



OHIO AUDITOR OF STATE
KEITH FABER



**LIBERTY COMMUNITY AUTHORITY
BUTLER COUNTY
DECEMBER 31, 2021**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Members of the Board of Trustees:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Liberty Community Authority, Butler County, Ohio (the Authority), a component unit of Butler County, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Liberty Community Authority, Butler County, Ohio as of December 31, 2021, and the changes in financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Authority. Our opinion is not modified with respect to this matter.

Other Matter

Prior Period Financial Statements Audited by a Predecessor Auditor

The financial statements of the Liberty Community Authority, Butler County, Ohio (the Authority), as of and for the year ended December 31, 2020, were audited by predecessor auditor whose report dated June 25, 2021, expressed an unmodified opinion on those statements. They noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Authority. Their opinion was not modified in respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting

for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2022, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio
August 17, 2022

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LIBERTY COMMUNITY AUTHORITY

Management's Discussion and Analysis

Years Ended December 31, 2021 and 2020

Unaudited

The management's discussion and analysis of the Liberty Community Authority's (Authority) financial performance provides an overall review of the Authority's financial activities for the years ended December 31, 2021 and 2020. While the intent of this discussion and analysis is to look at the Authority's financial performance, readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Authority's fiscal performance.

Financial Highlights

Key highlights for 2021:

- ❑ The Authority's community development charges experienced an increase of \$525,853 during 2021. In 2020, many of the stores had closures and operating restrictions due to the global pandemic. Thus, the facility charges increased \$271,402. In addition, the Core Retail Charge assessed in 2021 was \$227,358 greater than the 2020 assessment.
- ❑ The Authority's total net position decreased \$921,308 in 2021 due in large part to the recognition of depreciation on infrastructure assets and an increase in amounts due to Butler County (the County) and the developer.

Overview of the Financial Statements

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

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

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

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. In the case of the Authority assets exceeded liabilities by \$2,571,887 and \$3,493,195 as of December 31, 2021 and 2020, respectively.

LIBERTY COMMUNITY AUTHORITY

Management's Discussion and Analysis

Years Ended December 31, 2021 and 2020

Unaudited

The following table provides a summary of the Authority's net position for the years ended December 31, 2021, 2020 and 2019:

Table 1
Net Position

	2021	2020	2019
Assets			
Current and other assets	\$ 2,321,730	\$ 1,800,963	\$ 1,886,904
Capital assets	<u>38,117,902</u>	<u>38,935,827</u>	<u>39,753,752</u>
Total Assets	<u>40,439,632</u>	<u>40,736,790</u>	<u>41,640,656</u>
Liabilities			
Current liabilities	811,715	1,177,100	1,127,025
Noncurrent liabilities	<u>37,056,030</u>	<u>36,066,495</u>	<u>35,608,882</u>
Total Liabilities	<u>37,867,745</u>	<u>37,243,595</u>	<u>36,735,907</u>
Net Position			
Net investment in capital assets	9,677,424	9,740,924	10,324,124
Unrestricted	<u>(7,105,537)</u>	<u>(6,247,729)</u>	<u>(5,419,375)</u>
Total Net Position	<u>\$ 2,571,887</u>	<u>\$ 3,493,195</u>	<u>\$ 4,904,749</u>

In 2021, the increase in current and other assets was due to increases in cash equivalents primarily related to the increased community development charges. Capital assets decreased due to depreciation on the parking garages and public infrastructure. Noncurrent liabilities continue to increase due to increases in amounts due to the developer and Butler County. Under funding agreements, Butler County tax increment financing (TIF) revenues are utilized in the event operating revenues are insufficient to pay debt service, which occurred during 2021. Both liabilities to the developer and the County are subordinate to debt service requirements, and thus, were classified as noncurrent.

In 2020, the decrease in current and other assets was due to decreases in cash equivalents and cash with fiscal agents due to reduced revenues in 2020 due to the global pandemic. Capital assets decreased due to depreciation on the parking garages and public infrastructure. Noncurrent liabilities continue to increase due to increases in amounts due to the developer and Butler County. Under funding agreements, Butler County tax increment financing (TIF) revenues are utilized in the event operating revenues are insufficient to pay debt service, which occurred during 2020. Both liabilities to the developer and the County are subordinate to debt service requirements as noted above.

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

LIBERTY COMMUNITY AUTHORITY

Management's Discussion and Analysis

Years Ended December 31, 2021 and 2020

Unaudited

The following table provides a summary of the changes in the Authority's net position for the years ended December 31, 2021, 2020, and 2019.

Table 2
Changes in Net Position

	2021	2020	2019
Operating revenues:			
Assessed valuation charges	\$ 1,082,052	\$ 827,601	839,911
Facility charges	697,971	426,569	609,619
Total operating revenues	<u>1,780,023</u>	<u>1,254,170</u>	<u>1,449,530</u>
Operating expenses:			
Professional services	97,221	132,586	66,009
Depreciation	817,925	817,925	817,925
Other operating expenses	304,337	289,120	367,169
Total operating expenses	<u>1,219,483</u>	<u>1,239,631</u>	<u>1,251,103</u>
Operating income	<u>560,540</u>	<u>14,539</u>	<u>198,427</u>
Nonoperating revenues (expenses)			
Interest income	5	7,312	33,412
Interest and fiscal charges	(1,481,853)	(1,433,405)	(1,538,195)
Total nonoperating expenses	<u>(1,481,848)</u>	<u>(1,426,093)</u>	<u>(1,504,783)</u>
Change in net position	(921,308)	(1,411,554)	(1,306,356)
Net position, beginning of year	<u>3,493,195</u>	<u>4,904,749</u>	<u>6,211,105</u>
Net position, end of year	<u>\$ 2,571,887</u>	<u>\$ 3,493,195</u>	<u>\$ 4,904,749</u>

The Authority began collecting its community development charges in the form of Assessed Valuation Charges and Facility Charges in October of 2015. These revenues increased 42% during 2021 and decreased by 13% in 2020. As noted, this was due to the impacts of the global pandemic in 2020 and revenues returned to and exceed historical levels. Operating expenses are comparable between 2021, 2020 and 2019.

Capital Assets and Debt Administration

Capital Assets: As of December 31, 2021, the Authority had \$43 million in capital assets which consist of parking garages and infrastructure for water, sewer and storm water improvements. The construction of these items and transfer to the Authority occurred in 2015. The Authority financed the majority of the construction costs but both Butler County and Liberty Township also financed a portion of the construction. Note 6 provides capital asset activity during 2021 and 2020.

LIBERTY COMMUNITY AUTHORITY

Management's Discussion and Analysis

Years Ended December 31, 2021 and 2020

Unaudited

Debt Administration: At the end of 2021, the Authority had three outstanding long-term obligations consisting of the 2014 Public Infrastructure Revenue Bonds in the amount of \$18,220,000, an OWDA loan of \$10,275,651 and a Development Subordinate Bond of \$3,547,230 (including accrued interest). Repayment of the OWDA loan began on January 1, 2018. The Development Subordinate Bond was issued in November 2016 in accordance with the Authority's construction services agreement with the Developer. See Note 7 for a discussion of long-term obligations.

Economic Factors and Future Trends

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

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

Requests for Information

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

**LIBERTY COMMUNITY AUTHORITY
STATEMENTS OF NET POSITION
DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 684,646	191,921
Assessed valuation charges receivable	16,780	15,839
Facility charges receivable	<u>99,192</u>	<u>72,001</u>
Total current assets	<u>800,618</u>	<u>279,761</u>
Restricted assets:		
Cash with fiscal agents	1,521,112	1,521,202
Capital assets:		
Land	2,333,662	2,333,662
Parking garages and infrastructure	40,896,271	40,896,271
Accumulated depreciation	<u>(5,112,031)</u>	<u>(4,294,106)</u>
Total capital assets	<u>38,117,902</u>	<u>38,935,827</u>
Total assets	<u>40,439,632</u>	<u>40,736,790</u>
LIABILITIES		
Current liabilities:		
Accounts payable	29,980	28,530
Accrued interest payable	88,597	228,377
OWDA loan payable - current	263,138	510,193
Bonds payable - current	<u>430,000</u>	<u>410,000</u>
Total current liabilities	<u>811,715</u>	<u>1,177,100</u>
Noncurrent liabilities:		
Due to developer	2,080,323	1,676,632
Due to County	3,970,416	2,564,846
OWDA loan payable	10,012,513	10,535,540
Bonds payable, net of discount	17,445,548	17,859,891
Development subordinate bond payable	<u>3,547,230</u>	<u>3,429,586</u>
Total noncurrent liabilities	<u>37,056,030</u>	<u>36,066,495</u>
Total liabilities	<u>37,867,745</u>	<u>37,243,595</u>
NET POSITION		
Net investment in capital assets	9,677,424	9,740,924
Unrestricted	<u>(7,105,537)</u>	<u>(6,247,729)</u>
Total net position	<u>\$ 2,571,887</u>	<u>3,493,195</u>

See accompanying notes to the basic financial statements.

**LIBERTY COMMUNITY AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Assessed valuation charges	\$ 1,082,052	827,601
Facility charges	<u>697,971</u>	<u>426,569</u>
Total operating revenues	<u>1,780,023</u>	<u>1,254,170</u>
Operating expenses:		
Professional services	97,221	132,586
Utilities	22,790	12,909
Bank charges	12,989	15,591
Insurance	245	-
Maintenance	22,021	2,200
Share of developer funded expenses:		
Janitorial	99,996	82,503
Facility operations	42,096	70,810
Security	74,731	75,044
Depreciation	817,925	817,925
Other operating expenses	<u>29,469</u>	<u>30,063</u>
Total operating expenses	<u>1,219,483</u>	<u>1,239,631</u>
Operating income	560,540	14,539
Non-operating revenues (expenses):		
Investment earnings	5	7,312
Interest and fiscal charges	<u>(1,481,853)</u>	<u>(1,433,405)</u>
Total non-operating revenues (expenses)	<u>(1,481,848)</u>	<u>(1,426,093)</u>
Change in net position	(921,308)	(1,411,554)
Net position - beginning of year	<u>3,493,195</u>	<u>4,904,749</u>
Net position - end of year	\$ <u>2,571,887</u>	<u>3,493,195</u>

See accompanying notes to the basic financial statements.

**LIBERTY COMMUNITY AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from tenants and land owners	\$ 1,796,539	1,249,966
Cash paid for goods and services	<u>(12,535)</u>	<u>(132,659)</u>
Net cash provided by operating activities	<u>1,784,004</u>	<u>1,117,307</u>
Cash flows from capital and related financing activities:		
Bond and loan principal paid	(666,681)	(390,000)
Debt interest payments	<u>(624,693)</u>	<u>(824,764)</u>
Net cash used by capital and related financing activities	<u>(1,291,374)</u>	<u>(1,214,764)</u>
Cash flows from investing activities:		
Interest income	<u>5</u>	<u>7,312</u>
Net cash provided by investing activities	<u>5</u>	<u>7,312</u>
Net change in cash	492,635	(90,145)
Cash and cash equivalents at beginning of year	<u>1,713,123</u>	<u>1,803,268</u>
Cash and cash equivalents at end of year	\$ <u>2,205,758</u>	<u>1,713,123</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 560,540	14,539
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	817,925	817,925
Changes in Assets and Liabilities:		
Receivables	(28,132)	(4,204)
Payables	29,980	28,530
Due to developer	<u>403,691</u>	<u>260,517</u>
Net cash provided by operating activities	\$ <u>1,784,004</u>	<u>1,117,307</u>
Schedule of noncash activities:		
Principal and interest on OWDA loan	\$ <u>836,699</u>	<u>452,078</u>
Interest on subordinate bond	\$ <u>117,644</u>	<u>117,644</u>
Interest on revenue bonds	\$ <u>540,341</u>	<u>278,398</u>

See accompanying notes to the basic financial statements.

LIBERTY COMMUNITY AUTHORITY

Notes to Financial Statements Years Ended December 31, 2021 and 2020

1. REPORTING ENTITY

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

LIBERTY COMMUNITY AUTHORITY

Notes to Financial Statements Years Ended December 31, 2021 and 2020

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

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

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

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

3. CASH AND CASH EQUIVALENTS

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

As of December 31, 2021 and 2020, the carrying amount and bank balance of the Authority's deposits was \$21,117, and \$40,440, respectively. These balances were covered by the FDIC.

Cash Equivalents - As of December 31, 2021 and 2020, the Authority also had \$663,529 and \$151,481, respectively in a US Treasury Money Market account. In addition, the Authority had cash on deposit with US Bank (Trustee) in accordance with the Authority's Master Trust Agreement with the Trustee. The amount on deposit with the Trustee at December 31, 2021 and 2020 was \$1,521,112 and \$1,521,202, respectively and consists of a US Treasury money market fund. This account is reported as restricted cash with fiscal agent on the Statement of Net Position.

LIBERTY COMMUNITY AUTHORITY

Notes to Financial Statements Years Ended December 31, 2021 and 2020

4. COMMUNITY DEVELOPMENT CHARGES

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

Assessed Valuation Charge

The Assessed Valuation Charge is an annual charge on each chargeable parcel of land within the Authority based on the Assessed Valuation of each parcel which may be expressed as a number of mills. In 2021 and 2020, the Assessed Valuation Charge was the full 10 mills on the total Assessed Valuation. In 2021 and 2020, the Authority also assessed a Core Retail Valuation Charge of 7.89 mills and 2.43 mills, respectively.

Facility Charge

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

5. RESTRICTED ASSETS

Restricted assets consist of cash with fiscal agent whose use has been restricted by bond indenture for a debt service reserve. Restricted assets at December 31, 2021 and 2020 were \$1,521,112 and \$1,521,202, respectively.

6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021 was as follows:

	Balance 1/1/21	Increases	Decreases	Balance 12/31/21
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,333,662	-	-	2,333,662
<i>Capital assets being depreciated:</i>				
Parking garages	\$ 27,025,015	-	-	27,025,015
Infrastructure	13,871,256	-	-	13,871,256
	<u>40,896,271</u>	<u>-</u>	<u>-</u>	<u>40,896,271</u>
Less accumulated depreciation:				
Parking garages	(2,837,625)	(540,500)	-	(3,378,125)
Infrastructure	<u>(1,456,481)</u>	<u>(277,425)</u>	<u>-</u>	<u>(1,733,906)</u>
Total accumulated depreciation	<u>(4,294,106)</u>	<u>(817,925)</u>	<u>-</u>	<u>(5,112,031)</u>
Capital assets, net	\$ <u>38,935,827</u>	<u>(817,925)</u>	<u>-</u>	<u>38,117,902</u>

LIBERTY COMMUNITY AUTHORITY

**Notes to Financial Statements
Years Ended December 31, 2021 and 2020**

Capital asset activity for the year ended December 31, 2020 was as follows:

	Balance 1/1/20	Increases	Decreases	Balance 12/31/20
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,333,662	-	-	2,333,662
<i>Capital assets being depreciated:</i>				
Parking garages	27,025,015	-	-	27,025,015
Infrastructure	13,871,256	-	-	13,871,256
	<u>40,896,271</u>	<u>-</u>	<u>-</u>	<u>40,896,271</u>
Less accumulated depreciation:				
Parking garages	(2,297,125)	(540,500)	-	(2,837,625)
Infrastructure	(1,179,056)	(277,425)	-	(1,456,481)
Total accumulated depreciation	<u>(3,476,181)</u>	<u>(817,925)</u>	<u>-</u>	<u>(4,294,106)</u>
Capital assets, net	\$ <u>39,753,752</u>	<u>(817,925)</u>	<u>-</u>	<u>38,935,827</u>

7. LONG-TERM DEBT

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

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

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

Also in November 2014, the Authority entered into a loan with the Ohio Water Development Authority (OWDA) in the amount of \$12,000,000 to finance the construction of a storm water collection system throughout the Liberty Center site. The loan was modified in 2020 to allow the Authority to skip its July payment. The loan matures on January 1, 2038 and pays annual interest at 2.5% with the first payment due on January 1, 2018. The interest capitalization period ran through June 30, 2017.

LIBERTY COMMUNITY AUTHORITY

**Notes to Financial Statements
Years Ended December 31, 2021 and 2020**

Debt activity for the years ended December 31, 2021 and 2020 was as follows:

	Balance 1/1/21	Additions	Reductions	Balance 12/31/21	Due Within One Year
2014 Revenue Bonds	\$ 18,630,000	-	(410,000)	18,220,000	430,000
Less deferred amount for issuance discounts	<u>(360,109)</u>	-	15,657	<u>(344,452)</u>	-
	<u>18,269,891</u>	-	<u>(394,343)</u>	<u>17,875,548</u>	<u>430,000</u>
OWDA Loan	11,045,733	-	(770,082)	10,275,651	263,138
Development Subordinate Bond	<u>3,429,586</u>	<u>117,644</u>	-	<u>3,547,230</u>	-
	<u>\$ 32,745,210</u>	<u>117,644</u>	<u>(1,164,425)</u>	<u>31,698,429</u>	<u>693,138</u>

	Balance 1/1/20	Additions	Reductions	Balance 12/31/20	Due Within One Year
2014 Revenue Bonds	\$ 19,020,000	-	(390,000)	18,630,000	410,000
Less deferred amount for issuance discounts	<u>(375,766)</u>	-	15,657	<u>(360,109)</u>	-
	<u>18,644,234</u>	-	<u>(374,343)</u>	<u>18,269,891</u>	<u>410,000</u>
OWDA Loan	11,296,115	-	(250,382)	11,045,733	510,193
Development Subordinate Bond	<u>3,311,942</u>	<u>117,644</u>	-	<u>3,429,586</u>	-
	<u>\$ 33,252,291</u>	<u>117,644</u>	<u>(624,725)</u>	<u>32,745,210</u>	<u>920,193</u>

In accordance with the Construction Services Agreement between the Authority and the Developer for the construction of community facilities by the Developer, the Authority agreed to issue notes or bonds to the Developer to evidence the Authority's obligation to reimburse the Developer for public infrastructure costs funded by the Developer. The Developer incurred additional development costs that were included in the Public Infrastructure Scope that exceeded the amounts paid for by the Bond Issuance and the OWDA loan that could be reimbursable to the Developer after all other obligations are fulfilled per the Funding and Trust Agreements. In 2016, the Developer submitted cost certificates to the Authority which were approved by the Board for reimbursement of costs. Thus, in November 2016, the Authority issued a Development Subordinate Bond payable to the Developer in the principal amount of \$2,941,091. In 2021 and 2020, there was \$117,644 in capitalized interest on the bond.

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

LIBERTY COMMUNITY AUTHORITY

Notes to Financial Statements
Years Ended December 31, 2021 and 2020

Under funding agreements, Butler County has pledged tax increment financing (TIF) revenues in the event the assessed valuation and facility charges are insufficient to pay debt service on the revenue bonds or OWDA loan. During 2021 and 2020, Butler County provided \$836,699 and \$452,078, respectively, in TIF revenues to use toward OWDA loan debt service and \$568,871 and \$278,398, respectively, in TIF revenues to pay towards the revenue bonds debt service and fees. A liability for these amounts has been recorded on the statements of net position as Due to the County.

Annual debt service requirements for the bonds payable as of December 31, 2021 follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$	430,000	1,063,162	1,493,162
2023		455,000	1,041,662	1,496,662
2024		475,000	1,018,912	1,493,912
2025		500,000	995,162	1,495,162
2026		530,000	966,412	1,496,412
2027-2031		3,160,000	4,337,276	7,497,276
2032-2036		4,220,000	3,311,551	7,531,551
2037-2041		5,665,000	1,895,700	7,560,700
2042-2043		<u>2,785,000</u>	<u>253,200</u>	<u>3,038,200</u>
Total	\$	<u>18,220,000</u>	<u>14,883,037</u>	<u>33,103,037</u>

Annual debt service requirements for the OWDA Loan as of December 31, 2021 follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$	263,138	128,446	391,584
2023		536,184	246,982	783,166
2024		549,673	233,494	783,167
2025		563,501	219,666	783,167
2026		577,676	205,490	783,166
2027-2031		3,113,813	802,019	3,915,832
2032-2036		3,525,682	390,153	3,915,835
2037-2038		<u>1,145,984</u>	<u>28,768</u>	<u>1,174,752</u>
Total	\$	<u>10,275,651</u>	<u>2,255,018</u>	<u>12,530,669</u>

LIBERTY COMMUNITY AUTHORITY

Notes to Financial Statements Years Ended December 31, 2021 and 2020

8. RELATED PARTY TRANSACTIONS

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

During 2021 and 2020, the Authority only paid the Developer \$0 and \$117,068, respectively, as required, due to insufficient resources available.

By law, the Authority is governed by a seven-member board of trustees. At inception, the Board of County Commissioners of Butler County appointed four of the trustees and the remaining three trustees were appointed by the Developer. The trustees appointed by the Developer are employees of a related party to the Developer. During 2019, these trustees were replaced by three trustees from the current property manager.

9. RISK MANAGEMENT

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

10. CONTINGENT LIABILITIES

There are no claims and lawsuits pending against the Authority.

11. SUBSEQUENT EVENTS

In February 2022, the Board of Trustees approved resolutions to refund the 2014C revenue bonds and restructure and refinance the OWDA loan.

12. COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. The financial impact of COVID-19 and the continuing state of emergency measures will impact subsequent periods of the Authority. The impact on the Authority's future operating costs, revenues and expenses and additional recovery from emergency funding, either state or federal cannot be estimated.



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

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

To the Members of the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Liberty Community Authority, Butler County, (the Authority), a component unit of Butler County, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated August 17, 2022 wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Authority. The December 31, 2020 financial statements were audited by predecessor auditor.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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



Keith Faber
Auditor of State
Columbus, Ohio
August 17, 2022

OHIO AUDITOR OF STATE KEITH FABER



LIBERTY COMMUNITY AUTHORITY

BUTLER COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 9/1/2022

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