

***LIBERTY TOWNSHIP
BUTLER COUNTY***

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2019





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Board of Trustees
Liberty Township
5021 Winners Circle Dr
Liberty Township, OH 45011

We have reviewed the *Independent Auditor's Report* of Liberty Township, Butler County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 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. Liberty Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 21, 2020

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**LIBERTY TOWNSHIP
BUTLER COUNTY**

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

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Liberty Township, Butler County, Ohio (the Township), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 Township'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 Township'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Township, Butler County, Ohio, as of December 31, 2019, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting basis described in Note 2.

Basis of Accounting

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

Emphasis of Matter

As discussed in Note 15 to the financial statements, the Township adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

As discussed in Note 16 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

Other Matters

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2020, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 Township's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.

July 7, 2020

Liberty Township
Butler County, Ohio
Statement of Net Position - Modified Cash Basis
December 31, 2019

	Governmental Activities
Assets	
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ 39,129,095
<i>Total Assets</i>	\$ 39,129,095
 Net Position	
Restricted for:	
Capital Projects	\$ 5,415,411
Debt Service	2,464,469
Public Safety	9,493,951
Public Works	975,292
Cemetery	142,603
Recreation Programs	40,853
Self - insurance	1,355,701
Unrestricted	19,240,815
<i>Total Net Position</i>	\$ 39,129,095

See accompanying notes to the basic financial statements

Liberty Township
Butler County, Ohio
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2019

	Program Cash Receipts			Net (Disbursements Receipts and Changes in Net Position)	
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	
Governmental Activities					
Current:					
General Government	\$ 5,277,207	\$ 689,434	\$ -	\$ -	\$ (4,587,773)
Public Safety	9,258,889	432,722	1,476,078	1,651	(7,348,438)
Public Works	1,663,670	629,541	146,041	838,675	(49,413)
Health	39,093	27,782	-	-	(11,311)
Conservation-Recreation	322,731	9,060	-	-	(313,671)
Payment to Schools	6,021,817	-	1,840,651	-	(4,181,166)
Capital Outlay	4,991,137	-	-	131,297	(4,859,840)
Debt Service:					
Principal Retirement	947,000	-	-	-	(947,000)
Interest and Fiscal Charges	485,111	-	-	-	(485,111)
Debt Issuance Costs	17,876	-	-	-	(17,876)
<i>Total Governmental Activities</i>	<u>\$ 29,024,531</u>	<u>\$ 1,788,539</u>	<u>\$ 3,462,770</u>	<u>\$ 971,623</u>	<u>(22,801,599)</u>
General Receipts:					
Property Taxes Levied for:					
					555,981
					10,014,641
					931,169
					218,219
Other Taxes					
					218,219
Grants and Entitlements not Restricted to					
					2,755,092
					2,755,092
					8,656,966
					35,867
					612,784
					4,200,000
					45,906
					296,664
					<u>28,323,289</u>
					<i>Change in Net Position</i>
					5,521,690
					<i>Net Position Beginning of Year , Restated</i>
					<u>33,607,405</u>
					<i>Net Position End of Year</i>
					<u>\$ 39,129,095</u>

See accompanying notes to the basic financial statements

Liberty Township
Butler County, Ohio
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
December 31, 2019

	General Fund	Fire and EMS Fund	Police Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ 15,507,546	\$ 6,750,258	\$ 2,743,693	\$ 3,234,564	\$ 9,537,333	\$ 37,773,394
<i>Total Assets</i>	<u>\$ 15,507,546</u>	<u>\$ 6,750,258</u>	<u>\$ 2,743,693</u>	<u>\$ 3,234,564</u>	<u>\$ 9,537,333</u>	<u>\$ 37,773,394</u>
Fund Balances						
Restricted	\$ -	\$ 6,750,258	\$ 2,743,693	\$ -	\$ 9,038,628	\$ 18,532,579
Committed	-	-	-	-	498,705	498,705
Assigned	308,485	-	-	3,234,564	-	3,543,049
Unassigned	15,199,061	-	-	-	-	15,199,061
<i>Total Fund Balances</i>	<u>\$ 15,507,546</u>	<u>\$ 6,750,258</u>	<u>\$ 2,743,693</u>	<u>\$ 3,234,564</u>	<u>\$ 9,537,333</u>	<u>\$ 37,773,394</u>

See accompanying notes to the basic financial statements

Liberty Township

Butler County, Ohio

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities - Modified Cash Basis
December 31, 2019

Total Governmental Fund Balances \$ 37,773,394

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

The internal service fund is used by management to charge insurance costs to individual funds. The assets of the internal service fund are included in governmental activities in the statement of net position.

1,355,701

Net Position of Governmental Activities

\$ 39,129,095

See accompanying notes to the basic financial statements

Liberty Township
Butler County, Ohio
Statement of Receipts, Disbursements and Changes Fund Balances - Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2019

	General Fund	Fire and EMS Fund	Police Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$ 774,200	\$ 7,672,910	\$ 2,341,731	\$ -	\$ 931,169	\$ 11,720,010
Charges for Services	9,060	370,442	-	-	10,750	390,252
Licenses, Permits, and Fees	664,951	51,330	10,950	-	32,495	759,726
Fines and Forfeitures	13,418	-	-	-	-	13,418
Intergovernmental	2,886,389	1,131,980	345,748	-	928,887	5,293,004
Payments in Lieu of Taxes	-	-	-	-	8,656,966	8,656,966
Special Assessments	11,065	-	-	-	614,078	625,143
Earnings on Investments	612,784	-	-	-	34,919	647,703
Miscellaneous	183,114	111,872	23	-	1,863,215	2,158,224
Total Receipts	5,154,981	9,338,534	2,698,452	-	13,072,479	30,264,446
Disbursements						
Current:						
General Government	2,513,782	-	-	-	2,813,001	5,326,783
Public Safety	-	6,522,093	2,736,796	-	-	9,258,889
Public Works	-	-	-	-	1,663,670	1,663,670
Health	20,730	-	-	-	18,363	39,093
Conservation-Recreation	322,590	-	-	-	141	322,731
Payments to Schools	-	-	-	-	6,021,817	6,021,817
Capital Outlay	1,156,434	785,340	-	909,946	2,139,417	4,991,137
Debt Service:						
Principal Retirement	-	-	-	-	947,000	947,000
Interest and Fiscal Charges	-	-	-	-	485,111	485,111
Debt Issuance Costs	-	-	-	-	17,876	17,876
Total Disbursements	4,013,536	7,307,433	2,736,796	909,946	14,106,396	29,074,107
Excess of Receipts Over (Under) Disbursements	1,141,445	2,031,101	(38,344)	(909,946)	(1,033,917)	1,190,339
Other Financing Sources (Uses)						
Sale of Notes	-	-	-	-	4,200,000	4,200,000
Premium on Debt	-	-	-	-	45,906	45,906
Sale of Capital Assets	-	31,971	-	-	3,896	35,867
Transfers In	3,566,792	-	-	-	819,741	4,386,533
Transfers Out	(341,028)	(91,724)	-	-	(3,953,781)	(4,386,533)
Total Other Financing Sources (Uses)	3,225,764	(59,753)	-	-	1,115,762	4,281,773
Net Change in Fund Balances	4,367,209	1,971,348	(38,344)	(909,946)	81,845	5,472,112
Fund Balances Beginning of Year, Restated	11,140,337	4,778,910	2,782,037	4,144,510	9,455,488	32,301,282
Fund Balances End of Year	\$ 15,507,546	\$ 6,750,258	\$ 2,743,693	\$ 3,234,564	\$ 9,537,333	\$ 37,773,394

See accompanying notes to the basic financial statements

Liberty Township

Butler County, Ohio

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities - Modified Cash Basis
For the Year Ended December 31, 2019

Net Change in Fund Balances - Total Governmental Funds \$ 5,472,112

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

Internal service funds charge insurance costs to other funds. The entity-wide statements eliminate governmental fund expenditures and related internal service fund charges. Governmental activities report allocated net internal service fund receipts (disbursements).

49,578

Change in Net Position of Governmental Activities

\$ 5,521,690

See accompanying notes to the basic financial statements

Liberty Township
Butler County, Ohio
Statement of Fund Net Position - Modified Cash Basis
Proprietary Fund
December 31, 2019

	Governmental Activities
	Internal Service Fund
Assets	
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ 1,355,701
<i>Total Assets</i>	<i>\$ 1,355,701</i>
Net Position	
Restricted for:	
Self Insurance	\$ 1,355,701
<i>Total Net Position</i>	<i>\$ 1,355,701</i>

See accompanying notes to the basic financial statements

Liberty Township
Butler County, Ohio
Statement of Receipts, Disbursements, and Changes in Fund Net Position - Modified
Cash Basis - Proprietary Fund
For the Year Ended December 31, 2019

	Governmental Activities
	Internal Service Fund
Operating Receipts	
Charges for Services	\$ 1,345,498
<i>Total Operating Receipts</i>	<i>1,345,498</i>
Operating Disbursements	
Purchased Services	374,695
Claims	925,840
<i>Total Operating Disbursements</i>	<i>1,300,535</i>
<i>Operating Income</i>	<i>44,963</i>
Non-Operating Receipts	
Earnings on Investments	4,615
<i>Total Non-Operating Receipts</i>	<i>4,615</i>
<i>Change in Net Position</i>	<i>49,578</i>
<i>Net Position Beginning of Year</i>	<i>1,306,123</i>
<i>Net Position End of Year</i>	<i>\$ 1,355,701</i>

See accompanying notes to the basic financial statements

Liberty Township
Butler County, Ohio
Statement of Cash Flows - Modified Cash Basis
Proprietary Fund
For the Year Ended December 31, 2019

	Governmental Activities
	Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Transactions with Other Funds	\$ 1,345,498
Cash Payments for Goods and Services	(374,695)
Cash Payments for Claims	(925,840)
	<u>44,963</u>
<i>Net Cash Provided by Operating Activities</i>	<u>44,963</u>
Cash Flows from Investing Activities	
Interest on Investments	4,615
	<u>4,615</u>
<i>Net Cash Provided by Investing Activities</i>	<u>4,615</u>
<i>Net Increase in Cash and Cash Equivalents</i>	49,578
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,306,123</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 1,355,701</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ 44,963
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 44,963</u>

See accompanying notes to the basic financial statements

Liberty Township
Butler County, Ohio
Statement of Fiduciary Net Position - Modified Cash Basis
Fiduciary Fund
December 31, 2019

	<u>Private Purpose Trust Fund</u>
Assets	
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ 13,259
<i>Total Assets</i>	<u>\$ 13,259</u>
Net Position	
Held in Trust for cemetery maintenance:	
Nonexpendable	\$ 5,000
Expendable	<u>8,259</u>
<i>Total Net Position</i>	<u>\$ 13,259</u>

See accompanying notes to the basic financial statements

Liberty Township
Butler County, Ohio
Statement of Changes in Fiduciary Net Position - Modified Cash Basis
Fiduciary Fund
For the Year Ended December 31, 2019

	Private Purpose Trust Fund
Additions	
Earnings on Investments	\$ 9
<i>Total Additions</i>	9
<i>Change in Net Position</i>	9
<i>Net Position Beginning of Year</i>	13,250
<i>Net Position End of Year</i>	\$ 13,259

See accompanying notes to the basic financial statements

Liberty Township
Butler County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

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

The reporting entity is comprised of the primary government, component units, and other organizations that were included to ensure the financial statements are not misleading. The Township has no component units.

Primary Government

The primary government consists of all funds, departments, boards, and agencies not legally separate from the Township. The primary government of the Township provides the following services to its citizens – general government services, maintenance of Township roads, bridges, parks, and cemetery, and fire and emergency medical services. The Township contracts with the Butler County Sheriff's Office for police protection.

Public Entity Risk Pools

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members and is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles. See Note 6 for more information.

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

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

Liberty Township
Butler County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” receipts and disbursements. The statements distinguish between governmental and business-type activities of the Township. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions, where business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Township has no business-type activities.

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

Fund Financial Statements

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

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

Fund Accounting

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

Liberty Township
Butler County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

Governmental Funds

Governmental funds are those through which most governmental functions of the Township are financed. The following are the Township's major governmental funds:

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

Fire and EMS Fund – This fund accounts for proceeds from property taxes and other cash receipts restricted for fire department operations and emergency services.

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

Capital Projects Fund – This fund accounts for activities related to the acquisition, construction, and improvement of capital assets. It is currently funded with a transfer from the general fund.

The other governmental funds of the Township account for and report grants and other resources, whose use is restricted, committed, or assigned to a particular purpose.

Proprietary Funds

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The Township's fiduciary fund includes a cemetery bequest private purpose trust fund. Trust funds are used to account for assets held by the Township under a trust agreement for individuals, private organizations, or other governments and are not available to support the Township's own programs. The Township's cemetery bequest trust fund was established for memorial purposes by former residents who are buried at the Township's Spring Hill Cemetery.

Liberty Township
Butler County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

Basis of Accounting

The Township's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

Cash and Investments

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

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

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

During 2019, the Township invested in negotiable certificates of deposit, U.S. Agency Securities, a money market mutual fund, and STAR Ohio. The negotiable certificates of deposits and the U.S. Agency Securities are reports at fair value as of December 31, 2019. The Township's money market mutual fund investment is recorded at the amount reported by Morgan Stanley on December 31, 2019.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The Township measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Liberty Township
Butler County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

Cash and Investments (continued)

For 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transaction to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Interest earnings are allocated to Township funds according to state statutes, grant requirements, or debt related restrictions. In 2019, the General Fund received \$612,784 in interest earnings and Other Governmental Funds received \$34,919.

Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

Accumulated Leave

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

Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

Long-Term Obligations

The Township's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, nor an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

Liberty Township
Butler County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

Net Position

Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted net position includes resources restricted for maintaining roads and bridges, fire and emergency medical services, police services, debt service, recreation programs, cemetery maintenance, and self-insurance.

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

Fund Balance

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

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact.

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

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

Liberty Township
Butler County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

Fund Balance (continued)

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

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

The Township applies restricted resources first when disbursements are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Interfund Transactions

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

Note 3 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories – active monies, inactive deposits, and interim deposits.

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

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

Liberty Township
Butler County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

savings or deposit accounts including, but not limited to, passbook accounts.

Note 3 – Deposits and Investments (continued)

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

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

1. U.S. Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and

Liberty Township
Butler County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 3 – Deposits and Investments (continued)

8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Fiscal Officer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the Township had \$100 in undeposited cash on hand which is not included as part of *“Equity in Pooled Cash and Cash Equivalents”* on the financial statements.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the Township’s deposits was \$10,072,460 and the bank balance was \$10,663,487. Based on the criteria established in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of December 31, 2019, none of the Township’s bank balance was exposed to custodial risk as described above.

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

Eligible securities pledged to the Township and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Liberty Township
Butler County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 3 – Deposits and Investments (continued)

Investments

As of December 31, 2019, the Township had the following investments:

	Fair Value	Investment Maturities (in Years)	
		Less than 1	1 - 2
Federal Home Loan Mortgage Corporation	\$ 501,598	\$ -	\$ 501,598
Federal Home Loan Bank	500,434	500,434	-
Federal National Mortgage Association	501,868	-	501,868
Negotiable Certificates of Deposit	2,895,114	2,137,022	758,092
Money Market Funds	6,870,895	6,870,895	-
STAR Ohio	17,799,885	17,799,885	-
	<u>\$ 29,069,794</u>	<u>\$ 27,308,236</u>	<u>\$ 1,761,558</u>

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

Credit Risk – Federal agency investments carry a rating of Aaa by Moody's and STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires money market funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The negotiable certificates of deposit are not rated.

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

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

Concentration of Credit Risk – The Township places no limit on the amount it may invest in any one issuer. The following is an investment schedule as of December 31, 2019:

Liberty Township
Butler County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 3 – Deposits and Investments (continued)

Investments (continued)

Investment Issuer	Percentage of Investments
Federal Home Loan Mortgage Corporation Notes	2%
Federal Home Loan Bank Bonds	2%
Federal National Mortgage Association Bonds	2%
Negotiable Certificates of Deposit	10%
Money Market Funds	24%
STAR Ohio	60%
	100%

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The Township’s U.S. Agency Securities and negotiable certificates of deposit were valued using pricing sources as provided by the investment manager (Level 2 inputs). Investments in the money market and STAR Ohio are excluded from fair value measurement requirements under generally accepted accounting principles and instead, are reported at amortized cost which approximates fair value.

Note 4 – Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Township. Property tax revenue received during 2019 for real and public utility property taxes represents collections of 2018 taxes.

Real property taxes for 2019 are levied after October 1, 2019, on the assessed value as of January 1, 2019, the lien date. Assessed values are established by State law at 35 percent of appraised market value. Real property taxes for 2019 are collected in and intend to finance 2020.

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

Public utility personal property currently is assessed at varying percentages of true value and public utility real property is assessed at 35 percent of true value. Public property taxes for 2019, which became a lien December 31, 2018, are levied after October 1, 2019, and are collected in 2020 with real property taxes.

Liberty Township
Butler County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 4 – Property Taxes (continued)

The full tax rate for all Township operations for the year ended December 31, 2019, was \$15.09 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2019 property tax receipts were based are as follows:

Real Property - Residential, Agricultural, and Other	\$ 1,057,284,400
Public Utility Property	<u>29,890,590</u>
Total Assessed Value	<u><u>\$ 1,087,174,990</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Township. The County Auditor periodically remits to the Township its portion of the taxes collected.

Note 5 – Interfund Balances and Transfers

During 2019 the following transfers were made:

	Transfers In	Transfers Out
Major Funds		
General Fund	\$ 3,566,792	\$ 341,028
Fire and EMS Fund	-	91,724
Other Governmental Funds		
Road and Bridge Fund	-	16,819
Road Garage Debt Service Fund	95,664	-
Fire Station 113 Building Debt Service Fund	91,724	-
Townhomes of Four Bridges RID Fund	18,610	-
Fire Station 111 Building Debt Service Fund	203,314	-
Road Salt Barn Debt Service Fund	16,819	-
Kyles Station Road Debt Service Fund	166,856	-
Services Storage Facility Fund	226,754	-
Summerlin RID Fund	-	2,245,076
Aspen Trails RID Fund	-	123,390
Creekside Meadows RID Fund	-	123,390
Falling Water RID Fund	-	123,390
Kyles Station Meadows RID Fund	-	1,321,716
	\$ 4,386,533	\$ 4,386,533

Liberty Township
Butler County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 5 – Interfund Balances and Transfers (continued)

Transfers (continued)

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, or to use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers from the Fire and EMS Fund and other nonmajor funds were in compliance with Ohio Revised Code to make debt payments. In addition, transfers from the Kyles Station Meadows and Summerlin Residential Incentive District (RID) Funds were made to the General Fund as a result of the funds closing, in accordance with Ohio Revised Code, Section 5709.75(F).

Note 6 – Risk Management

The Township is a member of the Ohio Township Association Risk Management Authority (the Pool). The Pool assumes the risk of loss up to the limits of the Township’s policy. The Pool covers the following risks: general liability and casualty, public official’s liability, cyber, law enforcement liability, automobile liability, vehicles, property, and equipment breakdown.

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liability as of December 31, 2018 (most recent information available):

Cash and Investments	\$ 33,097,416
Actuarial Liabilities	\$ 7,874,610

Workers’ Compensation coverage is provided by the State of Ohio. The Township pays the State Workers’ Compensation system a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs

The Township manages employee health benefits on a self-insured basis. The employee health benefit plan provides basic medical and prescription drug benefits through Custom Design Benefits, the third party administrator (TPA) of the program, which reviews and pays the claims. A specific excess loss coverage (stop-loss) insurance policy covers claims in excess of \$35,000 per employee per year. The Self-Insurance internal service fund pays covered claims to service providers and recovers these costs from charges to other funds based on historical cost information and adjusted over a reasonable period of time so the internal service fund receipts and disbursements are approximately equal.

A comparison of Self-Insurance Fund cash and investments to the actuarially-measured liability as of December 31, 2019, follows:

Cash and Investments	\$ 1,355,701
Actuarial Liabilities	\$ 179,598

Liberty Township
Butler County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Note 7 – Defined Benefit Pension Plans

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – Township employees, other than full-time firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

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

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

Liberty Township
Butler County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

Note 7 – Defined Benefit Pension Plans (continued)

Plan Description – Ohio Public Employees Retirement System (OPERS) (continued)

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

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

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

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment

Liberty Township
Butler County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

Note 7 – Defined Benefit Pension Plans (continued)

Plan Description – Ohio Public Employees Retirement System (OPERS) (continued)

	State and Local
2019 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2019 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits **	0.0 %
Total Employer	14.0 %
Employee	10.0 %

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

** This employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Township’s contractually required contribution for the years ended December 31, 2019, 2018, and 2017 were \$237,253, \$228,689, and \$206,106, respectively.

Liberty Township
Butler County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Plan Description – Ohio Police & Fire Pension Fund (OPF)

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

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

Note 7 – Defined Benefit Pension Plans (continued)

Plan Description – Ohio Police & Fire Pension Fund (OPF) (continued)

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OPF's CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

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

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer

Liberty Township
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

contributions as follows:

	<u>Firefighters</u>
2019 Statutory Maximum Contribution Rates	
Employer	24.00 %
Employee	12.25 %
 2019 Actual Contribution Rates	
Employer:	
Pension	23.50 %
Post-employment Health Care Benefits	0.50 %
 Total Employer	 24.00 %
 Employee	 12.25 %

Note 7 – Defined Benefit Pension Plans (continued)

Plan Description – Ohio Police & Fire Pension Fund (OPF) (continued)

Employer contribution rates are expressed as a percentage of covered payroll. The Township’s contractually required contribution to OPF for the years ended December 31, 2019, 2018, and 2017 were \$822,918, \$713,716 and \$643,217, respectively.

Social Security

Several Township employees contributed to Social Security. This plan provides retirement benefits, including survivor, and disability benefits to participant.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2019.

Note 8 – Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage, and

Liberty Township
Butler County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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

Note 8 – Postemployment Benefits (continued)

Ohio Public Employees Retirement System (continued)

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2019, OPERS did not allocate any employer contributions to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Township's required contribution was \$0 for 2019.

Ohio Police and Fire Pension Fund

Liberty Township
Butler County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Plan Description – The Township contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OPF provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

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

Note 8 – Postemployment Benefits (continued)

Ohio Police and Fire Pension Fund (continued)

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 24 percent of covered payroll for fire employer units. The Ohio Revised Code states that the employer contribution may not exceed 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OPF maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits One for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2018, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

Liberty Township
Butler County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

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

Beginning January 1, 2019, OPF is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OPF will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

The Township's contractually required contribution to OPF was \$17,144 for 2019.

Note 9 – Debt

Notes Payable

A summary of the Township's note transactions for the year ended December 31, 2019 is as follows:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance December 31 2018</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance December 31 2019</u>
Bond Anticipation Notes						
Administration Building - Series 2019	3.00%	3/26/2020	\$ -	\$ 4,200,000	\$ -	\$ 4,200,000
Total Bond Anticipation Notes			<u>\$ -</u>	<u>\$ 4,200,000</u>	<u>\$ -</u>	<u>\$ 4,200,000</u>

The Township issued bond anticipation notes in March 2019 for the purpose of constructing an administration building. As of December 31, 2019, \$1,464,609 of the bond proceeds have been spent.

These notes are backed by the full faith and credit of the Township, and mature within one year.

Bonds Payable

A summary of the Township's long-term debt activity for the year ended December 31, 2019 is as follows:

Liberty Township

Butler County, Ohio

Notes to the Basic Financial Statements

For the Year Ended December 31, 2019

	Interest Rate	Maturity Date	Balance			Balance	Amounts
			December 31 2018	Additions	Retired	December 31 2019	Due In One Year
General Obligation Bonds							
Road Garage Refinanced	3.40%	2020	\$ 207,000	\$ -	\$ 102,000	\$ 105,000	\$105,000
Fire Station 113 - Refunding Bonds	2.70%	2023	655,000	-	120,000	535,000	125,000
Services Storage Facility	2.27%	2031	2,530,000	-	170,000	2,360,000	175,000
Refunding 2017	2.27%	2031	5,685,000	-	480,000	5,205,000	490,000
Total General Obligation Bonds			<u>9,077,000</u>	<u>-</u>	<u>872,000</u>	<u>8,205,000</u>	<u>895,000</u>
Revenue Bonds							
Liberty Center Project - Series 2014B	4.0% - 5.0%	2041	5,870,000	-	75,000	5,795,000	80,000
Total Revenue Bonds			<u>5,870,000</u>	<u>-</u>	<u>75,000</u>	<u>5,795,000</u>	<u>80,000</u>
Total			<u>\$14,947,000</u>	<u>\$ -</u>	<u>\$ 947,000</u>	<u>\$14,000,000</u>	<u>\$ 975,000</u>

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

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

Note 9 – Debt (continued)

Long-Term Obligations

	General Obligation Bonds		
	Principal	Interest	Total
2020	895,000	189,740	1,084,740
2021	810,000	167,700	977,700
2022	825,000	148,754	973,754
2023	865,000	129,446	994,446
2024	730,000	109,187	839,187
2025-2029	3,645,000	289,879	3,934,879
2030-2031	435,000	14,868	449,868
	<u>\$8,205,000</u>	<u>\$1,049,574</u>	<u>\$ 9,254,574</u>

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

Liberty Township
Butler County, Ohio
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For the Year Ended December 31, 2019

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

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

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

Note 9 – Debt (continued)

Long-Term Obligations (continued)

	Revenue Bonds		
	Principal	Interest	Total
2020	80,000	272,562	352,562
2021	85,000	269,362	354,362
2022	90,000	265,963	355,963
2023	190,000	262,363	452,363
2024	195,000	254,763	449,763
2025-2029	1,115,000	1,146,125	2,261,125
2030-2034	1,395,000	874,838	2,269,838
2035-2039	1,790,000	491,000	2,281,000
2040-2041	855,000	64,750	919,750
	<u>\$ 5,795,000</u>	<u>\$ 3,901,726</u>	<u>\$ 9,696,726</u>

Debt Margin

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5% of the tax valuation of the

Liberty Township
Butler County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

Township. The Revised Code further provides total voted and unvoted net debt of the Township less the same exempt debt shall never exceed an amount equal to 10.5% of its tax valuation.

The effects of the debt limitations at December 31, 2019, were an overall debt margin of \$105,948,374 and an unvoted debt margin of \$51,589,624.

Note 10 – Intergovernmental Agreements

Butler County Transportation Improvement District

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

Note 10 – Intergovernmental Agreements (continued)

Butler County Transportation Improvement District (continued)

During 2019, the amount pledged totaled and paid by the Township was \$2,694,250. Minimum payments via pledged revenues are expected as follows:

	<u>Amount</u>
2020	\$ 1,173,900
2021	1,186,500
2022	1,227,200
2023	1,234,900
2024	1,246,900
2025-2029	7,105,200
2030-2034	3,844,500
	<u>\$ 17,019,100</u>

Note 11 – Contingent Liabilities

The Township is party to various legal proceedings seeking damages. Township management is of the opinion the ultimate disposition of the various claims and legal proceedings will not have a material effect, if any, on the financial statements of the Township. The Township also participates in various grant

Liberty Township
Butler County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

programs. These programs may be subject to financial and compliance audits by the grantor or their representative.

Note 12 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the government funds.

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Note 12 – Fund Balances (continued)

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below as of December 31, 2019:

Liberty Township
Butler County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

	<u>General Fund</u>	<u>Fire and EMS Fund</u>	<u>Police Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted for:						
Capital Projects	\$ -	\$ -	\$ -	\$ -	\$ 5,415,411	\$ 5,415,411
Debt Service	-	-	-	-	2,464,469	2,464,469
Public Safety	-	6,750,258	2,743,693	-	-	9,493,951
Public Works	-	-	-	-	975,292	975,292
Cemetery	-	-	-	-	142,603	142,603
Recreation Programs	-	-	-	-	40,853	40,853
<i>Total Restricted</i>	-	6,750,258	2,743,693	-	9,038,628	18,532,579
Committed to:						
Public Works	-	-	-	-	498,705	498,705
<i>Total Committed</i>	-	-	-	-	498,705	498,705
Assigned to:						
Capital Outlay	-	-	-	3,234,564	-	3,234,564
General Government	288,433	-	-	-	-	288,433
Recreation Programs	20,052	-	-	-	-	20,052
<i>Total Assigned</i>	308,485	-	-	3,234,564	-	3,543,049
Unassigned	15,199,061	-	-	-	-	15,199,061
Total Fund Balances	<u>\$ 15,507,546</u>	<u>\$ 6,750,258</u>	<u>\$ 2,743,693</u>	<u>\$ 3,234,564</u>	<u>\$ 9,537,333</u>	<u>\$ 37,773,394</u>

Note 13 – Construction and Contractual Commitments

As of December 31, 2019, the Township has approximately \$1.5 million in remaining construction costs for the new administration building. The project is expected to be completed in 2020.

Note 14 – Subsequent Event

The Township approved a resolution in February 2020 to authorize the issuance of \$10.7 million in various purpose general obligation bonds – \$4.2 million for building improvements and \$6.5 million for building a new fire station.

Note 15 – Change in Accounting Principle and Restatement

In prior years, the Township was advised to post homestead and rollback receipts into the Fire Fund. Upon further research, it was determined these receipts should have been posted into the Police Fund. In addition, GASB Statement No. 84, *Fiduciary Activities*, was implemented during the year – which resulted

Liberty Township
Butler County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2019

in reclassifying the agency fund with the General Fund in 2019. Lastly, the Ambulance Fund, reported as other governmental funds in 2018, was combined with the Fire Fund in 2019 to create the Fire and EMS Fund.

The correction of receipts posting, implementation of GASB Statement No. 84, and a reclassification had the following effect on the fund balance/net position as reported December 31, 2018:

	General Fund	Fire and EMS Fund	Police Fund	Other Governmental Funds	Agency Fund
Fund Balance at December 31, 2018	\$ 11,089,310	\$ 4,586,722	\$ 2,393,280	\$ 10,036,433	\$ 51,027
Adjustments:					
Misposted Receipts	-	(388,757)	388,757	-	-
GASB Statement No. 84 reclassification	51,027	-	-	-	-
Fund Reclassification	-	580,945	-	(580,945)	(51,027)
Restated Fund Balance at December 31, 2018	<u>\$ 11,140,337</u>	<u>\$ 4,778,910</u>	<u>\$ 2,782,037</u>	<u>\$ 9,455,488</u>	<u>\$ -</u>

	Governmental Activities	Agency Fund
Net Position at December 31, 2018	\$ 33,556,378	\$ 51,027
Adjustment:		
GASB Statement No. 84 reclassification	51,027	(51,027)
Restated Net Position at December 31, 2018	<u>\$ 33,607,405</u>	<u>\$ -</u>

Note 16 – Subsequent Event

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 the ensuing emergency measures will impact subsequent periods of the Township. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Township's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Liberty Township
Butler County, Ohio
Schedule of Receipts, Disbursements, and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2019

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$ 627,856	\$ 627,856	\$ 774,200	\$ 146,344
Charges for Services	4,000	4,000	9,060	5,060
Licenses, Permits and Fees	516,942	516,942	664,951	148,009
Fines and Forfeitures	13,465	13,465	13,418	(47)
Intergovernmental	2,412,163	2,412,163	2,886,389	474,226
Special Assessments	3,000	3,000	11,065	8,065
Earnings on Investments	60,000	60,000	612,696	552,696
Miscellaneous	53,550	53,550	130,101	76,551
<i>Total Receipts</i>	<u>3,690,976</u>	<u>3,690,976</u>	<u>5,101,880</u>	<u>1,410,904</u>
Disbursements				
Current:				
General Government	3,220,571	3,219,613	2,618,014	601,599
Health	20,000	20,730	20,730	-
Conservation-Recreation	351,731	356,685	332,742	23,943
Capital Outlay	<u>1,827,640</u>	<u>2,093,964</u>	<u>1,297,284</u>	<u>796,680</u>
<i>Total Disbursements</i>	<u>5,419,942</u>	<u>5,690,992</u>	<u>4,268,770</u>	<u>1,422,222</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,728,966)</u>	<u>(2,000,016)</u>	<u>833,110</u>	<u>2,833,126</u>
Other Financing Sources (Uses)				
Transfers In	-	-	3,566,792	3,566,792
Transfers Out	(863,032)	(863,032)	(341,028)	522,004
Advances Out	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>	<u>15,000</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(878,032)</u>	<u>(878,032)</u>	<u>3,225,764</u>	<u>4,103,796</u>
<i>Net Change in Fund Balance</i>	(2,606,998)	(2,878,048)	4,058,874	6,936,922
<i>Unencumbered Fund Balance Beginning of Year</i>	10,297,411	10,297,411	10,297,411	-
Prior Year Encumbrances Appropriated	<u>791,899</u>	<u>791,899</u>	<u>791,899</u>	<u>-</u>
<i>Unencumbered Fund Balance End of Year</i>	<u>\$ 8,482,312</u>	<u>\$ 8,211,262</u>	<u>\$ 15,148,184</u>	<u>\$ 6,936,922</u>

See accompanying notes to the basic financial statements

Liberty Township
Butler County, Ohio
Schedule of Receipts, Disbursements, and Changes
In Fund Balance - Budget and Actual - Budget Basis
Fire and EMS Fund
For the Year Ended December 31, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$ 7,487,853	\$ 7,487,853	\$ 7,672,910	\$ 185,057
Charges for Services	372,497	372,497	370,442	(2,055)
Licenses, Permits and Fees	63,173	63,173	51,330	(11,843)
Intergovernmental	850,000	850,000	1,131,980	281,980
Miscellaneous	2,000	2,000	111,872	109,872
<i>Total Receipts</i>	<u>8,775,523</u>	<u>8,775,523</u>	<u>9,338,534</u>	<u>563,011</u>
Disbursements				
Current:				
Public Safety	6,846,934	7,254,884	6,792,177	462,707
Capital Outlay	884,643	1,132,872	1,104,564	28,308
<i>Total Disbursements</i>	<u>7,731,577</u>	<u>8,387,756</u>	<u>7,896,741</u>	<u>491,015</u>
<i>Excess of Receipts Over Disbursements</i>	<u>1,043,946</u>	<u>387,767</u>	<u>1,441,793</u>	<u>1,054,026</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	-	-	31,971	31,971
Transfers Out	(137,685)	(137,685)	(91,724)	45,961
<i>Total Other Financing Sources (Uses)</i>	<u>(137,685)</u>	<u>(137,685)</u>	<u>(59,753)</u>	<u>77,932</u>
<i>Net Change in Fund Balance</i>	906,261	250,082	1,382,040	1,131,958
<i>Unencumbered Fund Balance Beginning of Year, Restated (1)</i>	4,669,279	4,669,279	4,669,279	-
Prior Year Encumbrances Appropriated	109,630	109,630	109,630	-
<i>Unencumbered Fund Balance End of Year</i>	<u>\$ 5,685,170</u>	<u>\$ 5,028,991</u>	<u>\$ 6,160,949</u>	<u>\$ 1,131,958</u>

See accompanying notes to the basic financial statements

(1) the Ambulance Fund was combined with the Fire Fund to create the Fire and EMS Fund in addition to a restatement - see note 15 in the notes to the basic financial statements

Liberty Township
Butler County, Ohio
Schedule of Receipts, Disbursements, and Changes
In Fund Balance - Budget and Actual - Budget Basis
Police Fund
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 2,233,124	\$ 2,233,124	\$ 2,341,731	\$ 108,607
Licenses, Permits and Fees	6,733	6,733	10,950	4,217
Intergovernmental	239,176	239,176	345,748	106,572
Miscellaneous	-	-	23	23
<i>Total Receipts</i>	<u>2,479,033</u>	<u>2,479,033</u>	<u>2,698,452</u>	<u>219,419</u>
Disbursements				
Current:				
Public Safety	2,820,264	2,820,264	2,736,811	83,453
<i>Total Disbursements</i>	<u>2,820,264</u>	<u>2,820,264</u>	<u>2,736,811</u>	<u>83,453</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(341,231)</u>	<u>(341,231)</u>	<u>(38,359)</u>	<u>302,872</u>
Other Financing Uses				
Transfers Out	(110,000)	(110,000)	-	110,000
<i>Total Other Financing Uses</i>	<u>(110,000)</u>	<u>(110,000)</u>	<u>-</u>	<u>110,000</u>
<i>Net Change in Fund Balance</i>	(451,231)	(451,231)	(38,359)	412,872
<i>Unencumbered Fund Balance Beginning of Year, Restated (1)</i>	2,781,976	2,781,976	2,781,976	-
Prior Year Encumbrances Appropriated	61	61	61	-
<i>Unencumbered Fund Balance End of Year</i>	<u>\$ 2,330,806</u>	<u>\$ 2,330,806</u>	<u>\$ 2,743,678</u>	<u>\$ 412,872</u>

See accompanying notes to the basic financial statements

(1) see note 15 in the notes to the basic financial statements for explanation

Liberty Township
Butler County, Ohio
Notes to the Supplementary Information
For the Year Ended December 31, 2019

Note 1 – Budgetary Process

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

The appropriations resolution is the Township’s authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund and department level for all funds, and within each fund, the amount appropriated for personal services.

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

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

Note 2 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Schedule of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Fire and EMS Fund, and Police Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis are outstanding year-end encumbrances, which are treated as cash disbursements (budgetary basis) rather than as restricted, committed, or assigned fund balance (*modified* cash basis) and activity in the flex spending account (formerly reported as an agency fund). The following table summarizes the adjustments necessary to reconcile modified cash basis to the budgetary basis.

	<u>General Fund</u>	<u>Fire and EMS Fund</u>	<u>Police Fund</u>
Net Change in Fund Balance - Modified Cash Basis	\$ 4,367,209	\$ 1,971,348	\$ (38,344)
Activity not budgeted - flex spending account receipts	(53,100)	-	-
Activity not budgeted - flex spending account disbursements	53,250	-	-
Adjustment for 2019 Encumbrances	(308,485)	(589,308)	(15)
Net Change in Fund Balance - Budget Basis	<u>\$ 4,058,874</u>	<u>\$ 1,382,040</u>	<u>\$ (38,359)</u>

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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 Township
Butler County
7162 Liberty Centre Drive, Suite A
Liberty Township, OH 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 governmental activities, each major fund, and the aggregate remaining fund information of the Liberty Township, Butler County, (the Township) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements and have issued our report thereon dated July 7, 2020, wherein we noted the Township uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township'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 Township'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 Township'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 Township'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 Township

Butler County

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

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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 Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.

July 7, 2020

OHIO AUDITOR OF STATE KEITH FABER



LIBERTY TOWNSHIP

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 9/3/2020

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