

**CITY OF SOUTH LEBANON**  
**WARREN COUNTY, OHIO**

**REGULAR AUDIT**

**FOR THE YEAR ENDED**  
**DECEMBER 31, 2021**



OHIO AUDITOR OF STATE  
KEITH FABER



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City Council  
City of South Lebanon  
10 N. High St.  
South Lebanon, OH 45065

We have reviewed the *Independent Auditor's Report* of the City of South Lebanon, Warren County, prepared by Julian & Grube, Inc., for the audit period January 1, 2021 through December 31, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

**June 28, 2023**

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**CITY OF SOUTH LEBANON  
WARREN COUNTY, OHIO**

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## Independent Auditor's Report

City of South Lebanon  
Warren County  
10 North High Street  
South Lebanon, Ohio 45065

To the Members of the City Council and Mayor:

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South Lebanon, Warren County, Ohio, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of South Lebanon's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South Lebanon, as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

#### *Emphasis of Matter*

As described in Note 15 to the financial statements, during 2021, the City of South Lebanon changed the presentation of its annual financial report from the cash basis of accounting to presenting its basic financial statements in accordance with accounting principles generally accepted in the United States of America. We did not modify our opinion regarding this matter.

***Responsibilities of Management for the Financial Statements***

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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



***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, schedules of net pension and other post-employment benefit assets and liabilities and pension and other post-employment benefit contribution, and budgetary comparison information* listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2023 on our consideration of the City of South Lebanon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of South Lebanon's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of South Lebanon's internal control over financial reporting and compliance.

*Julian & Grube, Inc.*

Julian & Grube, Inc.  
May 30, 2023

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**CITY OF SOUTH LEBANON, OHIO**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2021**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of South Lebanon's ("the City") discussion and analysis of the annual financial report provides an overview of the City's financial activities for the year ended December 31, 2021.

**FINANCIAL HIGHLIGHTS**

- Prior to October 21, 2021, South Lebanon operated as a village. On October 21, 2021, South Lebanon was officially recognized as the City of South Lebanon, due the results of the 2020 Federal Census indicating a population of more than 5,000 persons. The City will operate in a transitional phase between village and city until the next general election, November 7, 2023.
- The City's total net position increased \$1,950,690 in 2021.
- General revenues accounted for \$4,545,572, or 57%, of total revenue. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$3,412,223, or 43%, of total revenues of \$7,957,795.
- The City had \$3,609,599 in expenses related to governmental activities. Program revenues of \$644,964 reduced the net cost of the City's functions to be financed from the City's general revenues to \$2,964,635.
- The City's unassigned fund balance of the General Fund totaled \$2,738,686 at year end, or 113%, of General Fund expenditures and transfers.

**USING THIS ANNUAL FINANCIAL REPORT**

As required by Ohio Revised Code (ORC), this is the first time South Lebanon is preparing financial statements in accordance with generally accepted accounting principles (GAAP), due to its transition from a village to a city. Since this is the first year reporting under GAAP, certain information is not available for comparison purposes.

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the City of South Lebanon's financial situation as a whole and also give a detailed view of the City's fiscal condition.

The statement of net position and statement of activities provide information about the activities of the City as a whole and present a long-term view of the City's finances. The fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as the amount of funds available for future spending. The fund financial statements focus on the City's most significant funds, with all other nonmajor funds presented in total in one column.

## REPORTING THE CITY AS A WHOLE

### *Statement of Net Position and the Statement of Activities*

The analysis of the City as a whole begins with the Statement of Net Position and the Statement of Activities. These statements provide information that will help the reader to determine if the City is financially better or worse off because of the year's activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by private sector companies. All current year revenues and expenses are considered regardless of when cash is received or paid.

These two statements report the City's net position and changes to that position. These changes inform the reader whether the City's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the reader of these financial statements needs to consider non-financial factors that also impact the City's financial well-being. Some of these factors include the City's tax base and the condition of capital assets.

## REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

### *Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and a fiduciary fund.

**Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in assessing the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenue, expenditures and changes in fund balances for the general fund, the River's Crossing tax increment financing (TIF) fund, the Riverside TIF fund, and the Municipal Building bond anticipation notes (BAN) debt fund, which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation.

**Proprietary Funds** – There are two types of proprietary funds: enterprise and internal service funds. The City only maintains enterprise funds. The City uses enterprise funds to account for its water, sewer, and sanitation operations, utility maintenance and improvement, and enterprise deposits. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer and sanitation operations, all of which are considered to be major funds of the City.

**Fiduciary Fund** – The City’s fiduciary fund (Mayor’s Court) is used to account for resources held for the benefit of parties outside the government. The fiduciary fund is not reported in the government-wide financial statements because the resources in that fund are not available to support the City’s own programs. The accounting used for the fiduciary fund is much like that used for proprietary funds.

## THE CITY AS A WHOLE

As stated previously, the Statement of Net Position looks at the City as a whole. The table below provides a summary of the City’s net position for 2021 compared to 2020.

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Assets</b>						
Current and other assets	\$ 8,107,337	\$ 7,433,831	\$ 8,527,946	\$ 7,956,626	\$ 16,635,283	\$ 15,390,457
Net OPEB asset	41,117	-	33,641	-	74,758	-
Capital assets	10,153,976	10,194,179	19,962,849	20,385,004	30,116,825	30,579,183
<b>Total assets</b>	<b>18,302,430</b>	<b>17,628,010</b>	<b>28,524,436</b>	<b>28,341,630</b>	<b>46,826,866</b>	<b>45,969,640</b>
<b>Total deferred outflows of resources</b>	<b>83,987</b>	<b>156,701</b>	<b>158,060</b>	<b>88,824</b>	<b>242,047</b>	<b>245,525</b>
<b>Liabilities</b>						
Long-term liabilities:						
Net pension liability	366,959	579,229	300,240	325,815	667,199	905,044
Net OPEB liability	-	376,948	-	212,034	-	588,982
Other long-term liabilities	14,156,501	15,007,702	162,265	168,768	14,318,766	15,176,470
Current liabilities	632,665	441,785	130,440	137,283	763,105	579,068
<b>Total liabilities</b>	<b>15,156,125</b>	<b>16,405,664</b>	<b>592,945</b>	<b>843,900</b>	<b>15,749,070</b>	<b>17,249,564</b>
<b>Total deferred inflows of resources</b>	<b>2,325,036</b>	<b>2,054,627</b>	<b>243,845</b>	<b>110,702</b>	<b>2,568,881</b>	<b>2,165,329</b>
<b>Net position</b>						
Net investment in capital assets	1,799,594	1,093,631	19,811,474	20,226,588	21,611,068	21,320,219
Restricted	1,141,846	1,605,307	-	-	1,141,846	1,605,307
Unrestricted	(2,036,184)	(3,374,518)	8,034,232	7,249,264	5,998,048	3,874,746
<b>Total net position</b>	<b>\$ 905,256</b>	<b>\$ (675,580)</b>	<b>\$ 27,845,706</b>	<b>\$ 27,475,852</b>	<b>\$ 28,750,962</b>	<b>\$ 26,800,272</b>

The net pension liability is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*, and the net other postemployment benefits (OPEB) asset and liability are reported pursuant to GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting net OPEB asset and deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board (GASB) standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB Statement No. 68 and GASB Statement No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statement No. 68 and GASB Statement No. 75 require the net pension liability and the net OPEB asset and liability to equal the City's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The ORC permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement systems are responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion.

Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68 and GASB Statement No. 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB asset and liability, respectively, not accounted for as deferred inflows/outflows.

The largest portion of the City's net position (\$21,611,068) reflects its investment in capital assets, less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (\$1,141,846) represents resources that are subject to external restrictions on how they may be used.

The remaining net position balance of \$5,998,048 is unrestricted and available for future use as directed by City Council and City management.

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The table below shows the changes in net position for the year ended December 31, 2021. As noted earlier, since this is the first year the City has prepared financial statements in accordance with GAAP, revenue and expense comparison to fiscal year 2020 are not available. In future years, when prior-year information is available, a comparative analysis of city-wide data will be presented.

	Governmental Activities	Business-Type Activities	Total
	2021	2021	2021
<b>Revenues</b>			
Program revenue:			
Charges for services	\$ 232,074	\$ 2,767,259	\$ 2,999,333
Operating grants	344,296	-	344,296
Capital grants	68,594	-	68,594
General revenue:			
Taxes	2,580,926	-	2,580,926
Payments in lieu of taxes	1,704,764	-	1,704,764
Unrestricted grants and entitlements	108,769	-	108,769
Investment earnings	1,185	101	1,286
Miscellaneous	149,827	-	149,827
<b>Total revenues</b>	<b>5,190,435</b>	<b>2,767,360</b>	<b>7,957,795</b>
<b>Expenses</b>			
Security of persons and property	700,791	-	700,791
Public health services	7,102	-	7,102
Leisure time activities	50,473	-	50,473
Basic utility services	113,433	-	113,433
Transportation	539,498	-	539,498
General government	1,302,397	-	1,302,397
Interest and fiscal charges	895,905	-	895,905
Water	-	831,645	831,645
Sewer	-	1,128,962	1,128,962
Sanitation	-	425,283	425,283
Other enterprise activities	-	11,616	11,616
<b>Total expenses</b>	<b>3,609,599</b>	<b>2,397,506</b>	<b>6,007,105</b>
Change in net position	1,580,836	369,854	1,950,690
Beginning net position	(675,580)	27,475,852	26,800,272
<b>Ending net position</b>	<b>\$ 905,256</b>	<b>\$ 27,845,706</b>	<b>\$ 28,750,962</b>



## Governmental Activities

The one percent income tax is the largest source of revenue for the City of South Lebanon. Income taxes are levied on substantially all earned income arising from employment, residency, or business activities within the City, as well as certain income of residents earned outside the City.

On the *cash basis*, the City received \$2.1 million in income taxes during 2021, compared to \$1.8 million in 2020. The City benefited from the rebounding economy after pandemic restrictions eased and the unemployment rate in Warren County decreasing from 6.4% in 2020 to 4.0% in 2021.

Another significant source of revenue for the City is payments in lieu of taxes. These are payments received from designated TIF districts dedicated to public infrastructure improvements, and repayment of related financing, within the districts and compensation payments to the Kings Local School District. On the *cash basis*, the City received \$1.8 million in 2021 from two active TIF districts (River's Crossing and Riverside) and \$1.6 million in 2020.

Excluding interest paid on outstanding debt, the three largest functions for the City in 2021 are general government (36% of total expenses), security of persons and property (19% of total expenses), and transportation (15% of total expenses). General government accounts for the expenses of various administrative and legislative operations. The security of persons and property function accounts for the cost of the policing contract with the Warren County Sheriff's Office. The transportation function accounts for the maintenance of the City's public infrastructure.

The table below for governmental activities, indicates the total cost of services and the net cost of services. The statement of activities reflects the cost of program services and the charges of services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by general revenues.

	Total Cost of Service 2021	Net Cost of Service 2021
	<u>2021</u>	<u>2021</u>
Security of persons and property	\$ 700,791	\$ 700,791
Public health services	7,102	7,102
Leisure time activities	50,473	50,473
Basic utility services	113,433	113,433
Transportation	539,498	126,608
General government	1,302,397	1,070,323
Interest on long-term debt	<u>895,905</u>	<u>895,905</u>
 Total expenses	 <u>\$ 3,609,599</u>	 <u>\$ 2,964,635</u>

It's important to note that the City's expenses are significantly impacted by recognizing its proportionate share of the changes in the Ohio Public Employees Retirement System (OPERS) pension and other postemployment benefit plans. However, the operation of these plans is outside the control of the City and can vary significantly from year to year. In 2021, the impact was a reduction of \$326,929 to governmental activities expenses. This was due to higher investment earnings in both plans and modifications made by OPERS to OPEB benefits provided to current and future retirees.

### **Business-Type Activities**

The City's major business-type activities include water, sewer and sanitation operations. The City owns and maintains the water distribution lines, but contracts with Greater Cincinnati Water Works and Warren County Water and Sewer Department to provide water services. The City also owns and maintains the sewer lines, but contracts with Warren County Water and Sewer Department to provide for wastewater treatment services. Finally, the City contracts with Rumpke of Ohio, Inc. for solid waste and recycling services. On the *cash-basis*, the revenue from these operations increased 4%, 7% and 10%, respectively, from 2020 to 2021, due to increases in rates to cover increased costs of the contracts.

### **THE CITY'S FUNDS**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

At December 31, 2021, the City's governmental funds reported combined fund balances of \$4,637,449, an increase of \$145,421 in comparison with the prior year. Approximately 59% of this amount (\$2,738,686) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form (\$1,959), 2) restricted for particular purposes (\$1,288,194), 3) committed for particular purposes (\$37,876), or 4) assigned for particular purposes (\$570,734).

The general fund ended the current year with a fund balance of \$3,311,379. Of this amount, \$2,738,686 is considered unassigned, which represents 113% of current year expenditures and transfers. The fund balance increased \$254,629 in 2021. The general fund continues to rely heavily on the City's income tax as its primary source of revenue for operations, representing 81% of total general fund revenue. As explained previously, the City saw increases in income tax revenue due to easing of pandemic related restrictions. The additional revenue allowed the City to retire over half of the outstanding municipal building BANs by transferring \$731,975 into the municipal building BAN debt fund to reduce and roll over the notes.

The River's Crossing and Riverside TIF funds receive payments in lieu of taxes to fund public infrastructure improvements within the respective TIF districts. Both of these funds issued TIF revenue bonds to finance the improvements. The activity in these funds during 2021 consisted of satisfying the debt service requirements on the TIF revenue bonds and paying compensation payments of \$571,720 to the Kings Local School District.

The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, but in more detail.

**General Fund Budgeting Highlights**

The City’s budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, cash disbursements and encumbrances. The appropriations ordinance is Council’s authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level.

During 2021, the total amount of the General Fund budgeted expenditures and transfers increased from \$3,227,275 to \$3,262,476, a difference of \$35,201, or just 1%. Actual expenditures and transfers were \$788,884 less than budgeted, due to conservative budgeting.

General Fund budgeted revenues were consistent throughout the year. Actual revenues were \$2,661,612, a difference of approximately \$551,000, primarily due to better than expected income tax collections.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At December 31, 2021, the City’s capital assets decreased by \$462,358.

**Capital Assets at Year-End**  
(Net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 1,566,675	\$ 1,566,675	\$ 64,789	\$ 64,789	\$ 1,631,464	\$ 1,631,464
Construction in progress	251,563	25,155	265,826	128,637	517,389	153,792
Buildings and improvements	2,154,694	2,201,128	361,947	376,472	2,516,641	2,577,600
Improvements other than buildings	587,402	615,032	335,193	351,675	922,595	966,707
Equipment	428,313	261,278	623,990	534,882	1,052,303	796,160
Infrastructure	5,165,329	5,524,911	18,311,104	18,928,549	23,476,433	24,453,460
	<u>\$ 10,153,976</u>	<u>\$ 10,194,179</u>	<u>\$ 19,962,849</u>	<u>\$ 20,385,004</u>	<u>\$ 30,116,825</u>	<u>\$ 30,579,183</u>

Capital asset activity during 2021 in the governmental activities consisted of purchase of sheriff and public works vehicles, playground equipment and ongoing work on roads and the Veteran’s Memorial.

Activity in the business-type activities consisted of ongoing improvements to the City’s water and sanitary sewer infrastructure.

See Note 6 of the Notes to the Basic Financial Statements for more detailed information about the City’s change in capital assets.

## Debt

At December 31, 2021, the City of South Lebanon had \$14,290,808 debt outstanding.

### Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Bond anticipation notes	\$ 625,000	\$ 1,300,000	\$ -	\$ -	\$ 625,000	\$ 1,300,000
TIF revenue bonds	13,264,857	13,419,854	-	-	13,264,857	13,419,854
OPWC loan	249,576	275,394	-	-	249,576	275,394
OWDA loan	-	-	151,375	158,416	151,375	158,416
	<u>\$ 14,139,433</u>	<u>\$ 14,995,248</u>	<u>\$ 151,375</u>	<u>\$ 158,416</u>	<u>\$ 14,290,808</u>	<u>\$ 15,153,664</u>

The City's total outstanding debt decreased by \$862,856 during 2021, as the City satisfied its annual debt service requirements. The City's debt issuances consisted of bond anticipation notes, TIF revenue bonds, an OPWC loan and an OWDA loan.

See Note 8 of the Notes to the Basic Financial Statements for more detailed information about the City's debt.

### CONTACTING THE CITY'S FINANCE DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Finance Officer, City of South Lebanon, 10 North High Street, South Lebanon, Ohio 45065.



**CITY OF SOUTH LEBANON, OHIO**  
Statement of Net Position  
December 31, 2021

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in pooled cash and investments	\$ 4,768,547	\$ 8,150,611	\$ 12,919,158
Receivables:			
Property taxes	192,631	-	192,631
Income taxes	1,164,482	-	1,164,482
Payment in lieu of taxes	1,749,900	-	1,749,900
Accounts	1,717	227,914	229,631
Intergovernmental	230,060	-	230,060
Supplies inventory	-	149,421	149,421
Net OPEB asset	41,117	33,641	74,758
Nondepreciable capital assets	1,818,238	330,615	2,148,853
Depreciable capital assets, net	8,335,738	19,632,234	27,967,972
Total assets	<u>18,302,430</u>	<u>28,524,436</u>	<u>46,826,866</u>
<b>Deferred Outflows of Resources</b>			
Pensions	60,982	106,871	167,853
OPEB	23,005	51,189	74,194
Total deferred outflows of resources	<u>83,987</u>	<u>158,060</u>	<u>242,047</u>
<b>Liabilities</b>			
Accounts payable	26,039	88,353	114,392
Accrued wages payable	17,345	11,188	28,533
Intergovernmental payable	19,820	30,899	50,719
Accrued interest payable	324,972	-	324,972
Unearned revenue	244,489	-	244,489
Noncurrent liabilities:			
Due within one year	482,811	12,311	495,122
Due in more than one year:			
Net pension liability	366,959	300,240	667,199
Other amounts due in more than one year	13,673,690	149,954	13,823,644
Total liabilities	<u>15,156,125</u>	<u>592,945</u>	<u>15,749,070</u>
<b>Deferred Inflows of Resources</b>			
Property taxes and payment in lieu of taxes levied for next year	1,937,900	-	1,937,900
Pensions	225,992	138,480	364,472
OPEB	161,144	105,365	266,509
Total deferred inflows of resources	<u>2,325,036</u>	<u>243,845</u>	<u>2,568,881</u>
<b>Net Position</b>			
Net investment in capital assets	1,799,594	19,811,474	21,611,068
Restricted for:			
Capital projects	53,824	-	53,824
Public safety	7,019	-	7,019
Transportation	1,081,003	-	1,081,003
Unrestricted (deficit)	(2,036,184)	8,034,232	5,998,048
Total net position	<u>\$ 905,256</u>	<u>\$ 27,845,706</u>	<u>\$ 28,750,962</u>

See accompanying notes to the basic financial statements.

**CITY OF SOUTH LEBANON, OHIO**  
Statement of Activities  
Year Ended December 31, 2021

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Functions/Programs</b>							
Governmental activities:							
Security of persons and property	\$ 700,791	\$ -	\$ -	\$ -	\$ (700,791)	\$ -	\$ (700,791)
Public health services	7,102	-	-	-	(7,102)	-	(7,102)
Leisure time activities	50,473	-	-	-	(50,473)	-	(50,473)
Basic utility services	113,433	-	-	-	(113,433)	-	(113,433)
Transportation	539,498	-	344,296	68,594	(126,608)	-	(126,608)
General government	1,302,397	232,074	-	-	(1,070,323)	-	(1,070,323)
Interest on long-term debt	895,905	-	-	-	(895,905)	-	(895,905)
Total governmental activities	<u>3,609,599</u>	<u>232,074</u>	<u>344,296</u>	<u>68,594</u>	<u>(2,964,635)</u>	<u>-</u>	<u>(2,964,635)</u>
Business-type activities:							
Water	831,645	884,967	-	-	-	53,322	53,322
Sewer	1,128,962	1,386,646	-	-	-	257,684	257,684
Sanitation	425,283	477,506	-	-	-	52,223	52,223
Other enterprise activities	11,616	18,140	-	-	-	6,524	6,524
Total business-type activities	<u>2,397,506</u>	<u>2,767,259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>369,753</u>	<u>369,753</u>
Total	<u>\$ 6,007,105</u>	<u>\$ 2,999,333</u>	<u>\$ 344,296</u>	<u>\$ 68,594</u>	<u>(2,964,635)</u>	<u>369,753</u>	<u>(2,594,882)</u>
General revenues:							
Taxes:							
Income taxes					2,380,254	-	2,380,254
Property taxes					200,672	-	200,672
Payment in lieu of taxes					1,704,764	-	1,704,764
Grants and contributions not restricted to specific programs					108,769	-	108,769
Investment earnings					1,185	101	1,286
Miscellaneous					149,827	-	149,827
Total general revenues					<u>4,545,471</u>	<u>101</u>	<u>4,545,572</u>
Change in net position					1,580,836	369,854	1,950,690
Net position beginning of year, <i>restated</i>					<u>(675,580)</u>	<u>27,475,852</u>	<u>26,800,272</u>
Net position end of year					<u>\$ 905,256</u>	<u>\$ 27,845,706</u>	<u>\$ 28,750,962</u>

See accompanying notes to the basic financial statements.

CITY OF SOUTH LEBANON, OHIO  
 Balance Sheet  
 Governmental Funds  
 December 31, 2021

	General Fund	River's Crossing TIF	Riverside TIF	Municipal Building BAN Debt	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>						
Equity in pooled cash and investments	\$ 3,202,718	\$ 4,207	\$ 266,583	\$ -	\$ 1,295,039	\$ 4,768,547
Receivables:						
Property taxes	192,631	-	-	-	-	192,631
Income taxes	1,164,482	-	-	-	-	1,164,482
Payment in lieu of taxes	-	1,149,950	599,950	-	-	1,749,900
Accounts	1,607	-	-	-	110	1,717
Intergovernmental	43,948	21,478	11,206	-	153,428	230,060
Total assets	<u>\$ 4,605,386</u>	<u>\$ 1,175,635</u>	<u>\$ 877,739</u>	<u>\$ -</u>	<u>\$ 1,448,577</u>	<u>\$ 8,107,337</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances:</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 14,028	\$ -	\$ -	\$ -	\$ 12,011	\$ 26,039
Accrued wages payable	16,587	-	-	-	758	17,345
Intergovernmental payable	8,223	-	-	-	11,597	19,820
Unearned revenue	-	-	-	-	244,489	244,489
Total liabilities	<u>38,838</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>268,855</u>	<u>307,693</u>
<b>Deferred Inflows of Resources:</b>						
Property taxes and payment in lieu of taxes levied for next year	188,000	1,149,950	599,950	-	-	1,937,900
Unavailable revenue	1,067,169	21,478	11,206	-	124,442	1,224,295
Total deferred inflows of resources	<u>1,255,169</u>	<u>1,171,428</u>	<u>611,156</u>	<u>-</u>	<u>124,442</u>	<u>3,162,195</u>
<b>Fund Balances:</b>						
Nonspendable	1,959	-	-	-	-	1,959
Restricted	-	4,207	266,583	-	1,017,404	1,288,194
Committed	-	-	-	-	37,876	37,876
Assigned	570,734	-	-	-	-	570,734
Unassigned	2,738,686	-	-	-	-	2,738,686
Total fund balances	<u>3,311,379</u>	<u>4,207</u>	<u>266,583</u>	<u>-</u>	<u>1,055,280</u>	<u>4,637,449</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,605,386</u>	<u>\$ 1,175,635</u>	<u>\$ 877,739</u>	<u>\$ -</u>	<u>\$ 1,448,577</u>	<u>\$ 8,107,337</u>

See accompanying notes to the basic financial statements.



**CITY OF SOUTH LEBANON, OHIO**  
 Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 December 31, 2021

<b>Total governmental fund balances</b>	\$ 4,637,449
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	10,153,976
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable in the funds.	1,224,295
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Bond anticipation notes	(625,000)
Tax increment revenue bonds	(13,264,857)
Loans payable	(249,576)
Compensated absences	(17,068)
Accrued interest payable	(324,972)
 The net pension liability is not due and payable in the current period; the net OPEB asset is not available for current-period expenditures, therefore, the liability, asset, and related deferred inflows/outflows are not reported in the governmental funds:	
Deferred outflows - pension	60,982
Deferred inflows - pension	(225,992)
Net pension liability	(366,959)
Deferred outflows - OPEB	23,005
Deferred inflows - OPEB	(161,144)
Net OPEB asset	<u>41,117</u>
 <b>Net position of governmental activities</b>	 \$ <u><u>905,256</u></u>

**CITY OF SOUTH LEBANON, OHIO**

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended December 31, 2021

	General Fund	River's Crossing TIF	Riverside TIF	Municipal Building BAN Debt	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Property and other local taxes	\$ 154,108	\$ -	\$ -	\$ -	\$ 41,933	\$ 196,041
Municipal income taxes	2,162,945	-	-	-	-	2,162,945
Intergovernmental	77,740	39,094	25,300	-	404,843	546,977
Fines, licenses and permits	186,163	-	-	-	21,384	207,547
Special assessments	24,507	-	-	-	-	24,507
Interest	918	12	26	-	229	1,185
Payment in lieu of taxes	-	1,034,994	669,770	-	-	1,704,764
Miscellaneous	73,586	10	10	-	76,241	149,847
Total revenues	<u>2,679,967</u>	<u>1,074,110</u>	<u>695,106</u>	<u>-</u>	<u>544,630</u>	<u>4,993,813</u>
<b>Expenditures:</b>						
Current:						
Security of persons and property	705,856	-	-	-	-	705,856
Public health services	7,102	-	-	-	-	7,102
Leisure time activities	22,590	-	-	-	16,184	38,774
Basic utility services	113,402	-	-	-	-	113,402
Transportation	-	-	-	-	107,347	107,347
General government	822,383	367,002	405,787	-	173,483	1,768,655
Capital outlay	22,030	-	-	-	273,000	295,030
Debt service:						
Principal retirement	-	335,000	-	1,300,000	25,818	1,660,818
Interest and fiscal charges	-	372,120	527,316	33,150	-	932,586
Bond issuance costs	-	-	-	23,825	-	23,825
Total expenditures	<u>1,693,363</u>	<u>1,074,122</u>	<u>933,103</u>	<u>1,356,975</u>	<u>595,832</u>	<u>5,653,395</u>
Excess (deficiency) of revenues over (under) expenditures	<u>986,604</u>	<u>(12)</u>	<u>(237,997)</u>	<u>(1,356,975)</u>	<u>(51,202)</u>	<u>(659,582)</u>
<b>Other financing sources (uses):</b>						
TIF revenue bonds issued	-	-	180,003	-	-	180,003
Bond anticipation notes issued	-	-	-	625,000	-	625,000
Transfers in	-	-	-	731,975	-	731,975
Transfers out	(731,975)	-	-	-	-	(731,975)
Total other financing sources (uses)	<u>(731,975)</u>	<u>-</u>	<u>180,003</u>	<u>1,356,975</u>	<u>-</u>	<u>805,003</u>
Net change in fund balance	254,629	(12)	(57,994)	-	(51,202)	145,421
Fund balance, beginning of year, <i>restated</i>	<u>3,056,750</u>	<u>4,219</u>	<u>324,577</u>	<u>-</u>	<u>1,106,482</u>	<u>4,492,028</u>
Fund balance, end of year	<u>\$3,311,379</u>	<u>\$ 4,207</u>	<u>\$ 266,583</u>	<u>\$ -</u>	<u>\$ 1,055,280</u>	<u>\$ 4,637,449</u>

See accompanying notes to the basic financial statements.

**CITY OF SOUTH LEBANON, OHIO**  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 Year Ended December 31, 2021

<b>Net change in fund balances - total governmental funds</b>	\$	145,421
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays:		
Capital asset additions	460,961	
Depreciation expense	(501,164)	(40,203)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		196,622
 Bonds and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bonds and other debt is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position:		
		855,815
 Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Accrued interest on long-term debt		60,506
Compensated absences		(4,614)
 Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports this amount as deferred outflows:		
Pension		60,982
 Except for amounts reported as deferred outflows/inflows, changes in net pension and net OPEB assets and liabilities are reported as pension and OPEB expense in the statement of activities:		
Pension		40,360
OPEB		265,947
 <b>Change in net position of governmental activities</b>	 \$	 <u>1,580,836</u>

**CITY OF SOUTH LEBANON, OHIO**  
Statement of Net Position  
Proprietary Funds  
December 31, 2021

	Enterprise Funds				Totals
	Water	Sewer	Sanitation	Nonmajor Enterprise Funds	
<b>Assets</b>					
Current assets:					
Equity in pooled cash and investments	\$ 2,695,343	\$ 4,937,634	\$ 267,414	\$ 250,220	\$ 8,150,611
Receivables:					
Accounts	90,581	99,424	37,909	-	227,914
Supplies inventory	149,421	-	-	-	149,421
Total current assets	<u>2,935,345</u>	<u>5,037,058</u>	<u>305,323</u>	<u>250,220</u>	<u>8,527,946</u>
Noncurrent assets:					
Net OPEB asset	14,204	17,942	1,495	-	33,641
Nondepreciable capital assets	45,781	284,834	-	-	330,615
Depreciable capital assets, net	6,815,676	12,816,558	-	-	19,632,234
Total noncurrent assets	<u>6,875,661</u>	<u>13,119,334</u>	<u>1,495</u>	<u>-</u>	<u>19,996,490</u>
Total assets	<u>9,811,006</u>	<u>18,156,392</u>	<u>306,818</u>	<u>250,220</u>	<u>28,524,436</u>
<b>Deferred outflows of resources</b>					
Pensions	40,570	57,823	8,478	-	106,871
OPEB	18,736	28,019	4,434	-	51,189
Total deferred outflows of resources	<u>59,306</u>	<u>85,842</u>	<u>12,912</u>	<u>-</u>	<u>158,060</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	27,579	25,243	35,531	-	88,353
Accrued wages payable	5,167	5,660	361	-	11,188
Intergovernmental payable	4,450	26,449	-	-	30,899
Loans payable	7,041	-	-	-	7,041
Compensated absences payable	3,605	1,665	-	-	5,270
Total current liabilities	<u>47,842</u>	<u>59,017</u>	<u>35,892</u>	<u>-</u>	<u>142,751</u>
Noncurrent liabilities:					
Compensated absences payable	2,670	2,950	-	-	5,620
Loans payable	144,334	-	-	-	144,334
Net pension liability	126,768	160,128	13,344	-	300,240
Total noncurrent liabilities	<u>273,772</u>	<u>163,078</u>	<u>13,344</u>	<u>-</u>	<u>450,194</u>
Total liabilities	<u>321,614</u>	<u>222,095</u>	<u>49,236</u>	<u>-</u>	<u>592,945</u>
<b>Deferred Inflows of Resources</b>					
Pensions	58,469	73,856	6,155	-	138,480
OPEB	44,487	56,195	4,683	-	105,365
Total deferred inflows of resources	<u>102,956</u>	<u>130,051</u>	<u>10,838</u>	<u>-</u>	<u>243,845</u>
<b>Net Position</b>					
Net investment in capital assets	6,710,082	13,101,392	-	-	19,811,474
Unrestricted	2,735,660	4,788,696	259,656	250,220	8,034,232
Total net position	<u>\$ 9,445,742</u>	<u>\$ 17,890,088</u>	<u>\$ 259,656</u>	<u>\$ 250,220</u>	<u>\$ 27,845,706</u>

See accompanying notes to the basic financial statements.

**CITY OF SOUTH LEBANON, OHIO**

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

Year Ended December 31, 2021

	Enterprise Funds				Totals
	Water	Sewer	Sanitation	Nonmajor Enterprise Funds	
<b>Operating revenues:</b>					
Charges for services	\$ 877,823	\$ 1,371,122	\$ 477,506	\$ 18,140	\$ 2,744,591
Miscellaneous	7,144	15,524	-	-	22,668
Total operating revenues	<u>884,967</u>	<u>1,386,646</u>	<u>477,506</u>	<u>18,140</u>	<u>2,767,259</u>
<b>Operating expenses:</b>					
Personnel services	161,436	190,298	12,777	-	364,511
Employee fringe benefits	41,268	54,720	2,761	-	98,749
Pension and OPEB expense	(71,547)	(82,941)	(3,495)	-	(157,983)
Contractual services	371,162	286,898	413,240	-	1,071,300
Supplies and materials	77,592	209,203	-	-	286,795
Other	-	-	-	11,616	11,616
Depreciation	251,734	470,784	-	-	722,518
Total operating expenses	<u>831,645</u>	<u>1,128,962</u>	<u>425,283</u>	<u>11,616</u>	<u>2,397,506</u>
Operating income	53,322	257,684	52,223	6,524	369,753
<b>Non-operating revenues:</b>					
Investment earnings	-	-	-	101	101
Change in net position	53,322	257,684	52,223	6,625	369,854
Net position, beginning of year, <i>restated</i>	<u>9,392,420</u>	<u>17,632,404</u>	<u>207,433</u>	<u>243,595</u>	<u>27,475,852</u>
Net position, end of year	<u>\$ 9,445,742</u>	<u>\$ 17,890,088</u>	<u>\$ 259,656</u>	<u>\$ 250,220</u>	<u>\$ 27,845,706</u>

See accompanying notes to the basic financial statements.

**CITY OF SOUTH LEBANON, OHIO**  
Statement of Cash Flows  
Proprietary Funds  
Year Ended December 31, 2021

	Enterprise Funds				
	Water	Sewer	Sanitation	Nonmajor Enterprise Funds	Totals
<b>Cash flows from operating activities:</b>					
Cash received from customers	\$ 881,252	\$ 1,372,891	\$ 477,363	\$ 18,140	\$ 2,749,646
Cash payments for employee services and benefits	(218,343)	(268,311)	(17,456)	-	(504,110)
Cash payments to suppliers for goods and services	(465,605)	(506,201)	(411,170)	-	(1,382,976)
Cash payments for other operating expenses	-	-	-	(11,616)	(11,616)
Cash received from other operating revenue	7,144	15,524	-	-	22,668
Net cash from operating activities	<u>204,448</u>	<u>613,903</u>	<u>48,737</u>	<u>6,524</u>	<u>873,612</u>
<b>Cash flows from capital and related financing activities:</b>					
Acquisition of capital assets	(62,104)	(238,259)	-	-	(300,363)
Principal payments on OWDA loans	(7,041)	-	-	-	(7,041)
Net cash from capital and related financing activities	<u>(69,145)</u>	<u>(238,259)</u>	<u>-</u>	<u>-</u>	<u>(307,404)</u>
<b>Cash flows from investing activities:</b>					
Interest	-	-	-	101	101
Net change	135,303	375,644	48,737	6,625	566,309
Cash and pooled investments beginning of year	2,560,040	4,561,990	218,677	243,595	7,584,302
Cash and pooled investments end of year	<u>\$ 2,695,343</u>	<u>\$ 4,937,634</u>	<u>\$ 267,414</u>	<u>\$ 250,220</u>	<u>\$ 8,150,611</u>
Reconciliation of operating income to net cash from operating activities:					
Operating income	\$ 53,322	\$ 257,684	\$ 52,223	\$ 6,524	\$ 369,753
Adjustments to reconcile operating income to net cash from operating activities:					
Depreciation	251,734	470,784	-	-	722,518
Changes in assets, liabilities and deferred outflows and inflows:					
Receivables	3,429	1,769	(143)	-	5,055
Supplies inventory	(10,066)	-	-	-	(10,066)
Accounts payable	(6,407)	2,286	2,070	-	(2,051)
Accrued wages payable	3,604	3,490	228	-	7,322
Intergovernmental payable	(53)	(12,061)	-	-	(12,114)
Compensated absences payable	1,710	(1,172)	-	-	538
Deferred outflows - pensions and OPEB	(20,100)	(38,823)	(10,313)	-	(69,236)
Deferred inflows - pensions and OPEB	53,755	71,625	7,763	-	133,143
Net pension and OPEB liabilities and assets	<u>(126,480)</u>	<u>(141,679)</u>	<u>(3,091)</u>	<u>-</u>	<u>(271,250)</u>
Net cash from operating activities	<u>\$ 204,448</u>	<u>\$ 613,903</u>	<u>\$ 48,737</u>	<u>\$ 6,524</u>	<u>\$ 873,612</u>

See accompanying notes to the basic financial statements.

**CITY OF SOUTH LEBANON, OHIO**

Statement of Changes in Fiduciary Net Position

Fiduciary Fund

Year Ended December 31, 2021

	<u>Custodial Fund</u>
<b><i>Additions:</i></b>	
Collection of fines and fees	\$ <u>3,359</u>
<b><i>Deductions:</i></b>	
Distributions to other governments and individuals	<u>3,359</u>
Change in net position	-
Net position, beginning of year	-
Net position, end of year	<u>\$ -</u>

See accompanying notes to the basic financial statements.





**CITY OF SOUTH LEBANON, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2021**

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**NOTE 1 DESCRIPTION OF THE ENTITY**

The City of South Lebanon (the "City") is a body politic and corporate established to exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly elected six-member Council and Mayor directs the City. The City provides public works, water, sewer, and sanitation utilities and park operations. The City contracts with the Warren County Sheriff's department to provide security of persons and property. The City contracts with Union and Hamilton Townships to receive fire protection services.

As required by accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units, the basic financial statements present the City (the primary government) and any component units. The City considered potential component units for inclusion in the financial statements. In determining whether to include a government department, agency, commission or organization as a component unit, the City must evaluate each entity as to whether they are legally separate and financially accountable based on criteria set forth by Governmental Accounting Standards Board (GASB). Legal separateness is evaluated on the basis of (1) its corporate name, (2) the right to sue or be sued and (3) the right to buy, sell, lease and mortgage property. Financial accountability is based on (1) the appointment of the governing authority and (2) the ability to impose will or (3) the providing of specific financial benefit or imposition of a specific financial burden. Another factor to consider in this evaluation is whether an entity is fiscally dependent on the City. The City included no component units in the financial statements.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City have been prepared in conformity GAAP. The GASB is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the City's accounting policies are described below.

**Basis of Presentation**

The City's basic financial statements consist of government-wide 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 City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

**CITY OF SOUTH LEBANON, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2021**

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued***

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Fund Accounting

The City uses funds 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. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental funds: Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, liabilities, and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

- **General Fund** – The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.
- **River's Crossing TIF Fund** – This fund is used to account for the payments in lieu of taxes to finance project costs and related financing within the River's Crossing Tax Increment Financing (TIF) District.
- **Riverside TIF Fund** – This fund is used to account for the payments in lieu of taxes to finance project costs and related financing within the Riverside Tax Increment Financing (TIF) District.

**CITY OF SOUTH LEBANON, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2021**

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued***

- ***Municipal Building BAN Debt Fund*** – This fund is used to account for transfers from the General Fund for repayment of the municipal building bond anticipation notes (BAN).

The other governmental funds of the City account for financing grants and other resources whose use is restricted or committed to a particular purpose.

Proprietary funds: Proprietary fund reporting focuses on changes in net position, financial position and cash flows. The City's proprietary funds are classified as enterprise funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

- ***Water Fund*** – This fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.
- ***Sewer Fund*** – This fund accounts for the provision of sanitary sewer treatment to residential and commercial users located within the City.
- ***Sanitation Fund*** – This fund accounts for the provision of garbage collection to its residential and commercial users located within the City.

Fiduciary fund: Fiduciary fund reporting focuses on changes in net position and financial position. The City has one custodial fund. The City's custodial fund accounts for the collection and distribution of court fines and forfeitures from the Mayor's Court.

Measurement Focus

Governmental-wide financial statements: The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the City are included on the statement of net position.

Fund financial statements: All governmental fund types are accounted for using current financial resources measurement focus. With this measurement focus, only current assets, current liabilities, and deferred inflows of resources are included on the balance sheet.

The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**CITY OF SOUTH LEBANON, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2021**

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

The fiduciary fund is reported using the economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and becomes available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means collected within thirty-one days after year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include municipal income taxes, property taxes, payments in lieu of taxes, grants, entitlements and donations. On an accrual basis, revenue from municipal income taxes is recognized in the period in which the income is earned. Revenue from property taxes and payments in lieu of taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: municipal income taxes, grants, state-levied shared taxes (including gasoline tax), fines and forfeitures, and investment earnings.

**CITY OF SOUTH LEBANON, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2021**

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued***

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. For the City, deferred outflows of resources are reported on the government-wide and proprietary fund statements of financial position pension and other postemployment benefits (OPEB). The deferred outflows of resources related to pension and OPEB are explained in Notes 10 and 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized until that time. For the City, deferred inflows of resources include property taxes and payments in lieu of taxes, unavailable revenue, pension and OPEB. Property taxes and payments in lieu of taxes represent amounts that are measurable as of December 31, 2021, but are intended to finance the subsequent year's operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund financial statements and represents receivables that will not be collected within the available period (thirty-one days after year-end). The deferred inflows of resources related to pension and OPEB are reported on the government-wide and proprietary fund statements of net position (see Notes 10 and 11).

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus governmental fund accounting is on decreases in the net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Cash and Investments

Cash and investments of the City's funds are pooled and invested in short-term investments in order to provide improved cash management. During 2021, the City's funds were invested in the State Treasury Assets Reserve of Ohio (STAR Ohio). For purposes of the statement of cash flows, the enterprise funds' portion of cash and cash equivalents is considered a cash equivalent because the City is able to withdraw resources from the enterprise funds without prior notice or penalty.

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements.

**CITY OF SOUTH LEBANON, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2021**

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

STAR Ohio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Investments in STAR Ohio are valued at the net asset value per share provided by STAR Ohio on an amortized cost basis on December 31, 2021, which approximates fair value.

For 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Receivables

Receivables at December 31, 2021 consist of property and income taxes, payments in lieu of taxes, consumer accounts (billings for user charged services, included unbilled utility services), and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered collectible in full, including accounts receivables which, if delinquent, may be certified and collected as a special assessment, subject to foreclosure for nonpayment.

Supplies Inventories

Supplies inventories are presented at cost on a first-in, first-out basis and are expensed when used. The costs of inventory items are recognized as expenses in the proprietary funds when consumed.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities’ column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their acquisition value as of the date received. The City maintains a capitalization threshold of fifty thousand dollars for infrastructure, twenty thousand dollars for building improvements, and five thousand dollars for everything else. The City’s infrastructure consists of roads, traffic signals, water storage tank, and water and sewer distribution systems.

**CITY OF SOUTH LEBANON, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2021**

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued***

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the assets or materially extend an asset's life are not. All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings improvements	15 – 50 years
Improvements other than buildings	25 – 40 years
Equipment	5 – 25 years
Infrastructure	15 – 50 years

Compensated Absences

The City follows the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. The City records a liability for sick leave, vacation, and compensatory time when the obligation is attributable to services previously rendered, to rights that vest or accumulate, and where payment of the obligation is probable and can be reasonably determined.

The entire compensated absences liability is reported on the government-wide financial statements. In governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignation or retirement. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. In proprietary funds, the entire amount of compensated absences is reported as a fund liability on the fund financial statements.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability on the fund financial statements when due. Net pension and OPEB liabilities, as applicable, should be recognized in the governmental funds to the extent that benefit payments are due and payable and the retirement systems' fiduciary net position is not sufficient for payment of those benefits.

**CITY OF SOUTH LEBANON, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2021**

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

Pensions and OPEB

For purposes of measuring the net pension liability, the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to pension and OPEB, and pension and OPEB expenses, information about the fiduciary net position of the retirement systems and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The retirement systems report investments at fair value.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water and sanitary sewer services. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. Revenues and expenses that do not meet these definitions are classified as non-operating.

Interfund Transactions

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers within governmental activities and within business type activities are eliminated on the government-wide statement of activities. Receivables and payables resulting from interfund loans are classified as “advances to/from other funds”. These amounts are eliminated on the government-wide statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods 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 and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the City 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 a spendable form, or legally or contractually required to be maintained intact. The “not in a spendable form” criterion includes items that are not expected to be converted into cash.



**CITY OF SOUTH LEBANON, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2021**

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued***

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

*Committed.* The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned.* Amounts in the assigned fund balance classification are intended to be used by the City 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 the City Council.

*Unassigned.* Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, or 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.

Net Position

Net position represents the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Of the City's \$1,141,846 restricted net position, none is restricted by enabling legislation.

**CITY OF SOUTH LEBANON, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2021**

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 3 DEPOSITS AND INVESTMENTS**

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. The ORC prescribes allowable deposits and investments. The City also has a segregated account for the Mayor's Court custodial fund that are not part of this pool.

Deposits

At year end, the carrying amount of the City's deposits was \$12,795,951 and the bank balance was \$12,960,638. Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments: The City's investments at December 31, 2021 are comprised of STAR Ohio of \$123,207. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**NOTE 4 PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2021 for real and public utility property taxes represents collections of 2020 taxes.

2021 real property taxes are levied after October 1, 2021 on the assessed value as of January 1, 2021, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2021 real property taxes are collected in and intended to finance 2022.

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

Public utility tangible personal property current is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2021 public utility property taxes, which became a lien December 31, 2020 are levied after October 1, 2021, and are collected in 2022 with real property taxes.

**CITY OF SOUTH LEBANON, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2021**

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**NOTE 4 PROPERTY TAXES** – *continued*

The Warren County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. The assessed value upon which the 2021 taxes were collected was \$136,493,450. The full tax rate for all City operations applied for real property for fiscal year ended December 31, 2021 was \$1.30 per \$1,000 of assessed valuation. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.

Accrued property taxes receivable represents delinquent taxes outstanding and real tangible personal and public utility taxes which were measurable as of December 31, 2021. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not intended to finance 2021 operations. The receivable is therefore offset by a credit to deferred inflows of resources.

**NOTE 5 INCOME TAXES**

The City levies a municipal income tax of 1.0% on substantially all earned income arising from employment, residency, or business activities within the City, as well as certain income of residents earned outside of the City.

Employers within the City withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

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**CITY OF SOUTH LEBANON, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2021**

**NOTE 6 CAPITAL ASSETS**

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

	<b>Balance 1/1/21</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12/31/21</b>
<b><i>Governmental Activities:</i></b>				
<i>Nondepreciable capital assets:</i>				
Land	\$ 1,566,675	\$ -	\$ -	\$ 1,566,675
Construction in progress	25,155	226,408	-	251,563
<i>Total nondepreciable capital assets</i>	<u>1,591,830</u>	<u>226,408</u>	<u>-</u>	<u>1,818,238</u>
<i>Depreciable capital assets:</i>				
Buildings and improvements	2,407,141	-	-	2,407,141
Improvements other than buildings	852,013	-	-	852,013
Equipment	660,868	234,553	-	895,421
Infrastructure	11,522,625	-	-	11,522,625
<i>Total depreciable capital assets</i>	<u>15,442,647</u>	<u>234,553</u>	<u>-</u>	<u>15,677,200</u>
<i>Accumulated depreciation:</i>				
Buildings and improvements	(206,013)	(46,434)	-	(252,447)
Improvements other than buildings	(236,981)	(27,630)	-	(264,611)
Equipment	(399,590)	(67,518)	-	(467,108)
Infrastructure	(5,997,714)	(359,582)	-	(6,357,296)
<i>Total accumulated depreciation</i>	<u>(6,840,298)</u>	<u>(501,164)</u>	<u>-</u>	<u>(7,341,462)</u>
<i>Total capital assets being depreciated, net</i>	<u>8,602,349</u>	<u>(266,611)</u>	<u>-</u>	<u>8,335,738</u>
 <i>Total Governmental Activities</i>	 <u>\$ 10,194,179</u>	 <u>\$ (40,203)</u>	 <u>\$ -</u>	 <u>\$ 10,153,976</u>

Depreciation expense was charged to governmental functions as follows:

Transportation	\$ 396,071
General government	55,579
Security of persons and property	36,447
Leisure time activities	13,067
<b>Total Depreciation Expense</b>	<u><u>\$ 501,164</u></u>

**CITY OF SOUTH LEBANON, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2021**

**NOTE 6 CAPITAL ASSETS – continued**

Capital asset activity in the business-type activities for the year ended December 31, 2021 was as follows:

	Balance 1/1/21	Additions	Deletions	Balance 12/31/21
<b><i>Business-Type Activities</i></b>				
<i>Nondepreciable capital assets:</i>				
Land	\$ 64,789	\$ -	\$ -	\$ 64,789
Construction in progress	128,637	137,189	-	265,826
<i>Total nondepreciable capital assets</i>	<u>193,426</u>	<u>137,189</u>	<u>-</u>	<u>330,615</u>
<i>Depreciable capital assets:</i>				
Buildings and improvements	650,215	-	-	650,215
Improvements other than buildings	693,963	-	-	693,963
Equipment	922,090	163,174	-	1,085,264
Infrastructure	30,341,785	-	-	30,341,785
<i>Total depreciable capital assets</i>	<u>32,608,053</u>	<u>163,174</u>	<u>-</u>	<u>32,771,227</u>
<i>Accumulated depreciation:</i>				
Buildings and improvements	(273,743)	(14,525)	-	(288,268)
Improvements other than buildings	(342,288)	(16,482)	-	(358,770)
Equipment	(387,208)	(74,066)	-	(461,274)
Infrastructure	(11,413,236)	(617,445)	-	(12,030,681)
<i>Total accumulated depreciation</i>	<u>(12,416,475)</u>	<u>(722,518)</u>	<u>-</u>	<u>(13,138,993)</u>
<i>Total capital assets being depreciated, net</i>	<u>20,191,578</u>	<u>(559,344)</u>	<u>-</u>	<u>19,632,234</u>
 <i>Total Business-Type Activities</i>	 <u>\$ 20,385,004</u>	 <u>\$ (422,155)</u>	 <u>\$ -</u>	 <u>\$ 19,962,849</u>

**NOTE 7 INTERFUND TRANSACTIONS**

During 2021, the general fund transferred \$731,975 to the municipal building BAN debt fund for debt service.

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; and to provide additional resources for current operations, debt service or capital improvements. Transfers between governmental funds are eliminated for reporting on the statement of activities.

**CITY OF SOUTH LEBANON, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2021**

**NOTE 8 LONG-TERM LIABILITIES**

The City's outstanding debt at December 31, 2021 was as follows:

	<u>Principal Outstanding</u>	<u>Interest Rate</u>	<u>Maturity</u>
<i>Governmental Activities</i>			
Direct placement:			
Municipal Building BANs, Series 2021	\$ 625,000	1.250%	8/1/2024
Riverside TIF Revenue Bonds, Series 2016	5,764,857	7.125%	8/1/2036
River's Crossing TIF Revenue Refunding Bonds, Series 2018	7,500,000	4.800%	12/1/2036
Direct borrowing:			
Ohio Public Works Commission Loan - Zoar Road Repaving	249,576	0.000%	1/1/2036
<i>Business-Type Activities</i>			
Direct borrowing:			
Ohio Water Development Authority Loan - Water Main Replacement	151,375	0.000%	1/1/2043

The changes in the City's long-term liabilities for the year ended December 31, 2021 were as follows:

	<u>Balance 1/1/21</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 12/31/21</u>	<u>Amount Due Within One Year</u>
<b><i>Governmental Activities:</i></b>					
<i>Bond Anticipation Notes:</i>					
Direct placement:					
Municipal Building, Series 2018	\$ 1,300,000	\$ -	\$ (1,300,000)	\$ -	\$ -
Municipal Building, Series 2021	-	625,000	-	625,000	-
<i>Tax Increment Revenue Bonds:</i>					
Direct placement:					
Riverside, Series 2016	5,584,854	180,003	-	5,764,857	110,000
River's Crossing, Series 2018 Refunding	7,835,000	-	(335,000)	7,500,000	350,000
<i>Loans Payable:</i>					
Direct borrowing:					
OPWC Loan - Zoar Road Repaving	275,394	-	(25,818)	249,576	17,212
Compensated absences	12,454	13,604	(8,990)	17,068	5,599
<b>Total Governmental Activities</b>	<b><u>\$ 15,007,702</u></b>	<b><u>\$ 818,607</u></b>	<b><u>\$ (1,669,808)</u></b>	<b><u>\$ 14,156,501</u></b>	<b><u>\$ 482,811</u></b>
	<u>Balance 1/1/21</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 12/31/21</u>	<u>Amount Due Within One Year</u>
<b><i>Business Type Activities:</i></b>					
<i>Loans Payable:</i>					
Direct borrowing:					
OWDA Loan - Water Main Replace.	158,416	-	(7,041)	151,375	7,041
Compensated absences	10,352	6,548	(6,010)	10,890	5,270
<b>Total Business Type Activities</b>	<b><u>\$ 168,768</u></b>	<b><u>\$ 6,548</u></b>	<b><u>\$ (13,051)</u></b>	<b><u>\$ 162,265</u></b>	<b><u>\$ 12,311</u></b>

**CITY OF SOUTH LEBANON, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2021**

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**NOTE 8 LONG-TERM LIABILITIES – *continued***

In 2018, the City issued \$1,300,000 in Municipal Building Bond Anticipation Notes (BANs), Series 2018 at 2.55% for renovating the former South Lebanon Elementary School used as the City of South Lebanon Municipal Building. These Notes were refinanced in 2021 with \$625,000 in Municipal Building BANs, Series 2021 that mature on August 1, 2024, and are repaid from municipal building BAN debt fund.

The Ohio Public Works Commission (OPWC) approved up to \$344,242 in a direct borrowing loan to the City for the repaving of Zoar Road. This loan matures on January 1, 2036, and are repaid from nonmajor governmental funds.

The Ohio Water Development Authority (OWDA) approved up to \$352,386 in a direct borrowing loan to the City for a water main replacement. This loan matures on January 1, 2043, and are repaid from the Water Fund.

Tax Increment Financing District

The City, pursuant to the ORC, has established a TIF district. A TIF district represents a geographical area, wherein property values created after the commencement date of the TIF are exempt, in whole or in part, from property taxes. Owners of such properties, however, must pay amounts equal to the property taxes, known as “statutory service payments,” as though the TIF district had not been established. These statutory service payments are then dedicated to the payments for various public improvements within or adjacent to the TIF district. Property values existing before the commencement of the TIF district continue to be subjected to property taxes. The City, as a result of the establishment of the TIF district and related TIF agreement, is responsible for remitting a portion of the statutory service payments collected to the local school district. Payments to the local school district totaled \$571,720 for 2021.

In 2016, the City issued direct placement TIF Revenue Bonds, Series 2016 in the maximum principal amount of \$6,200,000 for Riverside infrastructure improvements. Some of these improvements were capitalized by the City, while others were the responsibility of the developments within the TIF district. In 2021, the final disbursement of bond proceeds was issued in the amount of \$180,003. As of December 31, 2021, the total amount of bond proceeds issued was \$5,764,857. These Bonds mature on August 1, 2036, and are repaid from Riverside TIF fund.

In 2018, the City issued \$8,410,000 in direct placement TIF Revenue Bonds, Series 2018 to refund Series 2015A and Series 2015B TIF Revenue BANs. The Series 2015 BANs were originally issued for infrastructure improvements with the TIF district. Some of these improvements were capitalized by the City, while others were the responsibility of the developments within the TIF district. The Bonds mature on December 1, 2036, and are repaid from the River’s Crossing TIF fund.

Compensated absences and net pension liabilities will be paid by the fund which primarily pays the employee’s salary.

**CITY OF SOUTH LEBANON, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2021**

**NOTE 8 LONG-TERM LIABILITIES – continued**

The following is a summary of the City’s future annual debt service principal and interest requirements for its long-term debt obligations:

Year Ending	<i>Direct Placement</i>				<i>Direct Borrowing</i>	
	Bond Anticipation Notes		TIF Revenue Bonds		OPWC Loan	OWDA Loan
December 31,	Principal	Interest	Principal	Interest	Principal	Principal
2022	\$ -	\$ 7,791	\$ 460,000	\$ 1,056,804	\$ 17,212	\$ 7,041
2023	-	7,812	600,000	741,669	17,212	7,041
2024	625,000	7,812	630,000	707,401	17,212	7,041
2025	-	-	690,000	671,225	17,212	7,041
2026	-	-	725,000	631,239	17,212	7,041
2027-2031	-	-	4,440,000	2,462,578	86,060	35,205
2032-2036	-	-	5,719,857	955,681	77,456	35,205
2037-2041	-	-	-	-	-	35,205
2042-2043	-	-	-	-	-	10,555
	<u>\$ 625,000</u>	<u>\$ 23,415</u>	<u>\$ 13,264,857</u>	<u>\$ 7,226,597</u>	<u>\$ 249,576</u>	<u>\$ 151,375</u>

**NOTE 9 RISK MANAGEMENT**

*Risk Pool Membership.* The City belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the “Plan”), a non-assessable, unincorporated non-profit association providing a formalized joint administered self-insurance risk management program and other administrative services to Ohio governments (“members”). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the ORC, the Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

Effective November 1, 2010 (through October 31, 2017), the corridor for losses paid is between 60% and 70% of casualty premiums earned in the first \$250,000. Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70% and 75%. In 2018, the casualty loss corridor was eliminated, and the property corridor was adjusted to losses between 65% and 70%. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and remain unchanged effective November 1, 2021 and November 1, 2020. OPRM had 769 and 771 members as of December 31, 2021 and 2020, respectively.



**CITY OF SOUTH LEBANON, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2021**

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**NOTE 9 RISK MANAGEMENT – continued**

The Plan’s audited financial statements conform to the accounting principles generally accepted in the United States of America and reported the following assets, liabilities and members’ equity at December 31, 2021 and 2020:

	2021	2020
Assets	\$ 21,777,439	\$ 18,826,974
Liabilities	15,037,383	13,530,267
Members' Equity	6,740,056	5,296,707

You can read the complete audited financial statements for the OPRM at the Plan’s website, [www.ohioplan.org](http://www.ohioplan.org).

Workers’ compensation coverage is provided by the State of Ohio. The City pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. The City’s claims are administered by Sedgwick. During 2021, the City provide health insurance through Anthem.

**NOTE 10 DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City’s proportionate share of the pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The ORC limits the City’s obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees).

**CITY OF SOUTH LEBANON, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2021**

**NOTE 10 DEFINED BENEFIT PENSION PLANS – continued**

State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

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

City employees participate in 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., City employees) may elect the Member-Directed Plan and the Combined Plan, the majority of employee members are in OPERS’ Traditional Plan; therefore, the following disclosures focus 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 ORC. 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 Ohio Public Employees Retirement System, 277 East Town Street, Columbus, OH 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 Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS’ annual financial report referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C 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 year 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

**CITY OF SOUTH LEBANON, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2021**

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**NOTE 10 DEFINED BENEFIT PENSION PLANS – continued**

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

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

When a 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% 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%.

Funding Policy—The ORC provides statutory authority for member and employer contributions. For 2021, member contribution rates were 10% of salary and employer contribution rates were 14%. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$111,113 for 2021. Of this amount, \$3,014 is reported as an intergovernmental payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability for OPERS was measured as of December 31, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

Proportionate Share of Net Pension Liability	\$ 667,199
Proportion of Net Pension Liability	0.00451%
Change in Proportion	-0.00007%
Pension Expense	\$ (13,869)

**CITY OF SOUTH LEBANON, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2021**

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**NOTE 10 DEFINED BENEFIT PENSION PLANS – *continued***

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Outflows of Resources</u>	
Change in proportionate share and difference in employer contributions	\$ 56,740
City contributions subsequent to the measurement date	111,113
	\$ 167,853
<u>Deferred Inflows of Resources</u>	
Differences between expected and actual experience	\$ 27,910
Net differences between projected and actual investment earnings	260,055
Change in proportionate share and difference in employer contributions	76,507
	\$ 364,472

\$111,113 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	
2022	\$ (126,702)
2023	(39,555)
2024	(106,007)
2025	(35,468)
	\$ (307,732)

***Actuarial Assumptions – OPERS***

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation.

**CITY OF SOUTH LEBANON, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2021**

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**NOTE 10 DEFINED BENEFIT PENSION PLANS – *continued***

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Wage inflation	3.25%
Future salary increases, Including inflation	3.25% to 10.75%
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees: 3% simple; Post 1/7/2013 retirees: 0.5% simple through 2021, then 2.15% simple
Investment rate of return	7.20%
Actuarial cost method	Individual entry age
Mortality tables	RP-2014

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Health Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board of Trustees in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic rates of return were provided by the Board's investment consultant.

**CITY OF SOUTH LEBANON, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2021**

**NOTE 10 DEFINED BENEFIT PENSION PLANS – continued**

For each major asset class that is included in the Defined Benefit portfolio’s target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00%	1.32%
Domestic Equities	21.00%	5.64%
Real Estate	10.00%	5.39%
Private Equity	12.00%	10.42%
International Equities	23.00%	7.36%
Other Investments	9.00%	4.75%
Total	100.00%	5.43%

**Discount Rate.** The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.** The following table represents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.20%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (6.20%) and one-percentage point higher (8.20%) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate of 7.20%	1% Increase (8.20%)
City's proportionate share of the net pension liability	\$ 1,272,670	\$ 667,199	\$ 163,736

**Changes Subsequent to the Measurement Date.** In September 2021, the Board approved several changes to the pension plan based on the completed five-year experience study covering the period 2016-2020. In addition to other changes, the Board approved to decrease the assumed pension investment rate of return from 7.20% to 6.90%. These changes are not reflected in the current measurement period but are expected to increase the associated pension liability.

**CITY OF SOUTH LEBANON, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2021**

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**NOTE 11 DEFINED BENEFIT OPEB PLANS**

***Net OPEB Liability/Asset***

The net OPEB liability/asset represents the City's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability/(asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments, health care cost trends and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the City's obligation for this liability to annual required payments. The City cannot control benefit terms or the manner in which OPEB are financed; however, the City does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits but does not require the retirement systems to provide health care to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB asset* or *net OPEB liability* on the accrual basis of accounting. Any liability for contractually-required OPEB contributions outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

***Plan Description—Ohio Public Employees Retirement System (OPERS)***

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan, a cost-sharing, multiple-employer defined benefit plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and Combined plans. This trust is also used to fund health care for Member-Directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

**CITY OF SOUTH LEBANON, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2021**

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**NOTE 11 DEFINED BENEFIT OPEB PLANS – *continued***

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an other post employment benefit (OPEB) as described in GASB Statement No. 75. See OPERS' annual financial report referenced below for additional information.

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

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

Funding Policy—The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, state and local employers contributed at a rate of 14.0% of earnable. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of Traditional Pension and Combined plans' employer contributions allocated to health care was zero in 2021. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2021 was 4.0%.

***OPEB Assets, OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB***

The net OPEB asset and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The City's proportion of the net OPEB asset was based on the City's share of contributions to the OPERS relative to the contributions of all participating entities.



**CITY OF SOUTH LEBANON, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2021**

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**NOTE 11 DEFINED BENEFIT OPEB PLANS – continued**

The following is information related to the proportionate share and OPEB expense:

Proportionate Share of Net OPEB Asset	\$ 74,758
Proportion of Net OPEB Asset	0.00420%
Change in Proportion	-0.00006%
OPEB Expense	\$ (449,583)

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Deferred Outflows of Resources</u>	
Change in assumptions	\$ 36,752
Change in proportionate share and difference in employer contributions	37,442
	<u>\$ 74,194</u>

<u>Deferred Inflows of Resources</u>	
Differences between expected and actual experience	\$ 67,469
Net differences between projected and actual investment earnings	39,817
Change in assumptions	121,130
Change in proportionate share and difference in employer contributions	38,093
	<u>\$ 266,509</u>

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	
2022	\$ (98,495)
2023	(71,825)
2024	(17,303)
2025	(4,692)
	<u>\$ (192,315)</u>

**CITY OF SOUTH LEBANON, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2021**

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**NOTE 11 DEFINED BENEFIT OPEB PLANS – continued**

**Actuarial Assumptions—OPERS**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of coverages provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74:

Wage inflation	3.25%
Projected salary increases	3.25% to 10.75%, including wage inflation
Single discount rate:	
Current measurement period	6.00%
Prior measurement period	3.16%
Investment rate of return	6.00%
Municipal bond rate:	
Current measurement period	2.00%
Prior measurement period	2.75%
Health care cost trend rate:	
Current measurement period	8.5% initial, 3.50% ultimate in 2035
Prior measurement period	10.5% initial, 3.50% ultimate in 2030
Actuarial cost method	Individual entry age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

**CITY OF SOUTH LEBANON, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2021**

**NOTE 11 DEFINED BENEFIT OPEB PLANS – continued**

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System’s primary goal is to achieve and maintain a fully funded status for benefits provided through the defined benefit pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic rates of return were provided by the Board’s investment consultant.

For each major asset class that is included in the Health Care portfolio’s target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00%	1.07%
Domestic Equities	25.00%	5.64%
REITs	7.00%	6.48%
International Equities	25.00%	7.36%
Other Investments	<u>9.00%</u>	4.02%
Total	<u>100.00%</u>	4.43%

**Discount Rate.** A single discount rate of 6.00% was used to measure the OPEB liability on the measurement date of December 31, 2020. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 2.00%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2120. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

**CITY OF SOUTH LEBANON, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2021**

**NOTE 11 DEFINED BENEFIT OPEB PLANS – continued**

**Sensitivity of the City's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate.** The following table presents the City's proportionate share of the net OPEB asset calculated using the single discount rate of 6.00%, as well as what the City's proportionate share of the net OPEB asset if it were calculated using a discount rate that is 1.0% point lower (5.00%) or 1.0% point higher (7.00%) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate of 6.00%	1% Increase (7.00%)
City's proportionate share of the net OPEB asset	\$ 18,595	\$ 74,758	\$ 120,973

**Sensitivity of the City's Proportionate Share of the Net OPEB Asset to Changes in the Health Care Cost Trend Rate.** Changes in the health care cost trend rate may also have a significant impact on the net OPEB asset. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB asset if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2021 is 8.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB asset	\$ 76,605	\$ 74,758	\$ 72,743

**NOTE 12 COMMITMENTS**

As discussed previously, encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances outstanding was as follows:

General Fund	\$ 44,217
Nonmajor Governmental Funds	<u>16,132</u>
	<u>\$ 44,217</u>

**CITY OF SOUTH LEBANON, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2021**

**NOTE 13 FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed and unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and nonmajor governmental funds are presented below:

Fund Balances	General Fund	River's Crossing TIF	Riverside TIF	Nonmajor Governmental Funds	Total Governmental Funds
<b><i>Nonspendable</i></b>					
Unclaimed funds	\$ 1,959	\$ -	\$ -	\$ -	\$ 1,959
<b><i>Restricted for</i></b>					
Debt service	-	4,207	266,583	-	270,790
Capital projects	-	-	-	53,824	53,824
Public safety	-	-	-	7,019	7,019
Transportation	-	-	-	956,561	956,561
<b><i>Total Restricted</i></b>	<b>-</b>	<b>4,207</b>	<b>266,583</b>	<b>1,017,404</b>	<b>1,288,194</b>
<b><i>Committed to</i></b>					
Parks and recreation	-	-	-	37,876	37,876
<b><i>Assigned to</i></b>					
Budget resource	542,012	-	-	-	542,012
General government	28,722	-	-	-	28,722
<b><i>Total Assigned</i></b>	<b>570,734</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>570,734</b>
<b><i>Unassigned</i></b>	<b>2,738,686</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,738,686</b>
<b><i>Total Fund Balance</i></b>	<b>\$3,311,379</b>	<b>\$ 4,207</b>	<b>\$ 266,583</b>	<b>\$ 1,055,280</b>	<b>\$ 4,637,449</b>

**NOTE 14 COVID-19**

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

**CITY OF SOUTH LEBANON, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended December 31, 2021**

**NOTE 15 CHANGE IN ACCOUNTING PRINCIPAL AND RESTATEMENT OF PRIOR YEAR FUND EQUITY**

For the year ended December 31, 2021, the City of South Lebanon has presented for the first time basic financial statements in accordance with GAAP. In conjunction with this presentation, the City has changed its basis of accounting from cash basis of accounting to government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds.

The change required that certain adjustments be recorded to the January 1, 2021, fund balances and net position, as previously reported, to reflect the prior year's effect of adopting these new accounting principles. The restatements to the beginning fund balance and net position are as follows:

	Fund Balance		Restated		
	1/1/2021	Adjustments	Fund Balance	Adjustments	Net Position
	<u>1/1/2021</u>	<u>Adjustments</u>	<u>1/1/2021</u>	<u>Adjustments</u>	<u>1/1/2021</u>
Governmental Activities:					
General	\$ 2,970,482	\$ 86,268	\$ 3,056,750		
River's Crossing TIF	4,219	-	4,219		
Riverside TIF	324,577	-	324,577		
Nonmajor Governmental Funds	<u>1,092,646</u>	<u>13,836</u>	<u>1,106,482</u>		
Total Governmental Activities	4,391,924	100,104	4,492,028	\$ (5,167,608)	\$ (675,580)
Business-Type Activities:					
Water	2,560,040	n/a	n/a	6,832,380	9,392,420
Sewer	4,561,990	n/a	n/a	13,070,414	17,632,404
Sanitation	218,677	n/a	n/a	(11,244)	207,433
Nonmajor Enterprise Funds	<u>243,595</u>	n/a	n/a	<u>-</u>	<u>243,595</u>
Total Business-Type Activities	7,584,302			19,891,550	27,475,852

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF SOUTH LEBANON, OHIO**

Required Supplementary Information

Schedule of City's Proportionate Share of the Net Pension Liability  
and City Pension Contributions

Ohio Public Employees Retirement System - Traditional Pension Plan

Measurement Year (1) (2)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.00458%	\$ 905,004	\$ 644,214	140.48%	82.17%
2021	0.00451%	667,199	653,486	102.10%	86.88%

Calendar Year (3)	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$ 90,190	\$ (90,190)	\$ -	\$ 644,214	14.00%
2020	91,488	(91,488)	-	653,486	14.00%
2021	111,113	(111,113)	-	793,664	14.00%

(1) Information prior to 2020 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the City's measurement date, which is the prior year-end.

(3) Information prior to 2019 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

**Notes to the Schedule**

In 2020, a reduction of the discount rate was made from 7.5% to 7.2%.

**CITY OF SOUTH LEBANON, OHIO**  
 Required Supplementary Information  
 Schedule of City's Proportionate Share of the Net OPEB Liability/(Asset)  
 and City OPEB Contributions  
 Ohio Public Employees Retirement System - Traditional Pension Plan

Measurement Year (1) (2)	City's Proportion of the Net OPEB Liability/(Asset)	City's Proportionate Share of the Net OPEB Liability/(Asset)	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2020	0.00426%	\$ 588,982	\$ 644,214	91.43%	47.80%
2021	0.00420%	(74,758)	653,486	(11.44%)	115.57%

  

Calendar Year (3)	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$ -	\$ -	\$ -	644,214	0.00%
2020	-	-	-	653,486	0.00%
2021	-	-	-	793,664	0.00%

(1) Information prior to 2020 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the City's measurement date, which is the prior year-end.

(3) Information prior to 2019 is not available. The City will continue to present information for years available until a full ten-year trend is compiled.

**Notes to the Schedule**

*Change in assumptions.*

In 2020, the single discount rate changed from 3.96% to 3.16% and the health care cost trend rate changed from 10.0% initial, 3.25% ultimate in 2028 to 10.5% initial, 3.50% ultimate in 2030.

In 2021, the single discount rate changed from 3.16% to 6.00% and the health care cost trend rate changed from 10.5% initial, 3.50% ultimate in 2030 to 8.5% initial, 3.50% ultimate in 2035.

**CITY OF SOUTH LEBANON, OHIO**

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual - Budget (Non-GAAP) Basis

General Fund

Year Ended December 31, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Property and other local taxes	163,500	163,500	154,108	\$ (9,392)
Municipal income taxes	1,600,000	1,600,000	2,144,641	544,641
Intergovernmental	81,100	81,100	76,251	(4,849)
Fines, licenses and permits	204,000	204,000	187,601	(16,399)
Special assessments	-	-	24,507	24,507
Interest	7,000	7,000	918	(6,082)
Miscellaneous	54,518	54,518	73,586	19,068
Total revenues	<u>2,110,118</u>	<u>2,110,118</u>	<u>2,661,612</u>	<u>551,494</u>
<b>Expenditures:</b>				
Current:				
Security of persons and property	771,225	786,919	733,932	52,987
Public health services	8,000	8,000	7,102	898
Leisure time activities	80,000	80,000	22,590	57,410
Basic utility services	120,000	120,000	112,409	7,591
General government	1,064,900	1,102,907	837,932	264,975
Capital outlay	450,000	431,500	27,652	403,848
Total expenditures	<u>2,494,125</u>	<u>2,529,326</u>	<u>1,741,617</u>	<u>787,709</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(384,007)</u>	<u>(419,208)</u>	<u>919,995</u>	<u>1,339,203</u>
<b>Other financing uses:</b>				
Transfers out	<u>(733,150)</u>	<u>(733,150)</u>	<u>(731,975)</u>	<u>1,175</u>
Net change in fund balance	(1,117,157)	(1,152,358)	188,020	\$ <u>1,340,378</u>
Fund balance, beginning of year	<u>2,968,523</u>	<u>2,968,523</u>	<u>2,968,523</u>	
Fund balance, end of year	<u>\$ 1,851,366</u>	<u>\$ 1,816,165</u>	<u>\$ 3,156,543</u>	

See accompanying notes and accountant's compilation report.

**CITY OF SOUTH LEBANON, OHIO**

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual - Budget (Non-GAAP) Basis

River's Crossing TIF Special Revenue Fund

Year Ended December 31, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 52,000	\$ 52,000	\$ 39,094	\$ (12,906)
Interest	50	50	12	(38)
Payment in lieu of taxes	1,247,950	1,247,950	1,034,994	(212,956)
Miscellaneous	-	-	10	10
Total revenues	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,074,110</u>	<u>(225,890)</u>
<b>Expenditures:</b>				
Current:				
General government	365,000	\$367,002	367,002	-
Debt service:				
Principal retirement	335,000	335,000	335,000	-
Interest and fiscal charges	600,000	372,120	372,120	-
Total expenditures	<u>1,300,000</u>	<u>1,074,122</u>	<u>1,074,122</u>	<u>-</u>
Net change in fund balance	-	225,878	(12)	\$ <u>(225,890)</u>
Fund balance, beginning of year	<u>4,219</u>	<u>4,219</u>	<u>4,219</u>	
Fund balance, end of year	<u>\$ 4,219</u>	<u>\$ 230,097</u>	<u>\$ 4,207</u>	

See accompanying notes and accountant's compilation report.

**CITY OF SOUTH LEBANON, OHIO**

## Schedule of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual - Budget (Non-GAAP) Basis

Riverside TIF Special Revenue Fund

Year Ended December 31, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 20,000	\$ 20,000	\$ 25,300	\$ 5,300
Interest	50	50	26	(24)
Payment in lieu of taxes	479,950	479,950	669,770	189,820
Miscellaneous	-	-	10	10
Total revenues	<u>500,000</u>	<u>500,000</u>	<u>695,106</u>	<u>195,106</u>
<b>Expenditures:</b>				
Current:				
General government	225,000	\$227,000	225,784	1,216
Debt service:				
Interest and fiscal charges	<u>575,000</u>	<u>573,000</u>	<u>527,316</u>	<u>45,684</u>
Total expenditures	<u>800,000</u>	<u>800,000</u>	<u>753,100</u>	<u>46,900</u>
Net change in fund balance	(300,000)	(300,000)	(57,994)	\$ <u>242,006</u>
Fund balance, beginning of year	<u>324,577</u>	<u>324,577</u>	<u>324,577</u>	
Fund balance, end of year	<u>\$ 24,577</u>	<u>\$ 24,577</u>	<u>\$ 266,583</u>	

See accompanying notes and accountant's compilation report.

**CITY OF SOUTH LEBANON, OHIO**  
**Notes to the Budgetary Required Supplementary Information**  
**Year Ended December 31, 2021**

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**NOTE 1 BUDGETARY ACCOUNTING AND CONTROL**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than fiduciary funds, are legally required to be budgeted and appropriated.

The legal level of budgetary control (the level at which transfers of budget amounts cannot be made without legislative approval) is at the account level. Budgetary modifications may only be made by ordinance of the City Council. The City legally adopted supplemental appropriations during 2021.

*Tax Budget.* By July 15, the Mayor submits an annual tax budget for the following year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

*Estimated Resources.* The County Budget Commission determines if the budget substantiates a need to levy all of the previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources that states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation ordinance.

On or before January 31, the certificate of estimated resources is amended to include any unencumbered fund balances on December 31 of the preceding year. The certificate may be further amended during the year if the fiscal officer determines that the revenue collected is greater or less than the current estimates.

*Appropriations.* The annual appropriation ordinance must be passed no later than April 1 of each year for the period January 1 to December 31. A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period from January 1 to March 31. The appropriation ordinance fixes spending authority at the object level. The appropriation ordinance may be amended during the year, as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. Administrative control is maintained through the establishment of more detailed line-item budgets. The amounts on the budgetary schedules reflect the original and final appropriation amounts, including all amendments and modifications legally enacted by Council.

**CITY OF SOUTH LEBANON, OHIO**  
**Notes to the Budgetary Required Supplementary Information**  
**Year Ended December 31, 2021**

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**NOTE 1 BUDGETARY ACCOUNTING AND CONTROL – continued**

*Encumbrances.* As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end are reported as restricted, committed, or assigned fund balance for governmental funds since they do not constitute expenditures or liabilities.

*Lapsing of Appropriations.* At the close of each year, the unencumbered balance of each appropriation lapses and is restored to the respective fund from which it was appropriated and becomes subject to future appropriation. The encumbered appropriation balance is carried forward to the succeeding year and is not re-appropriated.

**NOTE 2 BUDGETARY BASIS OF ACCOUNTING**

While the City is reporting financial position, results of operations and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Schedules of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

Certain funds accounting for as separate funds internally with legally adopted budgets (budgetary basis) do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP Basis).

Revenues are recorded when cash is received (budget basis), as opposed to when susceptible to accrual (GAAP basis).

Expenditures are recorded when cash is paid (budget basis), as opposed to when the liability is incurred (GAAP basis).

Encumbrances are treated as expenditures for all funds (budget basis), rather than as an expenditure when liquidated (GAAP basis).

**CITY OF SOUTH LEBANON, OHIO**  
**Notes to the Budgetary Required Supplementary Information**  
**Year Ended December 31, 2021**

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**NOTE 2 BUDGETARY BASIS OF ACCOUNTING – *continued***

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements and the budgetary basis schedules:

	<u>General Fund</u>	<u>River's Crossing TIF</u>	<u>Riverside TIF</u>
Net change in fund balance - GAAP Basis	254,629	(12)	(57,994)
Increase / (decrease):			
Due to revenues	(18,355)	-	-
Due to expenditures	(4,037)	-	180,003
Due to other sources (uses)	-	-	(180,003)
Due to encumbrances	<u>(44,217)</u>	<u>-</u>	<u>-</u>
Net change in fund balance - Budget Basis	<u>188,020</u>	<u>(12)</u>	<u>(57,994)</u>



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

City of South Lebanon  
Warren County  
10 North High Street  
South Lebanon, Ohio 45065

To the Members of the City Council and Mayor:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of South Lebanon, Warren County, Ohio, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of South Lebanon's basic financial statements, and have issued our report thereon dated May 30, 2023, wherein we noted as described in Note 15 to the financial statements, the City of South Lebanon changed the presentation of its annual financial report from the cash basis of accounting to presenting its basic financial statements in accordance with accounting principles generally accepted in the United States of America.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be a material weakness.

City of South Lebanon

Warren County

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

Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

### **Report on Compliance and Other Matters**

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

### **City of South Lebanon's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of South Lebanon's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The City of South Lebanon's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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



Julian & Grube, Inc.

May 30, 2023

**CITY OF SOUTH LEBANON  
WARREN COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2021**

<b>FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2021-001

Material Weakness – Major Fund Determination:

Per GASB Cod. 2200.158 and .159, the focus of governmental and proprietary fund financial statements is on major funds. Fund statements should present the financial information of each major fund in a separate column. Nonmajor funds should be aggregated and displayed in a single column. The reporting government's main operating fund (the general fund or its equivalent) should always be reported as a major fund. Other individual governmental and enterprise funds should be reported in separate columns as major funds based on these criteria:

- a) The total of assets and deferred outflows of resources, the total of liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding element(s) total (total assets and deferred outflows of resources, total liabilities and deferred inflows of resources, and so forth) for all funds of that category or type (that is, total governmental or total enterprise funds), and
- b) The same element(s) that met the ten percent criterion in (a) is at least five percent of the corresponding element total for all governmental and enterprise funds combined.

In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's officials believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

The City's Sanitation Fund meets the above criteria for a major fund. This fund was included as a Nonmajor Enterprise Fund in the City's unaudited Hinkle submission report. Audit adjustments were necessary to reclassify the Sanitation Fund as a major enterprise fund.

Without a detailed review of the major fund determination, the City is at risk of preparing incomplete or inaccurate financial statements.

We recommend the City design and implement additional policies and procedures to provide adequate review and approve all major fund determinations.

Client Response: Fiscal year 2021 was the first year the city prepared financial statements in accordance with generally accepted accounting principles (GAAP). The city contracted with an accounting firm for assistance with the preparation of the statements. The reporting of the City's Sanitation Fund as a non-major fund instead of a major fund was an accounting error made by the firm. The audited report has been corrected. In the future, the city will closely review the major fund determination to ensure accurate unaudited financial reports are submitted on the Ohio Auditor of State's Hinkle system.

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# OHIO AUDITOR OF STATE KEITH FABER



**CITY OF SOUTH LEBANON**

**WARREN COUNTY**

## **AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 7/11/2023**

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

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)