

***LIBERTY TOWNSHIP  
BUTLER COUNTY***

***AUDIT REPORT***

***FOR THE YEAR ENDED DECEMBER 31, 2016***







# Dave Yost • Auditor of State

Board of Trustees  
Liberty Township  
7162 Liberty Centre Drive, Suite A  
Liberty Township, Ohio 45069

We have reviewed the *Independent Auditor's Report* of Liberty Township, Butler County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2016 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

October 4, 2017

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**LIBERTY TOWNSHIP  
BUTLER COUNTY**

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**INDEPENDENT AUDITOR'S REPORT**

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

To the Board of Trustees:

***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, Butler County, Ohio (the Township), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Township, Butler County, Ohio, as of December 31, 2016, and the respective changes in modified cash financial position and where applicable cash flows, thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

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

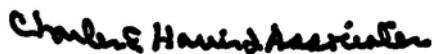
***Other Matters***

***Supplemental Information***

Our audit was conducted to opine on the financial statements taken as a whole. We applied no procedures to the respective budgetary comparison for the General, Police and Fire funds as listed in the table contents. Accordingly, we express no opinion or any other assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2017 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***  
June 15, 2017



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**Liberty Township, Butler County, Ohio***Statement of Net Position - Modified Cash Basis**As of December 31, 2016*

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	<b>Governmental Activities</b>
<b>Assets</b>	
Equity in pooled cash, cash equivalents, and investments	27,599,747
Total Assets	<u>\$ 27,599,747</u>
<b>Net Position</b>	
Restricted for	
Capital projects	5,889,275
Debt service	790,657
Public safety	5,492,968
Public works	1,356,123
Cemetery	127,490
Recreation programs	40,994
Self-insurance	943,280
Unrestricted	12,958,960
Total net position	<u>\$ 27,599,747</u>

**See Notes to Financial Statements**

# Liberty Township, Butler County, Ohio

## Statement of Activities - Modified Cash Basis

For the year ended December 31, 2016

	Cash Disbursements	Program Receipts			Net Receipts (Disbursements) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
<b>Governmental Activities</b>					
Current:					
General government	\$ (5,202,509)	\$ 615,602	\$ -	\$ 92,079	\$ (4,494,828)
Public safety	(8,116,757)	843,489	1,065,922	-	(6,207,346)
Public works	(1,463,627)	3,704	452,651	-	(1,007,272)
Health	(35,640)	5,150	-	-	(30,490)
Conservation-Recreation	(273,812)	5,090	-	-	(268,722)
Payments to schools and escrow agent	(6,508,807)	-	-	-	(6,508,807)
Capital outlay	(1,062,914)	-	-	-	(1,062,914)
Debt service:					
Principal retirement	(747,000)	-	-	-	(747,000)
Interest and fiscal charges	(595,190)	-	-	-	(595,190)
Total governmental activities	<u>\$ (24,006,256)</u>	<u>\$ 1,473,035</u>	<u>\$ 1,518,573</u>	<u>\$ 92,079</u>	<u>\$ (20,922,569)</u>

### General Receipts

Property taxes levied for:

General purposes	2,089,557
Public safety	6,548,169
Public works	1,064,091
Payments in lieu of taxes	11,936,452
Grants and entitlements not restricted to specific purposes	666,229
Earnings on investments	47,456
Miscellaneous	128,302
Total general receipts	<u>22,480,256</u>

<i>Change in net position</i>	1,557,687
<i>Net position, beginning of year</i>	<u>26,042,060</u>
<i>Net position, end of year</i>	<u>\$ 27,599,747</u>

See Notes to Financial Statements

# Liberty Township, Butler County, Ohio

## Statement of Assets and Fund Balances - Modified Cash Basis - Governmental Funds

As of December 31, 2016

	<u>General</u>	<u>Fire Fund</u>	<u>Police Fund</u>	<u>Trails of Four Bridges Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Equity in pooled cash, cash equivalents, and investments	\$ 12,958,960	\$ 1,988,651	\$ 2,834,053	\$ 304,651	\$ 8,570,152	\$ 26,656,467
Total assets	<u>\$ 12,958,960</u>	<u>\$ 1,988,651</u>	<u>\$ 2,834,053</u>	<u>\$ 304,651</u>	<u>\$ 8,570,152</u>	<u>\$ 26,656,467</u>
<b>Fund Balances</b>						
Restricted	\$ -	\$ 1,988,651	\$ 2,834,053	\$ 304,651	\$ 8,570,152	\$ 13,697,507
Assigned	326,203	-	-	-	-	326,203
Unassigned	12,632,757	-	-	-	-	12,632,757
Total fund balances	<u>\$ 12,958,960</u>	<u>\$ 1,988,651</u>	<u>\$ 2,834,053</u>	<u>\$ 304,651</u>	<u>\$ 8,570,152</u>	<u>\$ 26,656,467</u>

See Notes to Financial Statements

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**Liberty Township, Butler County, Ohio****Reconciliation of Total Governmental Fund Balances - Modified Cash Basis to Net Position of  
Governmental Activities - Modified Cash Basis  
As of December 31, 2016**

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*Total fund balance - Governmental funds* \$ 26,656,467

*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 health insurance, to individual funds. The assets and liabilities of the internal service fund must fund activities, such as to be added to the statement of net position.

Net position of governmental activities

943,280  
\$ 27,599,747

**See Notes to Financial Statements**

# Liberty Township, Butler County, Ohio

## Statement of Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis - Governmental Funds For the year ended December 31, 2016

	General	Fire Fund	Police Fund	Trails of Four Bridges Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Property and other local taxes	\$ 2,089,557	\$ 4,393,351	\$ 2,154,818	\$ -	\$ 1,064,091	\$ 9,701,817
Charges for services	5,090	-	-	-	348,567	353,657
Licenses, permits and fees	582,654	14,676	5,150	-	13,829	616,309
Fines and forfeitures	22,224	-	-	-	-	22,224
Intergovernmental	758,308	965,154	100,768	-	452,651	2,276,881
Special assessments	10,724	-	-	-	470,121	480,845
Payments in lieu of taxes	-	-	-	2,847,404	9,089,048	11,936,452
Earnings on investments	45,394	-	-	-	1,057	46,451
Miscellaneous	70,531	27,002	-	-	30,769	128,302
Total receipts	3,584,482	5,400,183	2,260,736	2,847,404	11,470,133	25,562,938
<b>Disbursements</b>						
Current:						
General government	1,539,849	-	-	1,195,616	2,473,487	5,208,952
Public safety	-	5,195,818	2,675,997	-	254,995	8,126,810
Public works	-	-	-	-	1,465,440	1,465,440
Health	18,781	-	-	-	16,859	35,640
Conservation-Recreation	274,149	-	-	-	2	274,151
Payments to schools and escrow agent	-	-	-	1,400,196	5,108,611	6,508,807
Capital outlay	254,227	143,249	-	-	665,438	1,062,914
Debt service:						
Principal retirement	-	-	-	12,500	734,500	747,000
Interest and fiscal charges	-	-	-	68,544	526,646	595,190
Total disbursements	2,087,006	5,339,067	2,675,997	2,676,856	11,245,978	24,024,904
Excess (deficiency) of receipts over (under) disbursements	1,497,476	61,116	(415,261)	170,548	224,155	1,538,034
<b>Other financing sources (uses)</b>						
Transfers in	2,937,925	-	-	86,282	1,473,000	4,497,207
Transfers out	(918,696)	(126,204)	-	-	(3,452,307)	(4,497,207)
Advances in	-	-	-	47,821	143,463	191,284
Advances out	(191,284)	-	-	-	-	(191,284)
Total other financing sources (uses)	1,827,945	(126,204)	-	134,103	(1,835,844)	-
Net change in fund balances	3,325,421	(65,088)	(415,261)	304,651	(1,611,689)	1,538,034
<b>Fund balances, beginning of year</b>	9,633,539	2,053,739	3,249,314	-	10,181,841	25,118,433
<b>Fund balances, end of year</b>	\$ 12,958,960	\$ 1,988,651	\$ 2,834,053	\$ 304,651	\$ 8,570,152	\$ 26,656,467

See Notes to Financial Statements

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**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  
For the year ended December 31, 2016***

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*Changes in fund balances - Governmental funds* \$ 1,538,034

*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 health insurance, to individual funds. The assets and liabilities of the internal service fund must fund activities, such as to be added to the statement of net position.

Total change in net position of governmental activities

19,653  
\$ 1,557,687

***See Notes to Financial Statements***

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**Liberty Township, Butler County, Ohio***Statement of Fund Net Position - Modified Cash Basis - Proprietary Fund**As of December 31, 2016*

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	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>Assets</b>	
Equity in pooled cash, cash equivalents, and investments	943,280
Total assets	<u>\$ 943,280</u>
<b>Net Position</b>	
Restricted - self-insurance	943,280
Total net position	<u>\$ 943,280</u>

**See Notes to Financial Statements**

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**Liberty Township, Butler County, Ohio***Statement of Receipts, Disbursements and Changes in Fund Net Position - Modified**Cash Basis - Proprietary Fund**For the year ended December 31, 2016*

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	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b><i>Operating receipts</i></b>	
Charges for services	\$ 1,044,331
Total operating receipts	<u>1,044,331</u>
<b><i>Operating disbursements</i></b>	
Purchased services	265,589
Claims	760,094
Total operating disbursements	<u>1,025,683</u>
<b><i>Operating income</i></b>	18,648
<b><i>Nonoperating receipts</i></b>	
Earnings on investments	<u>1,005</u>
Changes in net position	19,653
<b><i>Net position, beginning of year</i></b>	923,627
<b><i>Net position, end of year</i></b>	<u><u>\$ 943,280</u></u>

**See Notes to Financial Statements**



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**Liberty Township, Butler County, Ohio***Statement of Cash Flows - Modified Cash Basis - Proprietary Fund**For the year ended December 31, 2016*

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	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<i>Cash flows from operating activities</i>	
Cash received from interfund services provided	\$ 1,044,331
Cash payments to suppliers for goods and services	(265,589)
Cash payments for employee medical, dental, and life insurance claims	(760,094)
Net cash flows from operating activities	<u>18,648</u>
<i>Cash flows from investing activities</i>	
Interest	1,005
Net increase in cash and cash equivalents	<u>19,653</u>
<i>Cash and cash equivalents, beginning of year</i>	923,627
<i>Cash and cash equivalents, end of year</i>	<u>\$ 943,280</u>
<i>Reconciliation of operating income to net cash flows from operating activities</i>	
Operating income/net cash from operating activities	<u>\$ 18,648</u>

*See Notes to Financial Statements*

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**Liberty Township, Butler County, Ohio***Statement of Fiduciary Net Position - Modified Cash Basis - Fiduciary Funds**As of December 31, 2016*

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	<u>Private Purpose Trust</u>	<u>Agency</u>
<b>Assets</b>		
Equity in pooled cash, cash equivalents, and investments	\$ 13,232	\$ 9,256
Total assets	<u>\$ 13,232</u>	<u>\$ 9,256</u>
<b>Net Position</b>		
Held in trust for cemetery maintenance:		
Nonexpendable	\$ 5,000	\$ -
Expendable	8,232	-
Held on behalf of employees	-	9,256
Total net position	<u>\$ 13,232</u>	<u>\$ 9,256</u>

*See Notes to Financial Statements*

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**Liberty Township, Butler County, Ohio***Statement of Changes in Fiduciary Net Position - Modified Cash Basis - Fiduciary Fund**For the year ended December 31, 2016*

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	<b>Private Purpose Trust</b>
<i>Additions</i>	
Earnings on investments	\$ 9
Total additions	<u>9</u>
 <i>Change in net position</i>	 9
 <i>Net position, beginning of year</i>	 <u>13,223</u>
<i>Net position, end of year</i>	<u><u>\$ 13,232</u></u>

*See Notes to Financial Statements*

**Liberty Township**  
**Notes to the Basic Financial Statements**  
**December 31, 2016**

**Note 1. Reporting Entity**

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

Public entity risk pool:

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. Note 5 to the financial statements provides additional information for this entity.

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.

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

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**December 31, 2016**

**Note 2. Summary of Significant Accounting Policies, Continued**

*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 December 31, 2016. 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.

*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.

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**December 31, 2016**

**Note 2. Summary of Significant Accounting Policies, Continued**

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.

*Trails of Four Bridges Fund Debt Service Fund:* This fund accounts for proceeds and revenues from payments in lieu of taxes restricted for the purpose of repayments to bond escrow agents, including debt service obligations, and contractual payments to the Butler County Transportation Improvement District and Lakota School District, benefiting the Four Bridges area.

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**  
**Notes to the Basic Financial Statements (Continued)**  
**December 31, 2016**

**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 2016, 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 their carrying value at December 31, 2016.

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 2016 were \$45,394, which includes \$29,390 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. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**December 31, 2016**

**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 mandated 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; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.



**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**December 31, 2016**

**Note 2. Summary of Significant Accounting Policies, Continued**

Fund balance, continued:

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

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

The Township applies restricted resources first when 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, 2016:

<u>Fund Name</u>	<u>\$ Amount</u>
General Fund	\$ 326,203
Fire Fund	18,176
Nonmajor Funds	193,366
<b>Total</b>	<u><u>\$ 537,745</u></u>

**Note 2. Summary of Significant Accounting Policies, Continued**

Interfund transactions:

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

**Note 3. Deposits and Investments**

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

Active monies 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.

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**December 31, 2016**

**Note 3. Deposits and Investments, Continued**

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, and with certain limitations, bonds and other obligations of political subdivisions 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 and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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.

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**December 31, 2016**

**Note 3. Deposits and Investments, Continued**

Deposits:

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of December 31, 2016 the carrying amount of the Township's deposit was \$ 15,491,364 and the bank balance was \$15,755,420. Based on the criteria described in GASB statement No. 40, "Deposits and Investment Risk Disclosers", as of December 31, 2016, none of the Township's bank balance was exposed to custodial risk as described above.

The Township has no deposit policy for custodial risk beyond the requirements of State Statute. Ohio law requires 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.

Investments:

As of December 31, 2016, the Township had the following investments:

	Carrying Value	Investment Maturities (in Years)		
		Less than 1	1 - 2	3 - 5
Federal Home Loan Mortgage Corporation Notes	\$ 3,268,232	\$ -	\$ -	\$ 3,268,232
Federal Home Loan Bank	491,614	-	-	491,614
Federal National Mortgage Association	485,712	-	-	485,712
Bank certificates of deposit	2,874,702	1,177,455	1,211,908	458,339
Money market funds	5,010,611	5,010,611	-	-
	<u>\$ 12,130,871</u>	<u>\$ 6,188,066</u>	<u>\$ 1,211,908</u>	<u>\$ 4,703,897</u>

Interest Rate Risk – Interest rate risk arises because the fair value of investments changes as interest rates change. The Township's investment policy addresses interest rate risk by requiring 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 investments 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**  
**Notes to the Basic Financial Statements (Continued)**  
**December 31, 2016**

**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 investments 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, 2016:

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
Federal Home Loan Mortgage Corporation Notes	26.95%
Federal Home Loan Bank	4.05%
Federal National Mortgage Association	4.00%
Bank certificates of deposit	23.70%
Money market funds	41.30%
	<u>100.00%</u>

The carrying value of investments is summarized as follows:

	<u>Carrying Value</u>	<u>Unclassified</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Federal Home Loan Mortgage Corporation Notes	\$ 3,268,232	\$ -	\$ 3,268,232	\$ -	\$ -
Federal Home Loan Bank	491,614	-	491,614	-	-
Federal National Mortgage Association	485,712	-	485,712	-	-
Bank certificates of deposit	2,874,702	2,874,702	-	-	-
Money market funds	5,010,611	5,010,611	-	-	-
	<u>\$ 12,130,871</u>	<u>\$ 7,885,313</u>	<u>\$ 4,245,558</u>	<u>\$ -</u>	<u>\$ -</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, 2016.

Investments	\$ 12,130,871
Carrying amount of Township's deposits	<u>15,468,876</u>
Equity in pooled cash, cash equivalents and investments	<u>\$ 27,599,747</u>

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**December 31, 2016**

**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 2016 for real and public utility property taxes represent collections of the 2015 taxes.

Real property taxes for 2016 are levied after October 1, 2016, on the assessed values as of January 1, 2016, 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 2016 are collected in and intend to finance 2016.

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.

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 2016, which became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2016 with real property taxes.

The full tax rate for all Township operations for the year ended December 31, 2016, was \$11.590 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2016 property tax receipts were based are as follows:

Real Property - Residential, Agricultural and Other	\$ 872,428,760
Public Utility Property	23,846,620
Total assessed value	<u>\$ 896,275,380</u>

**Note 5. Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees. The Township insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. 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 and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**December 31, 2016**

**Note 5. Risk Management, Continued**

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, 2016.

	<b>2016</b>
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township’s share of these unpaid claims collectible in future years is approximately \$23,400.

Based on discussions with OTARMA, the expected rates OTARMA charges 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 annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<b>2016 Contributions to OTARMA</b>
\$52, 358

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s 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.

Self-Insurance

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, 2016, follows:

Cash and investments	\$	943,280
Actuarial liabilities	\$	121,200

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**December 31, 2016**

**Note 6. Defined Benefit Pension Plans**

Plan Description - Ohio Public Employees Retirement System (OPERS):

Plan Description - Township employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Township employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

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

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

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

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

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**December 31, 2016**

**Note 6. Defined Benefit Pension Plans, Continued**

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

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

	<u>State and Local</u>
<b>2016 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
<b>2016 Actual Contribution Rates</b>	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	<u>2.0</u>
Total Employer	<u><u>14.0 %</u></u>
Employee	<u><u>10.0 %</u></u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Township’s contractually required contributions for the years ended December 31, 2016, 2015 and 2014 were \$188,258, \$185,167 and \$175,897, respectively.

*Plan description - Ohio Police & Fire Pension Fund (OPF):*

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

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



**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**December 31, 2016**

**Note 6. Defined Benefit Pension Plans, Continued**

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

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

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

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

	<u>Police</u>	<u>Firefighters</u>
<b>2016 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
<b>2016 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The Township's contractually required contributions to OPF for the years ended December 31, 2016, 2015 and 2014 were \$598,341, \$596,299 and \$566,469, respectively.

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**December 31, 2016**

**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 two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored 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 20 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. Please see the Plan Statement in the OPERS 2015 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.

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 earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.00% of earnable salary, 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 maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016.

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**December 31, 2016**

**Note 7. Postemployment Benefits, Continued**

As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. OPERS also recommended the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined Plans. Member of the Members of the Member Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OERS funds a Retiree Medical Account (RMA) for participants in the Member Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

The Township's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2016, 2015 and 2014, were \$26,883, \$26,441, and \$25,118, respectively; 100 percent has been contributed for 2016, 2015 and 2014.

**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.

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.

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**December 31, 2016**

**Note 7. Postemployment Benefits, Continued**

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.

For 2016, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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 \$12,565, \$12,522, and \$11,896 for the years ended December 31, 2016, 2015 and 2014, respectively. The full amount has been contributed for 2016, 2015 and 2014.

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**December 31, 2016**

**Note 8. Debt**

A summary of the Township's debt activity for the year ended December 31, 2016 is as follows:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>December 31, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2016</u>	<u>Due in One Year</u>
<b>General obligation bonds</b>							
Road garage refinanced	3.40%	2020	\$ 492,000	\$ -	\$ 92,000	\$ 400,000	\$ 95,000
Fire Station #113 - Refunding Bonds	2.70%	2023	985,000	-	105,000	880,000	110,000
Woodlawn View Park	4.0% - 4.4%	-	110,000	-	110,000	-	-
747/Princeton Intersection	3.0% - 4.25%	2029	1,580,000	-	85,000	1,495,000	90,000
Kyles Station/State Rt. 747 Intersection	3.0% - 4.125%	2029	2,425,000	-	135,000	2,290,000	140,000
Salt Storage facility	3.0% - 4.125%	2028	225,000	-	15,000	210,000	15,000
Fire Station #111	3.09% - 4.125%	2028	2,580,000	-	155,000	2,425,000	160,000
			<u>8,397,000</u>	<u>-</u>	<u>697,000</u>	<u>7,700,000</u>	<u>610,000</u>
<b>Revenue Bonds</b>							
Liberty Center Project - Series 2014B	4.00% - 5.00%	2041	6,045,000	-	50,000	5,995,000	60,000
Total			<u>\$ 14,442,000</u>	<u>\$ -</u>	<u>\$ 747,000</u>	<u>\$ 13,695,000</u>	<u>\$ 670,000</u>

The prior audit report 's debt schedule was understated by \$6,045,000 because the revenue bonds related to the Liberty Center Project were not included.

General obligation bonds

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.

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

	<b>General Obligation Bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 610,000	\$ 295,585	\$ 905,585
2018	638,000	274,198	912,198
2019	657,000	250,761	907,761
2020	680,000	226,653	906,653
2021	600,000	201,708	801,708
2022-2026	2,930,000	666,863	3,596,863
2027-2029	1,585,000	122,437	1,707,437
	<u>\$ 7,700,000</u>	<u>\$ 2,038,205</u>	<u>\$ 9,738,205</u>

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**December 31, 2016**

**Note 8. Debt, Continued**

Revenue Bonds:

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

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

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

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

	<b>Revenue Bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 60,000	\$ 280,562	\$ 340,562
2018	65,000	278,162	343,162
2019	75,000	275,562	350,562
2020	80,000	272,562	352,562
2021	85,000	269,362	354,362
2022-2026	895,000	1,268,812	2,163,812
2027-2031	1,215,000	1,050,525	2,265,525
2032-2036	1,540,000	733,750	2,273,750
2037-2041	1,980,000	307,500	2,287,500
	<u><b>\$5,995,000</b></u>	<u><b>\$ 4,736,797</b></u>	<u><b>\$10,731,797</b></u>

Debt Margin

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5% of the tax valuation of the 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, 2016, were an overall debt margin of \$91,594,887 and an unvoted debt margin of \$47,978,274.

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**December 31, 2016**

**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:

	General	Fire	Police	Trail of Four Bridges Debt Service Fund	Other Governmental Funds	Total
<b>Restricted for</b>						
Capital projects	\$ -	\$ -	\$ -	\$ -	\$ 5,472,086	\$ 5,472,086
Cemetery	-	-	-	-	127,490	127,490
Debt Service	-	-	-	304,651	486,006	790,657
Emergency medical services	-	-	-	-	670,264	670,264
Fire operations	-	1,988,651	-	-	-	1,988,651
Lighting	-	-	-	-	417,189	417,189
Police operations	-	-	2,834,053	-	-	2,834,053
Recreational programs	-	-	-	-	40,994	40,994
Road and bridge maintenance / improvement	-	-	-	-	1,356,123	1,356,123
	-	1,988,651	2,834,053	304,651	8,570,152	13,697,507
<b>Assigned to</b>						
Capital outlay and other purposes	326,203	-	-	-	-	326,203
<b>Unassigned</b>						
	12,632,757	-	-	-	-	12,632,757
<b>Total fund balances</b>	<b>\$ 12,958,960</b>	<b>\$ 1,988,651</b>	<b>\$ 2,834,053</b>	<b>\$ 304,651</b>	<b>\$ 8,570,152</b>	<b>\$ 26,656,467</b>

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**December 31, 2016**

**Note 10. Interfund Transfers**

During 2016 the following transfers were made:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Major Funds</b>		
General Fund	\$ 2,937,925	\$ 918,696
Fire Fund	-	126,204
Trails of Four Bridges Debt Service Fund	86,282	-
<b>Nonmajor Funds</b>		
Aspen Trail RID District Capital Project Fund	-	163,469
Creekside Meadows RID District Capital Project Fund	-	163,469
Falling Water RID District Capital Project Fund	-	163,469
Hawthorne Hills Capital Project Fund	-	2,937,925
Kyles Station Road Debt Service Fund	232,382	-
Fire Station #113 Building Debt Service Fund	126,204	-
Road and Garage Debt Service Fund	108,728	-
Woodlawn View Bond Debt Service Fund	114,840	-
Fire Station #111 Building Debt Service Fund	258,025	-
Road Salt Barn Debt Service Fund	23,975	-
Townhomes of Four Bridges Debt Service Fund	86,282	-
Four Bridges Debt Service Fund	86,282	-
Cedarbrook Debt Service Fund	86,282	-
Road and Bridge Special Revenue Fund	350,000	23,975
	<u>\$ 4,497,207</u>	<u>\$ 4,497,207</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 also transferred \$86,282, to the Trails of Four Bridges Debt Service Fund, the Townhomes of Four Bridges Debt Service Fund, the Four Bridges Debt Service Fund and the Cedarbrook Debt Service Fund for various contracted services.

The General Fund transferred \$108,728, and \$114,840 to the Road and Garage Debt Service Fund and the Woodland View Bond Debt Service Fund, respectively, to fund debt service payments.

The General Fund also transferred \$350,000 to the Road and Bridge Special Revenue Fund to underwrite various expenses.

The Hawthorne Hills Capital Project Fund transferred \$2,937,925 of remaining surplus dollars to the General Fund.



**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**December 31, 2016**

**Note 10. Interfund Transfers, Continued**

The Fire Fund transferred \$126,204 to the Fire Station #113 Building Debt Service Fund to fund debt service payments.

Road and Bridge Special Revenue Fund transferred \$23,975 to the Road Salt Barn Debt Service Fund, to fund the remaining debt payments. 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 \$163,469 each, to fund debt service payments of \$232,382 and \$258,025 for the Kyles Station Road Debt Service Fund and the Fire Station #111 Building Debt Service Fund, respectively.

Hawthorne Hills Incentive District (the “RID”) is being dissolved due to lack of projects. Per ORC Section 5709.75(E), “Any unencumbered money remaining in the township public improvement tax increment equivalent fund or an account of that fund upon dissolution of the account or fund shall be transferred to the *general fund* of the township”. Accordingly, under the statutory language (as well as Section 6 of Resolution No. 2004-216), the surplus funds must be distributed to the general fund of the Township.

Advances from/to other funds:

Advances for the year ended December 31, 2016 were as follows:

	<u>Advances In</u>	<u>Advances Out</u>
<b>Major Funds</b>		
General Fund	\$ -	\$ 191,284
Trails of Four Bridges Debt Service Fund	47,821	-
<b>Nonmajor Funds</b>		
Townhomes of Four Bridges Debt Service Fund	47,821	-
Four Bridges Debt Service Fund	47,821	-
Cedarbrook Debt Service Fund	47,821	-
	<u>\$ 191,284</u>	<u>\$ 191,284</u>

**Liberty Township**  
**Notes to the Basic Financial Statements (Continued)**  
**December 31, 2016**

**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 Joint Economic Development District (“JEDD”) revenues, subject to annual appropriations by the Board, equal to ninety-five percent of the prior year JEDD revenues received, to the TID as security for the bonds. According to the agreement, the obligation of the Township is limited to the pledged receipts and the bonds are not general obligations of any political subdivision. During 2016, the amount pledged totaled and paid by the Township was \$3,047,136. Minimum payments via pledged revenues are expected as follows:

	<u>\$ Amount</u>
2017	\$ 1,184,700
2018	1,166,600
2019	1,165,000
2020	1,173,900
2021	1,186,500
2022-2026	6,489,600
2027-2031	7,308,800
2032-2034	860,300
	<u>\$ 20,535,400</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.

## **Supplementary Information**

# Liberty Township, Butler County, Ohio

## Schedule of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual -

### Budget Basis - General Fund

For the year ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and other local taxes	\$ 1,693,749	\$ 1,693,750	\$ 2,089,557	\$ 395,807
Charges for services	-	-	5,090	5,090
Licenses, permits and fees	513,300	513,300	582,654	69,354
Fines and forfeitures	13,200	13,200	22,224	9,024
Intergovernmental	627,600	627,600	758,308	130,708
Special assessments	8,500	8,500	10,724	2,224
Earnings on investments	98,300	98,300	45,394	(52,906)
Miscellaneous	53,500	53,500	70,531	17,031
Total receipts	3,008,149	3,008,150	3,584,482	576,332
<b>Disbursements</b>				
Current:				
General government	2,463,588	2,676,608	1,557,482	1,119,126
Health	18,700	18,785	18,781	4
Conservation-Recreation	294,750	299,281	274,149	25,132
Capital outlay	1,079,500	1,217,750	562,797	654,953
Total disbursements	3,856,538	4,212,424	2,413,209	1,799,215
Excess of receipts over disbursements	(848,389)	(1,204,274)	1,171,273	2,375,547
Other financing sources (uses) -				
Transfers in	-	-	2,937,925	2,937,925
Transfers out	(949,130)	(949,130)	(918,696)	30,434
Advances out	-	-	(191,284)	(191,284)
Total other financing sources (uses)	(949,130)	(949,130)	1,827,945	2,777,075
Net change in fund balance	(1,797,519)	(2,153,404)	2,999,218	5,152,622
<b>Fund balance, beginning of year</b>	9,598,294	9,598,294	9,598,294	-
Prior year encumbrances appropriated	35,245	35,245	35,245	-
<b>Fund balance, end of year</b>	<u>\$ 7,836,020</u>	<u>\$ 7,480,135</u>	<u>\$ 12,632,757</u>	<u>\$ 5,152,622</u>

# Liberty Township, Butler County, Ohio

## Schedule of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual -

### Budget Basis - Fire Fund

For the year ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and other local taxes	\$ 4,314,500	\$ 4,314,500	\$ 4,393,351	\$ 78,851
Licenses, permits and fees	20,000	20,000	14,676	(5,324)
Intergovernmental	692,000	692,000	965,154	273,154
Miscellaneous	-	-	27,002	27,002
Total receipts	5,026,500	5,026,500	5,400,183	373,683
<b>Disbursements</b>				
Current:				
Public safety	5,628,660	5,754,419	5,208,268	546,151
Capital outlay	271,145	271,145	148,975	122,170
Total disbursements	5,899,805	6,025,564	5,357,243	668,321
Excess (deficiency) of receipts over (under) disbursements	(873,305)	(999,064)	42,940	1,042,004
Other financing sources (uses) - transfers out	(126,204)	(126,204)	(126,204)	-
Net change in fund balance	(999,509)	(1,125,268)	(83,264)	1,042,004
<b>Fund balance, beginning of year</b>	1,963,399	1,963,399	1,963,399	-
Prior year encumbrances appropriated	90,340	90,340	90,340	-
<b>Fund balance, end of year</b>	<u>\$ 1,054,230</u>	<u>\$ 928,471</u>	<u>\$ 1,970,475</u>	<u>\$ 1,042,004</u>

**Liberty Township, Butler County, Ohio***Schedule of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual -**Budget Basis - Police Fund**For the year ended December 31, 2016*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and other local taxes	\$ 2,116,800	\$ 2,116,800	\$ 2,154,818	\$ 38,018
Licenses, permits and fees	4,000	4,000	5,150	1,150
Intergovernmental	339,500	339,500	100,768	(238,732)
Miscellaneous	-	-	-	-
Total receipts	<u>2,460,300</u>	<u>2,460,300</u>	<u>2,260,736</u>	<u>(199,564)</u>
<b>Disbursements</b>				
Current:				
Public safety	2,630,590	2,759,028	2,675,997	83,031
Capital outlay	-	-	-	-
Total disbursements	<u>2,630,590</u>	<u>2,759,028</u>	<u>2,675,997</u>	<u>83,031</u>
Net change in fund balance	(170,290)	(298,728)	(415,261)	(116,533)
<b>Fund balance, beginning of year</b>	3,055,864	3,055,864	3,055,864	-
Prior year encumbrances appropriated	193,450	193,450	193,450	-
<b>Fund balance, end of year</b>	<u>\$ 3,079,024</u>	<u>\$ 2,950,586</u>	<u>\$ 2,834,053</u>	<u>\$ (116,533)</u>

**Liberty Township  
Notes to the Supplementary Information  
December 31, 2016**

**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 resolution, 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 resolution is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, 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 resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township Trustees during the year.

**Note 2. Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The 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	\$ 3,325,421	\$ (65,088)	\$ (415,261)
Adjustment for encumbrances	(326,203)	(18,176)	-
Change in fund balance - budget basis	<u>\$ 2,999,218</u>	<u>\$ (83,264)</u>	<u>\$ (415,261)</u>

See independent auditor's report and accompanying notes to the supplementary information.

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

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Township, Butler County, (the Township) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements and have issued our report thereon dated June 15, 2017, wherein we noted the Township uses a special purpose framework other than accounting principles generally accepted in the United States of America.

***Internal Control Over Financial Reporting***

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

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

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

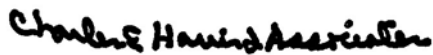
***Compliance and Other Matters***

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

We did note certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 15, 2017.

***Purpose of this Report***

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



***Charles E. Harris & Associates, Inc.***  
June 15, 2017



# 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  
OCTOBER 19, 2017**