

CITY OF SOUTH LEBANON
WARREN COUNTY, OHIO

REGULAR AUDIT

FOR THE YEAR ENDED
DECEMBER 31, 2023



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Columbus, Ohio 43215
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Members of Council
City of South Lebanon
10 North High Street
South Lebanon, Ohio 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, 2023 through December 31, 2023. 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.

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Keith Faber
Auditor of State
Columbus, Ohio

September 12, 2024

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

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 3
Management’s Discussion and Analysis	5 - 14
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Net Position - Proprietary Funds.....	22
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds.....	24
Statement of Changes in Fiduciary Net Position – Fiduciary Fund	25
Notes to the Basic Financial Statements	27 - 55
Required Supplementary Information:	
Schedule of the City’s Proportionate Share of the Net Pension Liability and City Pension Contributions:	
Ohio Public Employees Retirement System (OPERS)	59
Schedule of the City’s Proportionate Share of the Net OPEB Liability/(Asset) and City OPEB Contributions:	
Ohio Public Employees Retirement System (OPERS)	60
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – Budget (Non-GAAP) Basis:	
General Fund.....	61
River’s Crossing TIF Special Revenue Fund.....	62
Riverside TIF Special Revenue Fund	63
Notes to the Budgetary Required Supplementary Information.....	64 - 66
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 <i>Government Auditing Standards</i>	
	67 - 68

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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, 2023, 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, 2023, 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.

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 July 22, 2024 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.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
July 22, 2024

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CITY OF SOUTH LEBANON, OHIO
Management's Discussion and Analysis
Year Ended December 31, 2023

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, 2023.

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 adopted a Charter that was approved by the voters on May 2, 2023 and went into effect on July 1, 2023.
- The City's total net position increased by \$1,541,538 in 2023.
- General revenues accounted for \$6,115,135, or 61%, of total revenue. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$3,875,968, or 39%, of total revenues of \$9,991,103.
- The City had \$5,549,541 in expenses related to governmental activities. Program revenues of \$751,136 reduced the net cost of the City's functions to be financed from the City's general revenues to \$4,798,405.
- The City's unassigned fund balance of the General Fund totaled \$3,728,943 at year end, or 146%, of General Fund expenditures and transfers.

USING THIS ANNUAL FINANCIAL REPORT

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, and the Riverside TIF 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 2023 compared to 2022.

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets						
Current and other assets	\$10,930,500	\$ 9,926,765	\$ 9,719,456	\$ 8,803,797	\$ 20,649,956	\$18,730,562
Net OPEB asset	-	82,145	-	75,826	-	157,971
Capital assets	10,887,186	10,259,280	19,065,903	19,588,450	29,953,089	29,847,730
Total assets	21,817,686	20,268,190	28,785,359	28,468,073	50,603,045	48,736,263
Total deferred outflows of resources						
	549,169	174,481	361,039	217,506	910,208	391,987
Liabilities						
Long-term liabilities:						
Net pension liability	1,001,850	245,173	696,203	226,314	1,698,053	471,487
Net OPEB liability	19,916	-	13,840	-	33,756	-
Other long-term liabilities	14,393,088	13,807,177	160,309	168,428	14,553,397	13,975,605
Current liabilities	271,495	939,104	194,578	128,291	466,073	1,067,395
Total liabilities	15,686,349	14,991,454	1,064,930	523,033	16,751,279	15,514,487
Total deferred inflows of resources						
	2,476,168	2,554,970	46,689	361,214	2,522,857	2,916,184
Net position						
Net investment in capital assets	2,272,084	2,093,610	18,928,610	19,444,116	21,200,694	21,537,726
Restricted	1,708,280	1,436,408	-	-	1,708,280	1,436,408
Unrestricted	223,974	(633,771)	9,106,169	8,357,216	9,330,143	7,723,445
Total net position	\$ 4,204,338	\$ 2,896,247	\$ 28,034,779	\$ 27,801,332	\$ 32,239,117	\$ 30,697,579

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) liability is 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, and the net pension and net OPEB liabilities to the reported net position and subtracting 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 and net OPEB liabilities 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 are no repayment schedules for the net pension or net OPEB liabilities.

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. If 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 and net OPEB liabilities 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 and net OPEB liabilities, respectively, not accounted for as deferred inflows/outflows.

The largest portion of the City's net position (\$21,200,694) 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 (\$1,708,280) represents resources that are subject to external restrictions on how they may be used.

The remaining net position balance of \$9,330,143 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 years ended December 31, 2023 and 2022.

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenue:						
Charges for services	\$ 246,310	\$ 252,299	\$ 3,124,832	\$ 2,767,669	\$ 3,371,142	\$ 3,019,968
Operating grants	434,718	365,119	-	-	434,718	365,119
Capital grants	70,108	342,787	-	-	70,108	342,787
General revenue:						
Taxes	2,901,725	2,856,056	-	-	2,901,725	2,856,056
Payments in lieu of taxes	2,091,992	1,837,087	-	-	2,091,992	1,837,087
Unrestricted grants and entitlements	770,062	165,133	-	-	770,062	165,133
Investment earnings	335,030	1,305	6,710	2,113	341,740	3,418
Miscellaneous	7,687	131,352	1,929	17,778	9,616	149,130
Total revenues	6,857,632	5,951,138	3,133,471	2,787,560	9,991,103	8,738,698
Expenses						
Security of persons and property	822,711	729,230	-	-	822,711	729,230
Public health services	7,485	5,695	-	-	7,485	5,695
Leisure time activities	71,159	42,998	-	-	71,159	42,998
Basic utility services	166,163	105,480	-	-	166,163	105,480
Transportation	597,872	603,747	-	-	597,872	603,747
General government	2,069,536	1,533,210	-	-	2,069,536	1,533,210
Interest and fiscal charges	1,814,615	939,787	-	-	1,814,615	939,787
Water	-	-	1,078,823	1,024,854	1,078,823	1,024,854
Sewer	-	-	1,329,039	1,342,033	1,329,039	1,342,033
Sanitation	-	-	478,926	448,977	478,926	448,977
Other enterprise activities	-	-	13,236	16,070	13,236	16,070
Total expenses	5,549,541	3,960,147	2,900,024	2,831,934	8,449,565	6,792,081
Change in net position	1,308,091	1,990,991	233,447	(44,374)	1,541,538	1,946,617
Beginning net position	2,896,247	905,256	27,801,332	27,845,706	30,697,579	28,750,962
Ending net position	\$ 4,204,338	\$2,896,247	\$28,034,779	\$ 27,801,332	\$ 32,239,117	\$30,697,579

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. During 2023, the City received \$2,644,694 in income tax collections, or 39% of total revenue.

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. During 2023, the City received \$2,091,992 in payments in lieu of taxes, or 31% of total revenue.

Excluding interest paid on outstanding debt, the three largest functions for the City in 2023 are general government (37% of total expenses), security of persons and property (15% of total expenses), and transportation (11% 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 2023	Net Cost of Service 2023	Total Cost of Service 2022	Net Cost of Service 2022
Security of persons and property	\$ 822,711	\$ 822,711	\$ 729,230	\$ 728,723
Public health services	7,485	7,485	5,695	5,695
Leisure time activities	71,159	71,159	42,998	42,998
Basic utility services	166,163	166,163	105,480	105,480
Transportation	597,872	18,022	603,747	(206,491)
General government	2,069,536	1,898,250	1,533,210	1,383,750
Interest on long-term debt	1,814,615	1,814,615	939,787	939,787
Total expenses	<u>\$ 5,549,541</u>	<u>\$ 4,798,405</u>	<u>\$3,960,147</u>	<u>\$2,999,942</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 2023, the impact was an increase of \$138,524 to governmental activities expenses compared to reduction in the prior year of \$140,591 which accounts for approximately \$279,000 of the increase in expenses. The increase in interest and fiscal charges was due to the issuance of \$7,082,000 in Series 2023 Riverside TIF refunding revenue bonds to refund of the Series 2016 Riverside TIF Revenue Bonds and incurring issuance costs of \$1,299,063. The remaining increase in total expenses of in 2023 is due to normal pay raises and inflationary cost increases.

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.

Operating revenues for these activities were approximately \$3.1 million in 2023, an increase of approximately \$346,000 due to an increase in tap fees from new commercial and residential developments.

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, 2023, the City's governmental funds reported combined fund balances of \$6,845,264, an increase of \$995,037 in comparison with the prior year. Approximately 54% of this amount (\$3,728,943) 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 (\$1,864), 2) restricted for particular purposes (\$1,491,535), 3) committed for particular purposes (\$24,615), or 4) assigned for particular purposes (\$1,598,307).

The general fund ended the current year with a fund balance of \$5,329,114. Of this amount, \$3,728,943 is considered unassigned, which represents 146% of current year expenditures and transfers. The fund balance increased \$1,031,867 in 2023. The general fund continues to rely heavily on the City's income tax as its primary source of revenue for operations, representing 75% of total general fund revenue. The general fund's increase in fund balance is comparable with prior year's increase of \$985,868.

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 2023 consisted of satisfying the debt service requirements on the TIF revenue bonds and paying compensation payments to the Kings Local School District. Additionally, the Riverside TIF fund refunded its Series 2016 revenue bonds, as previously discussed.

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 2023, the total amount of the General Fund budgeted expenditures and transfers increased from \$3,415,035 to \$3,452,035, a difference of \$37,000, or 1%. Actual expenditures and transfers were \$839,024 less than budgeted, due to conservative budgeting.

General Fund budgeted revenues increased by \$48,000 from original or 2%, due to better than anticipated income tax collections and higher returns from investments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2023, the City's capital assets increased by \$105,359.

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

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 1,581,675	\$ 1,581,675	\$ 64,789	\$ 64,789	\$ 1,646,464	\$ 1,646,464
Construction in progress	121,886	625,418	552,786	528,475	674,672	1,153,893
Buildings and improvements	2,061,826	2,108,260	332,898	347,423	2,394,724	2,455,683
Improvements other than buildings	1,326,858	804,094	302,230	318,712	1,629,088	1,122,806
Equipment	763,645	368,115	563,557	635,392	1,327,202	1,003,507
Infrastructure	5,031,296	4,771,718	17,249,643	17,693,659	22,280,939	22,465,377
	<u>\$10,887,186</u>	<u>\$10,259,280</u>	<u>\$19,065,903</u>	<u>\$19,588,450</u>	<u>\$29,953,089</u>	<u>\$29,847,730</u>

Capital asset activity during 2023 in the governmental activities consisted of ongoing roadway improvements, stormwater improvements, traffic signals, playground equipment at Memorial Park and vehicles for public safety and public works.

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, 2023, the City of South Lebanon had \$14,492,445 debt outstanding.

Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Bond anticipation notes	\$ 625,000	\$ 625,000	\$ -	\$ -	\$ 625,000	\$ 625,000
TIF revenue bonds	13,515,000	12,914,857	-	-	13,515,000	12,914,857
OPWC loan	215,152	232,364	-	-	215,152	232,364
OWDA loan	-	-	137,293	144,334	137,293	144,334
	<u>\$14,355,152</u>	<u>\$13,772,221</u>	<u>\$ 137,293</u>	<u>\$ 144,334</u>	<u>\$14,492,445</u>	<u>\$13,916,555</u>

The City's total outstanding debt increased by \$575,890 during 2023, due to the issuance of \$7,082,000 in Series 2023 Riverside TIF refunding revenue bonds to refund the Series 2016 Riverside TIF revenue bonds. The City's outstanding 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, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash and investments	\$ 6,850,344	\$ 9,386,057	\$ 16,236,401
Receivables:			
Property taxes	224,650	-	224,650
Income taxes	1,265,362	-	1,265,362
Payment in lieu of taxes	2,250,075	-	2,250,075
Accounts	18,230	255,369	273,599
Intergovernmental	321,839	-	321,839
Supplies inventory	-	78,030	78,030
Nondepreciable capital assets	1,703,561	617,575	2,321,136
Depreciable capital assets, net	9,183,625	18,448,328	27,631,953
Total assets	<u>21,817,686</u>	<u>28,785,359</u>	<u>50,603,045</u>
Deferred Outflows of Resources			
Pensions	486,465	316,651	803,116
OPEB	62,704	44,388	107,092
Total deferred outflows of resources	<u>549,169</u>	<u>361,039</u>	<u>910,208</u>
Liabilities			
Accounts payable	180,700	11,267	191,967
Accrued wages payable	20,319	7,076	27,395
Intergovernmental payable	10,005	176,235	186,240
Accrued interest payable	60,471	-	60,471
Noncurrent liabilities:			
Due within one year	1,287,645	22,913	1,310,558
Due in more than one year:			
Net pension liability	1,001,850	696,203	1,698,053
Net OPEB liability	19,916	13,840	33,756
Other amounts due in more than one year	13,105,443	137,396	13,242,839
Total liabilities	<u>15,686,349</u>	<u>1,064,930</u>	<u>16,751,279</u>
Deferred Inflows of Resources			
Property taxes and payment in lieu of taxes levied for next year	2,464,075	-	2,464,075
Pensions	4,796	41,655	46,451
OPEB	7,297	5,034	12,331
Total deferred inflows of resources	<u>2,476,168</u>	<u>46,689</u>	<u>2,522,857</u>
Net Position			
Net investment in capital assets	2,272,084	18,928,610	21,200,694
Restricted for:			
Capital projects	30,482	-	30,482
Public safety	7,109	-	7,109
Transportation	1,670,689	-	1,670,689
Unrestricted	223,974	9,106,169	9,330,143
Total net position	<u>\$ 4,204,338</u>	<u>\$ 28,034,779</u>	<u>\$ 32,239,117</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SOUTH LEBANON, OHIO
Statement of Activities
Year Ended December 31, 2023

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Governmental activities:							
Security of persons and property	\$ 822,711	\$ -	\$ -	\$ -	\$ (822,711)	\$ -	\$ (822,711)
Public health services	7,485	-	-	-	(7,485)	-	(7,485)
Leisure time activities	71,159	-	-	-	(71,159)	-	(71,159)
Basic utility services	166,163	-	-	-	(166,163)	-	(166,163)
Transportation	597,872	75,024	434,718	70,108	(18,022)	-	(18,022)
General government	2,069,536	171,286	-	-	(1,898,250)	-	(1,898,250)
Interest on long-term debt	<u>1,814,615</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,814,615)</u>	<u>-</u>	<u>(1,814,615)</u>
Total governmental activities	<u>5,549,541</u>	<u>246,310</u>	<u>434,718</u>	<u>70,108</u>	<u>(4,798,405)</u>	<u>-</u>	<u>(4,798,405)</u>
Business-type activities:							
Water	1,078,823	1,044,575	-	-	-	(34,248)	(34,248)
Sewer	1,329,039	1,522,403	-	-	-	193,364	193,364
Sanitation	478,926	538,372	-	-	-	59,446	59,446
Other enterprise activities	<u>13,236</u>	<u>19,482</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,246</u>	<u>6,246</u>
Total business-type activities	<u>2,900,024</u>	<u>3,124,832</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>224,808</u>	<u>224,808</u>
Total	<u>\$ 8,449,565</u>	<u>\$ 3,371,142</u>	<u>\$ 434,718</u>	<u>\$ 70,108</u>	<u>(4,798,405)</u>	<u>224,808</u>	<u>(4,573,597)</u>
General revenues:							
Taxes:							
Income taxes					2,644,694	-	2,644,694
Property taxes					257,031	-	257,031
Payment in lieu of taxes					2,091,992	-	2,091,992
Grants and contributions not restricted to specific programs					770,062	-	770,062
Investment earnings					335,030	6,710	341,740
Gain (loss) on sale of assets					(13,825)	1,929	(11,896)
Miscellaneous					<u>21,512</u>	<u>-</u>	<u>21,512</u>
Total general revenues					<u>6,106,496</u>	<u>8,639</u>	<u>6,115,135</u>
Change in net position					1,308,091	233,447	1,541,538
Net position beginning of year					<u>2,896,247</u>	<u>27,801,332</u>	<u>30,697,579</u>
Net position end of year					<u>\$ 4,204,338</u>	<u>\$ 28,034,779</u>	<u>\$ 32,239,117</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SOUTH LEBANON, OHIO

Balance Sheet
 Governmental Funds
 December 31, 2023

	General Fund	River's Crossing TIF	Riverside TIF	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and investments	\$5,246,347	\$ 992	\$ 995	\$ 1,602,010	\$ 6,850,344
Receivables:					
Property taxes	224,650	-	-	-	224,650
Income taxes	1,265,362	-	-	-	1,265,362
Payment in lieu of taxes	-	1,300,025	950,050	-	2,250,075
Accounts	18,145	-	-	85	18,230
Intergovernmental	31,552	-	38,688	251,599	321,839
Total assets	<u>\$6,786,056</u>	<u>\$ 1,301,017</u>	<u>\$ 989,733</u>	<u>\$ 1,853,694</u>	<u>\$ 10,930,500</u>
Liabilities, Deferred Inflows of Resources and Fund Balances:					
Liabilities:					
Accounts payable	\$ 60,562	\$ -	\$ -	\$ 120,138	\$ 180,700
Accrued wages payable	20,058	-	-	261	20,319
Intergovernmental payable	9,605	-	-	400	10,005
Total liabilities	<u>90,225</u>	<u>-</u>	<u>-</u>	<u>120,799</u>	<u>211,024</u>
Deferred Inflows of Resources:					
Property taxes and payment in lieu of taxes levied for next year	214,000	1,300,025	950,050	-	2,464,075
Unavailable revenue	1,152,717	-	38,688	218,732	1,410,137
Total deferred inflows of resources	<u>1,366,717</u>	<u>1,300,025</u>	<u>988,738</u>	<u>218,732</u>	<u>3,874,212</u>
Fund Balances:					
Nonspendable	1,864	-	-	-	1,864
Restricted	-	992	995	1,489,548	1,491,535
Committed	-	-	-	24,615	24,615
Assigned	1,598,307	-	-	-	1,598,307
Unassigned	3,728,943	-	-	-	3,728,943
Total fund balances	<u>5,329,114</u>	<u>992</u>	<u>995</u>	<u>1,514,163</u>	<u>6,845,264</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$6,786,056</u>	<u>\$ 1,301,017</u>	<u>\$ 989,733</u>	<u>\$ 1,853,694</u>	<u>\$ 10,930,500</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SOUTH LEBANON, OHIO
 Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2023

Total governmental fund balances		\$ 6,845,264
 <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.		10,887,186
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable in the funds.		1,410,137
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		(13,515,000)
Loans payable		(215,152)
Compensated absences		(37,936)
Accrued interest payable		(60,471)
The net pension and OPEB liabilities are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in the governmental funds:		
Deferred outflows - pension		486,465
Deferred inflows - pension		(4,796)
Net pension liability		(1,001,850)
Deferred outflows - OPEB		62,704
Deferred inflows - OPEB		(7,297)
Net OPEB liability		(19,916)
		(19,916)
Net position of governmental activities		\$ 4,204,338

CITY OF SOUTH LEBANON, OHIO

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended December 31, 2023

	General Fund	River's Crossing TIF	Riverside TIF	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property and other local taxes	\$ 194,535	\$ -	\$ -	\$ 59,338	\$ 253,873
Municipal income taxes	2,677,080	-	-	-	2,677,080
Intergovernmental	222,787	-	71,396	938,106	1,232,289
Fines, licenses and permits	161,320	-	-	10,813	172,133
Interest	306,627	14	35	28,354	335,030
Payment in lieu of taxes	-	1,244,769	847,223	-	2,091,992
Miscellaneous	30,088	-	-	75,633	105,721
Total revenues	<u>3,592,437</u>	<u>1,244,783</u>	<u>918,654</u>	<u>1,112,244</u>	<u>6,868,118</u>
Expenditures:					
Current:					
Security of persons and property	794,101	-	-	-	794,101
Public health services	7,485	-	-	-	7,485
Leisure time activities	27,024	-	-	19,316	46,340
Basic utility services	164,416	-	-	-	164,416
Transportation	-	-	-	128,971	128,971
General government	1,082,476	536,035	329,082	1,080	1,948,673
Capital outlay	477,857	-	-	746,648	1,224,505
Debt service:					
Principal retirement	-	370,000	347,000	17,212	734,212
Interest and fiscal charges	-	338,760	497,822	7,813	844,395
Bond issuance costs	-	-	1,299,063	-	1,299,063
Total expenditures	<u>2,553,359</u>	<u>1,244,795</u>	<u>2,472,967</u>	<u>921,040</u>	<u>7,192,161</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,039,078</u>	<u>(12)</u>	<u>(1,554,313)</u>	<u>191,204</u>	<u>(324,043)</u>
Other financing sources (uses):					
TIF refunding revenue bonds issued	-	-	7,183,000	-	7,183,000
Payments to refunding bond escrow	-	-	(5,865,857)	-	(5,865,857)
Sale of capital assets	602	-	-	1,335	1,937
Transfers in	-	-	-	7,813	7,813
Transfers out	(7,813)	-	-	-	(7,813)
Total other financing sources (uses)	<u>(7,211)</u>	<u>-</u>	<u>1,317,143</u>	<u>9,148</u>	<u>1,319,080</u>
Net change in fund balance	1,031,867	(12)	(237,170)	200,352	995,037
Fund balance, beginning of year	<u>4,297,247</u>	<u>1,004</u>	<u>238,165</u>	<u>1,313,811</u>	<u>5,850,227</u>
Fund balance, end of year	<u>\$ 5,329,114</u>	<u>\$ 992</u>	<u>\$ 995</u>	<u>\$ 1,514,163</u>	<u>\$ 6,845,264</u>

The notes to the financial statements are an integral part of this statement.

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, 2023

Net change in fund balances - total governmental funds \$ 995,037

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense.

This is the amount by which capital outlays exceeded depreciation:

Capital asset additions, net of disposals	1,149,889	
Depreciation expense	<u>(521,983)</u>	627,906

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 3,339

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. (582,931)

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		328,843
Compensated absences		(2,980)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports this amount as deferred outflows:

Pension		77,401
---------	--	--------

Except for amounts reported as deferred outflows/inflows, changes in net pension and net OPEB liabilities are reported as pension and OPEB expense in the statement of activities:

Pension		(185,166)
OPEB		<u>46,642</u>

Change in net position of governmental activities \$ 1,308,091

CITY OF SOUTH LEBANON, OHIO
Statement of Net Position
Proprietary Funds
December 31, 2023

	Enterprise Funds				Totals
	Water	Sewer	Sanitation	Nonmajor Enterprise Funds	
Assets					
Current assets:					
Equity in pooled cash and investments	\$ 2,998,520	\$ 5,782,743	\$ 337,890	\$ 266,904	\$ 9,386,057
Receivables:					
Accounts	95,230	114,848	45,291	-	255,369
Supplies inventory	78,030	-	-	-	78,030
Total current assets	<u>3,171,780</u>	<u>5,897,591</u>	<u>383,181</u>	<u>266,904</u>	<u>9,719,456</u>
Noncurrent assets:					
Nondepreciable capital assets	126,738	490,837	-	-	617,575
Depreciable capital assets, net	6,489,353	11,958,975	-	-	18,448,328
Total noncurrent assets	<u>6,616,091</u>	<u>12,449,812</u>	<u>-</u>	<u>-</u>	<u>19,065,903</u>
Total assets	<u>9,787,871</u>	<u>18,347,403</u>	<u>383,181</u>	<u>266,904</u>	<u>28,785,359</u>
Deferred outflows of resources					
Pensions	157,397	151,754	7,500	-	316,651
OPEB	22,150	21,179	1,059	-	44,388
Total deferred outflows of resources	<u>179,547</u>	<u>172,933</u>	<u>8,559</u>	<u>-</u>	<u>361,039</u>
Liabilities					
Current liabilities:					
Accounts payable	5,700	5,567	-	-	11,267
Accrued wages payable	3,790	3,090	196	-	7,076
Intergovernmental payable	151,504	24,731	-	-	176,235
Loans payable	7,041	-	-	-	7,041
Compensated absences payable	8,245	7,287	340	-	15,872
Total current liabilities	<u>176,280</u>	<u>40,675</u>	<u>536</u>	<u>-</u>	<u>217,491</u>
Noncurrent liabilities:					
Compensated absences payable	3,483	3,661	-	-	7,144
Loans payable	130,252	-	-	-	130,252
Net pension liability	339,611	339,611	16,981	-	696,203
Net OPEB liability	6,751	6,751	338	-	13,840
Total noncurrent liabilities	<u>480,097</u>	<u>350,023</u>	<u>17,319</u>	<u>-</u>	<u>847,439</u>
Total liabilities	<u>656,377</u>	<u>390,698</u>	<u>17,855</u>	<u>-</u>	<u>1,064,930</u>
Deferred Inflows of Resources					
Pensions	17,167	22,888	1,600	-	41,655
OPEB	2,324	2,356	354	-	5,034
Total deferred inflows of resources	<u>19,491</u>	<u>25,244</u>	<u>1,954</u>	<u>-</u>	<u>46,689</u>
Net Position					
Net investment in capital assets	6,478,798	12,449,812	-	-	18,928,610
Unrestricted	2,812,752	5,654,582	371,931	266,904	9,106,169
Total net position	<u>\$ 9,291,550</u>	<u>\$ 18,104,394</u>	<u>\$ 371,931</u>	<u>\$ 266,904</u>	<u>\$ 28,034,779</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SOUTH LEBANON, OHIO

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

Year Ended December 31, 2023

	Enterprise Funds				Totals
	Water	Sewer	Sanitation	Nonmajor Enterprise Funds	
Operating revenues:					
Charges for services	\$ 1,037,762	\$ 1,506,899	\$ 538,372	\$ 19,482	\$ 3,102,515
Miscellaneous	6,813	15,504	-	-	22,317
Total operating revenues	<u>1,044,575</u>	<u>1,522,403</u>	<u>538,372</u>	<u>19,482</u>	<u>3,124,832</u>
Operating expenses:					
Personnel services	186,743	193,847	8,946	-	389,536
Employee fringe benefits	45,258	67,584	1,942	-	114,784
Pension and OPEB expense	82,336	71,025	2,165	-	155,526
Contractual services	443,759	354,740	465,873	-	1,264,372
Supplies and materials	63,525	153,914	-	-	217,439
Other	2,141	-	-	13,236	15,377
Depreciation	255,061	487,929	-	-	742,990
Total operating expenses	<u>1,078,823</u>	<u>1,329,039</u>	<u>478,926</u>	<u>13,236</u>	<u>2,900,024</u>
Operating income (loss)	(34,248)	193,364	59,446	6,246	224,808
Non-operating revenues:					
Investment earnings	-	-	-	6,710	6,710
Gain on sale of assets	964	965	-	-	1,929
Total non-operating revenues (expenses)	<u>964</u>	<u>965</u>	<u>-</u>	<u>6,710</u>	<u>8,639</u>
Change in net position	(33,284)	194,329	59,446	12,956	233,447
Net position, beginning of year	<u>9,324,834</u>	<u>17,910,065</u>	<u>312,485</u>	<u>253,948</u>	<u>27,801,332</u>
Net position, end of year	<u>\$ 9,291,550</u>	<u>\$ 18,104,394</u>	<u>\$ 371,931</u>	<u>\$ 266,904</u>	<u>\$ 28,034,779</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SOUTH LEBANON, OHIO

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2023

	Enterprise Funds				Totals
	Water	Sewer	Sanitation	Nonmajor Enterprise Funds	
Cash flows from operating activities:					
Cash received from customers	\$ 1,034,576	\$ 1,492,790	\$ 529,851	\$ 19,482	\$ 3,076,699
Cash payments for employee services and benefits	(259,501)	(290,604)	(12,125)	-	(562,230)
Cash payments to suppliers for goods and services	(360,224)	(523,071)	(502,950)	-	(1,386,245)
Cash payments for other operating expenses	(2,141)	-	-	(13,236)	(15,377)
Cash received from other operating revenue	6,680	15,377	-	-	22,057
Net cash from operating activities	<u>419,390</u>	<u>694,492</u>	<u>14,776</u>	<u>6,246</u>	<u>1,134,904</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(178,416)	(42,690)	-	-	(221,106)
Proceeds from sale of assets	1,296	1,296	-	-	2,592
Principal payments on OWDA loans	(7,041)	-	-	-	(7,041)
Net cash from capital and related financing activities	<u>(184,161)</u>	<u>(41,394)</u>	<u>-</u>	<u>-</u>	<u>(225,555)</u>
Cash flows from investing activities:					
Interest	-	-	-	6,710	6,710
Net cash from investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,710</u>	<u>6,710</u>
Net change	235,229	653,098	14,776	12,956	916,059
Cash and pooled investments beginning of year	2,763,291	5,129,645	323,114	253,948	8,469,998
Cash and pooled investments end of year	<u>\$ 2,998,520</u>	<u>\$ 5,782,743</u>	<u>\$ 337,890</u>	<u>\$ 266,904</u>	<u>\$ 9,386,057</u>
Reconciliation of operating income (loss) to net cash from operating activities:					
Operating income (loss)	\$ (34,248)	\$ 193,364	\$ 59,446	\$ 6,246	\$ 224,808
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	255,061	487,929	-	-	742,990
Changes in assets, liabilities and deferred outflows and inflows:					
Receivables	(3,319)	(14,236)	(8,521)	-	(26,076)
Supplies inventory	26,476	-	-	-	26,476
Accounts payable	(41)	(13,150)	(37,077)	-	(50,268)
Accrued wages payable	(915)	(1,881)	(2)	-	(2,798)
Intergovernmental payable	120,622	(1,269)	-	-	119,353
Compensated absences payable	(624)	(465)	11	-	(1,078)
Deferred outflows - pensions and OPEB	(67,294)	(74,696)	(1,543)	-	(143,533)
Deferred inflows - pensions and OPEB	(150,581)	(152,222)	(11,722)	-	(314,525)
Net pension and OPEB liabilities and assets	<u>274,253</u>	<u>271,118</u>	<u>14,184</u>	<u>-</u>	<u>559,555</u>
Net cash from operating activities	<u>\$ 419,390</u>	<u>\$ 694,492</u>	<u>\$ 14,776</u>	<u>\$ 6,246</u>	<u>\$ 1,134,904</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SOUTH LEBANON, OHIO

Statement of Changes in Fiduciary Net Position

Fiduciary Fund

Year Ended December 31, 2023

	<u>Custodial Fund</u>
<i>Additions:</i>	
Collection of fines and fees	\$ <u>5,314</u>
<i>Deductions:</i>	
Distributions to other governments and individuals	<u>5,314</u>
Change in net position	-
Net position, beginning of year	<u>-</u>
Net position, end of year	<u><u>\$ -</u></u>

The notes to the financial statements are an integral part of this statement.



CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2023

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 with 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, 2023

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, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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. 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.

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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.

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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, 2023, 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 2023, 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.

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, 2023, which approximates fair value.

STAR Ohio reserves the right to limit the transaction to \$250 million per day. Transactions in all of a participant's accounts will be combined for this purpose. Twenty-four hours advance notice to STAR Ohio is appreciated for purchases or redemptions of \$100 million or more. For 2023, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates.

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Receivables

Receivables at December 31, 2023 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.

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

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

Pensions and OPEB

For purposes of measuring the net pension and OPEB liabilities, 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.

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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.

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.

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 \$1,708,280 restricted net position, none is restricted by enabling legislation.

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 \$7,770,238 and the bank balance was \$7,818,828. 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.

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2023

NOTE 3 DEPOSITS AND INVESTMENTS – continued

Investments

The City's investments at December 31, 2023 are comprised of STAR Ohio of \$8,466,163. 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 2023 for real and public utility property taxes represents collections of 2022 taxes.

2023 real property taxes are levied after October 1, 2023 on the assessed value as of January 1, 2023, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2023 real property taxes are collected in and intended to finance 2024.

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. 2023 public utility property taxes, which became a lien December 31, 2022 are levied after October 1, 2023, and are collected in 2024 with real property taxes.

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 2023 taxes were collected was \$173,656,670. The full tax rate for all City operations applied for real property for fiscal year ended December 31, 2023 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, 2023. 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 2023 operations. The receivable is therefore offset by a credit to deferred inflows of resources.

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2023

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.

NOTE 6 CAPITAL ASSETS

Capital asset activity in the governmental activities for the year ended December 31, 2023 was as follows:

	Balance 1/1/23	Additions	Deletions	Balance 12/31/23
<u>Governmental Activities:</u>				
<i>Nondepreciable capital assets:</i>				
Land	\$ 1,581,675	\$ -	\$ -	\$ 1,581,675
Construction in progress	625,418	507,100	(1,010,632)	121,886
<i>Total nondepreciable capital assets</i>	<u>2,207,093</u>	<u>507,100</u>	<u>(1,010,632)</u>	<u>1,703,561</u>
<i>Depreciable capital assets:</i>				
Buildings and improvements	2,407,141	-	-	2,407,141
Improvements other than buildings	1,100,908	567,931	-	1,668,839
Equipment	843,383	486,933	(90,973)	1,239,343
Infrastructure	11,347,625	614,319	-	11,961,944
<i>Total depreciable capital assets</i>	<u>15,699,057</u>	<u>1,669,183</u>	<u>(90,973)</u>	<u>17,277,267</u>
<i>Accumulated depreciation:</i>				
Buildings and improvements	(298,881)	(46,434)	-	(345,315)
Improvements other than buildings	(296,814)	(45,167)	-	(341,981)
Equipment	(475,268)	(75,641)	75,211	(475,698)
Infrastructure	(6,575,907)	(354,741)	-	(6,930,648)
<i>Total accumulated depreciation</i>	<u>(7,646,870)</u>	<u>(521,983)</u>	<u>75,211</u>	<u>(8,093,642)</u>
<i>Total capital assets being depreciated, net</i>	<u>8,052,187</u>	<u>1,147,200</u>	<u>(15,762)</u>	<u>9,183,625</u>
 <i>Total Governmental Activities</i>	 <u>\$ 10,259,280</u>	 <u>\$ 1,654,300</u>	 <u>\$ (1,026,394)</u>	 <u>\$ 10,887,186</u>

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2023

NOTE 6 CAPITAL ASSETS – continued

Depreciation expense was charged to governmental functions as follows:

Transportation	\$	409,471
General government		59,083
Security of persons and property		28,610
Leisure time activities		24,819
Total Depreciation Expense	\$	<u>521,983</u>

Capital asset activity in the business-type activities for the year ended December 31, 2023 was as follows:

	Balance 1/1/23	Additions	Deletions	Balance 12/31/23
<i>Business-Type Activities</i>				
<i>Nondepreciable capital assets:</i>				
Land	\$ 64,789	\$ -	\$ -	\$ 64,789
Construction in progress	528,475	201,278	(176,967)	552,786
<i>Total nondepreciable capital assets</i>	<u>593,264</u>	<u>201,278</u>	<u>(176,967)</u>	<u>617,575</u>
<i>Depreciable capital assets:</i>				
Buildings and improvements	650,215	-	-	650,215
Improvements other than buildings	693,963	-	-	693,963
Equipment	1,094,417	19,827	(13,260)	1,100,984
Infrastructure	30,341,785	176,968	-	30,518,753
<i>Total depreciable capital assets</i>	<u>32,780,380</u>	<u>196,795</u>	<u>(13,260)</u>	<u>32,963,915</u>
<i>Accumulated depreciation:</i>				
Buildings and improvements	(302,792)	(14,525)	-	(317,317)
Improvements other than buildings	(375,251)	(16,482)	-	(391,733)
Equipment	(459,025)	(90,999)	12,597	(537,427)
Infrastructure	(12,648,126)	(620,984)	-	(13,269,110)
<i>Total accumulated depreciation</i>	<u>(13,785,194)</u>	<u>(742,990)</u>	<u>12,597</u>	<u>(14,515,587)</u>
<i>Total capital assets being depreciated, net</i>	<u>18,995,186</u>	<u>(546,195)</u>	<u>(663)</u>	<u>18,448,328</u>
 <i>Total Business-Type Activities</i>	 <u>\$ 19,588,450</u>	 <u>\$ (344,917)</u>	 <u>\$ (177,630)</u>	 <u>\$ 19,065,903</u>

NOTE 7 INTERFUND TRANSACTIONS

During 2023, the general fund transferred \$7,813 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, 2023

NOTE 8 LONG-TERM LIABILITIES

The City's outstanding debt at December 31, 2023 was as follows:

	Principal Outstanding	Interest Rate	Maturity
<i>Governmental Activities</i>			
Direct placement:			
Municipal Building BANs, Series 2021	\$ 625,000	1.250%	8/1/2024
River's Crossing TIF Revenue Refunding Bonds, Series 2018	6,780,000	4.800%	12/1/2036
Riverside TIF Revenue Bonds, Series 2023	6,735,000	5.430%	12/1/2036
Direct borrowing:			
Ohio Public Works Commission Loan - Zoar Road Repaving	215,152	0.000%	1/1/2036
<i>Business-Type Activities</i>			
Direct borrowing:			
Ohio Water Development Authority Loan - Water Main Replacement	137,293	0.000%	1/1/2043

The changes in the City's long-term liabilities for the year ended December 31, 2023 were as follows:

	Balance 1/1/23	Issued	Retired	Balance 12/31/23	Amount Due Within One Year
<i>Governmental Activities:</i>					
<i>Bond Anticipation Notes:</i>					
Direct placement:					
Municipal Building, Series 2021	\$ 625,000	\$ -	\$ -	\$ 625,000	\$ 625,000
<i>Tax Increment Revenue Bonds:</i>					
Direct placement:					
Riverside, Series 2016	5,764,857	101,000	(5,865,857)	-	-
River's Crossing, Series 2018 Refunding	7,150,000	-	(370,000)	6,780,000	385,000
Riverside, Series 2023	-	7,082,000	(347,000)	6,735,000	236,000
<i>Loans Payable:</i>					
Direct borrowing:					
OPWC Loan - Zoar Road Repaving	232,364	-	(17,212)	215,152	17,212
Compensated absences	34,956	26,760	(23,780)	37,936	24,433
Total Governmental Activities	<u>\$ 13,807,177</u>	<u>\$ 7,209,760</u>	<u>\$ (6,623,849)</u>	<u>\$ 14,393,088</u>	<u>\$ 1,287,645</u>

	Balance 1/1/23	Issued	Retired	Balance 12/31/23	Amount Due Within One Year
<i>Business Type Activities:</i>					
<i>Loans Payable:</i>					
Direct borrowing:					
OWDA Loan - Water Main Replace.	144,334	-	(7,041)	137,293	7,041
Compensated absences	24,094	17,190	(18,268)	23,016	15,872
Total Business Type Activities	<u>\$ 168,428</u>	<u>\$ 17,190</u>	<u>\$ (25,309)</u>	<u>\$ 160,309</u>	<u>\$ 22,913</u>

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2023

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 is 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 is 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 \$836,417 for 2023.

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 within the TIF district. Some of these improvements were capitalized by the City, while others were the responsibility of the developments within the TIF district. These Bonds mature on December 1, 2036, and are repaid from the River’s Crossing TIF fund.

In 2023, the City issued \$7,082,000 in direct placement TIF Revenue Bonds, Series 2023 to currently refund Series 2016 TIF Revenue Bonds. The Series 2016 TIF Revenue Bonds were originally issued 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. These bonds were purchased by the Warren County Port Authority under their Ohio Communities Accelerator Fund program. The currently refunding increased the total debt service payments by \$666,919 and obtained an economic loss (difference between the present values of the debt service payments on the old and new debt) of \$240,724.

Compensated absences and net pension and OPEB 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, 2023

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
	Principal	Interest	Principal	Interest	Principal	Principal
December 31,						
2024	\$ 625,000	\$ 7,812	\$ 621,000	\$ 686,591	\$ 17,212	\$ 7,041
2025	-	-	742,000	655,056	17,212	7,041
2026	-	-	832,000	617,077	17,212	7,041
2027	-	-	874,000	574,337	17,212	7,041
2028	-	-	927,000	529,442	17,212	7,041
2029-2033	-	-	5,463,000	1,876,587	86,060	35,205
2034-2038	-	-	4,056,000	399,412	43,032	35,205
2039-2043	-	-	-	-	-	31,678
	<u>\$ 625,000</u>	<u>\$ 7,812</u>	<u>\$ 13,515,000</u>	<u>\$ 5,338,502</u>	<u>\$ 215,152</u>	<u>\$ 137,293</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, 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 paid between 65% and 70%. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and has remain unchanged. OPRM had 773 and 769 members as of December 31, 2022 and 2021 respectively.

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2023

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, 2022 and 2021 (latest information available):

	2022	2021
Assets	\$ 21,662,291	\$ 21,777,439
Liabilities	18,158,351	15,037,383
Members' Equity	3,503,940	6,740,056

You can read the complete audited financial statements for the OPRM at the Plan’s website, 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 2023, 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, 2023

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. Effective January 1, 2022, members may no longer select the Combined Plan. 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
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of Service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by year of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 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, 2023

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 2023, 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 \$131,228 for 2023. Of this amount, \$3,031 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, 2022 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	\$ 1,698,053
Proportion of Net Pension Liability	0.00575%
Change in Proportion	0.00033%
Pension Expense	\$ 348,064

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2023

NOTE 10 DEFINED BENEFIT PENSION PLANS – *continued*

At December 31, 2023, 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>	
Differences between expected and actual experience	\$ 56,402
Net differences between projected and actual investment earnings	483,998
Change in assumptions	17,939
Change in proportionate share and difference in employer contributions	113,549
City contributions subsequent to the measurement date	131,228
	\$ 803,116
<u>Deferred Inflows of Resources</u>	
Change in proportionate share and difference in employer contributions	\$ 46,451

\$131,228 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, 2024. 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:	
2024	\$ 121,668
2025	124,209
2026	142,464
2027	237,096
	\$ 625,437

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.

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2023

NOTE 10 DEFINED BENEFIT PENSION PLANS – *continued*

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. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Wage inflation	2.75%
Future salary increases (including inflation)	2.75% to 10.75%
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees: 3% simple; Post 1/7/2013 retirees: 3% simple through 2023, then 2.05% simple
Investment rate of return	6.90%
Actuarial cost method	Individual entry age

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previous described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

During 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 12.1% for 2022.

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, 2023

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, 2022, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return
Fixed Income	22.00%	2.62%
Domestic Equities	22.00%	4.60%
Real Estate	13.00%	3.27%
Private Equity	15.00%	7.53%
International Equities	21.00%	5.51%
Risk Parity	2.00%	4.37%
Other Investments	<u>5.00%</u>	3.27%
Total	<u>100.00%</u>	

Discount Rate. The discount rate used to measure the total pension liability was 6.90% for the Traditional Pension Plan. 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 6.90%, 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 (5.90%) and one-percentage point higher (7.9%) than the current rate:

	1% Decrease (5.9%)	Discount Rate of 6.9%	1% Increase (7.9%)
City's proportionate share of the net pension liability	\$ 2,543,631	\$ 1,698,053	\$ 994,689

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2023

NOTE 11 DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

The net OPEB liability 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 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 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, 2023

NOTE 11 DEFINED BENEFIT OPEB PLANS – *continued*

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via a Health Reimbursement Arrangement allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

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 ORC provides the 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.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2023, state and local employers contributed at a rate of 14.0% of earnable salary and public safety and law enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the ORC. 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. The portion of employer contributions allocated to health care was 0% for members in the Traditional Pension and 2% for members in the Combined Plan.

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 2023 was 4.0%.

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2023

NOTE 11 DEFINED BENEFIT OPEB PLANS – continued

OPEB Liability, OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022, 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 liability was based on the City’s share of contributions to the OPERS relative to the contributions of all participating entities.

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

Proportionate Share of Net OPEB Liability	\$	33,756
Proportion of Net OPEB Liability		0.00535%
Change in Proportion		0.00031%
OPEB Expense	\$	(54,216)

At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources

Net differences between projected and actual investment earnings	\$	67,041
Change in assumptions		32,971
Change in proportionate share and difference in employer contributions		7,080
		\$ 107,092

Deferred Inflows of Resources

Differences between expected and actual experience	\$	8,421
Change in assumptions		2,713
Change in proportionate share and difference in employer contributions		1,197
		\$ 12,331

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2023

NOTE 11 DEFINED BENEFIT OPEB PLANS – continued

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

Year Ending December 31:	
2024	\$ 16,877
2025	24,592
2026	20,906
2027	32,386
	\$ 94,761
	\$ 94,761

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, 2021, rolled forward to the measurement date of December 31, 2022. 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	2.75%
Projected salary increases	2.75% to 10.75%, including wage inflation
Single discount rate:	
Current measurement period	5.22%
Prior measurement period	6.00%
Investment rate of return	6.00%
Municipal bond rate:	
Current measurement period	4.05%
Prior measurement period	1.84%
Health care cost trend rate:	
Current measurement period	5.5% initial, 3.50% ultimate in 2036
Prior measurement period	5.5% initial, 3.50% ultimate in 2034
Actuarial cost method	Individual entry age

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2023

NOTE 11 DEFINED BENEFIT OPEB PLANS – continued

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previous described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

During 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 15.6% for 2022.

The allocation of investment assets within the Health Care 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. For each major asset class that is included in the Defined Benefit portfolio’s target asset allocation as of December 31, 2022, 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%	2.56%
Domestic Equities	26.00%	4.60%
REITs	7.00%	4.70%
International Equities	25.00%	5.51%
Risk Parity	2.00%	4.37%
Other Investments	<u>6.00%</u>	1.84%
Total	<u>100.00%</u>	

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2023

NOTE 11 DEFINED BENEFIT OPEB PLANS – continued

Discount Rate. A single discount rate of 5.22% was used to measure the OPEB liability on the measurement date of December 31, 2022. 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 the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 4.05%. 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 2054. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2054, the duration of the projection period through which projected health care payments are fully funded.

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate.

The following table presents the City’s proportionate share of the net OPEB liability calculated using the single discount rate of 5.22%, as well as what the City’s proportionate share of the net OPEB liability if it were calculated using a discount rate that is 1.0% point lower (4.22%) or 1.0% point higher (6.22%) than the current rate:

	1% Decrease (4.22%)	Current Discount Rate of 5.22%	1% Increase (6.22%)
City's proportionate share of the net OPEB liability (asset)	\$ 114,802	\$ 33,756	\$ (33,168)

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability 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 liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability 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 2023 is 5.50%. 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.

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2023

NOTE 11 DEFINED BENEFIT OPEB PLANS – continued

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$ 31,616	\$ 33,756	\$ 36,110

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	\$ 84,751
Nonmajor Governmental Funds	<u>112,351</u>
	<u>\$ 197,102</u>

NOTE 13 TAX ABATEMENTS

The City receives reduced property tax revenues as a result of a Community Reinvestment Area (CRA) program created under Chapter 3735 of the Ohio Revised Code. The program was created for the purpose of establishing, expanding, renovating, or occupying facilities and hiring new employees and preserving jobs within the community in exchange for specified local tax incentives. Under the program, real property investment incentives are available for projects involving the renovation of existing or the construction of new buildings for residential, commercial, or industrial projects.

The City has a CRA agreement with North America Properties for a 15-year, 100% real estate property tax exemption commencing with tax year 2011. The purpose of the CRA was to facilitate the development of a 240-unit multi-family residential complex. The taxes forgone during 2023 was \$306,632.

The City has a mixed-use CRA agreement with Peter's Cartridge for a 15-year, 100% real estate property tax exemption on residential property and 50% real estate property tax exemption on the commercial property commencing with tax year 2021. The purpose of the CRA was to facilitate economic growth and job generation within the community. The taxes forgone during 2023 was \$209,481.

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2023

NOTE 14 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:

<u>Fund Balances</u>	<u>General Fund</u>	<u>River's Crossing TIF</u>	<u>Riverside TIF</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Nonspendable</i>					
Unclaimed funds	\$ 1,864	\$ -	\$ -	\$ -	\$ 1,864
<i>Restricted for</i>					
Debt service	-	992	995	-	1,987
Capital projects	-	-	-	30,482	30,482
Public safety	-	-	-	7,109	7,109
Transportation	-	-	-	1,451,957	1,451,957
<i>Total Restricted</i>	<u>-</u>	<u>992</u>	<u>995</u>	<u>1,489,548</u>	<u>1,491,535</u>
<i>Committed to</i>					
Parks and recreation	-	-	-	24,615	24,615
<i>Assigned to</i>					
Budget resource	1,567,337	-	-	-	1,567,337
General government	30,970	-	-	-	30,970
<i>Total Assigned</i>	<u>1,598,307</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,598,307</u>
<i>Unassigned</i>	<u>3,728,943</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,728,943</u>
<i>Total Fund Balance</i>	<u>\$5,329,114</u>	<u>\$ 992</u>	<u>\$ 995</u>	<u>\$ 1,514,163</u>	<u>\$ 6,845,264</u>

NOTE 15 CONTINGENT LIABILITIES

Litigation

The City management is of the opinion that the ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

Federal and State Grants

The City participates in several federally assisted programs. These programs are subject to financial and compliance audits by the grantor or their representative. As of December 31, 2023, the audits of certain of these programs have not been completed. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.



REQUIRED SUPPLEMENTARY INFORMATION



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%
2022	0.00542%	471,487	793,664	59.41%	92.62%
2023	0.00575%	1,698,053	888,086	191.20%	75.74%

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%
2022	124,332	(124,332)	-	888,086	14.00%
2023	131,228	(131,228)	-	937,343	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%.

In 2022, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2020. Significant changes included a reduction of the discount rate from 7.2% to 6.9%, a reduction in wage inflation from 3.25% to 2.75%, and transition from RP-2014 mortality tables to Pub-2010 mortality tables.

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%
2022	0.00504%	(157,971)	793,664	(19.90%)	128.23%
2023	0.00535%	33,756	888,086	3.80%	94.79%

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%
2022	-	-	-	888,086	0.00%
2023	-	-	-	937,343	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.

In 2022, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2020. Significant changes included a reduction in wage inflation from 3.25% to 2.75%, and transition from RP-2014 mortality tables to Pub-2010 mortality tables.

In 2023, the single discount rate changed from 6.00% to 5.22% and the health care cost trend rate changed from 5.5% initial, 3.50% ultimate in 2034 to 5.5% initial, 3.50% ultimate in 2036.

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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property and other local taxes	\$ 200,000	\$ 200,000	\$ 194,535	\$ (5,465)
Municipal income taxes	2,250,000	2,250,000	2,687,152	437,152
Intergovernmental	30,148	30,148	221,099	190,951
Fines, licenses and permits	164,000	164,000	163,698	(302)
Interest	2,000	50,000	306,627	256,627
Miscellaneous	50,000	50,000	29,813	(20,187)
Total revenues	<u>2,696,148</u>	<u>2,744,148</u>	<u>3,602,924</u>	<u>858,776</u>
Expenditures:				
Current:				
Security of persons and property	847,431	856,431	796,804	59,627
Public health services	8,000	8,000	7,485	515
Leisure time activities	80,028	80,028	27,052	52,976
Basic utility services	125,000	163,000	161,647	1,353
General government	1,388,213	1,378,213	1,109,421	268,792
Capital outlay	958,550	958,550	502,789	455,761
Total expenditures	<u>3,407,222</u>	<u>3,444,222</u>	<u>2,605,198</u>	<u>839,024</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(711,074)</u>	<u>(700,074)</u>	<u>997,726</u>	<u>1,697,800</u>
Other financing sources (uses):				
Sale of capital assets	-	-	602	602
Transfers out	(7,813)	(7,813)	(7,813)	-
Total other financing sources (uses)	<u>(7,813)</u>	<u>(7,813)</u>	<u>(7,211)</u>	<u>602</u>
Net change in fund balance	(718,887)	(707,887)	990,515	\$ <u>1,698,402</u>
Fund balance, beginning of year	4,064,088	4,064,088	4,064,088	
Prior year encumbrances appropriated	105,129	105,129	105,129	
Fund balance, end of year	<u>\$ 3,450,330</u>	<u>\$ 3,461,330</u>	<u>\$ 5,159,732</u>	

See notes to required supplementary information.

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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Interest	\$ 50	\$ 50	\$ 14	\$ (36)
Payment in lieu of taxes	<u>1,299,950</u>	<u>1,244,950</u>	<u>1,244,769</u>	<u>(181)</u>
Total revenues	<u>1,300,000</u>	<u>1,245,000</u>	<u>1,244,783</u>	<u>(217)</u>
Expenditures:				
Current:				
General government	451,240	536,240	536,035	205
Debt service:				
Principal retirement	370,000	370,000	370,000	-
Interest and fiscal charges	<u>338,760</u>	<u>338,760</u>	<u>338,760</u>	<u>-</u>
Total expenditures	<u>1,160,000</u>	<u>1,245,000</u>	<u>1,244,795</u>	<u>205</u>
Net change in fund balance	140,000	-	(12)	\$ <u>(12)</u>
Fund balance, beginning of year	<u>1,004</u>	<u>1,004</u>	<u>1,004</u>	
Fund balance, end of year	<u>\$ 141,004</u>	<u>\$ 1,004</u>	<u>\$ 992</u>	

See notes to required supplementary information.

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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 22,770	\$ 27,532	\$ 27,522	\$ (10)
Interest	50	50	35	(15)
Payment in lieu of taxes	<u>737,230</u>	<u>891,418</u>	<u>891,097</u>	<u>(321)</u>
Total revenues	<u>760,050</u>	<u>919,000</u>	<u>918,654</u>	<u>(346)</u>
Expenditures:				
Current:				
General government	280,000	329,330	329,082	248
Debt service:				
Principal retirement	110,000	347,000	347,000	-
Interest and fiscal charges	592,059	498,000	497,822	178
Issuance costs	-	1,198,563	1,198,063	500
Total expenditures	<u>982,059</u>	<u>2,372,893</u>	<u>2,371,967</u>	<u>926</u>
Excess of expenditures over revenues	<u>(222,009)</u>	<u>(1,453,893)</u>	<u>(1,453,313)</u>	<u>580</u>
Other financing sources (uses):				
TIF refunding revenue bonds issued	-	7,082,000	7,082,000	-
Payments to refunding bond escrow	-	(5,865,857)	(5,865,857)	-
Total other financing sources (uses)	<u>-</u>	<u>1,216,143</u>	<u>1,216,143</u>	<u>-</u>
Net change in fund balance	(222,009)	(237,750)	(237,170)	\$ <u>580</u>
Fund balance, beginning of year	<u>238,165</u>	<u>238,165</u>	<u>238,165</u>	
Fund balance, end of year	<u>\$ 16,156</u>	<u>\$ 415</u>	<u>\$ 995</u>	

See notes to required supplementary information.

CITY OF SOUTH LEBANON, OHIO
Notes to the Budgetary Required Supplementary Information
Year Ended December 31, 2023

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 function or object level. Budgetary modifications may only be made by ordinance of the City Council. The City legally adopted supplemental appropriations during 2023.

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, 2023

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, 2023

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	\$ 1,031,867	\$ (12)	\$ (237,170)
Increase / (decrease):			
Due to revenues	10,487	-	-
Due to expenditures	32,912	-	101,000
Due to other sources (uses)	-	-	(101,000)
Due to encumbrances	<u>(84,751)</u>	<u>-</u>	<u>-</u>
Net change in fund balance - Budget Basis	<u>\$ 990,515</u>	<u>\$ (12)</u>	<u>\$ (237,170)</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, 2023, 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 July 22, 2024.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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*.

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.

July 22, 2024

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 9/24/2024

65 East State 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