

**LIBERTY COMMUNITY INFRASTRUCTURE
FINANCING AUTHORITY
Delaware County, Ohio**

AUDIT REPORT

For the Years ended December 31, 2015 and 2014





Dave Yost • Auditor of State

Board of Trustees
Liberty Community Infrastructure Financing Authority
585 South Front Street
Columbus, Ohio 43215

We have reviewed the *Independent Auditor's Report* of the Liberty Community Infrastructure Financing Authority, Delaware County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2014 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

September 29, 2016

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LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY

DELAWARE COUNTY

AUDIT REPORT

For the Years Ended December 31, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

Liberty Community Infrastructure Authority
Delaware County
585 South Front Street, Suite 220
Columbus, Ohio 43215

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Liberty Community Infrastructure Authority, Delaware County, Ohio, (the Authority), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Liberty Community Infrastructure Authority, Delaware, Ohio as of December 31, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2016 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
June 28, 2016

**LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2015 and 2014
(UNAUDITED)**

The management's discussion and analysis of the Liberty Community Infrastructure Financing Authority, Delaware, Ohio, (the Authority), financial performance provides an overall review of the Authority's financial activities for the fiscal years ended December 31, 2015 and 2014. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Authority's financial performance.

Financial Highlights

1. The Authority encourages the orderly development of a well-planned, diversified community of approximately 1,579 acres in Delaware County, including the City of Powell.
2. Net position at December 31, 2015 totaled a negative \$27,886,287. Net position at December 31, 2014 had a negative net position of \$29,172,958. The negative net position is caused by the costs incurred for capital assets acquired and improved, which were donated upon completion or acquisition. The Authority accumulates infrastructure improvement costs that are reflected in the Statements of Net Position, upon closing, as capital assets.
3. The Authority's debt decreased in 2015 by \$990,000 and decreased in 2014 by \$896,000 including capitalized interest. The Authority previously incurred debt of \$16,603,490 and an intergovernmental payable of \$15,300,000 prior to January 1, 2012. Both the Authority's debt and intergovernmental payable will be paid through the collection of community development charges imposed on the residences benefiting from the capital asset.
4. In July/August 2014, the Authority invested \$700,000 in three (3) 3-year certificate of deposits. It purchased a \$250,000 Goldman Sachs CD due July 31, 2017, a \$200,000 American Express CD due July 31, 2017 and a \$250,000 General Electric Capital BK Inc CD due August 1, 2017. As of December 31, 2015 the unrealized investment gain was \$3,780 and as of December 31, 2014 the unrealized investment loss was \$4,377. The accrued interest income for December 31, 2015 and 2014 was \$3,554.
5. In December 2015, the Authority refinanced \$4,340,000 in 2008 Series Notes that resulted in a present value savings of debt services costs of \$327,452 over the 14-year life of the new 2015 Bond Series.

Overview of the Financial Statements

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

**LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2015 and 2014
(UNAUDITED)
(Continued)**

Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows

These financials look at all financial transactions and asks the question, "How did we do financially?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position answer this question. These statements include *all assets, liabilities, revenues, and expenses* using the *accrual basis of accounting*, similar to the accounting used by most private-sector companies. The basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Authority's *net position* and changes in net position. This change in net position is important because it tells the reader that, for the Authority as a whole, the *financial position* of the Authority has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 thru 8 of this report.

The Statement of Cash Flows provides information about how the Authority finances and meets the cash flow needs of its operations. The Statement of Cash Flows can be found on page 9 of this report.

The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Financial Analysis

Table 1 provides a summary of Authority's net position for fiscal years 2015, 2014, and 2012.

Table 1
Net Position

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets:			
Current Assets	\$ 1,533,491	\$ 1,228,005	\$ 1,687,391
Investments	<u>707,828</u>	<u>695,623</u>	<u>-</u>
Total Assets	2,241,319	1,923,628	1,687,391
Liabilities:			
Current Liabilities	841,674	785,393	772,038
Long Term Liabilities	<u>27,955,977</u>	<u>29,165,974</u>	<u>30,076,974</u>
Total Liabilities	28,797,651	29,951,367	30,849,012
 Total Deferred Inflows of Resources	 <u>1,329,955</u>	 <u>1,145,219</u>	 <u>1,058,235</u>
Net Position:			
Unrestricted	<u>(27,886,287)</u>	<u>(29,172,958)</u>	<u>(30,219,856)</u>
Total Net Position	\$ <u>(27,886,287)</u>	\$ <u>(29,172,958)</u>	\$ <u>(30,219,856)</u>

Net Position: Net position represents the difference between assets and liabilities. The Authority had a net position of negative \$27,886,287 in 2015, negative \$29,172,958 in 2014, and negative \$30,219,856 in 2013.

**LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2015 and 2014
(UNAUDITED)
(Continued)**

Table 2 reflects the changes in net position for fiscal years 2015, 2014, and 2013.

Table 2
Change in Net Position

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating Revenue	\$2,290,807	\$2,125,143	\$1,980,940
Operating Expenses	(35,509)	(61,350)	(78,586)
Non-Operating Revenues/(Expenses)			
Earnings on Investments/Other Income	9,686	3,966	273
Unrealized Gain/(Loss) on Investments	3,780	(4,377)	-
Interest Expense	(266,540)	(279,639)	(282,354)
City of Powell Interest Expenses on Debt	<u>(715,553)</u>	<u>(736,845)</u>	<u>(757,978)</u>
Total Change in Net Position	\$ <u>1,286,671</u>	\$ <u>1,046,898</u>	\$ <u>862,295</u>

Change in Net Position

Change in net position has fluctuated in the last three years because of several factors. First, the Authority's community development charge revenues was less in 2013 when compared to 2014 and 2015. Community development charge revenues increased in 2014 and 2015 due to increased building activity, resulting from more development as the housing market began to rebound. Also, in 2014 and 2015, the Authority incurred less interest costs collectively. Consequently, 2014 and 2015 reflected a much larger increase in total change in net position when compared to 2013. Going forward, the Authority is expected to show continued increases in community development charge revenues. Interest costs is expected to be moderate in coming years as increased principal payments are made. Also, in 2015 the Authority refinanced more than \$4 million in debt at a lower cost which will result in further moderation of debt finance cost.

Community Development Charge

Revenue from Community Development Charge paid by each owner of a chargeable parcel will be used to pay off the debt incurred to acquire/construct the asset that have subsequently donated to other local governments. The Community Development Charge is calculated on thirty-five percent of the assessed value of chargeable property, which includes buildings, structures, and improvements. The amount of revenue will increase in years when available parcels are sold and improvements are made, thus increasing the total assessed value of chargeable property.

Debt

The Authority issued Community Facilities Adjustable Rate Notes to finance the construction or acquisition of community infrastructure facilities. The debt service will be paid annually by the revenue received from the Community Development Charges. Note interest that accrues in any year in excess of the cash available from Community Development Charges will be added to the note's principal balance. Given the sensitivity to variable interest rates, the accrued portion may fluctuate significantly from year to year. In recent years interest costs have been less than revenue so there has been no increase in principal balances due to nonpayment of interest.

**LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2015 and 2014
(UNAUDITED)
(Continued)**

Debt -Continued

In 2015, the Authority refinanced \$4,340,000 in existing debt which was owed to the City of Powell. The refinancing reduced the effective interest rate from approximately 4.0% to 2.5% and reduced the payments period from 12 years to 11 years. The net present value of the cost savings of the refinance is \$327,452.

Budgeting

The Authority is not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705.

Contacting Authority's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Authority's finances and to reflect the Authority's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to John Parns, Treasurer, Liberty Community Infrastructure Financing Authority, 585 South Front Street, Suite 220, Columbus, Ohio 43215, (614) 224-3078.

Liberty Community Infrastructure Financing Authority

Statements of Net Position As of December 31, 2015 and 2014

	2015	2014
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 338,865	\$ 52,110
Community Deve. Charge AR	1,191,072	1,172,341
Interest Receivable	3,554	3,554
Total Current Assets	1,533,491	1,228,005
Non-Current Assets		
Investments	707,828	695,623
Total Non-Current Assets	707,828	695,623
TOTAL ASSETS	\$ 2,241,319	\$ 1,923,628
LIABILITIES		
Liabilities		
Current Liabilities		
Accounts payable	\$ 3,772	\$ (100)
Accrued interest payable	82,902	85,493
Intergovernmental debt	755,000	700,000
Total Current Liabilities	841,674	785,393
Non-Current Liabilities		
Intergovernmental debt	18,615,000	19,535,000
Community facilities bonds payable	9,340,977	9,630,974
Total Non-Current Liabilities	27,955,977	29,165,974
Total Liabilities	28,797,651	29,951,367
Deferred Inflows of Resources		
Unearned Revenue	1,164,955	1,145,219
Deferred Debt Payments	165,000	-
Total Deferred Inflows of Resources	1,329,955	1,145,219
NET POSITION		
Unrestricted Net Position - (Deficit)	(27,886,287)	(29,172,958)
Total Net Position	\$ (27,886,287)	\$ (29,172,958)

See accompanying notes to the basic financial statements.

Liberty Community Infrastructure Financing Authority
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2015 and 2014

	2015	2014
OPERATING REVENUE (EXPENSE)		
Operating Revenues		
Community Development Income	\$ 2,290,807	\$ 2,125,143
Total Operating Revenues	2,290,807	2,125,143
Operating Expense		
Treasurer Office Expense	18,565	22,886
Legal Expense	10,777	8,994
Auditor Expense	238	8,687
Communication Expense	239	238
Office Expense	750	750
Bank Fees	331	317
Insurance Expense	2,550	2,000
Board Meeting Expense	1,050	850
Delaware Collection Fees	1,009	1,878
Bad Debt Expense	-	14,750
Total Operating Expense	35,509	61,350
OPERATING INCOME	2,255,298	2,063,793
NON-OPERATING REVENUE (EXPENSE)		
Other Income		
Dividend Income	1,261	412
Interest Income	8,425	3,554
Unrealized Gain on Investments	3,780	-
Total Other Income	13,466	3,966
Other Expense		
Unrealized Loss on Investments	-	4,377
Interest Expense-Developer Bonds	266,540	279,639
City of Powell Interest	715,553	736,845
Total Other Expense	982,093	1,020,861
TOTAL NON-OPERATING REVENUE (EXPENSE)	(968,627)	(1,016,895)
Change in Net Position	1,286,671	1,046,898
Beginning Net Position (Deficit)	(29,172,958)	(30,219,856)
Ending Net Position (Deficit)	\$ (27,886,287)	\$ (29,172,958)

See accompanying notes to the basic financial statements.

Liberty Community Infrastructure Financing Authority
Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from Community Development Charges	\$ 2,291,812	\$ 2,128,856
Cash payments for treasurer expenses	(14,643)	(24,671)
Cash payments for legal fees	(10,777)	(11,094)
Cash payments for auditing fees	(238)	(8,687)
Cash payments for insurance	(2,600)	(2,438)
Cash payments for office expense	(750)	(750)
Cash payments for board meeting expenses	(1,050)	(850)
Cash payments for other expenses	(1,579)	(2,075)
Net Cash Provided by Operating Activities	2,260,175	2,078,291
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments	-	(700,000)
Interest, dividends and other revenues	1,261	412
Cash received from payment of tap fees	-	2,950
Net Cash Provided by/(Used in) Investing Activities	1,261	(696,638)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACT.		
Bond and note principal payments	(989,997)	(896,000)
Interest paid on developer bonds	(267,548)	(275,169)
Interest on City of Powell Notes	(717,136)	(738,637)
Net Cash Used in Capital and Related Financing Activities	(1,974,681)	(1,909,806)
Net Increase (Decrease) in Cash	286,755	(528,153)
Cash, Beginning of year	52,110	580,263
Cash, End of year	\$ 338,865	\$ 52,110
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 2,255,298	\$ 2,063,793
Adjustments of Operating Income to Net Cash Provided by Operating Activities:		
(Increase)/Decrease in development charge receivable	(18,731)	(82,912)
(Increase)/Decrease in tap fee receivable	-	14,750
(Decrease)/Increase in deferred community charge	19,736	86,983
(Decrease)/Increase in accounts payable	3,872	(4,323)
Net Cash Provided by Operating Activities	\$ 2,260,175	\$ 2,078,291

See accompanying notes to the basic financial statements.

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 – REPORTING ENTITY

The Liberty Community Infrastructure Financing Authority, Delaware County, Ohio (the Authority) is a “community authority” created pursuant to Chapter 349 of the Ohio Revised Code (the Act). On August 1, 2000, Triangle Real Estate (the Developer) filed a petition (the Petition) for creation of the Authority with the Board of County Commissioners of Delaware County, Ohio. The Petition, which may be subject to amendment or change, allows the Authority to finance the costs of publicly owned and operated community facilities with assessed Community Development Charges. In accordance with the Act, the Petition was accepted by the County Commissioners’ Resolution No. 00-748 and approved September 11, 2000. By its Resolution, the County Commissioners determined that the new community district would be conducive to the public health, safety, convenience and welfare, and that it was intended to result in the development of a new community as described in the Act. The Authority thereby organized as a body corporate and politic in the State. On November 18, 2002, the County Commissioners, by their resolution amended the Petition to add certain territory to the area comprising the Authority.

On December 17, 2003, the Authority, the City of Powell (the City) and the Developer agreed, by a First Amendment to the Pre-Annexation Agreement, to adding land to the District. This application was filed with the Delaware County Commissioners on March 29, 2004. The properties were added on April 29, 2004.

The Authority is governed by a seven member Board of Trustees. At inception, the Board of County Commissioners of Delaware County appointed four of the trustees and the remaining three were appointed by the Developer. All appointed trustees have since been replaced by elected citizen members who have residence within the community authority.

At December 31, 2015, the Authority is comprised of approximately 1,579 acres of land located in Southern Delaware County, Ohio. In accordance with the Act and the Petition, the Authority can levy a community development charge up to 10.25 mills on the assessed value of the land and improvements within the District. The need and amount of the charge is determined annually by the Board of Trustees of the Authority.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources.

A. Basis of Presentation

The Authority’s financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Standards Board (GASB), including Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The Authority’s basic financial statements consist of a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. The Authority uses enterprise fund accounting to maintain its financial records during the fiscal year. Enterprise fund accounting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

B. Measurement Focus and Basis of Accounting

The Authority’s financial activity is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of Authority are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows reflects how the Authority finances and meets its cash flow needs.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

For 2015, the Authority implemented GASB Statement No. 72 "Fair Value Measurement and Application" which provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of this statement had no effect on the net position of the Authority.

C. Cash and Investments

Cash received by the Authority is deposited with a financial institution or invested. Deposits and investments having an original maturity of three months or less at the time they are purchased are presented in the financial statements as Cash and Cash Equivalents. Investments with an initial maturity of more than three months are reported as Investments. Investments were limited to money market funds held by AIM Management Group Inc. (AIM Funds). Investments held at AIM Funds are valued at AIM’s reported share price.

D. Capital Assets

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Authority does not maintain a capitalization threshold as all infrastructure assets are capitalized. The Authority does not depreciate capital assets as all assets are donated upon completion or acquisition.

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Authority first applies restricted resources when an expense is incurred for which both restricted and unrestricted net positions are available. The Authority had no restricted net position at fiscal years end 2015 and 2014.

F. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Authority. For the Authority, these revenues are community development charges. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the Authority. All revenues and expenses not meeting this definition are reported as non-operating.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

H. Subsequent Events

The Authority has evaluated subsequent events for potential recognition and/or disclosures through the date of the auditor's report on these financial statements.

NOTE 3 – NET POSITION DEFICIT

At December 31, 2015 and 2014, the Authority has a net position deficit of \$27,886,287 and \$29,172,958, respectively. This deficit is the result of how the Authority is structured and its basic operations. The Authority was established to finance the costs of publicly owned and operated community facilities. The Authority incurred the costs of acquiring, constructing, or improving community facilities. The titles to these assets have been transferred to other local governments with the related costs recorded as a capital contribution expense to the receiving entity.

NOTE 4 – DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Authority into three categories.

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

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 4 – DEPOSITS AND INVESTMENTS - CONTINUED

Inactive deposits are public deposits that the Board of Trustee has 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 that 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.

State statutes permits interim monies to be deposited or invested in a variety of securities and investments including US treasury notes, bills, bonds 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.

Statement No. 3 as amended by Statement No. 40 of the Governmental Accounting Standards Board requires the Authority to disclose essential risk information about deposits and investments. The disclosure requirements cover four main areas: credit risk, interest rate and investment maturity, interest rate sensitivity and foreign exchange exposure.

Deposits

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned. The carrying amount of the Authority's deposits at December 31, 2015 and 2014 was \$393 and \$257, respectively, and the bank balance was \$443 and \$5,654, respectively. For both of the reported years, the Authority's year-end entire bank balance was covered by Federal Deposit Insurance.

Investments

The Authority's investments include money market funds and marketable certificates of deposits. The fair value of the Authority's money market funds at December 31, 2015 and 2014, were \$338,472 and \$51,853, respectively, and the carrying amounts were the same. These amount are considered cash equivalents and are reflected as cash on the statements of net position.

Investments in marketable securities are carried at fair value at the balance sheet date. As of December 31, 2015 and 2014, investment balances on these securities were \$707,828 and \$695,623, respectively, with an unrealized gain of \$3,780 as of December 31, 2015 and an unrealized loss of \$4,377 as of December 31, 2014.

GASB Statement No. 72 defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Authority's principal market or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GASB Statement No. 72 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 4 – DEPOSITS AND INVESTMENTS - CONTINUED

The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Inputs: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 Inputs: Significant other observable inputs other than Level 1 quoted prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 Inputs: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Assets Measured on a Recurring Basis: Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements At December 31,			<u>Total</u>
	Using Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>	
--2015-- Certificates of Deposit	\$ -	\$ 707,828	\$ -	\$ 707,828
----2014--- Certificates of Deposit	\$ -	\$ 695,623	\$ -	\$ 695,623

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

Interest Rate Risk. Interest rate risk is the risk that an interest rate change could adversely affect an investment's fair value. The Authority does not have a policy to limit its exposure to interest rate risk, however, the Authority's investments in money market funds are able to be withdrawn on demand.

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 4 – DEPOSITS AND INVESTMENTS - CONTINUED

Credit Risk. Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. The Authority does not have a policy to limit its exposure to credit risk. The Authority's money market funds were unrated.

NOTE 5 – COMMUNITY DEVELOPMENT CHARGE

The Authority can levy an annual community development charge up to 10.25 mills on the assessed value of all property within the developed property. The charge is currently levied at 10.25 mills. Charge revenue recognized represents the amount levied on April 1 and October 1 of the current year.

Charge assessments are levied October 1 on the assessed values as of September 30 (the lien date). The assessed value is established by state law at 35% of the current market value, the sales price, or the permit value, which ever is the highest. Market values are determined by the Authority based on the County Auditor's appraisal, lot values, or a calculated cost for occupied homes that have not yet been appraised by the County Auditor. The permit values are supplied on a monthly basis from the City of Powell or the Delaware County Building Department. Amounts assessed and due but not collected, are reflected as both a receivable and a deferred inflow on the statement of net position. For the years ended December 31, 2015 and 2014, the amount recorded as a receivable and deferred inflow was \$1,164,955 and \$1,145,219, respectively.

The Pre-annexation agreement with the City of Powell permits the Authority to retain a sufficient amount of the development charge to cover the interest expense on debt owed or facilitated by the City of Powell.

NOTE 6 – RECEIVABLES

Receivables at December 31, 2015 and 2014 consisted of community development charges and accrued interest relating to the certificate of deposits. All receivables are considered collectible.

NOTE 7 – CAPITAL ASSETS

There was no capital asset activity or donations during the years ended December 31, 2015 and 2014.

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 8 – LONG-TERM OBLIGATIONS

The Authority’s long-term obligations activity for the years ended December 31, 2015 and 2014 was as follows:

Community Facilities <u>Adjustable Rate Note</u>	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
2015					
Series 2004A	\$ 584,273	\$ -	\$ 17,591	\$ 566,682	\$ -
Series 2004B	510,300	-	15,366	494,934	-
Series 2004C	2,694,786	-	81,143	2,613,643	-
Series 2005A	246,406	-	7,419	238,987	-
Series 2006A	5,595,209	-	168,478	5,426,731	-
	<u>9,630,974</u>	<u>-</u>	<u>289,997</u>	<u>9,340,977</u>	<u>-</u>
2014					
Series 2004A	597,074	-	12,801	584,273	-
Series 2004B	521,480	-	11,180	510,300	-
Series 2004C	2,753,825	-	59,039	2,694,786	-
Series 2005A	251,804	-	5,398	246,406	-
Series 2006A	5,717,791	-	122,582	5,595,209	-
	<u>\$ 9,841,974</u>	<u>\$ -</u>	<u>\$ 211,000</u>	<u>\$ 9,630,974</u>	<u>\$ -</u>

Community Facilities Adjustable Rate Notes, Series 2004A

On May 4, 2004, the Authority issued \$570,000 in Community Facilities Adjustable Rate Notes, Series 2004A, for the purpose of providing funds to acquire and construct community facilities. The interest rate is equal to 275 basis points over the BMA Municipal Swap Index on the Thursday that the interest rate is being adjusted, provided that, (1) through December 31, 2008, the Base Note Rate shall not exceed 4%, and (2) thereafter, the Base Note Rate shall not exceed 6%. Sheryl A. Kenney and Charles A. Vince are the registered owners of the Notes.

Principal of and interest on this Note shall be paid semi-annually on June 1 and December 1 of each year, in the following order: first, any interest which has accrued on the outstanding principal amount of this Note; second, the unpaid principal of this Note. Interest accrued, but not paid by June 1 or December 1 of each year (with respect to interest which has accrued during the prior calendar year), shall be added to the principal balance of the Note as of January 1st of the following year. Interest shall be calculated based on a year of 365 or 366 days, as appropriate, and on the actual number of days elapsed from January 1 to December 31 of each year.

The Note is subject to optional redemption at any time prior to stated maturity in whole, or in part, at a redemption price equal to 100% of the principal amount redeemed plus accrued interest. Community development charges are pledged for repayment of the Notes.

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 8 – LONG-TERM OBLIGATIONS - CONTINUED

Community Facilities Adjustable Rate Note, Series 2004B

On July 6, 2004, the Authority issued \$511,708 in Community Facilities Adjustable Rate Notes, Series 2004B, for the purpose of providing funds to acquire community facilities. The interest rate is equal to 275 basis points over the BMA Municipal Swap Index on the Thursday that the interest rate is being adjusted, provided that, (1) through December 31, 2008, the Base Note Rate shall not exceed 4%, and (2) thereafter, the Base Note Rate shall not exceed 6%. The Village at Scioto Reserve, LLC is the registered owner of the Notes.

Principal of and interest on this Note shall be paid semi-annually on June 1 and December 1 of each year, in the following order: first, any interest which has accrued on the outstanding principal amount of this Note; second, the unpaid principal of this Note. Interest accrued, but not paid by June 1 or December 1 of each year (with respect to interest which has accrued during the prior calendar year), shall be added to the principal balance of the Note as of January 1st of the following year. Interest shall be calculated based on a year of 365 or 366 days, as appropriate, and on the actual number of days elapsed from January 1 to December 31 of each year.

The Note is subject to optional redemption by the Authority at the direction of the City of Powell on any date after December 31, 2015 at a redemption price equal to 100% of the principal amount redeemed plus accrued interest to the redemption date, upon deposit by the City with the Authority of moneys sufficient to cause such redemption. Community development charges are pledged for repayment of the Notes.

Community Facilities Adjustable Rate Note, Series 2004C

On October 8, 2004, the Authority issued \$2,655,000 in Community Facilities Adjustable Rate Notes, Series 2004C, for the purpose of providing funds to acquire community facilities. The interest rate is equal to 275 basis points over the BMA Municipal Swap Index on the Thursday that the interest rate is being adjusted, provided that, (1) through December 31, 2008, the Base Note Rate shall not exceed 4%, and (2) thereafter, the Base Note Rate shall not exceed 6%. Sheryl A. Kenney and Charles A. Vince are the registered owners of the Notes.

Principal of and interest on this Note shall be paid semi-annually on June 1 and December 1 of each year, in the following order: first, any interest which has accrued on the outstanding principal amount of this Note; second, the unpaid principal of this Note.

Interest accrued, but not paid by June 1 or December 1 of each year (with respect to interest which has accrued during the prior calendar year), shall be added to the principal balance of the Note as of January 1st of the following year. Interest shall be calculated based on a year of 365 or 366 days, as appropriate, and on the actual number of days elapsed from January 1 to December 31 of each year.

The Note is subject to optional redemption at any time prior to stated maturity in whole, or in part, at a redemption price equal to 100% of the principal amount redeemed plus accrued interest. Community development charges are pledged for repayment of the Notes.

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 8 – LONG-TERM OBLIGATIONS - CONTINUED

Community Facilities Adjustable Rate Note, Series 2005A

On May 5, 2005, the Authority issued \$249,097 in Community Facilities Adjustable Rate Notes, Series 2005A, for the purpose of providing funds to acquire community facilities. The interest rate is equal to 275 basis points over the BMA Municipal Swap Index on the Thursday that the interest rate is being adjusted, provided that, (1) through December 31, 2008, the Base Note Rate shall not exceed 4%, and (2) thereafter, the Base Note Rate shall not exceed 6%. The Village at Scioto Reserve, LLC is the registered owner of the Notes.

Principal of and interest on this Note shall be paid on June 1st and December 1st of each year, in the following order: first, any interest which has accrued on the outstanding principal amount of this Note; second, the unpaid principal of this Note.

Interest accrued, but not paid by June 1st and December 1st of each year (with respect to interest which has accrued during the prior calendar year), shall be added to the principal balance of the Note as of January 1st of the following year. Interest shall be calculated based on a year of 365 or 366 days, as appropriate, and on the actual number of days elapsed from January 1 to December 31 of each year.

The Note is subject to optional redemption at any time prior to stated maturity in whole, or in part, at a redemption price equal to 100% of the principal amount redeemed plus accrued interest. Community development charges are pledged for repayment of the Notes.

Community Facilities Adjustable Rate Note, Series 2006A

On March 13, 2007, the Authority issued \$5,414,195 in Community Facilities Adjustable Rate Notes, Series 2006A, for the purpose of providing funds to acquire community facilities. The interest rate is equal to 275 basis points over the BMA Municipal Swap Index on the Thursday that the interest rate is being adjusted, provided that, (1) through December 31, 2008, the Base Note Rate shall not exceed 4%, and (2) thereafter, the Base Note Rate shall not exceed 6%. Triangle Properties, Inc. is the registered owner of the Bonds.

Principal and interest on this Note shall be paid semi-annually on June 1 and December 1 of each year, in the following order: first, any interest which has accrued on the outstanding principal amount of this

Note; second, the unpaid principal of this Note. Interest accrued, but not paid by June 1 or December 1 of each year (with respect to interest which has accrued during the prior calendar year), shall be added to the principal balance of the Note as of January 1st of the following year.

The Note is subject to optional redemption at any time prior to stated maturity in whole, or in part, at a redemption price equal to 100% of the principal amount redeemed plus accrued interest. Community development charges are pledged for repayment of the Notes.

Debt Service to Maturity

Based on fluctuating interest rates and principal payment uncertainty, no debt service to maturity schedule has been presented.

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 9 – INTERGOVERNMENTAL DEBT

On November 6, 2002, the City of Powell annexed a portion of the territory of the Authority into the City. In exchange, the City of Powell issued general obligation bonds (2002 Series Bond) in the amount of \$10,365,000 and notes, in the amount of \$6,900,000. The total proceeds of \$17,265,000 were transferred to the Authority to refund a portion of the \$22,300,000 in Community Facilities Bonds, Series 2001 which were initially issued by the Authority.

The Authority has pledged the community development charge receipts generated by the portion annexed, as well as tap fee receipts, to repay the City for the bond and note principal and related interest costs.

Since 2004, the City of Powell has assumed additional debt totaling \$900,000 to cover the shortfall in payments necessary to cover interest carry cost on the bonds and notes. Additionally, there have been other associated costs and fees, including premiums and discounts, related to the issuance of debt since 2004. The City of Powell also maintains a cash balance related to the debt issues, which for reporting purposes is considered an offset to the liability balance with the Authority.

Since issuance, the Authority has paid the City of Powell both principal and interest initially, based on available resources and more recently, based on an established debt payment schedule.

Series 2011 Bonds

In August 2012, the City of Powell refinanced the 2002 Series Bond. The effect is the City was able to obtain a reduction in the effective interest rates. The bonds which are referred to as Bond Series 2011, have coupon rates between 2% and 5% over the 20-year life of the bonds. The refinance resulted in a \$322,373 cost to the Authority, which was expensed as a period cost. Over the life of the new bond, the Authority will save approximately \$2 million in interest over what it previously paid on the City of Powell 2002 Series Bond. In addition, the City of Powell maintains a cash fund for the Authority. The cash balance at December 31, 2015 and 2014 was \$0.

Series 2012 Bonds

Pursuant to a City of Powell ordinance, on April 23, 2012, the City issued \$9,915,000 in tax exempt, general obligation bonds to refinance the Community Facilities Adjustable Rate notes. The Liberty Community Infrastructure Financing Authority utilized \$6,785,000 of this amount to retire its Community Facilities Adjustable Rate Bonds Series 2002, (Developer Bonds). The remaining balance of \$3,130,000 was assumed by the Powell Community Infrastructure Financing Authority.

Of the total \$9,915,000 issue, approximately 26% or \$2,600,000 of the amount consists of a 10-year Serial Bond with an average effective interest rate of approximately 3.2% and payable in full by 2022.

The balance of the issue, totaling \$7,315,000, consists of Term Bonds carrying an average effective interest rate of 3.24% with maturity dates of December 1, in the years between 2023 and 2036. All of the Bonds have interest payment dates of June 1 and December 1 of each year.

The Bonds maturing after December 1, 2021 are subject to redemption at the option of the City, either in whole or in part, in such order of maturity as the City shall determine, on any date on or after June 1, 2022, at a redemption price equal to 100% of the principal amount redeemed plus accrued interest to the date fixed for redemption.

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 9 – INTERGOVERNMENTAL DEBT - CONTINUED

The Bonds maturing on December 1, 2024, 2027, 2030, 2032, 2034, and 2036 are subject to mandatory sinking fund redemption prior to stated maturity.

Series 2008 – 2015 Bonds

Series 2008 general obligation bonds in the amount of \$6,900,000 were issued by the City of Powell on June 1, 2008. The bonds have a maturity date of December 1, 2030. The bonds have an interest rate that varies from approximately 3.85% to 4.2% over the life of the bonds.

On December 22, 2015, the City of Powell issued Series 2015 Bonds in the amount of \$4,175,000 to refinance \$4,340,000 of the Series 2008 Bonds. This left a remaining balance of the Series 2008 Bonds of \$805,000 with remaining principal payments through December 1, 2018. The terms of the refinancing resulted in a reduction in the principal balance of \$165,000 which is reflected on the statement of financial position as a deferred inflows of resources from the refunding of debt. This balance will be amortized on a straight-line basis over the remaining eleven years of the bonds maturity period.

The benefit of the refinancing of the Series 2008 Bonds resulted in the reduction of the effective interest rates and debt service savings of \$432,760 on a gross basis and \$327,452 on a net present value basis. The repayment period was also reduced by one year and now the ending payment date is December 1, 2029 versus 2030.

The Authority’s intergovernmental payable activity for the years ended December 31, 2015 and 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additional Borrowing</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
<u>2015</u>					
Series 2011	\$ 8,345,000	\$ -	\$ (300,000)	\$ 8,045,000	\$ 325,000
Series 2008-2015	5,395,000	-	(250,000)	5,145,000	290,000
Series 2012	6,495,000	-	(150,000)	6,345,000	140,000
Deferred Inflows	-	-	(165,000)	(165,000)	-
	<u>\$ 20,235,000</u>	<u>\$ -</u>	<u>\$ (865,000)</u>	<u>\$ 19,370,000</u>	<u>\$ 755,000</u>
<u>2014</u>					
Series 2011	\$ 8,645,000	\$ -	\$ (300,000)	\$ 8,345,000	\$ 300,000
Series 2008	5,635,000	-	(240,000)	5,395,000	250,000
Series 2012	6,640,000	-	(145,000)	6,495,000	150,000
	<u>\$ 20,920,000</u>	<u>\$ -</u>	<u>\$ (685,000)</u>	<u>\$ 20,235,000</u>	<u>\$ 700,000</u>

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 9 – INTERGOVERNMENTAL DEBT - CONTINUED

The scheduled principal maturity and interest payments for the refinanced Series 2011 Bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 325,000	\$ 305,293	\$ 630,293
2017	325,000	295,544	620,544
2018	345,000	285,794	630,794
2019	340,000	275,444	615,444
2020	360,000	265,244	625,244
2021-2025	1,935,000	1,151,300	3,086,300
2026-2030	3,105,000	694,744	3,799,744
2031-2032	1,310,000	79,000	1,389,000
Total	<u>\$ 8,045,000</u>	<u>\$ 3,352,363</u>	<u>\$ 11,397,363</u>

The scheduled principal maturity and interest payments for the Series 2008-2015 Bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 290,000	\$ 180,482	\$ 470,482
2017	285,000	180,600	465,600
2018	300,000	169,600	469,600
2019	310,000	158,000	468,000
2020	315,000	151,800	466,800
2021-2025	1,785,000	559,000	2,344,000
2026-2030	1,695,000	172,800	1,867,800
Total	<u>\$ 4,980,000</u>	<u>\$ 1,572,282</u>	<u>\$ 6,552,282</u>

The scheduled principal maturity and interest payments for the Series 2012 Bond are as following:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 140,000	\$ 185,738	\$ 325,738
2017	155,000	182,937	337,937
2018	145,000	179,838	324,838
2019	160,000	176,937	336,937
2020	150,000	173,737	323,737
2021-2025	815,000	819,968	1,634,968
2026-2030	925,000	712,064	1,637,064
2031-2035	3,085,000	463,888	3,548,888
2036	770,000	26,180	796,180
Total	<u>\$ 6,345,000</u>	<u>\$ 2,921,287</u>	<u>\$ 9,266,287</u>

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 9 – INTERGOVERNMENTAL DEBT - CONTINUED

Total scheduled principal maturity and interest payments are as following:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 755,000	\$ 671,514	\$ 1,426,514
2017	765,000	659,082	1,424,082
2018	790,000	635,232	1,425,232
2019	810,000	610,382	1,420,382
2020	825,000	590,781	1,415,781
2021-2025	4,535,000	2,530,268	7,065,268
2026-2030	5,725,000	1,579,607	7,304,607
2031-2035	4,395,000	542,884	4,937,884
2036	770,000	26,180	796,180
Total	<u>\$ 19,370,000</u>	<u>\$ 7,845,930</u>	<u>\$ 27,215,930</u>

NOTE 10 – RELATED PARTY TRANSACTIONS

The petition for creation of the Authority pursuant to Chapter 349 of the Ohio Revised Code was filed with the Delaware County Commissioners by Triangle Real Estate (the Developer).

The entire original territory of the Authority was encompassed in the Golf Village development that was wholly owned by the Developer prior to the creation of the Authority. The land and infrastructure that was added to the territory by the Authority directly benefited and serviced the Golf Village Development. All land of the Golf Village Development is to be sold to additional developers by the Developer.

The Authority had an Infrastructure Acquisition and Construction Agreement with the Developer to acquire and construct certain community facilities within Golf Village. Under this agreement, the Developer selected contractors and signed contracts for the construction of the Authority's infrastructure.

Payments to contractors by the Authority were made directly with contractors or to the Developer who paid costs to the contractors. The Developer supervised and approved all construction work including construction company draws of funds.

On May 4, 2004, the Authority issued \$570,000 in Community Facilities Adjustable Rate Notes, Series 2004A, for the purpose of providing funds to acquire and construct community facilities from Mid-States Development Corporation. On July 6, 2004, in consideration of the timing and uncertainty of the payment of the principal of and interest on the Note, Mid-States Development Corporation assigned and resold the \$570,000 Note to Donald R. Kenney and Charles A. Vince, at that time, members of the Authority's Board of Trustees, at a discounted price of \$256,500. Mr. Kenney's note was later transferred to his spouse Sheryl A. Kenney and then to the Kenney Asset Management.

On July 6, 2004, the Authority issued \$511,708 in Community Facilities Adjustable Rate Notes, Series 2004B, for the purpose of providing funds to acquire community facilities from The Village at Scioto Reserve, LLC, which is owned by Donald R. Kenney, at that time, a member of the Authority's Board of

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 10 – RELATED PARTY TRANSACTIONS - CONTINUED

Trustees. Mr. Kenney's note was later transferred to his spouse Sheryl A. Kenney and then to the Kenney Asset Management.

On October 8, 2004, the Authority issued \$2,655,000 in Community Facilities Adjustable Rate Notes, Series 2004C, for the purpose of providing funds to acquire community facilities from MI Homes of Central Ohio, LLC. On October 8, 2004, in consideration of the timing and uncertainty of the payment of the principal of and interest on the Note, MI Homes of Central Ohio, LLC assigned and resold the \$2,655,000 Note to Donald R. Kenney and Charles A. Vince, at that time, a members of the Authority's Board of Trustees, at a discounted price of \$885,000. Mr. Kenney's note was later transferred to his spouse Sheryl A. Kenney and then to the Kenney Asset Management.

On May 5, 2005, the Authority issued \$249,097 in Community Facilities Adjustable Rate Notes, Series 2005A, for the purpose of providing funds to acquire community facilities from The Village at Scioto Reserve, LLC, which is owned by Donald R. Kenney, at that time, a member of the Authority's Board of Trustees.

On March 13, 2007, the Authority issued \$5,414,195 in Community Facilities Adjustable Rate Notes, Series 2007A, for the purpose of providing funds to acquire community facilities under an acquisition agreement with Triangle Vince, Inc. which is owned by Donald R. Kenney, at that time, a member of the Authority's Board of Trustees.

NOTE 11 – RISK MANAGEMENT

RISK POOL MEMBERSHIP

The Authority belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage to its members sold through sixteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 783 members as of December 31, 2013 and 2014, respectively.

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 11 – RISK MANAGEMENT - CONTINUED

RISK POOL MEMBERSHIP-CONTINUED

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2014 and 2013 (the latest information available).

	<u>2014</u>	<u>2013</u>
Assets	\$14,830,185	\$13,774,304
Liabilities	(8,942,504)	(7,968,395)
Members' Equity	<u>\$ 5,887,681</u>	<u>\$ 5,805,909</u>

You can read the complete audited financial statements for OPRM at the Plan's website www.ohioplan.org.

NOTE 12 – CONTINGENT LIABILITIES

There are no claims or lawsuits pending against the Authority.

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Liberty Community Infrastructure Authority
Delaware County
585 South Front Street, Suite 220
Columbus, Ohio 43215

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities of the Liberty Community Infrastructure Authority, Delaware County, Ohio, (the Authority) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 28, 2016.

Internal Controls Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Charles E. Harris & Associates, Inc.

June 28, 2016

**LIBERTY COMMUNITY INFRASTRUCTURE AUTHORITY
DELAWARE COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Years Ended December 31, 2015 and 2014**

The prior report, for the two years ending December 31, 2013, reported no material citations or recommendations.



Dave Yost • Auditor of State

LIBERTY COMMUNITY INFRASTRUCTURE FINANCING AUTHORITY

DELAWARE 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 11, 2016**