

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

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

LAURA WEDEKIND, TREASURER



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Liberty Community Authority, Butler County, prepared by Julian & Grube, Inc., for the audit period January 1, 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 Authority is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

July 18, 2016

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**LIBERTY COMMUNITY AUTHORITY
BUTLER COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Liberty Community Authority, Butler County, Ohio, a component unit of Butler County, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Liberty Community Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Liberty Community Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Liberty Community Authority's internal control. Accordingly, we express no 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 overall financial statement presentation.

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

Opinion

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2016, on our consideration of the Liberty Community Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Liberty Community Authority's internal control over financial reporting and compliance.



Julian & Grube, Inc.
June 23, 2016

LIBERTY COMMUNITY AUTHORITY

Management's Discussion and Analysis

Years Ended December 31, 2015 and 2014

Unaudited

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

Financial Highlights

Key highlights for 2015:

- The Authority completed the construction of three parking garages as well as water, sewer, and storm water system improvements.
- The Authority began collecting community development charges as the Liberty Center commenced business in October 2015.
- The Authority's total net position increased \$13,695,226 in 2015.

Overview of the Financial Statements

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

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

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

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. In the case of the Authority assets exceeded liabilities by \$13,051,544 as of December 31, 2015. While the Authority was formed in August 2013, no financial activity occurred until 2014 when the Authority obtained financing for public infrastructure and began construction.

LIBERTY COMMUNITY AUTHORITY

Management's Discussion and Analysis
Years Ended December 31, 2015 and 2014
Unaudited

The following table provides a summary of the Authority's net position for the years ended December 31, 2015 and 2014.

Table 1
Net Position

	<u>2015</u>	<u>2014</u>
Assets		
Current and other assets	\$ 2,434,777	\$ 19,327,395
Capital assets	<u>43,025,452</u>	<u>-</u>
Total Assets	<u>45,460,229</u>	<u>19,327,395</u>
Liabilities		
Current liabilities	1,142,319	-
Noncurrent liabilities	<u>31,266,366</u>	<u>19,971,077</u>
Total Liabilities	<u>32,408,685</u>	<u>19,971,077</u>
Net Position		
Net investment in capital assets	15,523,546	-
Unrestricted	<u>(2,472,002)</u>	<u>(643,682)</u>
Total Net Postion	<u>\$ 13,051,544</u>	<u>\$ (643,682)</u>

The increase in capital assets and the decrease of the cash held by fiscal agent is the result of the Authority's construction of parking garages and public infrastructure and the use of the bond proceeds received at the end of 2014. The increase in liabilities is primarily due to the additional drawdowns of the Ohio Water Development Authority (OWDA) loan in 2015 for construction projects as well as additional operating and construction costs advanced to the Authority by Liberty Center Holdings, LLC (Developer).

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

In 2015, Liberty Center opened for business so the Authority began collecting community development charges which will be used to pay debt service and operating costs.

LIBERTY COMMUNITY AUTHORITY

Management's Discussion and Analysis Years Ended December 31, 2015 and 2014 Unaudited

The following table provides a summary of the changes in the Authority's net position for the years ended December 31, 2015 and 2014.

Table 2
Changes in Net Position

	2015	2014
Operating revenues:		
Assessed valuation charges	\$ 168,438	\$ -
Facility charges	159,897	-
Total operating revenues	328,335	-
Operating expenses:		
Professional services	158,311	185,426
Depreciation	204,481	-
Other operating expenses	2,515	-
Total operating expenses	365,307	185,426
Operating income (loss)	(36,972)	(185,426)
Nonoperating revenues (expenses)		
Interest income	1,829	-
Bond and loan issuance costs	-	(458,256)
Interest and fiscal charges	(1,559,265)	-
Total nonoperating expenses	(1,557,436)	(458,256)
Income (loss) before capital contributions	(1,594,408)	(643,682)
Capital contributions	15,289,634	-
Change in net position	13,695,226	(643,682)
Net position, beginning of year	(643,682)	-
Net position, end of year	\$ 13,051,544	\$ (643,682)

As noted above, the Authority began collecting its community development charges in the form of Assessed Valuation Charges and Facility Charges in October of 2015. In 2014, the Authority's activities were primarily related to the bond issuance and loan from OWDA along with operating costs of the Authority which included legal fees, accounting fees and other professional services. In 2015, the first two interest payments on the bonds were due and those were paid from cash held by fiscal agent in the capitalized interest fund.

Capital Assets and Debt Administration

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

LIBERTY COMMUNITY AUTHORITY

Management's Discussion and Analysis

Years Ended December 31, 2015 and 2014

Unaudited

Debt Administration: At the end of 2015, the Authority had two outstanding long-term obligations consisting of the 2014 Public Infrastructure Revenue Bonds in the amount of \$20,180,000 and an OWDA loan of \$11,504,727. In 2015, the Authority made interest payments on the bonds and principal retirement will begin on December 1, 2016. Repayment of the OWDA loan begins on January 1, 2018. See Note 7 for a discussion of long-term obligations.

Economic Factors and Future Trends

As noted above, Liberty Center is open for business as of December 31, 2015. Additional tenants continue to locate their retail businesses and offices within the jurisdiction of the Authority. In addition, occupancy of residential units began in 2016 as well as the opening of a hotel.

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

Requests for Information

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

**LIBERTY COMMUNITY AUTHORITY
STATEMENTS OF NET POSITION
DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
ASSETS		
Current assets:		
Cash	\$ 63,319	-
Assessed valuation charges receivable	168,438	-
Facility charges receivable	<u>96,242</u>	<u>-</u>
Total current assets	<u>327,999</u>	<u>-</u>
Restricted assets:		
Cash with fiscal agents	2,106,778	19,327,395
Capital assets:		
Land	2,333,662	
Parking garages and infrastructure	40,896,271	-
Accumulated depreciation	<u>(204,481)</u>	<u>-</u>
Total capital assets	<u>43,025,452</u>	<u>-</u>
Total assets	<u>45,460,229</u>	<u>19,327,395</u>
LIABILITIES		
Current liabilities:		
Accounts payable	884	-
Due to developer - current	944,671	-
Accrued interest payable	96,764	-
Bonds payable-current	<u>100,000</u>	<u>-</u>
Total current liabilities	<u>1,142,319</u>	<u>-</u>
Noncurrent liabilities:		
Due to developer	120,032	185,426
OWDA loan payable	11,504,727	59,701
Bonds payable, net of discount	<u>19,641,607</u>	<u>19,725,950</u>
Total noncurrent liabilities	<u>31,266,366</u>	<u>19,971,077</u>
Total liabilities	<u>32,408,685</u>	<u>19,971,077</u>
NET POSITION		
Net investment in capital assets	15,523,546	-
Unrestricted	<u>(2,472,002)</u>	<u>(643,682)</u>
Total net position	<u>\$ 13,051,544</u>	<u>(643,682)</u>

See accompanying notes to the basic financial statements.

**LIBERTY COMMUNITY AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Operating revenues:		
Assessed valuation charges	\$ 168,438	-
Facility charges	159,897	-
Total operating revenues	<u>328,335</u>	<u>-</u>
Operating expenses:		
Professional services	158,311	185,426
Utilities	1,295	-
Bank charges	1,220	-
Depreciation	204,481	-
Total operating expenses	<u>365,307</u>	<u>185,426</u>
Operating income (loss)	(36,972)	(185,426)
Non-operating revenues (expenses):		
Investment earnings	1,829	-
Bond and loan issuance costs and fees	-	(458,256)
Interest and fiscal charges	(1,559,265)	-
Total non-operating revenues (expenses)	<u>(1,557,436)</u>	<u>(458,256)</u>
Income (loss) before capital contributions	(1,594,408)	(643,682)
Capital contributions	<u>15,289,634</u>	<u>-</u>
Change in net position	13,695,226	(643,682)
Net position - beginning of year	<u>(643,682)</u>	<u>-</u>
Net position - end of year	\$ <u>13,051,544</u>	<u>(643,682)</u>

See accompanying notes to the basic financial statements.

**LIBERTY COMMUNITY AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash received from tenants and land owners	\$ 64,539	-
Cash paid for goods and services	<u>(1,220)</u>	<u>-</u>
Net cash provided by operating activities	<u>63,319</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Payments for capital acquisition	(27,220,628)	-
Bond proceeds	-	19,725,950
Bond issuance costs and loan fees	-	(458,256)
OWDA loan proceeds	11,445,026	59,701
Debt interest payments	<u>(1,446,844)</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(17,222,446)</u>	<u>19,327,395</u>
Cash flows from investing activities:		
Interest income	<u>1,829</u>	<u>-</u>
Net cash provided by investing activities	<u>1,829</u>	<u>-</u>
Net change in cash and investments	(17,157,298)	19,327,395
Cash at beginning of year	<u>19,327,395</u>	<u>-</u>
Cash at end of year	<u>\$ 2,170,097</u>	<u>19,327,395</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (36,972)	(185,426)
Adjustments to reconcile operating losses to net cash provided by operating activities:		
Depreciation	204,481	-
Changes in Assets and Liabilities:		
Receivables	(264,680)	-
Payables	884	-
Due to developer	<u>159,606</u>	<u>185,426</u>
Net cash provided by operating activities	<u>\$ 63,319</u>	<u>-</u>
Schedule of noncash activities:		
Due to developer for purchase of certain capital assets	\$ <u>719,671</u>	<u>-</u>
The Authority received capital asset contributions	\$ <u>15,289,634</u>	<u>-</u>

See accompanying notes to the basic financial statements.

LIBERTY COMMUNITY AUTHORITY

Notes to Financial Statements Years Ended December 31, 2015 and 2014

1. REPORTING ENTITY

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

LIBERTY COMMUNITY AUTHORITY

Notes to Financial Statements Years Ended December 31, 2015 and 2014

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

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

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

Use of Estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. DEPOSITS

Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The City does not have a custodial risk policy. As of December 31, 2015, the carrying amount and bank balance of the Authority's deposits was \$63,319. This balance was covered by the Federal Depository Insurance Corporation (FDIC).

In addition, the Authority had cash on deposit with US Bank (Trustee) in accordance with the Authority's Master Trust Agreement with the Trustee. The amount on deposit with the Trustee at December 31, 2015 and 2014 was \$2,106,778 and \$19,327,395, respectively. These accounts are reported as restricted cash with fiscal agent on the Statement of Net Position.

4. COMMUNITY DEVELOPMENT CHARGES

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

Assessed Valuation Charge

The Assessed Valuation Charge is an annual charge on each chargeable parcel of land within the Authority based on the Assessed Valuation of each parcel which may be expressed as a number of mills. For 2015, the Authority levied an Assessed Valuation Charge of 10 mills on the total Assessed Valuation but reduced the Assessed Valuation Charge to 25% of the calculated amount to reflect an annual proration based on the October 2015 opening of Liberty Center. Assessed Valuation Charge revenue recognized in 2015 represents the amount levied for calendar 2015.

LIBERTY COMMUNITY AUTHORITY

**Notes to Financial Statements
Years Ended December 31, 2015 and 2014**

Facility Charge

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

5. RESTRICTED ASSETS

Restricted assets consist of cash with fiscal agent whose use has been restricted by bond indenture for a debt service reserve, a capitalized interest fund to pay debt service during construction and a project construction fund. Restricted assets at December 31, 2015 and 2014 were \$2,106,778 and \$19,327,395. During 2015, the project construction fund was used to pay for construction costs of the parking garages and infrastructure. The capitalized interest fund was used to pay bond interest payments on June 1 and December 1, 2015 and will be used to make an interest payment on June 1, 2016.

6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

	Balance			Balance
	1/1/15	Increases	Decreases	12/31/15
<i>Capital assets not being depreciated:</i>				
Land	\$ -	2,333,662	-	2,333,662
<i>Capital assets being depreciated:</i>				
Parking garages	-	27,025,015	-	27,025,015
Infrastructure	-	13,871,256	-	13,871,256
	-	40,896,271	-	40,896,271
Less accumulated depreciation:				
Parking garages	-	(135,125)	-	(135,125)
Infrastructure	-	(69,356)	-	(69,356)
Total accumulated depreciation	-	(204,481)	-	(204,481)
Capital assets, net	\$ -	43,025,452	-	43,025,452

7. LONG-TERM DEBT

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

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

LIBERTY COMMUNITY AUTHORITY

**Notes to Financial Statements
Years Ended December 31, 2015 and 2014**

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

Debt activity for the years ended December 31, 2015 and 2014 was as follows:

	Balance 1/1/15	Additions	Reductions	Balance 12/31/15	Due Within One Year
2014 Revenue Bonds	\$ 20,180,000	-	-	20,180,000	100,000
Less deferred amount for issuance discounts	<u>(454,050)</u>	<u>-</u>	<u>15,657</u>	<u>(438,393)</u>	<u>-</u>
	<u>19,725,950</u>	<u>-</u>	<u>15,657</u>	<u>19,741,607</u>	<u>100,000</u>
OWDA Loan	<u>59,701</u>	<u>11,445,026</u>	<u>-</u>	<u>11,504,727</u>	<u>-</u>
	<u>\$ 19,785,651</u>	<u>11,445,026</u>	<u>15,657</u>	<u>31,246,334</u>	<u>100,000</u>
					Due Within One Year
	Balance 1/1/14	Additions	Reductions	Balance 12/31/14	Due Within One Year
2014 Revenue Bonds	\$ -	20,180,000	-	20,180,000	-
Less deferred amount for issuance discounts	<u>-</u>	<u>(454,050)</u>	<u>-</u>	<u>(454,050)</u>	<u>-</u>
	<u>-</u>	<u>19,725,950</u>	<u>-</u>	<u>19,725,950</u>	<u>-</u>
OWDA Loan	<u>-</u>	<u>59,701</u>	<u>-</u>	<u>59,701</u>	<u>-</u>
	<u>\$ -</u>	<u>19,785,651</u>	<u>-</u>	<u>19,785,651</u>	<u>-</u>

Also in November 2014, the Authority entered into a loan with the Ohio Water Development Authority (OWDA) in the amount of \$12,000,000 to finance the construction of a storm water collection system throughout the Liberty Center site. The loan matures on July 1, 2037 and pays annual interest at 2.5% with the first payment due on January 1, 2018. As of December 31, 2015, the Authority had not fully drawn the loan balance. Thus, an amortization schedule is not yet available.

LIBERTY COMMUNITY AUTHORITY

Notes to Financial Statements Years Ended December 31, 2015 and 2014

A summary of the annual debt service requirements for the bonds payable as of December 31, 2015 follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$	100,000	1,161,162	1,261,162
2017		335,000	1,156,162	1,491,162
2018		355,000	1,139,412	1,494,412
2019		370,000	1,121,662	1,491,662
2020		390,000	1,103,162	1,493,162
2021-2025		2,270,000	5,202,560	7,472,560
2026-2030		2,985,000	4,508,913	7,493,913
2031-2035		3,980,000	3,542,626	7,522,626
2036-2040		5,340,000	2,216,100	7,556,100
2041-2043		<u>4,055,000</u>	<u>496,500</u>	<u>4,551,500</u>
Total	\$	<u>20,180,000</u>	<u>21,648,259</u>	<u>41,828,259</u>

8. RELATED PARTY TRANSACTIONS

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

In addition, at December 31, 2015, the Authority has reported \$719,671 due to the Developer for construction costs which the Developer has advanced the Authority in anticipation of the final draw on the OWDA loan.

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

9. RISK MANAGEMENT

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

LIBERTY COMMUNITY AUTHORITY

**Notes to Financial Statements
Years Ended December 31, 2015 and 2014**

10. CONTINGENT LIABILITIES

There are no claims and lawsuits pending against the Authority.

The Developer incurred additional development costs that were included in the Public Infrastructure Scope that exceeded the amounts paid for by the Bond Issuance and the OWDA loan that could be reimbursable to the Developer after all other obligations are fulfilled per the Funding and Trust Agreements.



Julian & Grube, Inc.
Serving Ohio Local Governments

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Liberty Community Authority, Butler County, Ohio, a component unit of Butler County, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Liberty Community Authority's basic financial statements and have issued our report thereon dated June 23, 2016.

Internal Control Over Financial Reporting

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

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

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

Board of Trustees
Liberty Community Authority

Compliance and Other Matters

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

Purpose of this Report

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

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

Julian & Grube, Inc.
June 23, 2016



Dave Yost • Auditor of State

LIBERTY COMMUNITY AUTHORITY

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 28, 2016**