



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF SOUTH LEBANON
WARREN COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash
11117 Kenwood Road
Blue Ash, Ohio 45242-1817
(513) 361-8550 or (800) 368-7419
SouthwestRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of South Lebanon, Warren County, Ohio (the Village) as of and for the year ended December 31, 2018.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018, and the respective changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of South Lebanon, Warren County as of December 31, 2018, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Matters

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. We subjected this schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2019, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State

Columbus, Ohio

September 11, 2019

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Village of South Lebanon, Ohio
Warren County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$119,886	\$28,624			\$148,510
Municipal Income Tax	1,398,105				1,398,105
Intergovernmental	42,511	173,089		1,522,395	1,737,995
Charges for Services		996			996
Fines, Licenses and Permits	185,048	33,001			218,049
Earnings on Investments	18,590	4,714			23,304
Miscellaneous	68,911	1,052,802			1,121,713
<i>Total Cash Receipts</i>	<u>1,833,051</u>	<u>1,293,226</u>	<u>0</u>	<u>1,522,395</u>	<u>4,648,672</u>
Cash Disbursements					
Current:					
Security of Persons and Property	614,522				614,522
Public Health Services	6,623				6,623
Leisure Time Activities	20,491	22,664			43,155
Basic Utility Services	106,634				106,634
Transportation		145,203			145,203
General Government	858,781	287,733			1,146,514
Capital Outlay	46,770	58,454		2,590,385	2,695,609
Debt Service:					
Principal Retirement		267,212			267,212
Payment to Refunded Bond Escrow Agent		0	7,079,032		7,079,032
Interest and Fiscal Charges		452,115	1,229,459		1,681,574
<i>Total Cash Disbursements</i>	<u>1,653,821</u>	<u>1,233,381</u>	<u>8,308,491</u>	<u>2,590,385</u>	<u>13,786,078</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>179,230</u>	<u>59,845</u>	<u>(8,308,491)</u>	<u>(1,067,990)</u>	<u>(9,137,406)</u>
Other Financing Receipts (Disbursements)					
Sale of Bonds			8,410,000		8,410,000
Sale of Notes				1,310,000	1,310,000
Premium and Accrued Interest on Debt				(52,400)	(52,400)
Discount on Debt			(101,509)		(101,509)
Other Financing Sources	156				156
Other Financing Uses		(3,500)			(3,500)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>156</u>	<u>(3,500)</u>	<u>8,308,491</u>	<u>1,257,600</u>	<u>9,562,747</u>
<i>Net Change in Fund Cash Balances</i>	179,386	56,345	0	189,610	425,341
<i>Fund Cash Balances, January 1</i>	<u>1,681,952</u>	<u>384,133</u>	<u>0</u>	<u>0</u>	<u>2,066,085</u>
Fund Cash Balances, December 31					
Nonspendable	483	0	0	0	483
Restricted	0	414,056	0	0	414,056
Committed	0	0	0	0	0
Assigned	0	0	0	0	0
Unassigned (Deficit)	1,860,855	26,422	0	189,610	2,076,887
<i>Fund Cash Balances, December 31</i>	<u>\$1,861,338</u>	<u>\$440,478</u>	<u>\$0</u>	<u>\$189,610</u>	<u>\$2,491,426</u>

See accompanying notes to the basic financial statements

Village of South Lebanon, Ohio*Warren County*

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2018*

	Proprietary Fund Type	Fiduciary Fund Type
	Enterprise	Agency
Operating Cash Receipts		
Charges for Services	\$2,562,228	
Fines, Licenses and Permits		\$71,632
Miscellaneous	8,001	
<i>Total Operating Cash Receipts</i>	<u>2,570,229</u>	<u>71,632</u>
Operating Cash Disbursements		
Personal Services	186,830	
Employee Fringe Benefits	87,181	
Contractual Services	1,017,823	
Supplies and Materials	297,013	
Other	11,711	75,060
<i>Total Operating Cash Disbursements</i>	<u>1,600,558</u>	<u>75,060</u>
<i>Operating Income (Loss)</i>	<u>969,671</u>	<u>(3,428)</u>
Non-Operating Receipts (Disbursements)		
Earnings on Investments (proprietary funds only)	2,306	
Capital Outlay	(690,885)	
Principal Retirement	(17,750)	
Interest and Other Fiscal Charges	(427)	
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(706,756)</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	262,915	(3,428)
<i>Fund Cash Balances, January 1</i>	<u>5,556,615</u>	<u>6,767</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$5,819,530</u></u>	<u><u>\$3,339</u></u>

See accompanying notes to the basic financial statements

Village of South Lebanon, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

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

The Village participates in a public risk pool. Note 6 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Fund Accounting

The Village 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. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it

Village of South Lebanon, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2018

is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair – The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Tax Increment Fund – This fund receives the service payments of the TIF area, which are used to finance public improvements directly attributable to the project parcels.

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following Debt Service Fund:

Rivers Crossing TIF Refunding Bonds – This fund accounts for the proceeds of the issuance of bonds to refund the Series 2015 A and Series B Notes to finance the cost of public improvements.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following capital project funds:

St. Rt. 48/Mason-Morrow-Millgrove Intersection Project Fund – This fund accounts for and reports proceeds of federal and state grant draws for the intersection project. The proceeds are restricted for this construction project.

Municipal Building Renovation Fund – This fund accounts for and reports proceeds of general obligation bonds. The proceeds are restricted for the renovation of the former South Lebanon Elementary School.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund – This fund receives charges for services from residents and commercial users located within the Village to cover water service costs.

Sewer Fund – This fund receives charges for services from residents and commercial users located within the Village to cover sewer costs.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency funds consist of the Mayor's Court and Unclaimed Monies. The

Village of South Lebanon, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Mayor's Court accounts for the collection and distribution of court fines and forfeitures. The Unclaimed Monies consist of deposits on utilities that have not been claimed. For reporting purposes, the Unclaimed Monies Fund is included with the General Fund.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. A summary of 2018 budgetary activity appears in Note 3.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *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 Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

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

Village of South Lebanon, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,819,932	\$1,833,051	\$13,119
Special Revenue	1,321,851	1,293,224	(28,626)
Debt Service	0	8,410,000	8,410,000
Capital Projects	3,346,085	2,779,995	(566,090)
Enterprise	1,938,300	2,572,534	634,234
Total	\$8,426,168	\$16,888,804	\$8,462,637

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,984,268	\$1,652,802	\$1,331,466
Special Revenue	1,682,786	1,237,990	444,795
Debt Service	0	8,410,000	(8,410,000)
Capital Projects	3,346,085	2,590,385	755,700
Enterprise	6,958,619	2,309,620	4,648,999
Total	\$14,971,758	\$16,200,797	(\$1,229,040)

Village of South Lebanon, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 4 – Deposits and Investments

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2018
Demand deposits	<u>\$8,194,855</u>
Total deposits	<u>8,194,855</u>
STAR Ohio	119,438
Total investments	<u>119,438</u>
Total deposits and investments	<u><u>\$8,314,292</u></u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Taxes

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents

Village of South Lebanon, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2018

earned outside of the Village.

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

Note 6 - Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly 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 Ohio Revised Code, 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.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Village of South Lebanon, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Eighteen employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants’ gross salaries. The Village has paid all contributions required through December 31, 2018.

Social Security

Two employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018.

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
OWDA 6216	\$172,498	0%
OPWC	\$301,212	0%
TIF Revenue Bonds, Series 2016	\$6,200,000	3%
Municipal Building BANs, Series 2018	\$1,300,000	2.55%
TIF Revenue Refunding Bonds, Series 2018	8,410,000	4.8%
Total	\$16,383,709	

The OWDA approved up to \$352,386 in loans to the Village for the project funded by the 6216 loan. The Village will repay the loan in semiannual installments of \$3,520. The loan is noninterest bearing and matures on January 1, 2043.

The Ohio Public Works Commission (OPWC) approved up to \$344,242 in loans to the Village for project CJ10S. The Village will repay the loan in semiannual installments of \$8,606. The loan is noninterest

Village of South Lebanon, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2018

bearing and matures on January 1, 2036.

In 2018, the Village issued \$1,300,000 in Municipal Building Bond Anticipation Notes (Series 2018) at 2.55% for renovating the former South Lebanon Elementary School to be used as the Village of South Lebanon Municipal Building. Interest is payable semiannually on February 1 and August 1 of each year, commencing on August 1, 2021. The Series 2018 Municipal Building Bond Anticipation Notes mature on August 1, 2021.

Tax Increment Financing (TIF) District

The Village, pursuant to the Ohio Revised Code, has established a TIF District. A TIF District represents a geographic 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 Village, 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 \$274,717 for 2018.

In 2015, the Village issued \$2,000,000 in TIF Revenue BANs (Series 2015 A) at 6.5%. There were no payments due on the Series 2015 A BANs in 2018. The Series 2015 A BANs were refunded with the issuance of the 2018 Bonds.

In 2015, the Village issued \$5,855,000 in TIF Revenue BANs (Series 2015 B) at 6.5% to convert various Series 2012 outstanding obligations. Principal, interest and fiscal charges related to the TIF Revenue BANs (Series 2015 B) were \$702,115 in 2018. The Series 2015 B Notes were refunded with the issuance of the 2018 Bonds.

In December 2016, the Village issued \$6,200,000 in TIF Revenue Bonds (Series 2016) at 3% through July 31, 2020 and thereafter beginning August 1, 2020 at 7.1252%. Interest is payable annually on August 1 of each year, commencing on August 1, 2021. The Series 2016 TIF Revenue Bonds mature in August 2036.

In 2018, the Village issued \$8,410,000 in TIF Revenue Refunding Bonds (Series 2018) to refund the Series 2015 A and Series 2015 TIF Revenue BANs. The interest rate is 4.80% until and including December 1, 2027 and thereafter beginning December 2, 2027 and continuing until December 1, 2036 shall be equal to the Ten Year Treasury Rate plus 2.09%; provided that in no event shall the interest rate be less than 4.80% or greater than 5.84%. Interest and principal are payable semi-annually, on each June 1 and December 1, beginning June 1, 2019.

Trustee asset activity for BANs and Bonds are not reflected in the financial statements.

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Village of South Lebanon, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Year Ending December 31:	TIF Bonds (Principal Only)	Municipal Building BAN's	TIF Refunding Bonds (Principal Only)	OWDA Loan	OPWC Loan
2019		\$32,966	\$255,000	\$7,041	\$17,212
2020		33,150	320,000	7,041	17,212
2021		1,333,150	335,000	7,041	17,212
2022	110,000		350,000	7,041	17,212
2023	230,000		370,000	7,041	17,212
2024-2028	1,520,000		2,125,000	35,204	86,061
2029-2033	2,360,000		2,700,000	35,204	86,061
2034-2038	1,980,000		1,955,000	35,204	43,030
2039-2043				31,683	
Total	<u>\$6,200,000</u>	<u>\$1,399,266</u>	<u>\$8,410,000</u>	<u>\$172,500</u>	<u>\$301,212</u>

Note 10 – Subsequent Events

Late in 2018, the Village received an OPWC Grant award, not to exceed \$150,000 for the Zoar Road Stabilization Project. The project will take place in the first quarter of 2019. The Village's 2019 budget includes a Capital Projects Fund to account for the on-behalf revenue and expenditures.

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**VILLAGE OF SOUTH LEBANON
WARREN COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction Cluster	20.205	PID 94494	\$1,011,371
Total U.S. Department of Transportation			1,011,371
Total Expenditures of Federal Awards			\$1,011,371

The accompanying notes are an integral part of this schedule.

**VILLAGE OF SOUTH LEBANON
WARREN COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Village of South Lebanon (the Village) under programs of the federal government for the year ended December 31, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Village, it is not intended to and does not present the financial position or changes in net position of the Village.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The Village has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the Village to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Village has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash
11117 Kenwood Road
Blue Ash, Ohio 45242-1817
(513) 361-8550 or (800) 368-7419
SouthwestRegion@ohioauditor.gov

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of South Lebanon, Warren County, (the Village) as of and for the year ended December 31, 2018, and the related notes to the financial statements and have issued our report thereon dated September 11, 2019 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State

Columbus, Ohio

September 11, 2019

OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash
11117 Kenwood Road
Blue Ash, Ohio 45242-1817
(513) 361-8550 or (800) 368-7419
SouthwestRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Village Council:

Report on Compliance for the Major Federal Program

We have audited Village of South Lebanon's (the Village) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Village of South Lebanon's major federal program for the year ended December 31, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Village's major federal program.

Management's Responsibility

The Village's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Village's compliance for the Village's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Village's major program. However, our audit does not provide a legal determination of the Village's compliance.

Opinion on the Major Federal Program

In our opinion, Village of South Lebanon complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2018.

Report on Internal Control Over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Village's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Village's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

September 11, 2019

**VILLAGE OF SOUTH LEBANON
WARREN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2018**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	CFDA #20.205 – Highway Planning and Construction
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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VILLAGE OF SOUTH LEBANON
WARREN COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
DECEMBER 31, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Incorrect posting of appropriation amounts	Corrected	
2017-002	Improper posting of receipts and expenditures	Partially Corrected	Reissued as a management letter comment for not posting full amount of debt proceeds

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF SOUTH LEBANON

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 26, 2019**