

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO
FINANCIAL STATEMENTS
December 31, 2014**



Dave Yost • Auditor of State

Board of Trustees
Liberty Township
6400 Princeton Road
Liberty Township, Ohio 45011

We have reviewed the *Independent Auditor's Report* of the Liberty Township, Butler County, prepared by Elliot Davis Decosimo, LLC, for the audit period January 1, 2014 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

September 16, 2015

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**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

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INDEPENDENT AUDITOR'S REPORT

The Township Trustees
Liberty Township
Butler County, Ohio

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Township (the Township), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Liberty Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Township's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for 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 as of December 31, 2014, 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 basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Information

Our audit was conducted for the purpose of forming opinions on the modified cash basis financial statements that collectively comprise the Township's basic financial statements. The financial information presented in the tables of net position, changes in net position, and governmental activities included in management's discussion and analysis (pages 5, 6 and 8), and the budgetary comparison schedules (pages 42 - 45) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The financial information presented in the tables of net position, changes in net position, and governmental activities included in management's discussion and analysis, and the budgetary comparison schedules are the responsibility of management and were derived from and relate directly to underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2015, 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. The purpose of that report is 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 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.

A handwritten signature in black ink that reads "Elliott Davis Decosimo, LLC". The signature is written in a cursive style with a large, sweeping flourish at the end.

Cincinnati, Ohio
June 24, 2015

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion and analysis of Liberty Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2014, within the limitations of the Township's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2014 are as follows:

The Township's general receipts are primarily property, other local taxes, and payments in lieu of taxes (PILOTS). These receipts represent \$18,001,410, or 78 percent, of the total cash received for governmental activities during the year.

The Township had \$21,915,851 in disbursements; only \$4,192,891 of these disbursements was offset by program specific charges for services and sales, grants and contributions.

Net position of governmental activities increased \$1,163,154, or 5 percent. The funds most affected by the increase in cash and cash equivalents were the General Fund and Other Governmental Funds.

Several capital outlay purchases were made for various departments such as: purchased rescue tools for one fire engine, replaced a 1999 dump truck, replaced a 2002 sign truck, purchased a mower, and purchased a tractor.

The annual paving, crack sealing, and curb/gutter repair was completed. The Liberty Township Services Director and Assistant Services Director assess the roads to determine what areas need to be addressed each year.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's modified cash basis of accounting.

Report Components

The statement of net position and the statement of activities provide information about the cash activities of the Township as a whole.

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on the modified cash basis of accounting. This basis of accounting is a basis of accounting other than what is required by generally accepted accounting principles. Under the modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related receipts (such as accounts receivable) and certain liabilities and their related disbursements (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Township as a Whole

The statement of net position and the statement of activities reflect how the Township did financially during 2014, within the limitations of modified cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the Township at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other non-financial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local receipt sources such as property taxes.

The statement of net position and the statement of activities are comprised of governmental activities only.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are split into three categories: governmental, proprietary, and fiduciary.

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Funds - Most of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, the Fire Fund, the Police Fund, and the Hawthorne Hills Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds - Internal service funds are an accounting device to accumulate and allocate costs internally across the Township's various functions. The Township uses an internal service fund to account for its healthcare and prescription drug benefits.

The proprietary fund reports the same type of information as the government-wide statements, only in greater detail.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Township's programs.

The Township as a Whole

Table 1 provides a summary of the Township's net position for 2014 compared to 2013 on a modified cash basis:

(Table 1)
Net Position

	Governmental Activities		
	2014	2013	Change
Assets			
Equity in pooled cash, cash equivalents, and investments	\$ <u>24,375,105</u>	\$ <u>23,211,951</u>	\$ <u>1,163,154</u>
Net Position			
Restricted for:			
Capital projects	\$ 7,634,238	\$ 6,800,435	\$ 833,803
Debt service	5,404	34	5,370
Public safety	6,719,093	7,213,279	(494,186)
Public works	1,215,953	1,381,370	(165,417)
Cemetery	105,603	90,444	15,159
Recreation programs	41,400	41,989	(589)
Self-insurance	774,131	490,870	283,261
Unrestricted	<u>7,879,283</u>	<u>7,193,530</u>	<u>685,753</u>
Total Net Position	<u>\$ 24,375,105</u>	<u>\$ 23,211,951</u>	<u>\$ 1,163,154</u>

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS

As mentioned previously, net position of governmental activities increased \$1,163,154, or 5 percent, during 2014. The increase is due to several factors: JEDD (Joint Economic Development District) revenue increased; a large increase in amounts received from PILOTS was received; large insurance refunds from Workers' Compensation and OTARMA were received; and fees from zoning permits and inspections increased significantly over the prior year.

Table 2 reflects the changes in net position on a modified cash basis in 2014 and 2013.

(Table 2)
Changes in Net Position

	Governmental Activities	
	2014	2013
Receipts		
Program receipts		
Charges for services	\$ 1,574,531	\$ 1,257,170
Operating grants and contributions	<u>1,433,360</u>	<u>1,439,592</u>
Total program receipts	<u>3,007,891</u>	<u>2,696,762</u>
General receipts		
Property and other local taxes	8,032,759	8,387,916
Payments in lieu of taxes	9,968,651	8,475,678
Grants and entitlements not restricted to specific programs	600,269	1,094,419
Refunding bonds issued	1,185,000	-
Earnings on investments	95,561	67,613
Miscellaneous	<u>188,874</u>	<u>214,069</u>
Total general receipts	<u>20,071,114</u>	<u>18,239,695</u>
Total receipts	<u>23,079,005</u>	<u>20,936,457</u>
Disbursements		
Current		
General government	4,505,357	3,181,171
Public safety	7,429,750	7,314,671
Public works	1,598,224	1,418,048
Health	25,888	49,518
Conservation-Recreation	275,053	246,689
Payments to schools and escrow agent	4,846,269	4,830,773
Capital outlay	1,017,831	525,499
Debt service		
Principal retirement	651,000	624,000
Payment for bonds - current refunding	1,185,000	-
Interest and fiscal charges	<u>381,479</u>	<u>408,914</u>
Total disbursements	<u>21,915,851</u>	<u>18,599,283</u>
Increase in net position	1,163,154	2,337,174
Net position at beginning of year	<u>23,211,951</u>	<u>20,874,777</u>
Net position at end of year	<u>\$ 24,375,105</u>	<u>\$ 23,211,951</u>

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Program receipts represent only 13 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, state grants, zoning permits and inspection fees, cell tower and franchise fees, and charges for emergency medical services provided by the fire department.

General receipts represent 87 percent of the Township's total receipts, and of the general receipts, 90 percent are property, other local taxes and PILOTS. Grants and entitlements not restricted to specific programs make up 3 percent of total receipts, and include revenue from the State of Ohio (i.e., Local Government Funds, Estate Tax, Liquor and Cigarette permit fees, etc.). Other receipts are insignificant and somewhat unpredictable receipt sources. Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Government activities. These include the costs of the Administrative, Fiscal Office, and Planning & Zoning department.

Public Safety represents the costs of police and fire protection, which makes up 34 percent of the total disbursements. Public Works includes the costs for the Road & Bridge Fund as well as the lighting districts, and makes up 7 percent of the total disbursements. Capital Outlay includes large equipment purchases, building improvements, and any large projects completed by various departments, which makes up 5 percent of the total disbursements. Health includes the cost to maintain the Springhill Cemetery, and Conservation-Recreation includes the personnel and maintenance costs for all of the Township parks. Payments to Schools and Escrow Agent breaks out the payments made to Lakota Local Schools and debt service associated with Liberty Interchange based on agreements, which are paid by the Residential Incentive Districts (RID) and Tax Increment Financing (TIF) mechanisms that we have in place.

Governmental Activities

If you look at the Statement of Activities on page 11, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for the protection and safety of the residents, both police and fire, which account for \$7,429,750 or 34 percent of all governmental disbursements. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The Net Receipts (Disbursements) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS**

(Table 3)
Governmental Activities

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
General government	\$ 4,505,357	\$ (3,824,935)	\$ 3,181,171	\$ (2,740,104)
Public safety	7,429,750	(6,047,627)	7,314,671	(5,952,415)
Public works	1,598,224	(674,149)	1,418,048	(546,728)
Health	25,888	(9,927)	49,518	(33,605)
Conservation-Recreation	275,053	(269,743)	246,689	(240,483)
Payments to schools and escrow agent	4,846,269	(4,846,269)	4,830,773	(4,830,773)
Capital outlay	1,017,831	(1,017,831)	525,499	(525,499)
Debt service:				
Principal retirement	651,000	(651,000)	624,000	(624,000)
Payment for bonds - current refunding	1,185,000	-	-	-
Interest and fiscal charges	381,479	(381,479)	408,914	(408,914)
Total expenses	<u>\$ 21,915,851</u>	<u>\$ (17,722,960)</u>	<u>\$ 18,599,283</u>	<u>\$ (15,902,521)</u>

The dependence upon property tax and intergovernmental receipts is apparent as over 85 percent of governmental activities are supported through these general receipts.

The Government's Funds

Information about the Township's major funds starts on page 12. These funds are accounted for using the modified cash basis of accounting. Total governmental funds had receipts of \$21,893,340. Total disbursements were \$21,013,447.

The fund balance of the General Fund increased \$685,753 from the prior year. This is due to an increase in the Joint Economic Development District (JEDD) revenue and PILOT collections. The Zoning activity, which is now encompassed under the General Fund, saw a significant increase in permit fees over 2013 revenue.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

The General Fund's final disbursements were budgeted at \$2,040,283 while the actual disbursements came in at \$1,751,858, which put the Township under budget by 14 percent. The disbursements were less in all categories with General Government, Capital Outlay and Conservation-Recreation having the most significant variance. The General Fund's original and final receipts were budgeted at \$2,269,960 while the actual receipts came in higher at \$2,708,481. The receipts were higher than budgeted largely due to PILOTS. Other items that came in higher than anticipated were: JEDD revenue received; and License, Permits and Fees, which are related to the Zoning fees and Franchise fees received.

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Capital Assets and Debt Administration

Capital Assets - The Township maintains inventory records on the Township capital equipment and performs annual updates. The Township does not report non-cash assets on the financial statements.

Debt - At December 31, 2014 , the Township's outstanding debt totaled \$9,071,000 issued for various reasons. For further information regarding the Township's debt, refer to the notes to the basic financial statements.

Current Issues

The challenge for all townships is to provide quality services to the public while staying within the restrictions imposed by limited funding. We rely heavily on local government funds and levies. The Township has eleven Residential Incentive Districts and one Tax Incremental Financing District to assist with capital improvement projects. The Township also has the Joint Economic Development District income tax, which will also help to fund necessary projects to improve the Township within the JEDD area. The Township is financially sound with sufficient reserves set aside to aid in emergency expenditure needs.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Pam Quinlisk, Fiscal Officer, Liberty Township, 6400 Princeton Road, Liberty Township, Ohio 45011.

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
December 31, 2014

	<u>Governmental Activities</u>
Assets	
Equity in pooled cash, cash equivalents, and investments	\$ <u>24,375,105</u>
Total Assets	\$ <u>24,375,105</u>
 Net Position	
Restricted for:	
Capital projects	\$ 7,634,238
Debt service	5,404
Public safety	6,719,093
Public works	1,215,953
Cemetery	105,603
Recreation programs	41,400
Self-insurance	774,131
Unrestricted	<u>7,879,283</u>
Total Net Position	\$ <u>24,375,105</u>

The accompanying notes are an integral part of the financial statements.

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

Year Ended December 31, 2014

		Program Receipts			Net Receipts (Disbursements) and Changes in Net Position
	Cash	Charges	Operating	Capital Grants	Total
	Disbursements	for	Grants and	and	Governmental
		Services	Contributions	Contributions	Activities
Governmental Activities					
Current:					
General government	\$ (4,505,357)	\$ 680,422	\$ -	\$ -	\$ (3,824,935)
Public safety	(7,429,750)	351,558	1,030,565	-	(6,047,627)
Public works	(1,598,224)	521,280	402,795	-	(674,149)
Health	(25,888)	15,961	-	-	(9,927)
Conservation-Recreation	(275,053)	5,310	-	-	(269,743)
Payments to schools and escrow agent	(4,846,269)	-	-	-	(4,846,269)
Capital outlay	(1,017,831)	-	-	-	(1,017,831)
Debt service:					
Principal retirement	(651,000)	-	-	-	(651,000)
Payment for bonds - current refunding	(1,185,000)	-	-	-	1,185,000
Interest and fiscal charges	<u>(381,479)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(381,479)</u>
Total Governmental Activities	<u>\$ (21,915,851)</u>	<u>\$ 1,574,531</u>	<u>\$ 1,433,360</u>	<u>\$ -</u>	<u>(18,907,960)</u>
General Receipts					
Property taxes levied for:					
General purposes					1,512,886
Public safety					5,874,349
Public works					645,524
Payments in lieu of taxes					9,968,651
Grants and entitlements not restricted to specific programs					600,269
Refunding bonds issued					1,185,000
Earnings on investments					95,561
Miscellaneous					<u>188,874</u>
Total general receipts					<u>20,071,114</u>
Change in Net Position					1,163,154
Net Position - beginning of year					<u>23,211,951</u>
Net Position - end of year					<u>\$ 24,375,105</u>

The accompanying notes are an integral part of the financial statements.

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

**STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS -
GOVERNMENTAL FUNDS**

December 31, 2014

	<u>General</u>	<u>Fire Fund</u>	<u>Police Fund</u>	<u>Hawthorne Hills Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Equity in pooled cash, cash equivalents, and investments	\$ <u>7,879,283</u>	\$ <u>2,936,777</u>	\$ <u>2,953,373</u>	\$ <u>2,393,517</u>	\$ <u>7,438,024</u>	\$ <u>23,600,974</u>
Total Assets	\$ <u>7,879,283</u>	\$ <u>2,936,777</u>	\$ <u>2,953,373</u>	\$ <u>2,393,517</u>	\$ <u>7,438,024</u>	\$ <u>23,600,974</u>
Fund Balances						
Restricted	\$ -	\$ 2,936,777	\$ 2,953,373	\$ 2,393,517	\$ 7,438,024	\$ 15,721,691
Committed	166,856	-	-	-	-	166,856
Unassigned	<u>7,712,427</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,712,427</u>
Total Fund Balances	\$ <u>7,879,283</u>	\$ <u>2,936,777</u>	\$ <u>2,953,373</u>	\$ <u>2,393,517</u>	\$ <u>7,438,024</u>	\$ <u>23,600,974</u>

The accompanying notes are an integral part of the financial statements.

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES - MODIFIED CASH
BASIS TO NET POSITION OF GOVERNMENTAL ACTIVITIES - MODIFIED CASH BASIS**

December 31, 2014

Total fund balance - Governmental funds	\$ 23,600,974
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Amounts reported for governmental activities in the statement of net position are different because:

Internal service funds are used by management to charge the cost of certain activities, such as health insurance, to individual funds. The assets and liabilities of the internal service fund must be added to the statement of net position.	<u>774,131</u>
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Net position of governmental activities	\$ <u>24,375,105</u>
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The accompanying notes are an integral part of the financial statements.

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS**

Year Ended December 31, 2014

	<u>General</u>	<u>Fire Fund</u>	<u>Police Fund</u>	<u>Hawthorne Hills Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts						
Property and other local taxes	\$ 1,223,788	\$ 3,941,092	\$ 1,933,257	\$ -	\$ 934,622	\$ 8,032,759
Charges for services	5,310	-	19,822	-	315,393	340,525
Licenses, permits and fees	657,956	13,803	4,250	-	15,961	691,970
Fines and forfeitures	15,555	-	-	-	-	15,555
Intergovernmental	600,269	681,177	349,388	-	402,795	2,033,629
Special assessments	6,911	-	-	-	519,570	526,481
Payments in lieu of taxes	-	-	-	1,029,655	8,938,996	9,968,651
Earnings on investments	94,193	-	-	-	703	94,896
Miscellaneous	104,499	60,960	41	-	23,374	188,874
Total receipts	<u>2,708,481</u>	<u>4,697,032</u>	<u>2,306,758</u>	<u>1,029,655</u>	<u>11,151,414</u>	<u>21,893,340</u>
Disbursements						
Current:						
General government	1,253,898	-	-	8,527	3,335,903	4,598,328
Public safety	-	5,016,617	2,309,033	-	255,424	7,581,074
Public works	-	-	-	-	1,630,951	1,630,951
Health	17,687	-	-	-	8,201	25,888
Conservation-Recreation	280,038	-	-	-	589	280,627
Payments to schools and escrow agent	-	-	-	671,278	4,174,991	4,846,269
Capital outlay	33,379	43,786	-	-	940,666	1,017,831
Debt service:						
Principal retirement	-	-	-	-	651,000	651,000
Interest and fiscal charges	-	-	-	-	381,479	381,479
Total disbursements	<u>1,585,002</u>	<u>5,060,403</u>	<u>2,309,033</u>	<u>679,805</u>	<u>11,379,204</u>	<u>21,013,447</u>
Excess (deficiency) of receipts over (under) disbursements	<u>1,123,479</u>	<u>(363,371)</u>	<u>(2,275)</u>	<u>349,850</u>	<u>(227,790)</u>	<u>879,893</u>
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	1,103,946	1,103,946
Transfers out	(437,726)	(151,535)	-	-	(514,685)	(1,103,946)
Refunding bonds issued	-	-	-	-	1,185,000	1,185,000
Payment for bonds - current refunding	-	-	-	-	(1,185,000)	(1,185,000)
Total other financing sources (uses)	<u>(437,726)</u>	<u>(151,535)</u>	<u>-</u>	<u>-</u>	<u>589,261</u>	<u>-</u>
Net Change in Fund Balances	685,753	(514,906)	(2,275)	349,850	361,471	879,893
Fund Balances - beginning of year	<u>7,193,530</u>	<u>3,451,683</u>	<u>2,955,648</u>	<u>2,043,667</u>	<u>7,076,553</u>	<u>22,721,081</u>
Fund Balances - end of year	<u>\$ 7,879,283</u>	<u>\$ 2,936,777</u>	<u>\$ 2,953,373</u>	<u>\$ 2,393,517</u>	<u>\$ 7,438,024</u>	<u>\$ 23,600,974</u>

The accompanying notes are an integral part of the financial statements.

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

**RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCE - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

Year Ended December 31, 2014

Changes in fund balances - Governmental funds	\$ 879,893
Amounts reported for governmental activities in the statement of activities are different because:	
Internal service funds are used by management to charge the costs of certain activities, such as health insurance, to individual funds. The net revenue (expense) of the internal service fund is reported with the governmental activities.	<u>283,261</u>
Total change in net position - governmental activities	\$ <u>1,163,154</u>

The accompanying notes are an integral part of the financial statements.

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

STATEMENT OF FUND NET POSITION - MODIFIED CASH BASIS - PROPRIETARY FUND

December 31, 2014

	Governmental Activities <u>Internal Service Fund</u>
Assets	
Equity in pooled cash, cash equivalents, and investments	\$ <u>774,131</u>
Total Assets	\$ <u>774,131</u>
Net Position	
Restricted - self-insurance	\$ <u>774,131</u>
Total Net Position	\$ <u>774,131</u>

The accompanying notes are an integral part of the financial statements.

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND NET
POSITION - MODIFIED CASH BASIS - PROPRIETARY FUND**

Year Ended December 31, 2014

	Governmental Activities <u>Internal Service Fund</u>
Operating Receipts	
Charges for services	\$ <u>1,003,659</u>
Total operating receipts	<u>1,003,659</u>
Operating Disbursements	
Purchased services	261,681
Claims	<u>459,382</u>
Total operating disbursements	<u>721,063</u>
Operating Income	282,596
Nonoperating Receipts	
Earnings on investments	<u>665</u>
Changes in Net Position	283,261
Net Position - beginning of year	<u>490,870</u>
Net Position - end of year	\$ <u><u>774,131</u></u>

The accompanying notes are an integral part of the financial statements.

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS - PROPRIETARY FUND

Year Ended December 31, 2014

	Governmental Activities <u>Internal Service Fund</u>
Cash Flows From Operating Activities	
Cash received from interfund services provided	\$ 1,003,659
Cash payments to suppliers for goods and services	(261,681)
Cash payments for employee medical, dental, and life insurance claims	<u>(459,382)</u>
Net cash flows from operating activities	<u>282,596</u>
Cash Flows From Investing Activities	
Interest	<u>665</u>
Net cash flows from investing activities	<u>665</u>
Net Increase in Cash and Cash Equivalents	283,261
Cash and Cash Equivalents - beginning of year	<u>490,870</u>
Cash and Cash Equivalents - end of year	\$ <u>774,131</u>
Reconciliation of Operating Income to Net Cash Flows From Operating Activities	
Operating income/net cash from operating activities	\$ <u>282,596</u>

The accompanying notes are an integral part of the financial statements.

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

**STATEMENT OF FIDUCIARY NET POSITION -
MODIFIED CASH BASIS - FIDUCIARY FUND**

December 31, 2014

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets		
Equity in pooled cash, cash equivalents, and investments	\$ <u>13,213</u>	\$ <u>23,112</u>
Total Assets	\$ <u>13,213</u>	\$ <u>23,112</u>
Net Position		
Held in trust for cemetery maintenance:		
Nonexpendable	\$ 5,000	\$ -
Expendable	8,213	-
Held on behalf of employees	<u>-</u>	<u>23,112</u>
Total Net Position	\$ <u>13,213</u>	\$ <u>23,112</u>

The accompanying notes are an integral part of the financial statements.

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
MODIFIED CASH BASIS - FIDUCIARY FUND**

Year Ended December 31, 2014

	<u>Private Purpose Trust</u>
Additions	
Earnings on investments	\$ <u> 9</u>
Total additions	<u> 9</u>
Change in Net Position	9
Net Position - beginning of year	<u> 13,204</u>
Net Position - end of year	<u><u> 13,213</u></u>

The accompanying notes are an integral part of the financial statements.

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2014

Note 1 - Reporting Entity

Liberty Township, Butler County, Ohio, 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. The Township also has an elected Township Fiscal Officer.

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Butler County Sheriff's Office for police protection.

Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. Component units may also include organizations for which the Township authorizes the issuance of debt or the levying of taxes or determines the budget if there is also the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. The Township has no component units.

Joint Ventures, Jointly Governed Organizations and 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. OTARMA 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.

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

Note 2 - Summary of Significant Accounting Policies

These financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting 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.

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2014

Note 2 - Summary of Significant Accounting Policies - continued

The Township has adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 62 incorporates into GASB's authoritative literature certain accounting and financial reporting guidance that is included in Pre-November 30, 1989 FASBs and AICPA pronouncements. This statement superseded GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Funds and Other Governmental Entities that use Proprietary Fund Accounting*.

Following are the more significant of the Township's accounting policies.

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.

Government-Wide Financial Statements

The statement of net position and the 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 funds is eliminated to avoid "doubling up" receipts and disbursements.

The statement of net position presents the cash 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 function is 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 financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statement. 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 cost of sales and services and administrative costs. The proprietary fund statement reports all other receipts and disbursements as nonoperating. Fiduciary funds are reported by type.

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2014

Note 2 - Summary of Significant Accounting Policies - continued

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. Funds are used to segregate resources that are restricted as to use. The funds of the Township are divided into three categories: governmental, proprietary, and fiduciary.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants), and other non-exchange transactions as governmental funds. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Township's major governmental funds:

General Fund: This fund 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.

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

Fire Fund: This fund accounts for proceeds from property taxes and other cash receipts restricted for fire department and life squad protection and emergency services.

Hawthorne Hills Fund: This fund, a capital projects fund, accounts for proceeds and revenues from residential incentive districts restricted for the purpose of public improvements benefiting the Hawthorne Hills district.

Although it plays an integral role in the governmental funds the Road and Bridge Fund does not meet the parameters of a major governmental fund for the Township, and therefore, is not separately stated. The other governmental funds of the Township account for grants and other resources whose uses are restricted to a particular purpose.

Proprietary Funds

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 or agency to another department or agencies of the Township on a cost-reimbursement basis. The Township's internal service fund reports on self-insurance programs for employee medical and prescription drug benefits.

Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. The Township's private purpose trust funds were established for memorial purposes by former residents who are buried at the Township's Spring Hill Cemetery. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township's agency fund accounts for the flexible spending account available to employees.

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2014

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. Except for modifications having substantial support, 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. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this 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 reported in these financial statements.

Equity in Pooled Cash, Cash Equivalents, and Investments

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

During 2014, the Township invested in US Government Securities, which consisted of Federal National Mortgage Association Step Coupon Bond, Federal Farm Credit Banks Funding Corporation Notes, Federal Home Loan Mortgage Corporation Notes, negotiable certificates of deposit, and money market funds, which were all recorded at cost on December 31, 2014.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2014 were \$94,193, which includes \$64,737 assigned from other Township funds.

Interfund Receivables/Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities 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. The employer contributions include portions for pension benefits and for postretirement health care benefits.

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2014

Note 2 - Summary of Significant Accounting Policies - continued

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, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

Net Position

Net position is reported as restricted when there are limitations imposed on its 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, maintaining fire and life squad services, and maintaining police services.

All levied funds are restricted in their expenditures, in that 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. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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 are imposed by law through constitutional provisions.

Enabling legislation authorizes the Township to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Township can be compelled by an external party, such as citizens, public interest groups, or the judiciary, to use resources created by enabling legislation only for the purposes specified by the legislation.

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;

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2014

Note 2 - Summary of Significant Accounting Policies - continued

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.

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.

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 expenditures 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 expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. The Township had the following in outstanding encumbrances included as part of fund balance as of December 31, 2014:

Fund Name	<u>Amount</u>
General Fund	\$ 166,856
Fire Fund	75,210
Police Fund	467
Hawthorne Hills Fund	-
Nonmajor Funds	<u>256,264</u>
Total	<u>\$ 498,797</u>

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.

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2014

Note 3 - Deposits and Investments

Monies held by the Township are classified by State Statute into three categories.

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

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.

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

1. United States 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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items 1. and 2. above.
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper and bankers acceptances if training requirements have been met.

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2014

Note 3 - Deposits and Investments - continued

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.

At year end, the Township had \$100 in undeposited cash on hand which is included as part of "Equity in Pooled Cash, Cash Equivalents and Investments" on the financial statements.

Deposits

The Township has no deposit policy for custodial risk beyond the requirements of State Statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

As of December 31, 2014, the Township had the following investments:

	<u>Carrying Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-2</u>	<u>3-5</u>
Federal National Mortgage Association Step Coupon Bond	\$ 1,624,334	\$ -	\$ -	\$ 1,624,334
Federal Home Loan Mortgage Corporation Notes	3,284,479	-	-	3,284,479
Federal Farm Credit Banks Funding Corporation Notes	501,218	-	-	501,218
Bank certificates of deposit	2,156,207	810,326	664,402	681,479
Money market funds	4,442,918	4,442,918	-	-
	<u>\$ 12,009,156</u>	<u>\$ 5,253,244</u>	<u>\$ 664,402</u>	<u>\$ 6,091,510</u>

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 that the Township's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Credit Risk - The Federal Home Loan Mortgage Corporation Notes and Federal National Mortgage Association Step Coupon Bonds carry a rating of Aaa by Moody's. Ohio law requires that the money market fund 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 in denominations of under \$250,000 each, in separate banks, and are insured by the Federal Deposit Insurance Corporation (FDIC). The negotiable certificates of deposit are, therefore, not subject to credit risk.

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2014

Note 3 - Deposits and Investments - continued

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 that are in the possession of an outside party. The Federal National Mortgage Association Step Coupon Bonds, Federal Home Loan Mortgage Corporation Notes, and the Federal Farm Credit Banks Funding Corporation Notes are safeguarded from custodial credit risk as they are held in a segregated customer account by the counterparty's trust department or agent.

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, 2014:

Investment Issuer	<u>Percentage of Investments</u>
Federal National Mortgage Association Step Coupon Bonds	13.53 %
Federal Farm Credit Banks Funding Corporation Notes	4.17
Bank Certificates of Deposit	17.95
Money Market Funds	37.00
Federal Home Loan Mortgage Corporation Notes	<u>27.35</u>
	<u>100.00 %</u>

Reconciliation of Equity in Pooled Cash, Cash Equivalents, and Investments

The following is a reconciliation of pooled cash, cash equivalents and investments to the statement of net position as of the year ended December 31, 2014.

Investments	\$ 12,009,156
Carrying amount of the Township's deposits	<u>12,365,949</u>
<i>Equity in pooled cash, cash equivalents and investments</i>	<u>\$ 24,375,105</u>

Note 4 - Property Taxes

Property taxes include amounts levied against all real property and public utility property located in the Township. Property tax receipts received in 2014 for real and public utility property taxes represent collections of the 2013 taxes.

Real property taxes for 2014 are levied after October 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State Statute at 35 percent of appraised market value. Real property taxes for 2014 are collected in and intend to finance 2014.

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 alternate payment dates to be established.

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2014

Note 4 - Property Taxes - continued

Public utility personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. Public utility property taxes for 2014, which became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2014 with real property taxes.

The full tax rate for all Township operations for the year ended December 31, 2014, was \$11.59 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2014 property tax receipts were based are as follows:

Real Property - Residential, Agricultural, and Other	\$ 795,958,310
Public Utility Property	<u>20,819,750</u>
<i>Total assessed value</i>	<u>\$ 816,778,060</u>

Note 5 - Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township contracted with 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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1.75 million per claim and \$10 million the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2.65 million for each claim and \$10 million in the aggregate per year. Governments can elect up to \$13 million in additional coverage with the General Reinsurance Corporation through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides excess of funds available coverage up to \$5 million per year, subject to the annual aggregate limit of \$10 million.

Property Coverage

The Travelers Indemnity Company reinsures specific losses exceeding \$500,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$150,000 up to \$500,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides property aggregate stop loss coverage to APEEP based upon the combined Members' Total Insurable Value (TIV). If the stop loss is reached by payment of the Pool's retained losses, Travelers will then reinsure property specific losses in excess of the retention up to their \$600 million per occurrence limit. Additionally, effective January 1, 2009, APEEP provides an additional aggregate for the \$50,000 excess to \$100,000 layer, with the aggregate limit tied to TIV, for the insurance coverages to the Pool.

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2014

Note 5 - Risk Management - continued

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township. Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2014 and 2013:

	2014	2013
Assets	\$ 35,970,263	\$ 34,954,286
Liabilities	<u>8,912,432</u>	<u>8,486,363</u>
<i>Net Position</i>	<u>\$ 27,057,831</u>	<u>\$ 26,467,923</u>

As of December 31, 2014 and 2013, liabilities noted above include approximately \$7.9 million of estimated incurred claims payable based on the most recent available information. The assets and net position above also include approximately \$7.2 million and \$7.4 million of unpaid claims to be billed to 957 (948 in 2013) member governments in the future as of December 31, 2014 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims is approximately \$40,282.

The expected rates charged by OTARMA to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Township's contributions to OTARMA for the years ending December 31, 2014 and 2013, were \$53,719 and \$53,666, respectively.

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

The Township is self insured for employee medical and prescription drug benefits. 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 that the internal service fund receipts and disbursements are approximately equal. A third party administrator reviews all claims which the Township then pays. The Township purchases stop-loss coverage for medical claims in excess of \$25,000 per employee, per occurrence. Custom Design Benefits was the third party administrator for the year. A comparison of self insurance fund cash and investments to the actuarially-measured liability as of December 31, 2014, follows:

Cash and investments		\$ 774,131
Actuarial liabilities		\$ 71,065

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2014

Note 6 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

The Township participates 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 in which the member invests both member and employer contributions (employer contributions vest over five years at 20.00% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. 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 Pension Plan. The 2014 member contribution rates were 10.00% of covered payroll for members in state and local classifications. Public safety and law enforcement members contributed 12.00% and 13.00%, respectively.

The Township's 2014 contribution rate was 14.00% of covered payroll. The law enforcement and public safety division employer contribution rate was 18.10% of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contributions allocated to health care for members in both the Traditional and Combined Plans was 2.00% during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to healthcare remains at 2.00% for both plans as recommended by the OPERS actuary.

The Township's required contributions for pension obligations to the traditional pension and combined plans for the years ended December 31, 2014, 2013 and 2012, were \$175,897, \$154,234 and \$125,400, respectively. The full amount has been contributed for 2014, 2013 and 2012. Contributions to the member-directed plan for 2014 were \$3,945 made by the Township and \$2,817 made by plan members.

Ohio Police and Fire Pension Fund

The Township contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2014

Note 6 - Defined Benefit Pension Plan - continued

State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

From January 1, 2014 through July 1, 2014, plan members were required to contribute 10.75% of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members were required to contribute 11.50% of their annual covered salary. Throughout 2014, employers were required to contribute 19.50% and 24.00%, respectively, for police officers and firefighters.

The Township's contributions to OP&F for the years ending December 31, 2014, 2013 and 2012 were \$566,469, \$560,560, and \$380,706, respectively. The full amount has been contributed for 2014, 2013 and 2012.

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This accounting standard replaces GASB Statement No. 27, and it is effective for employer fiscal years beginning after June 15, 2014.

Note 7 - Postemployment Benefits

Ohio Public Employees Retirement System
Plan Description

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 plan, which includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member - Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 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 45. OPERS' eligibility requirements for post-employment health-care coverage changed for those retiring after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2014

Note 7 - Postemployment Benefits - continued

Funding Policy

The Ohio Revised Code provides the statutory authority requiring employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed at a rate of 14.00% of covered payroll, and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB plan.

OPERS' Post Employment Health Care plan was established under, and administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits.

The portion of employer contributions allocated to health care for members in both the Traditional and Combined Plans was 2.00% during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.00% for both plans, as recommended by the OPERS actuary. The OPERS Board of Trustees is also authorized to established rules for the retirees or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Township's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013 and 2012, were \$25,118, \$11,859 and \$51,283, respectively; 100 percent has been contributed for 2014, 2013 and 2012.

Changes to the Health Care Preservation Plan (HCPP) were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

Ohio Police and Fire Pension Fund

Plan Description

The Township contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2014

Note 7 - Postemployment Benefits - continued

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F 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.

Funding Policy

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F 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, 19.50% and 24.00% of covered payroll for police and fire employers, respectively.

The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

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.

The portion of employer contribution allocated to the health care plan was 0.50% of covered payroll from January 1, 2014 through December 31, 2014. 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).

The OP&F Board of Trustees also is 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.

The Township's contributions to OP&F which were allocated to fund postemployment healthcare benefits for firefighters were \$11,896, \$99,447 and \$148,788 for the years ended December 31, 2014, 2013 and 2012, respectively. The full amount has been contributed for 2014, 2013 and 2012.

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2014

Note 8 - Debt

A summary of the Township's debt activity for the year ended December 31, 2014, follows:

Governmental Activities	Interest Rate	December 31, 2013	Current Refunding and Additions	Reductions	December 31, 2014	Due in One Year
General Obligation Bonds						
Road garage refinanced	3.40%	\$ 667,000	\$ -	\$ 86,000	\$ 581,000	\$ 89,000
Fire Station #113	Various	1,185,000	(1,185,000)	-	-	-
Fire Station #113 - Refunding Bonds	2.70%	-	1,185,000	100,000	1,085,000	100,000
Woodland View Park	4.0% - 4.4%	315,000	-	100,000	215,000	105,000
747/Princeton Intersection	3.0% - 4.25%	1,745,000	-	80,000	1,665,000	85,000
Kyles Station/St Rt 747 Intersection	3.0% - 4.25%	2,680,000	-	125,000	2,555,000	130,000
Salt storage facility	3.0% - 4.125%	255,000	-	15,000	240,000	15,000
Fire Station #111	3.0% - 4.125%	<u>2,875,000</u>	<u>-</u>	<u>145,000</u>	<u>2,730,000</u>	<u>150,000</u>
<i>Total</i>		<u>\$ 9,722,000</u>	<u>\$ -</u>	<u>\$ 651,000</u>	<u>\$ 9,071,000</u>	<u>\$ 674,000</u>

The 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 that other resources are not available to meet annual principal and interest payments.

In June of 2014, the Township issued refunding bonds of \$1,185,000 (par value) with a coupon rate of 2.70% refund previously issued term bonds with varying coupon rates of 4.00% - 4.55% and a total par value of \$1,185,000. Issuance costs and other expenditures of \$4,582 were disbursed at closing.

As a result of the refunding the Township reduced its future total debt service requirements by \$137,082 which resulted in an economic gain (difference between the present value of the future debt service payments on the new and old debt) of \$123,243.

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

Year	General Obligation Bonds	
	Principal	Interest
2015	\$ 674,000	\$ 344,607
2016	697,000	321,013
2017	610,000	295,585
2018	638,000	274,198
2019	657,000	250,761
2020 - 2024	3,090,000	895,946
2025 - 2029	<u>2,705,000</u>	<u>321,714</u>
Totals	<u>\$ 9,071,000</u>	<u>\$ 2,703,824</u>

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2014

Note 8 - Debt - continued

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 Township. The Revised Code further provides that 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, 2014, were an overall debt margin of \$83,575,623 and an unvoted debt margin of \$43,777,707.

Note 9 - Fund Balances

Fund balance is classified as non-spendable, 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. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balance</u>	<u>General</u>	<u>Fire</u>	<u>Police</u>	<u>Hawthorne Hills Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted for						
Capital projects	\$ -	\$ -	\$ -	\$ 2,393,517	\$ 4,869,446	\$ 7,262,963
Cemetery	-	-	-	-	105,603	105,603
Debt service	-	-	-	-	5,404	5,404
Emergency medical services	-	-	-	-	828,943	828,943
Fire operations	-	2,936,777	-	-	-	2,936,777
Lighting	-	-	-	-	371,275	371,275
Police operations	-	-	2,953,373	-	-	2,953,373
Recreation programs	-	-	-	-	41,400	41,400
Road and bridge maintenance/improvement	-	-	-	-	<u>1,215,953</u>	<u>1,215,953</u>
<i>Total restricted</i>	-	2,936,777	2,953,373	2,393,517	7,438,024	15,721,691
Committed to						
Capital outlay and other purposes	166,856	-	-	-	-	166,856
Unassigned	<u>7,712,427</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,712,427</u>
Total fund balances	<u>\$ 7,879,283</u>	<u>\$ 2,936,777</u>	<u>\$ 2,953,373</u>	<u>\$ 2,393,517</u>	<u>\$ 7,438,024</u>	<u>\$ 23,600,974</u>

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2014

Note 10 - Interfund Transfers

During 2014 the following transfers were made:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds		
General Fund	\$ -	\$ 437,726
Fire Fund	-	151,535
Nonmajor Funds		
Road and Bridge Special Revenue Fund	200,000	25,025
747/Princeton Road TIF Debt Service Fund	15,340	-
Road Garage Debt Service Fund	108,678	-
Woodland View Bond Debt Service Fund	113,708	-
Fire Station #113 Building Debt Service Fund	151,535	-
Fire Station #111 Building Debt Service Fund	258,351	-
Road Salt Barn Debt Service Fund	25,025	-
Kyles Station Road Debt Service Fund	231,309	-
Aspen Trail RID District Capital Project Fund	-	163,220
Creekside Meadows RID District Capital Project Fund	-	163,220
Falling Water RID District Capital Project Fund	-	163,220
	<u>\$ 1,103,946</u>	<u>\$ 1,103,946</u>

Transfers From/To Other Funds

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.

The General Fund transferred \$15,340, \$108,678, and \$113,708 to the 747/Princeton Road TIF Debt Service Fund, the Road Garage Debt Service Fund, and the Woodland View Bond Debt Service Fund, respectively, to fund debt service payments.

The General Fund also transferred \$200,000 to the Road and Bridge Special Revenue Fund to underwrite various expenses.

The Fire Fund transferred \$151,535 to the Fire Station #113 Building Debt Service Fund to fund debt service payments.

Road and Bridge Special Revenue Fund transferred \$25,025 to the Road Salt Barn Debt Service Fund, to fund the remaining debt payments.

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2014

Note 10 - Interfund Transfers - continued

The Aspen Trail RID District Capital Project Fund, Creekside Meadows RID District Capital Project Fund, and the Falling Water RID District Capital Project Fund, transferred \$163,220 each, to fund debt service payments of \$231,309 and \$258,351 for the Kyles Station Road Debt Service Fund and the Fire Station #111 Building Debt Service Fund, respectively.

Advances From/To Other Funds

There were no advances as of December 31, 2014.

Note 11 - 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 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. During 2014, the amount pledged totaled and paid by the Township was \$3,247,969. Minimum payments via pledged revenues are expected as follows:

Year	<u>Total</u>
2015	\$ 1,153,900
2016	1,191,900
2017	1,184,700
2018	1,166,600
2019	1,165,000
2020-2024	6,069,400
2025-2029	7,105,200
2030-2034	<u>3,844,500</u>
	<u>\$ 22,881,200</u>

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2014

Note 11 - Intergovernmental Agreements - continued

Butler County Port Authority

The Township and the Butler County Port Authority (BCPA) entered into an intergovernmental agreement during 2014. The Township has agreed to secure, with certain revenue streams set forth in the agreement, \$6,045,000 Series 2014 Bonds as issued by the BCPA for the purpose of acquiring and constructing certain public infrastructure improvements in relation with the Liberty Center Project. 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. Minimum payments via pledged revenues are expected as follows:

Year	<u>Total</u>
2016	\$ 332,562
2017	340,562
2018	343,162
2019	350,562
2020-2024	1,965,013
2025-2029	2,261,125
2030-2034	2,269,838
2035-2039	2,281,000
2040-2041	<u>919,750</u>
	<u>\$ 11,063,574</u>

Note 12 - Contingent Liabilities

The Township is party to various legal proceedings seeking damages. Township management is of the opinion that 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 programs. These programs may be subject to financial and compliance audits by the grantor or their representative.

Note 13 - Future Accounting Pronouncements

The GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions: an Amendment of GASB Statement No. 27*. This statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this statement are effective for financial statements for fiscal years beginning after June 15, 2014. Management is in the process of determining the effect that the adoption of this guidance will have on the Township's financial statements.

SUPPLEMENTARY INFORMATION

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGET BASIS - GENERAL FUND**

Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and other local taxes	\$ 1,108,010	\$ 1,108,010	\$ 1,223,788	\$ 115,778
Charges for services	-	-	5,310	5,310
Licenses, permits and fees	408,400	408,400	657,956	249,556
Fines and forfeitures	11,400	11,400	15,555	4,155
Intergovernmental	586,900	586,900	600,269	13,369
Special assessments	3,750	3,750	6,911	3,161
Earnings on investments	81,000	81,000	94,193	13,193
Miscellaneous	<u>70,500</u>	<u>70,500</u>	<u>104,499</u>	<u>33,999</u>
Total receipts	<u>2,269,960</u>	<u>2,269,960</u>	<u>2,708,481</u>	<u>438,521</u>
Disbursements				
Current:				
General government	1,457,416	1,457,416	1,258,737	198,679
Health	18,000	18,000	17,687	313
Conservation-Recreation	299,600	299,600	284,238	15,362
Capital outlay	<u>265,267</u>	<u>265,267</u>	<u>191,196</u>	<u>74,071</u>
Total disbursements	<u>2,040,283</u>	<u>2,040,283</u>	<u>1,751,858</u>	<u>288,425</u>
Excess of receipts over disbursements	229,677	229,677	956,623	726,946
Other financing sources (uses) -				
Transfers out	<u>(422,436)</u>	<u>(437,776)</u>	<u>(437,726)</u>	<u>50</u>
Net Change in Fund Balance	(192,759)	(208,099)	518,897	726,996
Fund Balance - beginning of year	7,183,823	7,183,823	7,183,823	-
Prior year encumbrances appropriated	<u>9,707</u>	<u>9,707</u>	<u>9,707</u>	<u>-</u>
Fund Balance - end of year	<u>\$ 7,000,771</u>	<u>\$ 6,985,431</u>	<u>\$ 7,712,427</u>	<u>\$ 726,996</u>

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGET BASIS - FIRE FUND**

Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and other local taxes	\$ 4,247,150	\$ 4,247,150	\$ 3,941,092	\$ (306,058)
Licenses, permits and fees	14,500	14,500	13,803	(697)
Intergovernmental	681,000	681,000	681,177	177
Miscellaneous	<u>-</u>	<u>-</u>	<u>60,960</u>	<u>60,960</u>
Total receipts	<u>4,942,650</u>	<u>4,942,650</u>	<u>4,697,032</u>	<u>(245,618)</u>
Disbursements				
Current:				
Public safety	4,997,449	4,997,449	5,031,083	(33,634)
Capital outlay	<u>766,022</u>	<u>766,022</u>	<u>104,530</u>	<u>661,492</u>
Total disbursements	<u>5,763,471</u>	<u>5,763,471</u>	<u>5,135,613</u>	<u>627,858</u>
Excess (deficiency) of receipts over (under) disbursements	(820,821)	(820,821)	(438,581)	382,240
Other financing sources (uses) - Transfers out	<u>(151,535)</u>	<u>(151,535)</u>	<u>(151,535)</u>	<u>-</u>
Net Change in Fund Balance	(972,356)	(972,356)	(590,116)	382,240
Fund Balance - beginning of year	3,433,762	3,433,762	3,433,762	-
Prior year encumbrances appropriated	<u>17,921</u>	<u>17,921</u>	<u>17,921</u>	<u>-</u>
Fund Balance - end of year	<u>\$ 2,479,327</u>	<u>\$ 2,479,327</u>	<u>\$ 2,861,567</u>	<u>\$ 382,240</u>

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGET BASIS - POLICE FUND**

Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and other local taxes	\$ 2,092,060	\$ 2,092,060	\$ 1,933,257	\$ (158,803)
Charges for services	45,000	45,000	19,822	(25,178)
Licenses, permits and fees	4,000	4,000	4,250	250
Intergovernmental	335,000	335,000	349,388	14,388
Miscellaneous	<u>-</u>	<u>-</u>	<u>41</u>	<u>41</u>
Total receipts	<u>2,476,060</u>	<u>2,476,060</u>	<u>2,306,758</u>	<u>(169,302)</u>
Disbursements				
Current:				
Public safety	2,460,625	2,460,625	2,309,033	151,592
Capital outlay	<u>967</u>	<u>967</u>	<u>467</u>	<u>500</u>
Total disbursements	<u>2,461,592</u>	<u>2,461,592</u>	<u>2,309,500</u>	<u>152,092</u>
Net Change in Fund Balance	14,468	14,468	(2,742)	(17,210)
Fund Balance - beginning of year	29,558,079	2,955,079	2,955,079	-
Prior year encumbrances appropriated	<u>569</u>	<u>569</u>	<u>569</u>	<u>-</u>
Fund Balance - end of year	<u>\$ 29,573,116</u>	<u>\$ 2,970,116</u>	<u>\$ 2,952,906</u>	<u>\$ (17,210)</u>

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

NOTES TO SUPPLEMENTARY INFORMATION

December 31, 2014

Note 1 - Budgetary Process

All funds, except agency 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 ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance 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, department, and object level for all funds.

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 ordinance 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 ordinance 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 Budgetary Comparison Schedules presented for the General, Fire and Police Funds are prepared on the budget basis to provide a meaningful comparison of actual results with the budget. The differences 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). The following table summarizes the adjustments necessary to reconcile the modified cash basis statements to the budgetary basis.

	<u>General</u>	<u>Fire</u>	<u>Police</u>
Change in fund balance - modified cash basis	\$ 685,753	\$ (514,906)	\$ (2,275)
Adjustment for encumbrances	<u>(166,856)</u>	<u>(75,210)</u>	<u>(467)</u>
<i>Change in fund balance - budget basis</i>	<u>\$ 518,897</u>	<u>\$ (590,116)</u>	<u>\$ (2,742)</u>

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO**

**REPORT ON INTERNAL
CONTROLS AND COMPLIANCE**

December 31, 2014

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Township Trustees
Liberty Township
Butler County, Ohio

We have audited, in accordance with the 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 governmental activities, each major fund, and the aggregate remaining fund information of Liberty Township (the Township), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Liberty Township's basic financial statements, and have issued our report thereon dated June 24, 2015, in which it is noted that the Township prepared its financial statements on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township'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 entity'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township'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 determination of financial statement amounts. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Elliott Davis Decosimo, LLC". The signature is written in a cursive, flowing style with a large, sweeping underline.

Cincinnati, Ohio

June 24, 2015

**LIBERTY TOWNSHIP
BUTLER COUNTY, OHIO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2014**

None Reported

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Dave Yost • Auditor of State

LIBERTY TOWNSHIP

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 29, 2015**