

LIBERTY COMMUNITY AUTHORITY

BUTLER COUNTY, OHIO
(A Component Unit of Butler County)

Basic Financial Statements
(Audited)

For the Years Ended
December 31, 2019 and 2018



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Board of Trustees
Liberty Community Authority
7100 Foundry Row
Liberty Township, Ohio 45069

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, 2019 through December 31, 2019. 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.

Keith Faber
Auditor of State
Columbus, Ohio

September 21, 2020

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**LIBERTY COMMUNITY AUTHORITY
BUTLER COUNTY, OHIO**

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Independent Auditor's Report

Liberty Community Authority
Butler County
7100 Foundry Row, Suite 204
Liberty Township, Ohio 45069

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, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Liberty Community Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 11 in the financial statements, the impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Liberty Community Authority. We did not modify our opinion regarding this matter.

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 July 30, 2020, 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.
July 30, 2020

LIBERTY COMMUNITY AUTHORITY

Management's Discussion and Analysis

Years Ended December 31, 2019 and 2018

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, 2019 and 2018. 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 2019:

- ❑ The Authority's community development charges experienced an increase of \$72,666 during 2019.
- ❑ The Authority's total net position decreased \$1,306,356 in 2019 due in large part to the recognition of depreciation on infrastructure assets and an increase in amounts due to Butler County (the County) and the developer.

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 \$4,904,749 and \$6,211,105 as of December 31, 2019 and 2018, respectively.

LIBERTY COMMUNITY AUTHORITY

Management's Discussion and Analysis

Years Ended December 31, 2019 and 2018

Unaudited

The following table provides a summary of the Authority's net position for the years ended December 31, 2019, 2018 and 2017:

Table 1
Net Position

	2019	2018	2017
Assets			
Current and other assets	\$ 1,886,904	\$ 1,755,600	\$ 1,831,571
Capital assets	<u>39,753,752</u>	<u>40,571,677</u>	<u>41,389,602</u>
Total Assets	<u>41,640,656</u>	<u>42,327,277</u>	<u>43,221,173</u>
Liabilities			
Current liabilities	1,127,025	1,103,046	1,312,609
Noncurrent liabilities	<u>35,608,882</u>	<u>35,013,126</u>	<u>34,305,544</u>
Total Liabilities	<u>36,735,907</u>	<u>36,116,172</u>	<u>35,618,153</u>
Net Position			
Net investment in capital assets	10,324,124	10,666,177	11,015,292
Unrestricted	<u>(5,419,375)</u>	<u>(4,455,072)</u>	<u>(3,412,272)</u>
Total Net Position	<u>\$ 4,904,749</u>	<u>\$ 6,211,105</u>	<u>\$ 7,603,020</u>

In 2019, the increase in current and other assets was due to increases in cash equivalents and cash with fiscal agents due to better investment returns. Capital assets decreased due to depreciation on the parking garages and public infrastructure. Noncurrent liabilities continue to increase due to increases in amounts due to the developer and Butler County. Under funding agreements, Butler County tax increment financing (TIF) revenues are utilized in the event operating revenues are insufficient to pay debt service, which occurred during 2019. Both liabilities to the developer and the County are subordinate to debt service requirements, and with expected operating revenue shortfalls expected in 2020, were classified as noncurrent.

In 2018, the reduction of current and other assets was primarily due to using cash to make bond and loan payments. Capital assets decreased due to depreciation on the parking garages and public infrastructure. The increase in noncurrent liabilities (and decrease in current liabilities) was due to increases in amounts due to the developer and Butler County due to 2018 operating revenues being insufficient to pay debt service and the developer, and reporting these amounts as noncurrent due to operating revenue shortfalls in 2019.

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

LIBERTY COMMUNITY AUTHORITY

Management's Discussion and Analysis

Years Ended December 31, 2019 and 2018

Unaudited

The following table provides a summary of the changes in the Authority's net position for the years ended December 31, 2019, 2018, and 2017.

Table 2
Changes in Net Position

	2019	2018	2017
Operating revenues:			
Assessed valuation charges	\$ 839,911	\$ 744,813	743,388
Facility charges	609,619	632,051	626,457
Total operating revenues	<u>1,449,530</u>	<u>1,376,864</u>	<u>1,369,845</u>
Operating expenses:			
Professional services	66,009	42,114	40,530
Depreciation	817,925	817,925	817,925
Other operating expenses	367,169	363,053	350,103
Total operating expenses	<u>1,251,103</u>	<u>1,223,092</u>	<u>1,208,558</u>
Operating income (loss)	<u>198,427</u>	<u>153,772</u>	<u>161,287</u>
Nonoperating revenues (expenses)			
Interest income	33,412	10,000	8,779
Interest and fiscal charges	(1,538,195)	(1,555,687)	(1,513,938)
Total nonoperating expenses	<u>(1,504,783)</u>	<u>(1,545,687)</u>	<u>(1,505,159)</u>
Change in net position	<u>(1,306,356)</u>	<u>(1,391,915)</u>	<u>(1,343,872)</u>
Net position, beginning of year	<u>6,211,105</u>	<u>7,603,020</u>	<u>8,946,892</u>
Net position, end of year	<u>\$ 4,904,749</u>	<u>\$ 6,211,105</u>	<u>\$ 7,603,020</u>

The Authority began collecting its community development charges in the form of Assessed Valuation Charges and Facility Charges in October of 2015. These revenues increased 5% during 2019 and remained consistent in 2018, increasing by less than 1%. Operating expenses are comparable between 2019 and 2018.

Capital Assets and Debt Administration

Capital Assets: As of December 31, 2019, 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 2019 and 2018.

LIBERTY COMMUNITY AUTHORITY

Management's Discussion and Analysis

Years Ended December 31, 2019 and 2018

Unaudited

Debt Administration: At the end of 2019, the Authority had three outstanding long-term obligations consisting of the 2014 Public Infrastructure Revenue Bonds in the amount of \$19,020,000, an OWDA loan of \$11,296,115 and a Development Subordinate Bond of \$3,311,942 (including accrued interest). Repayment of the OWDA loan began on January 1, 2018. The Development Subordinate Bond was issued in November 2016 in accordance with the Authority's construction services agreement with the Developer. See Note 7 for a discussion of long-term obligations.

Economic Factors and Future Trends

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

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

Requests for Information

This financial report is designed to provide our citizens, customers, taxpayers, creditors, investors and elected officials with an overview of the Authority's finances and to show accountability for the money it receives. If you have any questions about this report or need additional information, contact the Authority's Treasurer, 7100 Foundry Row, Suite 204, Liberty Township, Ohio 45069.

**LIBERTY COMMUNITY AUTHORITY
STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 237,729	118,008
Facility charges receivable	83,636	98,490
Other receivables	-	1,304
Total current assets	<u>321,365</u>	<u>217,802</u>
Restricted assets:		
Cash with fiscal agents	1,565,539	1,537,798
Capital assets:		
Land	2,333,662	2,333,662
Parking garages and infrastructure	40,896,271	40,896,271
Accumulated depreciation	<u>(3,476,181)</u>	<u>(2,658,256)</u>
Total capital assets	<u>39,753,752</u>	<u>40,571,677</u>
Total assets	<u>41,640,656</u>	<u>42,327,277</u>
LIABILITIES		
Current liabilities:		
Accounts payable	-	699
Accrued interest payable	233,131	240,818
OWDA loan payable - current	503,894	491,529
Bonds payable - current	<u>390,000</u>	<u>370,000</u>
Total current liabilities	<u>1,127,025</u>	<u>1,103,046</u>
Noncurrent liabilities:		
Due to developer	1,416,115	1,054,394
Due to County	1,834,370	839,742
OWDA loan payable	10,792,221	11,296,115
Bonds payable, net of discount	18,254,234	18,628,577
Development subordinate bond payable	<u>3,311,942</u>	<u>3,194,298</u>
Total noncurrent liabilities	<u>35,608,882</u>	<u>35,013,126</u>
Total liabilities	<u>36,735,907</u>	<u>36,116,172</u>
NET POSITION		
Net investment in capital assets	10,324,124	10,666,177
Unrestricted	<u>(5,419,375)</u>	<u>(4,455,072)</u>
Total net position	<u>\$ 4,904,749</u>	<u>6,211,105</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, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Assessed valuation charges	\$ 839,911	744,813
Facility charges	<u>609,619</u>	<u>632,051</u>
Total operating revenues	<u>1,449,530</u>	<u>1,376,864</u>
Operating expenses:		
Professional services	66,009	42,114
Utilities	23,377	20,483
Bank charges	12,755	8,504
Insurance	7,737	7,482
Maintenance	37,047	52,710
Share of developer funded expenses:		
Janitorial	100,301	100,966
Facility operations	49,886	49,115
Security	76,596	92,573
Depreciation	817,925	817,925
Other operating expenses	<u>59,470</u>	<u>31,220</u>
Total operating expenses	<u>1,251,103</u>	<u>1,223,092</u>
Operating income	198,427	153,772
Non-operating revenues (expenses):		
Investment earnings	33,412	10,000
Interest and fiscal charges	<u>(1,538,195)</u>	<u>(1,555,687)</u>
Total non-operating revenues (expenses)	<u>(1,504,783)</u>	<u>(1,545,687)</u>
Change in net position	(1,306,356)	(1,391,915)
Net position - beginning of year	<u>6,211,105</u>	<u>7,603,020</u>
Net position - end of year	\$ <u>4,904,749</u>	<u>6,211,105</u>

See accompanying notes to the basic financial statements.

**LIBERTY COMMUNITY AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash received from tenants and land owners	\$ 1,465,688	1,389,087
Cash paid for goods and services	<u>(72,156)</u>	<u>(43,101)</u>
Net cash provided by operating activities	<u>1,393,532</u>	<u>1,345,986</u>
Cash flows from capital and related financing activities:		
Bond and loan principal paid	(370,000)	(803,153)
Debt interest payments	<u>(909,482)</u>	<u>(616,581)</u>
Net cash used by capital and related financing activities	<u>(1,279,482)</u>	<u>(1,419,734)</u>
Cash flows from investing activities:		
Interest income	<u>33,412</u>	<u>10,000</u>
Net cash provided by investing activities	<u>33,412</u>	<u>10,000</u>
Net change in cash	147,462	(63,748)
Cash and cash equivalents at beginning of year	<u>1,655,806</u>	<u>1,719,554</u>
Cash and cash equivalents at end of year	\$ <u>1,803,268</u>	<u>1,655,806</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 198,427	153,772
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	817,925	817,925
Changes in Assets and Liabilities:		
Receivables	16,158	12,223
Payables	(699)	372
Due to developer	<u>361,721</u>	<u>361,694</u>
Net cash provided by operating activities	\$ <u>1,393,532</u>	<u>1,345,986</u>
Schedule of noncash activities:		
Principal and interest on OWDA loan	\$ <u>783,168</u>	<u>697,637</u>
Interest on subordinate bond	\$ <u>117,644</u>	<u>122,492</u>
Interest on revenue bonds	\$ <u>211,460</u>	<u>142,105</u>

See accompanying notes to the basic financial statements.

LIBERTY COMMUNITY AUTHORITY

Notes to the Basic Financial Statements Years Ended December 31, 2019 and 2018

1. REPORTING ENTITY

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

LIBERTY COMMUNITY AUTHORITY

Notes to the Basic Financial Statements Years Ended December 31, 2019 and 2018

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

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

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

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

3. CASH AND CASH EQUIVALENTS

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

As of December 31, 2019 and 2018, the carrying amount and bank balance of the Authority's deposits was \$23,406, and \$36,457, respectively. These balances were covered by the FDIC.

Cash Equivalents - As of December 31, 2019 and 2018, the Authority also had \$214,323 and \$81,551, respectively in a US Treasury Money Market account. In addition, the Authority had cash on deposit with US Bank (Trustee) in accordance with the Authority's Master Trust Agreement with the Trustee. The amount on deposit with the Trustee at December 31, 2019 and 2018 was \$1,565,539 and \$1,537,798, respectively and consists of a US Treasury money market fund. This account is reported as restricted cash with fiscal agent on the Statement of Net Position.

LIBERTY COMMUNITY AUTHORITY

**Notes to the Basic Financial Statements
Years Ended December 31, 2019 and 2018**

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 Charge and Facilities Charge.

Assessed Valuation Charge

The Assessed Valuation Charge is an annual charge on each chargeable parcel of land within the Authority based on the Assessed Valuation of each parcel which may be expressed as a number of mills. In 2019 and 2018, the Assessed Valuation Charge was the full 10 mills on the total Assessed Valuation. In 2019, the Authority also assessed a Core Retail Valuation Charge of 3.06 mills.

Facility Charge

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

5. RESTRICTED ASSETS

Restricted assets consist of cash with fiscal agent whose use has been restricted by bond indenture for a debt service reserve. Restricted assets at December 31, 2019 and 2018 were \$1,565,539 and \$1,537,798, respectively.

6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

	Balance 1/1/19	Increases	Decreases	Balance 12/31/19
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,333,662	-	-	2,333,662
<i>Capital assets being depreciated:</i>				
Parking garages	\$ 27,025,015	-	-	27,025,015
Infrastructure	13,871,256	-	-	13,871,256
	<u>40,896,271</u>	<u>-</u>	<u>-</u>	<u>40,896,271</u>
Less accumulated depreciation:				
Parking garages	(1,756,625)	(540,500)	-	(2,297,125)
Infrastructure	(901,631)	(277,425)	-	(1,179,056)
Total accumulated depreciation	<u>(2,658,256)</u>	<u>(817,925)</u>	<u>-</u>	<u>(3,476,181)</u>
Capital assets, net	\$ <u>40,571,677</u>	<u>(817,925)</u>	<u>-</u>	<u>39,753,752</u>

LIBERTY COMMUNITY AUTHORITY

**Notes to the Basic Financial Statements
Years Ended December 31, 2019 and 2018**

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance 1/1/18	Increases	Decreases	Balance 12/31/18
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,333,662	-	-	2,333,662
<i>Capital assets being depreciated:</i>				
Parking garages	27,025,015	-	-	27,025,015
Infrastructure	13,871,256	-	-	13,871,256
	<u>40,896,271</u>	<u>-</u>	<u>-</u>	<u>40,896,271</u>
Less accumulated depreciation:				
Parking garages	(1,216,125)	(540,500)	-	(1,756,625)
Infrastructure	(624,206)	(277,425)	-	(901,631)
Total accumulated depreciation	<u>(1,840,331)</u>	<u>(817,925)</u>	<u>-</u>	<u>(2,658,256)</u>
Capital assets, net	\$ <u>41,389,602</u>	<u>(817,925)</u>	<u>-</u>	<u>40,571,677</u>

7. LONG-TERM DEBT

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

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

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

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

LIBERTY COMMUNITY AUTHORITY

**Notes to the Basic Financial Statements
Years Ended December 31, 2019 and 2018**

OWDA loans are direct borrowings that have terms negotiated directly between the Authority and the OWDA and are not offered for public sale. In the event of default, the OWDA may declare the full amount of the then unpaid original loan amount to be immediately due and payable and/or require the Authority to pay any fines, penalties, interest, or late charges associated with the default.

Debt activity for the years ended December 31, 2019 and 2018 was as follows:

	Balance 1/1/19	Additions	Reductions	Balance 12/31/19	Due Within One Year
2014 Revenue Bonds	\$ 19,390,000	-	(370,000)	19,020,000	390,000
Less deferred amount for issuance discounts	<u>(391,423)</u>	<u>-</u>	<u>15,657</u>	<u>(375,766)</u>	<u>-</u>
	<u>18,998,577</u>	<u>-</u>	<u>(354,343)</u>	<u>18,644,234</u>	<u>390,000</u>
<i>Direct Borrowing:</i>					
OWDA Loan	11,787,644	-	(491,529)	11,296,115	503,894
<i>Direct Placement:</i>					
Development Subordinate Bond	<u>3,194,298</u>	<u>117,644</u>	<u>-</u>	<u>3,311,942</u>	<u>-</u>
	<u>\$ 33,980,519</u>	<u>117,644</u>	<u>(845,872)</u>	<u>33,252,291</u>	<u>893,894</u>

	Balance 1/1/18	Additions	Reductions	Balance 12/31/18	Due Within One Year
2014 Revenue Bonds	\$ 19,745,000	-	(355,000)	19,390,000	370,000
Less deferred amount for issuance discounts	<u>(407,080)</u>	<u>-</u>	<u>15,657</u>	<u>(391,423)</u>	<u>-</u>
	<u>19,337,920</u>	<u>-</u>	<u>(339,343)</u>	<u>18,998,577</u>	<u>370,000</u>
<i>Direct Borrowing:</i>					
OWDA Loan	12,267,111	-	(479,467)	11,787,644	491,529
<i>Direct Placement:</i>					
Development Subordinate Bond	<u>3,071,806</u>	<u>122,492</u>	<u>-</u>	<u>3,194,298</u>	<u>-</u>
	<u>\$ 34,676,837</u>	<u>122,492</u>	<u>(818,810)</u>	<u>33,980,519</u>	<u>861,529</u>

LIBERTY COMMUNITY AUTHORITY

Notes to the Basic Financial Statements Years Ended December 31, 2019 and 2018

In accordance with the Construction Services Agreement between the Authority and the Developer for the construction of community facilities by the Developer, the Authority agreed to issue notes or bonds to the Developer to evidence the Authority's obligation to reimburse the Developer for public infrastructure costs funded by the Developer. The Developer incurred additional development costs that were included in the Public Infrastructure Scope that exceeded the amounts paid for by the Bond Issuance and the OWDA loan that could be reimbursable to the Developer after all other obligations are fulfilled per the Funding and Trust Agreements. In 2016, the Developer submitted cost certificates to the Authority which were approved by the Board for reimbursement of costs. Thus, in November 2016, the Authority issued a direct placement Development Subordinate Bond payable to the Developer in the principal amount of \$2,941,091. In 2019 and 2018, there was \$117,644 and \$122,492, respectively, in capitalized interest on the bond.

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

Under funding agreements, Butler County has pledged tax increment financing (TIF) revenues in the event the assessed valuation and facility charges are insufficient to pay debt service on the revenue bonds or OWDA loan. During 2019 and 2018, Butler County provided \$783,168 and \$697,637, respectively, in TIF revenues to use toward OWDA loan debt service and \$211,460 and \$142,105, respectively, in TIF revenues to pay towards the revenue bonds debt service. A liability for these amounts has been recorded on the statements of net position as Due to the County.

Annual debt service requirements for the revenue bonds payable as of December 31, 2019 follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$	390,000	1,103,162	1,493,162
2021		410,000	1,083,662	1,493,662
2022		430,000	1,063,162	1,493,162
2023		455,000	1,041,662	1,496,662
2024		475,000	1,018,912	1,493,912
2025-2029		2,815,000	4,670,775	7,485,775
2030-2034		3,760,000	3,758,826	7,518,826
2035-2039		5,030,000	2,517,900	7,547,900
2040-2043		<u>5,255,000</u>	<u>811,800</u>	<u>6,066,800</u>
Total	\$	<u>19,020,000</u>	<u>17,069,861</u>	<u>36,089,861</u>

LIBERTY COMMUNITY AUTHORITY

Notes to the Basic Financial Statements Years Ended December 31, 2019 and 2018

Annual debt service requirements for the direct borrowing OWDA Loan as of December 31, 2019 follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$	503,894	279,273	783,167
2021		516,570	266,597	783,167
2022		529,565	253,602	783,167
2023		542,887	240,280	783,167
2024		556,544	226,623	783,167
2025-2029		2,999,905	915,930	3,915,835
2030-2034		3,396,706	519,129	3,915,835
2035-2037		<u>2,250,044</u>	<u>99,458</u>	<u>2,349,502</u>
Total	\$	<u>11,296,115</u>	<u>2,800,892</u>	<u>14,097,007</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. If adequate resources are available, the Authority will pay the Developer \$225,000 per year to reimburse these costs. However, the agreement also allows for additional reimbursements to the Developer after debt obligations are paid if surplus revenues exist. Thus, the Authority has reported amounts due to the Developer for operating costs incurred on its behalf by the Developer.

During 2019 and 2018, the Authority hadn't paid the Developer, as required, due to insufficient resources available.

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. During 2018, the three trustees of the Developer were replaced by three trustees from the new property manager of Liberty Center. During 2019, these trustees were again replaced by three trustees from a new property manager.

9. RISK MANAGEMENT

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

10. CONTINGENT LIABILITIES

There are no claims and lawsuits pending against the Authority.

LIBERTY COMMUNITY AUTHORITY

Notes to the Basic Financial Statements Years Ended December 31, 2019 and 2018

11. SUBSEQUENT EVENTS

Butler County provided TIF funds to pay \$391,584 for OWDA loan debt service in January 2020.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and ensuing emergency measures will impact subsequent periods of the Authority. The impact on the Authority's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated at this time.

12. CHANGE IN ACCOUNTING PRINCIPLES

For 2019, the Authority implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the Authority; however, certain note disclosures in Note 7 have been modified to conform to the new requirements.

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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
7100 Foundry Row, Suite 204
Liberty Township, Ohio 45069

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, 2019 and 2018, 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 July 30, 2020, wherein as noted as discussed in Note 11 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Liberty Community Authority.

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 opinions 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.

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*.

Liberty Community Authority
Butler County

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Required by *Government Auditing Standards*

Page 2

Purpose of this Report

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

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

Julian & Grube, Inc.
July 30, 2020

OHIO AUDITOR OF STATE KEITH FABER



LIBERTY COMMUNITY AUTHORITY

BUTLER COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 10/6/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov