>\$ 7,595,276</u>	<u>\$ 1,880,342</u>	<u>\$ 5,761,977</u>

Interest rate risk arises because the fair value of investments changes as interest rates change. The Township's investment policy addresses interest rate risk by requiring that the Township's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Credit Risk - The investments carry a rating of AAA by Moody's. Ohio law requires that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The negotiable certificates of deposit are in denominations of under \$250,000 each, in separate banks, and are insured by the Federal Deposit Insurance Corporation (FDIC). The negotiable certificates of deposit are, therefore, not subject to credit risk.

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended December 31, 2017**

**Note 3. Deposits and Investments (Continued)**

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investments are safeguarded from custodial credit risk as they are held in a segregated customer account by the counterparty's trust department or agent.

The Township has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Investments, continued:

Concentration of Credit Risk - The Township places no limit on the amount it may invest in any one issuer. The following is an investment schedule as of December 31, 2017:

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
Federal Home Loan Mortgage Corporation Notes	34.07%
Federal Home Loan Bank	4.82%
Federal National Mortgage Association	6.14%
Bank certificates of deposit	20.33%
Money market funds	34.64%
	<u>100.00%</u>

The carrying value of investments as of December 31, 2017 is summarized as follows:

	<u>Carrying Value</u>	<u>Unclassified</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Federal Home Loan Mortgage Corporation Notes	\$ 5,191,867	\$ -	\$ 5,191,867	\$ -	\$ -
Federal Home Loan Bank	734,948	-	734,948	-	-
Federal National Mortgage Association	935,035	-	935,035	-	-
Bank certificates of deposit	3,098,100	3,098,100	-	-	-
Money market funds	5,277,645	5,277,645	-	-	-
	<u>\$ 15,237,595</u>	<u>\$ 8,375,745</u>	<u>\$ 6,861,850</u>	<u>\$ -</u>	<u>\$ -</u>

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended December 31, 2017**

**Note 3. Deposits and Investments (continued)**

*Reconciliation of equity in pooled cash, cash equivalents, and investments:*

The following is a reconciliation of pooled cash, cash equivalents and investments to the statement of net position as of the year ended December 31, 2017.

Investments	\$ 15,237,595
Carrying amount of Township's deposits	<u>14,960,758</u>
Equity in pooled cash, cash equivalents and investments	<u>\$ 30,198,353</u>

**Note 4. Property Taxes**

Property taxes include amounts levied against all real property and public utility property located in the Township. Property tax receipts received in 2017 for real and public utility property taxes represent collections of the 2016 taxes.

Real property taxes for 2017 are levied after October 1, 2017, on the assessed values as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State Statute at 35 percent of appraised market value. Real property taxes for 2017 are collected in and intend to finance 2018.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State Statute permits alternate payment dates to be established.

Public utility personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. Public utility property taxes for 2017, which became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The full tax rate for all Township operations for the year ended December 31, 2017, was \$11.590 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2017 property tax receipts were based are as follows:

Real Property - Residential, Agricultural and Other	\$ 985,477,370
Public Utility Property	<u>26,240,090</u>
Total assessed value	<u>\$ 1,011,717,460</u>

**Note 5. Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended December 31, 2017**

**Note 5. Risk Management (Continued)**

Casualty and Property Coverage:

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017:

	<u>2017</u>
Assets	\$ 40,010,732
Liabilities	<u>8,675,465</u>
Net Position	<u>\$ 31,335,267</u>

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$24,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Township's contributions to OTARMA for the year ending December 31, 2017 were \$53,885.

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended December 31, 2017**

**Note 5. Risk Management (Continued)**

The Township is self insured for employee medical and prescription drug benefits. The self insurance internal service fund pays covered claims to service providers and recovers these costs from charges to other funds based on historical cost information and adjusted over a reasonable period of time so that the internal service fund receipts and disbursements are approximately equal. A third party administrator reviews all claims which the Township then pays. The Township purchases stop-loss coverage for medical claims in excess of \$25,000 per employee, per occurrence. Custom Design Benefits was the third party administrator for the year. A comparison of self insurance fund cash and investments to the actuarially-measured liability as of December 31, 2017, follows:

Cash and investments	\$	999,479
Actuarial liabilities	\$	123,500

**Note 6. Defined Benefit Pension Plan**

*Plan description - Ohio Public Employees Retirement System (OPERS):*

Plan Description - Township employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Township employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):



**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended December 31, 2017**

**Note 6. Defined Benefit Pension Plan, Continued**

Plan description - Ohio Public Employees Retirement System (OPERS), continued:

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Public Safety</b>	<b>Public Safety</b>	<b>Public Safety</b>
<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Law Enforcement</b>	<b>Law Enforcement</b>	<b>Law Enforcement</b>
<b>Age and Service Requirements:</b> Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>
<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended December 31, 2017**

**Note 6. Defined Benefit Pension Plan, Continued**

Plan description - Ohio Public Employees Retirement System (OPERS), continued:

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
<b>2017 Statutory Maximum Contribution Rates</b>			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
<b>2017 Actual Contribution Rates</b>			
Employer:			
Pension	13.0 %	17.1 %	17.1 %
Post-employment Health Care Benefits	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

\* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

\*\* This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Township's contractually required contribution for the years ended December 31, 2017, 2016, and 2015 were \$206,106, \$188,258, and \$185,167, respectively.

Plan description - Ohio Police & Fire Pension Fund (OPF):

Plan Description - Township full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended December 31, 2017**

**Note 6. Defined Benefit Pension Plan, Continued**

*Plan description - Ohio Police & Fire Pension Fund (OPF), continued:*

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>Police</u>	<u>Firefighters</u>
<b>2017 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
<b>2017 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee	<u>12.25 %</u>	<u>12.25 %</u>

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended December 31, 2017**

**Note 6. Defined Benefit Pension Plan, Continued**

Plan description - Ohio Police & Fire Pension Fund (OPF), continued:

Employer contribution rates are expressed as a percentage of covered payroll. The Township's contractually required contribution to OPF for the years ended December 31, 2017, 2016, and 2015 were \$643,217, \$598,341, and \$596,299, respectively.

**Note 7. Postemployment Benefits**

**Ohio Public Employees Retirement System**

Plan description:

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding policy:

The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, State and Local employers contributed at a rate of 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017.

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended December 31, 2017**

**Note 7. Postemployment Benefits, Continued**

**Ohio Public Employees Retirement System (continued)**

Funding policy, continued:

As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member- Directed Plan for 2017 was 4.0%.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the combined plans. This trust is also used to fund the health care for Member-Directed Plan participants, in the form a Retiree Medical Account (RMA). At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

The Township's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2017, 2016, and 2015, were \$14,722, \$26,883, and \$26,441, respectively; 100 percent has been contributed for 2017, 2016 and 2015.

**Ohio Police and Fire Pension Fund**

Plan description:

The Township contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

Funding policy:

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively.

**Liberty Township  
Notes to the Basic Financial Statements (Continued)  
Year Ended December 31, 2017**

**Note 7. Postemployment Benefits, Continued**

**Ohio Police and Fire Pension Fund, continued**

Funding policy, continued:

The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits.

For 2017, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Township's contributions to OP&F which were allocated to fund postemployment healthcare benefits for firefighters were \$13,508 \$12,565, and \$12,522 for the years ended December 31, 2017, 2016, and 2015, respectively. The full amount has been contributed for 2017, 2016, and 2015.

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended December 31, 2017**

**Note 8. Debt**

A summary of the Township's debt activity for the year ended December 31, 2017 is as follows:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>December 31, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Refunded</u>	<u>December 31, 2017</u>	<u>Due in One Year</u>
<b>General obligation bonds</b>								
Road garage refinanced	3.40%	2020	\$ 400,000	\$ -	\$ 95,000		\$ 305,000	\$ 98,000
Fire Station #113 - Refunding Bonds	2.70%	2023	880,000	-	110,000		770,000	115,000
Services Storage Facility	2.27%	2031	-	2,750,000	55,000		2,695,000	165,000
747/Princeton Intersection	3.0% - 4.25%	2029	1,495,000	-	90,000	1,405,000	-	-
Kyles Station/State Rt. 747 Intersection	3.0% - 4.125%	2029	2,290,000	-	140,000	2,150,000	-	-
Salt Storage facility	3.0% - 4.125%	2028	210,000	-	15,000	195,000	-	-
Fire Station #111	3.09% - 4.125%	2028	2,425,000	-	160,000	2,265,000	-	-
Refunding 2017	2.27%	2031	-	6,225,000	65,000		6,160,000	475,000
			<u>7,700,000</u>	<u>8,975,000</u>	<u>730,000</u>	<u>6,015,000</u>	<u>9,930,000</u>	<u>853,000</u>
<b>Revenue Bonds</b>								
Liberty Center Project - Series 2014B	4.00% - 5.00%	2041	5,995,000	-	60,000		5,935,000	65,000
Total			<u>\$ 13,695,000</u>	<u>\$ 8,975,000</u>	<u>\$ 790,000</u>	<u>\$ 6,015,000</u>	<u>\$ 15,865,000</u>	<u>\$ 918,000</u>

General obligation bonds:

The general obligation bonds are supported by the full faith and credit of the Township and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

The following is a summary of the Township's future annual debt service requirements for the general obligation bonds:

	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 853,000	\$ 232,168	\$ 1,085,168
2019	872,000	211,203	1,083,203
2020	895,000	189,740	1,084,740
2021	810,000	167,700	977,700
2022	825,000	148,754	973,754
2023-2027	3,885,000	465,406	4,350,406
2028-2031	1,790,000	77,974	1,867,974
	<u>\$ 9,930,000</u>	<u>\$ 1,492,945</u>	<u>\$ 11,422,945</u>

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended December 31, 2017**

**Note 8. Debt, Continued**

Revenue Bonds:

In November 2014, the Township entered into a funding agreement with the Butler County Port Authority for the issuance of public infrastructure revenue bonds in the amount of \$6,045,000 for the primary purpose of acquiring and constructing certain public infrastructure improvements in relation with the Liberty Center. The bonds were issued at a discount and pay interest at rates ranging from 4% to 5% and fully mature on December 1, 2041.

The bond issuance was a portion of a partnership with Butler County and the Liberty Community Authority for the construction of the infrastructure for the Liberty Center project. 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 \$6,045,000 will be paid by Liberty Township and the Series C bonds of \$20,180,000 will be paid by the Liberty Community Authority.

As part of the funding agreement, the Township has agreed to secure and pledge certain revenue streams set forth in the agreement. According to the agreement, the obligation of the Township is limited to the pledged revenues and the bonds are not general obligations of any political subdivision.

The following is a summary of the Township's future annual debt service requirements for the revenue bonds:

	<b>Revenue Bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 65,000	\$ 278,162	\$ 343,162
2019	75,000	275,562	350,562
2020	80,000	272,562	352,562
2021	85,000	269,362	354,362
2022	90,000	265,963	355,963
2023-2027	1,025,000	1,232,477	2,257,477
2028-2032	1,275,000	996,113	2,271,113
2033-2037	1,615,000	656,750	2,271,750
2038-2041	1,625,000	208,500	1,833,500
	<u><b>\$ 5,935,000</b></u>	<u><b>\$ 4,455,451</b></u>	<u><b>\$ 10,390,451</b></u>



**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended December 31, 2017**

**Note 8. Debt, Continued**

Debt Margin

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5% of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed an amount equal to 10.5% of its tax valuation.

The effects of the debt limitations at December 31, 2017, were an overall debt margin of \$103,475,124 and an unvoted debt margin of \$54,201,255.

**Note 9. Defeased Debt**

On July 27, 2017, the Township issued various purpose refunding bonds of \$6,225,000 (par value) which includes additional funding of \$210,000, with a fixed coupon rate of 2.27% to refund previously issued general obligation bonds with varying coupon rates of 4.00% - 4.25% and a total par value of \$6,015,000. The refunding bonds mature on various dates beginning on December 1, 2018 and ending on December 1, 2031.

After paying issuance and escrow costs of \$236,558, the net proceeds from the issuance of the various purpose refunding bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the general obligation bonds are called. The refunding met the requirements of an in-substance debt defeasance and the general obligation bonds were removed from the Township's debt service schedule.

As a result of the refunding the Township reduced its total debt service requirements by \$593,416, which resulted in an economic gain (difference between the present value of the debt service payments on the new and old debt) of \$531,795.

<b>Description</b>	<b>Various Purpose Refunding Bonds Issued</b>	<b>Interest Rate</b>	<b>Term Bonds Refunded</b>	<b>Interest Rate</b>	<b>Call Date</b>	<b>Maturity Date</b>	<b>Reduction in Debt Service</b>	<b>Economic Gain</b>
Various purpose improvement and refunding bonds, series 2017	\$ 6,225,000	2.27%	\$ 6,015,000	3.00% - 4.25%	12/1/17	Various dates through 12/1/2029	\$ 593,416	\$ 531,795

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended December 31, 2017**

**Note 10. Fund Balances**

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below as of December 31, 2017:

	General	Fire	Police	Road and Bridge	Other Governmental Funds	Total
<b>Restricted for</b>						
Capital projects	\$ -	\$ -	\$ -	\$ -	\$ 4,778,655	\$ 4,778,655
Cemetery	-	-	-	-	114,513	114,513
Debt Service	-	-	-	-	1,100,871	1,100,871
Emergency medical services	-	-	-	-	800,158	800,158
Fire operations	-	2,083,673	-	-	-	2,083,673
Lighting	-	-	-	-	362,236	362,236
Police operations	-	-	2,542,790	-	-	2,542,790
Recreational programs	-	-	-	-	40,994	40,994
Road and bridge maintenance / improvement	-	-	-	1,302,103	737,036	2,039,139
	-	2,083,673	2,542,790	1,302,103	7,934,463	13,863,029
<b>Assigned to</b>						
Capital outlay and other purposes	129,238	-	-	-	-	129,238
<b>Unassigned</b>						
	15,206,607	-	-	-	-	15,206,607
<b>Total fund balances</b>	<u>\$ 15,335,845</u>	<u>\$ 2,083,673</u>	<u>\$ 2,542,790</u>	<u>\$ 1,302,103</u>	<u>\$ 7,934,463</u>	<u>\$ 29,198,874</u>

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended December 31, 2017**

**Note 11. Interfund Transfers**

During 2017 the following transfers were made:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Major Funds</b>		
General Fund	\$ 1,206,586	\$ 185,102
Fire Fund	-	133,760
Road and Bridge	-	28,413
<b>Nonmajor Funds</b>		
Aspen Trail RID District Capital Project Fund	-	163,177
Creekside Meadows RID District Capital Project Fund	-	163,177
Falling Water RID District Capital Project Fund	-	163,177
Kyles Station Road Debt Service Fund	232,317	-
Fire Station #113 Building Debt Service Fund	133,760	-
Road and Garage Debt Service Fund	108,600	-
Fire Station #111 Building Debt Service Fund	257,214	-
Road Salt Barn Debt Service Fund	28,413	-
Services Storage Facility	76,502	-
Allen Estates		1,206,586
	<u>\$ 2,043,392</u>	<u>\$ 2,043,392</u>

Transfers from/to other funds:

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, or to use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The General Fund transferred \$108,600, and \$76,502 to the Road and Garage Debt Service Fund and the Services Storage Facility Fund, respectively, to fund debt service payments.

The Allen Estates Fund transferred \$1,206,586 of remaining surplus dollars to the General Fund.

The Fire Fund transferred \$133,760 to the Fire Station #113 Building Debt Service Fund to fund debt service payments.

Road and Bridge Special Revenue Fund transferred \$28,413 to the Road Salt Barn Debt Service Fund, to fund the remaining debt payments. The Aspen Trail RID District Capital Project Fund, Creekside Meadows RID District Capital Project Fund, and the Falling Water RID District Capital Project Fund, transferred \$163,177 each, to fund debt service payments of \$232,317 and \$257,214 for the Kyles Station Road Debt Service Fund and the Fire Station #111 Building Debt Service Fund, respectively.

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended December 31, 2017**

**Note 11. Interfund Transfers, Continued**

Advances from/to other funds:

Advances for the year ended December 31, 2017 were as follows:

	<u>Advances In</u>	<u>Advances Out</u>
<b>Major Funds</b>		
General Fund	\$ 191,284	\$ -
<b>Nonmajor Funds</b>		
Townhomes of Four Bridges Debt Service Fund	-	47,821
Four Bridges Debt Service Fund	-	47,821
Trails of Four Bridges	-	47,821
Cedarbrook Debt Service Fund	-	47,821
	<u>\$ 191,284</u>	<u>\$ 191,284</u>

**Note 12. Intergovernmental Agreements**

Butler County Transportation Improvement District:

The Township and the Butler County Transportation Improvement District (TID) entered into an intergovernmental agreement, that has subsequently been amended, pursuant to which the Township agreed to pay a portion of the cost of the Liberty Interchange Project and to secure, with certain revenue streams set forth in the agreement, a portion of the Series 2007 Bonds as issued by the TID. The Township has pledged specific net residential income tax district (RID) revenues and Joint Economic Development District (“JEDD”) revenues, subject to annual appropriations by the Board, equal to ninety-five percent of the prior year JEDD revenues received, to the TID as security for the bonds. According to the agreement, the obligation of the Township is limited to the pledged receipts and the bonds are not general obligations of any political subdivision. During 2017, the amount pledged totaled and paid by the Township was \$2,545,257. Minimum payments via pledged revenues are expected as follows:

	<u>\$ Amount</u>
2018	\$ 1,166,600
2019	1,165,000
2020	1,173,900
2021	1,186,500
2022	1,227,200
2023-2027	6,678,000
2028-2032	6,172,200
2033-2034	581,300
	<u>\$ 19,350,700</u>

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**Year Ended December 31, 2017**

**Note 13. Contingent Liabilities**

The Township is party to various legal proceedings seeking damages. Township management is of the opinion that the ultimate disposition of the various claims and legal proceedings will not have a material effect, if any, on the financial statements of the Township. The Township also participates in various grant programs. These programs may be subject to financial and compliance audits by the grantor or their representative.

## Supplementary Information

# Liberty Township, Butler County, Ohio

## Schedule of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budget Basis - General Fund Year ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Receipts</b>				
Property and other local taxes	\$ 2,230,726	\$ 2,230,726	\$ 2,370,251	\$ 139,525
Charges for services	-	-	4,515	4,515
Licenses, permits and fees	501,160	501,160	564,526	63,366
Fines and forfeitures	13,200	13,200	41,122	27,922
Intergovernmental	641,197	641,197	772,231	131,034
Special assessments	8,465	8,465	5,980	(2,485)
Earnings on investments	96,600	96,600	74,465	(22,135)
Miscellaneous	52,682	52,682	42,861	(9,821)
Total receipts	<u>3,544,030</u>	<u>3,544,030</u>	<u>3,875,951</u>	<u>331,921</u>
<b>Disbursements</b>				
Current:				
General government	2,299,441	2,380,229	1,975,746	404,483
Health	20,000	20,000	19,420	580
Conservation-Recreation	321,273	324,472	285,657	38,815
Capital outlay	806,302	1,208,602	560,249	648,353
Total disbursements	<u>3,447,016</u>	<u>3,933,303</u>	<u>2,841,072</u>	<u>1,092,231</u>
Excess of receipts over disbursements	<u>97,014</u>	<u>(389,273)</u>	<u>1,034,879</u>	<u>1,424,152</u>
Other financing sources (uses) -				
Transfers in	-	-	1,206,586	1,206,586
Transfers out	(791,382)	(867,884)	(185,102)	682,782
Advances in	-	-	191,284	191,284
Total other financing sources (uses)	<u>(791,382)</u>	<u>(867,884)</u>	<u>1,212,768</u>	<u>2,080,652</u>
Net change in fund balance	<u>(694,368)</u>	<u>(1,257,157)</u>	<u>2,247,647</u>	<u>3,504,804</u>
<b>Fund balance, beginning of year</b>	12,632,757	12,632,757	12,632,757	-
Prior year encumbrances appropriated	<u>326,203</u>	<u>326,203</u>	<u>326,203</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 12,264,592</u>	<u>\$ 11,701,803</u>	<u>\$ 15,206,607</u>	<u>\$ 3,504,804</u>

See accompanying notes to the supplementary information.

## Liberty Township, Butler County, Ohio

*Schedule of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual -  
Budget Basis - Fire Fund  
Year ended December 31, 2017*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and other local taxes	\$ 4,391,940	\$ 4,391,940	\$ 4,465,073	\$ 73,133
Licenses, permits and fees	21,550	21,550	10,837	(10,713)
Intergovernmental	704,050	704,050	851,625	147,575
Miscellaneous	-	-	202,367	202,367
Total receipts	<u>5,117,540</u>	<u>5,117,540</u>	<u>5,529,902</u>	<u>412,362</u>
<b>Disbursements</b>				
Current:				
Public safety	5,753,090	5,797,944	5,220,792	577,152
Capital outlay	114,927	114,927	90,080	24,847
Total disbursements	<u>5,868,017</u>	<u>5,912,871</u>	<u>5,310,872</u>	<u>601,999</u>
Excess (deficiency) of receipts over (under) disbursements	(750,477)	(795,331)	219,030	1,014,361
Other financing sources (uses) - transfers out	<u>(135,790)</u>	<u>(135,790)</u>	<u>(133,760)</u>	<u>(2,030)</u>
Net change in fund balance	(886,267)	(931,121)	85,270	1,016,391
<b>Fund balance, beginning of year</b>	1,970,475	1,970,475	1,970,475	-
Prior year encumbrances appropriated	<u>18,176</u>	<u>18,176</u>	<u>18,176</u>	-
<b>Fund balance, end of year</b>	<u>\$ 1,102,384</u>	<u>\$ 1,057,530</u>	<u>\$ 2,073,921</u>	<u>\$ 1,016,391</u>

See accompanying notes to the supplementary information.



## Liberty Township, Butler County, Ohio

*Schedule of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual -  
Budget Basis - Police Fund  
Year ended December 31, 2017*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Receipts</b>				
Property and other local taxes	\$ 2,154,128	\$ 2,154,128	\$ 2,189,123	\$ 34,995
Licenses, permits and fees	4,000	4,000	6,600	2,600
Intergovernmental	345,316	345,316	215,280	(130,036)
Miscellaneous	-	-	32,354	32,354
Total receipts	<u>2,503,444</u>	<u>2,503,444</u>	<u>2,443,357</u>	<u>(60,087)</u>
<b>Disbursements</b>				
Current:				
Public safety	2,647,388	2,746,019	2,734,620	11,399
Capital outlay	450	450	-	450
Total disbursements	<u>2,647,838</u>	<u>2,746,469</u>	<u>2,734,620</u>	<u>11,849</u>
Net change in fund balance	(144,394)	(243,025)	(291,263)	(48,238)
<b>Fund balance, beginning of year</b>	2,834,053	2,834,053	2,834,053	-
Prior year encumbrances appropriated	-	-	-	-
<b>Fund balance, end of year</b>	<u>\$ 2,689,659</u>	<u>\$ 2,591,028</u>	<u>\$ 2,542,790</u>	<u>\$ (48,238)</u>

See accompanying notes to the supplementary information.

Liberty Township, Butler County, Ohio

*Schedule of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual -  
Budget Basis - Road and Bridge Fund  
Year ended December 31, 2017*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and other local taxes	\$ 754,156	\$ 754,156	\$ 773,162	\$ 19,006
Intergovernmental	120,895	120,895	134,166	13,271
Miscellaneous	-	-	15,455	15,455
Total receipts	<u>875,051</u>	<u>875,051</u>	<u>922,783</u>	<u>47,732</u>
<b>Disbursements</b>				
Current:				
Public works	981,427	984,479	894,846	89,633
Capital outlay	493,757	3,311,350	2,722,823	588,527
Refunding bond issuance costs	-	-	236,558	(236,558)
Total disbursements	<u>1,475,184</u>	<u>4,295,829</u>	<u>3,854,227</u>	<u>678,160</u>
Net change in fund balance	<u>(600,133)</u>	<u>(3,420,778)</u>	<u>(2,931,444)</u>	<u>489,334</u>
Other financing sources (uses) -				
Proceeds from sale of bonds	-	2,750,000	2,750,000	-
Refunding bonds issued	-	-	210,000	210,000
Transfers in	310,651	310,651	-	(310,651)
Transfers out	<u>(23,413)</u>	<u>(28,413)</u>	<u>(28,413)</u>	<u>-</u>
Total other financing sources (uses)	<u>287,238</u>	<u>3,032,238</u>	<u>2,931,587</u>	<u>(100,651)</u>
Net change in fund balance	<u>(312,895)</u>	<u>(388,540)</u>	<u>143</u>	<u>388,683</u>
<b>Fund balance, beginning of year</b>	434,543	434,543	434,543	-
Prior year encumbrances appropriated	133,662	133,662	133,662	-
<b>Fund balance, end of year</b>	<u>\$ 255,310</u>	<u>\$ 179,665</u>	<u>\$ 568,348</u>	<u>\$ 388,683</u>

See accompanying notes to the supplementary information.

**Liberty Township**  
**Notes to the Supplementary Information**  
**Year Ended December 31, 2017**

**Note 1. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations resolution is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Township Trustees.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township Trustees during the year.

**Note 2. Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Budgetary Comparison Schedules presented for the General, Fire, Police and Road and Bridge Funds are prepared on the budget basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year-end encumbrances, which are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (modified cash basis). The following table summarizes the adjustments necessary to reconcile the modified cash basis statements to the budgetary basis.

	<u>General</u>	<u>Fire</u>	<u>Police</u>	<u>Road and Bridge</u>
Change in fund balance - modified cash basis	\$ 2,376,885	\$ 95,022	\$ (291,263)	\$ 733,898
Adjustment for encumbrances	(129,238)	(9,752)	-	(733,755)
Change in fund balance - budget basis	<u>\$ 2,247,647</u>	<u>\$ 85,270</u>	<u>\$ (291,263)</u>	<u>\$ 143</u>

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

Liberty Township  
Butler County  
7162 Liberty Centre Drive, Suite A  
Liberty Township, OH 45069

To the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Township, Butler County, Ohio (the Township) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated June 19, 2018, wherein we noted the Township uses a special purpose framework other than generally accepted accounting principles.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Townships financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



***Charles E. Harris & Associates, Inc.***  
June 19, 2018



# Dave Yost • Auditor of State

**LIBERTY TOWNSHIP**

**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  
OCTOBER 2, 2018**