



2025

City of South Lebanon, Ohio



Annual Financial Report

For the Year Ended December 31, 2025



A large green diamond shape is centered on the page. It contains text about the South Lebanon Administrative Building.

On the Cover

**South Lebanon Administrative Building
10 North High Street**

**The former South Lebanon Elementary School
was renovated for administrative
offices. The building was
dedicated October 19, 2019.**

TABLE OF CONTENTS

Accountant's Compilation Report.....	1
Management's Discussion and Analysis	3 – 12
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds	16 – 17
Statement of Revenues, Expenditures and Changes in Fund Balances— Governmental Funds.....	18 – 19
Statement of Net Position – Proprietary Funds.....	20
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	21
Statement of Cash Flows – Proprietary Funds.....	22
Statement of Changes in Fiduciary Net Position – Fiduciary Fund	23
Notes to the Basic Financial Statements	25 – 57
Required Supplementary Information:	
Schedules of Revenues, Expenditures and Change in Fund Balances— Budget and Actual – Budget (Non-GAAP) Basis.....	61 – 63
Schedules of City's Proportionate Share of the Net Pension Liability and Contributions.....	64
Schedules of City's Proportionate Share of the Net OPEB Liability/(Asset) and Contributions.....	65
Notes to Budgetary Required Supplementary Information.....	66 – 69

To the City Council
City of South Lebanon:

Management is responsible for the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of South Lebanon (the "City"), as of and for the year ended December 31, 2025, and related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary schedules, and schedules of net pension and net OPEB amounts as listed in the table of contents be presented to supplement the basic financial statements. Such information is presented for purposes of additional analysis and, although not a required 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. Such information is the responsibility of management. The required supplementary information was subject to our compilation engagement. We have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any form of assurance on such information.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 29, 2026



CITY OF SOUTH LEBANON, OHIO
Management's Discussion and Analysis
Year Ended December 31, 2025

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, 2025.

FINANCIAL HIGHLIGHTS

- The City's total net position increased by \$3,506,475 in 2025.
- General revenues accounted for \$6,756,456, or 56%, of total revenue. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$5,218,611, or 44%, of total revenues of \$11,975,067.
- The City had \$5,226,515 in expenses related to governmental activities. Program revenues of \$1,716,394 reduced the net cost of the City's functions to be financed from the City's general revenues to \$3,510,121.
- The City's unassigned fund balance of the General Fund totaled \$6,451,027 at year end, or 213%, of General Fund expenditures.
- The City's governmental funds reported a combined ending fund balance of \$9,308,259, an increase of \$1,529,374 from the prior year.

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 2025 compared to 2024.

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets						
Current and other assets	\$13,689,973	\$11,828,301	\$12,198,136	\$11,547,693	\$25,888,109	\$23,375,994
Net OPEB asset	61,744	30,115	37,843	17,686	99,587	47,801
Capital assets	12,053,001	11,387,847	18,718,610	19,072,532	30,771,611	30,460,379
Total assets	25,804,718	23,246,263	30,954,589	30,637,911	56,759,307	53,884,174
 Total deferred outflows of resources	 205,659	 350,398	 129,301	 188,295	 334,960	 538,693
Liabilities						
Long-term liabilities:						
Net pension liability	676,368	936,923	414,548	550,257	1,090,916	1,487,180
Other long-term liabilities	12,422,263	13,166,437	165,971	181,765	12,588,234	13,348,202
Current liabilities	150,198	166,616	109,547	79,737	259,745	246,353
Total liabilities	13,248,829	14,269,976	690,066	811,759	13,938,895	15,081,735
 Total deferred inflows of resources	 2,952,247	 2,659,079	 75,853	 61,256	 3,028,100	 2,720,335
Net position						
Net investment in capital assets	4,849,415	3,784,697	18,578,932	18,942,280	23,428,347	22,726,977
Restricted	2,271,640	2,015,514	37,843	17,686	2,309,483	2,033,200
Unrestricted	2,688,246	867,395	11,701,196	10,993,225	14,389,442	11,860,620
Total net position	\$ 9,809,301	\$ 6,667,606	\$ 30,317,971	\$ 29,953,191	\$ 40,127,272	\$ 36,620,797

The net pension liability is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*, and the net other postemployment benefits (OPEB) asset 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 liability to the reported net position and subtracting the net OPEB asset and deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board (GASB) standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB Statement No. 68 and GASB Statement No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements. GASB Statement No. 68 and GASB Statement No. 75 require the net pension 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 (\$23,428,347) 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 (\$2,309,483) represents resources that are subject to external restrictions on how they may be used.

The remaining net position balance of \$14,389,442 is unrestricted and available for future use as directed by City Council and City management.

The City's unrestricted net position increased from \$11,860,620 to \$14,389,442 due to strong revenue growth from municipal income taxes and payments in lieu of taxes. The reasons for these increases are discussed in the following sections for governmental activities and business-type activities.

This space intentionally left blank.

The table below shows the changes in net position for the years ended December 31, 2025 and 2024.

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenue:						
Charges for services	\$ 209,092	\$ 290,174	\$ 3,494,217	\$ 4,082,709	\$ 3,703,309	\$ 4,372,883
Operating grants	732,824	436,665	-	-	732,824	436,665
Capital grants	774,478	658,122	8,000	514,770	782,478	1,172,892
General revenue:						
Taxes	3,649,620	2,771,790	-	-	3,649,620	2,771,790
Payments in lieu of taxes	2,374,061	2,051,333	-	-	2,374,061	2,051,333
Unrestricted grants and entitlements	220,540	184,775	-	-	220,540	184,775
Investment earnings	474,636	473,810	6,219	7,183	480,855	480,993
Miscellaneous	31,380	69,606	-	12,012	31,380	81,618
Total revenues	8,466,631	6,936,275	3,508,436	4,616,674	11,975,067	11,552,949
Expenses						
Security of persons and property	983,189	819,409	-	-	983,189	819,409
Public health services	9,687	9,653	-	-	9,687	9,653
Leisure time activities	70,717	48,612	-	-	70,717	48,612
Basic utility services	176,734	150,850	-	-	176,734	150,850
Transportation	921,080	575,734	-	-	921,080	575,734
Community environment	20,893	-	-	-	20,893	-
General government	2,342,477	1,996,986	-	-	2,342,477	1,996,986
Interest and fiscal charges	701,738	688,521	-	-	701,738	688,521
Water	-	-	1,324,257	1,165,625	1,324,257	1,165,625
Sewer	-	-	1,320,683	1,104,376	1,320,683	1,104,376
Sanitation	-	-	580,623	535,788	580,623	535,788
Other enterprise activities	-	-	16,514	13,940	16,514	13,940
Total expenses	5,226,515	4,289,765	3,242,077	2,819,729	8,468,592	7,109,494
Increase in net position before transfers	3,240,116	2,646,510	266,359	1,796,945	3,506,475	4,443,455
Transfers	(98,421)	(145,390)	98,421	145,390	-	-
Change in net position	3,141,695	2,501,120	364,780	1,942,335	3,506,475	4,443,455
Beginning net position	6,667,606	4,166,486	29,953,191	28,010,856	36,620,797	32,177,342
Ending net position	<u>\$ 9,809,301</u>	<u>\$6,667,606</u>	<u>\$30,317,971</u>	<u>\$ 29,953,191</u>	<u>\$ 40,127,272</u>	<u>\$ 36,620,797</u>

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 2025, the City received \$3,256,654 in income tax collections, or 38% of total governmental activities revenue. Collections increased primarily due to continued residential growth from new housing developments and higher wage levels.

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 2025, the City received \$2,374,061 in payments in lieu of taxes, or 28% of total governmental activities revenue. Collections increased due to addition of Redwood apartments to the TIF district property valuation.

Excluding interest paid on outstanding debt, the three largest functions for the City in 2025 are general government (45% of total expenses), security of persons and property (19% of total expenses), and transportation (18% of total expenses).

General government accounts for the expenses of various administrative and legislative operations. The City experienced higher salaries, due to wage adjustments for the administration, hiring an Executive Assistant, and higher medical insurance due to a 27.7% increase in traditional PPO premiums. Additionally, the increase in compensation payments to the local school district was related to the growth in payments in lieu of taxes.

The security of persons and property function accounts for the cost of the policing contract with the Warren County Sheriff's Office. The contract with the Warren County Sheriff's Office increased in 2025 due to the inclusion of an additional deputy.

The transportation function accounts for the maintenance of the City's public infrastructure. This function experienced an increase due to higher depreciation expense associated with the addition of \$1.1 million in infrastructure and higher paving maintenance costs.

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 2025	Net Cost of Service 2025	Total Cost of Service 2024	Net Cost of Service 2024
Security of persons and property	\$ 983,189	\$ 983,189	\$ 819,409	\$ 819,409
Public health services	9,687	9,687	9,653	9,653
Leisure time activities	70,717	70,717	48,612	23,612
Basic utility services	176,734	176,734	150,850	150,850
Transportation	921,080	(408,714)	575,734	(532,119)
Community environment	20,893	(155,615)	-	-
General government	2,342,477	2,132,385	1,996,986	1,744,878
Interest on long-term debt	701,738	701,738	688,521	688,521
Total expenses	<u>\$ 5,226,515</u>	<u>\$ 3,510,121</u>	<u>\$4,289,765</u>	<u>\$2,904,804</u>

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 the City's business-type activities totaled approximately \$3.5 million in 2025, decreasing approximately \$588,000 from the prior year. The decrease was primarily due to lower tap fees following the completion of Phase 1 of the Rivercreek Lofts luxury apartment development in 2024. Phase 2, originally expected to begin in late 2025, has been delayed until 2026. Capital grants also declined because the prior year included donated developer infrastructure.

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, 2025, the City's governmental funds reported combined fund balances of \$9,308,259, an increase of \$1,529,374 from the prior year. Approximately 69% of this amount (\$6,451,027) 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 (\$1,474), 2) restricted for particular purposes (\$1,881,066), 3) committed for particular purposes (\$67,121), or 4) assigned for particular purposes (\$907,571).

The general fund ended the current year with a fund balance of \$7,360,072. Of this amount, \$6,451,027 is considered unassigned, which represents 213% of current year expenditures. The fund balance increased \$1,432,894 in 2025. The general fund continues to rely heavily on the City's income tax as its primary source of revenue for operations, representing 73% of total general fund revenue. The general fund's increase in fund balance represents a 140% increase from prior year's increase of \$598,064, due to an increase in municipal income taxes, as previously discussed, and no transfers to other funds this year due to retirement of bond anticipation notes in 2024.

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 2025 consisted of satisfying the debt service requirements on the TIF revenue bonds and paying compensation payments to the Kings Local School District.

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

General Fund Budgeting Highlights

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

During 2025, General Fund budgeted expenditures increased by \$45,220, from \$5,260,720 to \$5,305,940, or 0.9%. Actual expenditures were \$2,180,402 below budget, primarily due to delays in planned projects, including the HUD Community Center rehabilitation and Hobart Street paving. General Fund budgeted revenues decreased by \$614,966, or 15%, from the original budget because project delays also deferred the related HUD and CDBG funding.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2025, the City's capital assets increased by \$311,232.

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

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 1,595,675	\$ 1,595,675	\$ 64,789	\$ 64,789	\$ 1,660,464	\$ 1,660,464
Construction in progress	60,976	79,112	508,573	468,405	569,549	547,517
Buildings and improvements	1,968,958	2,015,392	303,848	318,373	2,272,806	2,333,765
Improvements other than buildings	1,480,262	1,438,016	269,267	285,749	1,749,529	1,723,765
Equipment	814,157	792,692	430,292	488,885	1,244,449	1,281,577
Infrastructure	6,132,973	5,466,960	17,141,841	17,446,331	23,274,814	22,913,291
	<u>\$ 12,053,001</u>	<u>\$11,387,847</u>	<u>\$18,718,610</u>	<u>\$19,072,532</u>	<u>\$30,771,611</u>	<u>\$30,460,379</u>

Capital asset activity during 2025 in the governmental activities consisted of roadway improvements, including King Avenue and Morrow Road, stormwater improvements, traffic signals, land improvements, including sidewalks on Pike Street and Morrow Road, and vehicles for public safety.

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, 2025, the City of South Lebanon had \$12,455,940 debt outstanding.

Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
TIF revenue bonds	\$ 12,152,000	\$12,894,000	\$ -	\$ -	\$12,152,000	\$12,894,000
OPWC loan	180,728	197,940	-	-	180,728	197,940
OWDA loan	-	-	123,212	130,252	123,212	130,252
	<u>\$ 12,332,728</u>	<u>\$13,091,940</u>	<u>\$ 123,212</u>	<u>\$ 130,252</u>	<u>\$12,455,940</u>	<u>\$13,222,192</u>

The City's total outstanding debt decreased by \$766,252 during 2025, due to required debt service payments and no new debt issuances. The City's outstanding debt issuances consisted of 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 Tina Williams, CPA, Director of Finance, City of South Lebanon, 10 North High Street, South Lebanon, Ohio 45065.



CITY OF SOUTH LEBANON, OHIO

Statement of Net Position

December 31, 2025

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash and investments	\$ 9,113,301	\$ 11,787,901	\$ 20,901,202
Receivables:			
Property taxes	289,000	-	289,000
Income taxes	1,238,341	-	1,238,341
Payment in lieu of taxes	2,550,000	-	2,550,000
Accounts	24,551	317,394	341,945
Intergovernmental	474,780	8,000	482,780
Supplies inventory	-	84,841	84,841
Net OPEB asset	61,744	37,843	99,587
Nondepreciable capital assets	1,656,651	573,362	2,230,013
Depreciable capital assets, net	10,396,350	18,145,248	28,541,598
Total assets	25,804,718	30,954,589	56,759,307
Deferred Outflows of Resources			
Pensions	199,230	125,328	324,558
OPEB	6,429	3,973	10,402
Total deferred outflows of resources	205,659	129,301	334,960
Liabilities			
Accounts payable	55,788	22,211	77,999
Retainage payable	4,830	8,884	13,714
Accrued wages payable	35,520	14,294	49,814
Intergovernmental payable	2,637	64,158	66,795
Accrued interest payable	51,423	-	51,423
Noncurrent liabilities:			
Due within one year	896,100	31,838	927,938
Due in more than one year:			
Net pension liability	676,368	414,548	1,090,916
Other amounts due in more than one year	11,526,163	134,133	11,660,296
Total liabilities	13,248,829	690,066	13,938,895
Deferred Inflows of Resources			
Property taxes and payment in lieu of taxes levied for next year	2,839,000	-	2,839,000
Pensions	101,125	67,950	169,075
OPEB	12,122	7,903	20,025
Total deferred inflows of resources	2,952,247	75,853	3,028,100
Net Position			
Net investment in capital assets	4,849,415	18,578,932	23,428,347
Restricted for:			
Capital projects	30,482	-	30,482
Public safety	12,471	-	12,471
Transportation	2,166,943	-	2,166,943
Postretirement benefits	61,744	37,843	99,587
Unrestricted	2,688,246	11,701,196	14,389,442
Total net position	\$ 9,809,301	\$ 30,317,971	\$ 40,127,272

See accompanying notes to the financial statements and accountants' compilation report.

CITY OF SOUTH LEBANON, OHIO
Statement of Activities
Year Ended December 31, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs	Expenses						
Governmental activities:							
Security of persons and property	\$ 983,189	\$ -	\$ -	\$ -	\$ (983,189)	\$ -	\$ (983,189)
Public health services	9,687	-	-	-	(9,687)	-	(9,687)
Leisure time activities	70,717	-	-	-	(70,717)	-	(70,717)
Basic utility services	176,734	-	-	-	(176,734)	-	(176,734)
Transportation	921,080	-	555,316	774,478	408,714	-	408,714
Community environment	20,893	-	176,508	-	155,615	-	155,615
General government	2,342,477	209,092	1,000	-	(2,132,385)	-	(2,132,385)
Interest on long-term debt	701,738	-	-	-	(701,738)	-	(701,738)
Total governmental activities	<u>5,226,515</u>	<u>209,092</u>	<u>732,824</u>	<u>774,478</u>	<u>(3,510,121)</u>	<u>-</u>	<u>(3,510,121)</u>
Business-type activities:							
Water	1,324,257	1,242,270	-	8,000	-	(73,987)	(73,987)
Sewer	1,320,683	1,584,030	-	-	-	263,347	263,347
Sanitation	580,623	644,660	-	-	-	64,037	64,037
Other enterprise activities	16,514	23,257	-	-	-	6,743	6,743
Total business-type activities	<u>3,242,077</u>	<u>3,494,217</u>	<u>-</u>	<u>8,000</u>	<u>-</u>	<u>260,140</u>	<u>260,140</u>
Total	<u>\$ 8,468,592</u>	<u>\$ 3,703,309</u>	<u>\$ 732,824</u>	<u>\$ 782,478</u>	<u>(3,510,121)</u>	<u>260,140</u>	<u>(3,249,981)</u>
General revenues:							
Taxes:							
Income taxes					3,256,654	-	3,256,654
Property taxes					392,966	-	392,966
Payment in lieu of taxes					2,374,061	-	2,374,061
Grants and contributions not restricted to specific programs					220,540	-	220,540
Investment earnings					474,636	6,219	480,855
Miscellaneous					31,380	-	31,380
Transfers					(98,421)	98,421	-
Total general revenues and transfers					<u>6,651,816</u>	<u>104,640</u>	<u>6,756,456</u>
Change in net position					3,141,695	364,780	3,506,475
Net position beginning of year					<u>6,667,606</u>	<u>29,953,191</u>	<u>36,620,797</u>
Net position end of year					<u>\$ 9,809,301</u>	<u>\$ 30,317,971</u>	<u>\$ 40,127,272</u>

See accompanying notes to the financial statements and accountants' compilation report.

CITY OF SOUTH LEBANON, OHIO

Balance Sheet
Governmental Funds
December 31, 2025

	General Fund	River's Crossing TIF	Riverside TIF	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and investments	\$7,197,345	\$ 1,004	\$ 1,004	\$ 1,913,948	\$ 9,113,301
Receivables:					
Property taxes	289,000	-	-	-	289,000
Income taxes	1,238,341	-	-	-	1,238,341
Payment in lieu of taxes	-	1,350,000	1,200,000	-	2,550,000
Accounts	15,569	-	-	8,982	24,551
Intergovernmental	71,245	-	39,946	363,589	474,780
Total assets	<u>\$8,811,500</u>	<u>\$ 1,351,004</u>	<u>\$ 1,240,950</u>	<u>\$ 2,286,519</u>	<u>\$ 13,689,973</u>
Liabilities, Deferred Inflows of Resources and Fund Balances:					
Liabilities:					
Accounts payable	\$ 47,966	\$ -	\$ -	\$ 7,822	\$ 55,788
Retainage payable	4,830	-	-	-	4,830
Accrued wages payable	34,998	-	-	522	35,520
Intergovernmental payable	1,479	-	-	1,158	2,637
Total liabilities	<u>89,273</u>	<u>-</u>	<u>-</u>	<u>9,502</u>	<u>98,775</u>
Deferred Inflows of Resources:					
Property taxes and payment in lieu of taxes levied for next year	289,000	1,350,000	1,200,000	-	2,839,000
Unavailable revenue	1,073,155	-	39,946	330,838	1,443,939
Total deferred inflows of resources	<u>1,362,155</u>	<u>1,350,000</u>	<u>1,239,946</u>	<u>330,838</u>	<u>4,282,939</u>
Fund Balances:					
Nonspendable	1,474	-	-	-	1,474
Restricted	-	1,004	1,004	1,879,058	1,881,066
Committed	-	-	-	67,121	67,121
Assigned	907,571	-	-	-	907,571
Unassigned	6,451,027	-	-	-	6,451,027
Total fund balances	<u>7,360,072</u>	<u>1,004</u>	<u>1,004</u>	<u>1,946,179</u>	<u>9,308,259</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$8,811,500</u>	<u>\$ 1,351,004</u>	<u>\$ 1,240,950</u>	<u>\$ 2,286,519</u>	<u>\$ 13,689,973</u>

See accompanying notes to the financial statements and accountants' compilation report.

CITY OF SOUTH LEBANON, OHIO
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2025

Total governmental fund balances	\$ 9,308,259
<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.	12,053,001
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable in the funds.	1,443,939
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Tax increment revenue bonds	(12,152,000)
Loans payable	(180,728)
Compensated absences	(89,535)
Accrued interest payable	(51,423)
The net pension liability is not due and payable in the current period; the net OPEB asset is not available to pay for current-period expenditures; therefore, the liability, asset, and related deferred inflows/outflows are not reported in the governmental funds:	
Deferred outflows - pension	199,230
Deferred inflows - pension	(101,125)
Net pension liability	(676,368)
Deferred outflows - OPEB	6,429
Deferred inflows - OPEB	(12,122)
Net OPEB asset	<u>61,744</u>
Net position of governmental activities	\$ <u><u>9,809,301</u></u>

CITY OF SOUTH LEBANON, OHIO

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended December 31, 2025

	General Fund	River's Crossing TIF	Riverside TIF	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property and other local taxes	\$ 262,037	\$ -	\$ -	\$ 116,840	\$ 378,877
Municipal income taxes	3,244,160	-	-	-	3,244,160
Intergovernmental	289,537	-	85,089	968,313	1,342,939
Charges for services	2,033	-	-	-	2,033
Fines, licenses and permits	176,594	-	-	30,380	206,974
Interest	430,370	13	8	44,245	474,636
Payment in lieu of taxes	-	1,309,068	1,064,993	-	2,374,061
Miscellaneous	53,700	-	-	-	53,700
Total revenues	<u>4,458,431</u>	<u>1,309,081</u>	<u>1,150,090</u>	<u>1,159,778</u>	<u>8,077,380</u>
Expenditures:					
Current:					
Security of persons and property	899,801	-	-	-	899,801
Public health services	9,687	-	-	-	9,687
Leisure time activities	30,177	-	-	11,705	41,882
Basic utility services	169,666	-	-	-	169,666
Transportation	-	-	-	133,683	133,683
Community environment	20,893	-	-	-	20,893
General government	1,302,599	601,891	410,316	2,000	2,316,806
Capital outlay	592,714	-	-	898,759	1,491,473
Debt service:					
Principal retirement	-	405,000	337,000	17,212	759,212
Interest and fiscal charges	-	302,160	402,743	-	704,903
Total expenditures	<u>3,025,537</u>	<u>1,309,051</u>	<u>1,150,059</u>	<u>1,063,359</u>	<u>6,548,006</u>
Net change in fund balance	1,432,894	30	31	96,419	1,529,374
Fund balance, beginning of year	<u>5,927,178</u>	<u>974</u>	<u>973</u>	<u>1,849,760</u>	<u>7,778,885</u>
Fund balance, end of year	<u>\$7,360,072</u>	<u>\$ 1,004</u>	<u>\$ 1,004</u>	<u>\$ 1,946,179</u>	<u>\$ 9,308,259</u>

See accompanying notes to the financial statements and accountants' compilation report.

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, 2025

Net change in fund balances - total governmental funds **\$ 1,529,374**

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 estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation:

Capital asset additions, net of disposals	1,325,915	
Depreciation expense	<u>(660,761)</u>	665,154

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	143,551
--	---------

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.	759,212
--	---------

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	3,165
Compensated absences	(15,038)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports this amount as deferred outflows:	
Pension	98,344

Except for amounts reported as deferred outflows/inflows, changes in net pension liability and net OPEB asset are reported as pension and OPEB expense in the statement of activities:	
Pension	(57,691)
OPEB	<u>15,624</u>

Change in net position of governmental activities **\$ 3,141,695**

CITY OF SOUTH LEBANON, OHIO

Statement of Net Position

Proprietary Funds

December 31, 2025

	Enterprise Funds				
	Water	Sewer	Sanitation	Nonmajor Enterprise Funds	Totals
Assets					
Current assets:					
Equity in pooled cash and investments	\$ 3,326,012	\$ 7,684,406	\$ 480,167	\$ 297,316	\$ 11,787,901
Receivables:					
Accounts	119,740	140,693	56,961	-	317,394
Intergovernmental	8,000	-	-	-	8,000
Supplies inventory	84,841	-	-	-	84,841
Total current assets	<u>3,538,593</u>	<u>7,825,099</u>	<u>537,128</u>	<u>297,316</u>	<u>12,198,136</u>
Noncurrent assets:					
Net OPEB asset	20,913	15,934	996	-	37,843
Nondepreciable capital assets	34,482	538,880	-	-	573,362
Depreciable capital assets, net	<u>7,128,739</u>	<u>11,016,509</u>	<u>-</u>	<u>-</u>	<u>18,145,248</u>
Total noncurrent assets	<u>7,184,134</u>	<u>11,571,323</u>	<u>996</u>	<u>-</u>	<u>18,756,453</u>
Total assets	<u>10,722,727</u>	<u>19,396,422</u>	<u>538,124</u>	<u>297,316</u>	<u>30,954,589</u>
Deferred outflows of resources					
Pensions	66,075	56,380	2,873	-	125,328
OPEB	<u>2,134</u>	<u>1,743</u>	<u>96</u>	<u>-</u>	<u>3,973</u>
Total deferred outflows of resources	<u>68,209</u>	<u>58,123</u>	<u>2,969</u>	<u>-</u>	<u>129,301</u>
Liabilities					
Current liabilities:					
Accounts payable	4,549	17,662	-	-	22,211
Retainage payable	8,884	-	-	-	8,884
Accrued wages payable	7,785	6,187	322	-	14,294
Intergovernmental payable	44,503	19,435	220	-	64,158
Loans payable	7,041	-	-	-	7,041
Compensated absences payable	<u>12,714</u>	<u>10,939</u>	<u>1,144</u>	<u>-</u>	<u>24,797</u>
Total current liabilities	<u>85,476</u>	<u>54,223</u>	<u>1,686</u>	<u>-</u>	<u>141,385</u>
Noncurrent liabilities:					
Compensated absences payable	8,089	9,052	821	-	17,962
Loans payable	116,171	-	-	-	116,171
Net pension liability	<u>229,092</u>	<u>174,547</u>	<u>10,909</u>	<u>-</u>	<u>414,548</u>
Total noncurrent liabilities	<u>353,352</u>	<u>183,599</u>	<u>11,730</u>	<u>-</u>	<u>548,681</u>
Total liabilities	<u>438,828</u>	<u>237,822</u>	<u>13,416</u>	<u>-</u>	<u>690,066</u>
Deferred Inflows of Resources					
Pensions	31,919	34,511	1,520	-	67,950
OPEB	<u>4,036</u>	<u>3,675</u>	<u>192</u>	<u>-</u>	<u>7,903</u>
Total deferred inflows of resources	<u>35,955</u>	<u>38,186</u>	<u>1,712</u>	<u>-</u>	<u>75,853</u>
Net Position					
Net investment in capital assets	7,033,195	11,545,737	-	-	18,578,932
Restricted for postretirement benefits	20,913	15,934	996	-	37,843
Unrestricted	<u>3,262,045</u>	<u>7,616,866</u>	<u>524,969</u>	<u>297,316</u>	<u>11,701,196</u>
Total net position	<u>\$ 10,316,153</u>	<u>\$ 19,178,537</u>	<u>\$ 525,965</u>	<u>\$ 297,316</u>	<u>\$ 30,317,971</u>

See accompanying notes to the financial statements and accountants' compilation report.

CITY OF SOUTH LEBANON, OHIO

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

Year Ended December 31, 2025

	Enterprise Funds			Nonmajor Enterprise Funds	Totals
	Water	Sewer	Sanitation		
Operating revenues:					
Charges for services	\$ 1,241,776	\$ 1,574,030	\$ 644,660	\$ 23,257	\$ 3,483,723
Miscellaneous	494	10,000	-	-	10,494
Total operating revenues	<u>1,242,270</u>	<u>1,584,030</u>	<u>644,660</u>	<u>23,257</u>	<u>3,494,217</u>
Operating expenses:					
Personnel services	235,362	191,826	9,891	-	437,079
Employee fringe benefits	55,582	52,308	3,415	-	111,305
Pension and OPEB expense	2,876	(26,432)	374	-	(23,182)
Contractual services	670,922	474,100	566,943	-	1,711,965
Supplies and materials	72,329	132,926	-	-	205,255
Other	9,525	9,473	-	16,514	35,512
Depreciation	277,661	486,482	-	-	764,143
Total operating expenses	<u>1,324,257</u>	<u>1,320,683</u>	<u>580,623</u>	<u>16,514</u>	<u>3,242,077</u>
Operating income (loss)	<u>(81,987)</u>	<u>263,347</u>	<u>64,037</u>	<u>6,743</u>	<u>252,140</u>
Non-operating revenues:					
Investment earnings	-	-	-	6,219	6,219
Income (loss) before capital contributions	<u>(81,987)</u>	<u>263,347</u>	<u>64,037</u>	<u>12,962</u>	<u>258,359</u>
Capital contribution	<u>106,421</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,421</u>
Change in net position	24,434	263,347	64,037	12,962	364,780
Net position, beginning of year	<u>10,291,719</u>	<u>18,915,190</u>	<u>461,928</u>	<u>284,354</u>	<u>29,953,191</u>
Net position, end of year	<u>\$ 10,316,153</u>	<u>\$ 19,178,537</u>	<u>\$ 525,965</u>	<u>\$ 297,316</u>	<u>\$ 30,317,971</u>

See accompanying notes to the financial statements and accountants' compilation report.

CITY OF SOUTH LEBANON, OHIO
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2025

	Enterprise Funds				
	Water	Sewer	Sanitation	Nonmajor Enterprise Funds	Totals
Cash flows from operating activities:					
Cash received from customers	\$ 1,239,391	\$ 1,576,930	\$ 642,406	\$ 23,257	\$ 3,481,984
Cash payments for employee services and benefits	(324,856)	(270,833)	(14,569)	-	(610,258)
Cash payments to suppliers for goods and services	(725,079)	(612,368)	(566,709)	-	(1,904,156)
Cash received from other operating revenue	623	10,320	-	-	10,943
Net cash from operating activities	<u>189,438</u>	<u>704,049</u>	<u>61,128</u>	<u>6,743</u>	<u>961,358</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(230,793)	(72,123)	-	-	(302,916)
Capital grants	10,000	-	-	-	10,000
Principal payments on OWDA loans	(7,040)	-	-	-	(7,040)
Net cash from capital and related financing activities	<u>(227,833)</u>	<u>(72,123)</u>	<u>-</u>	<u>-</u>	<u>(299,956)</u>
Cash flows from investing activities:					
Interest	-	-	-	6,219	6,219
Net change	(38,395)	631,926	61,128	12,962	667,621
Cash and pooled investments beginning of year	3,364,407	7,052,480	419,039	284,354	11,120,280
Cash and pooled investments end of year	<u>\$ 3,326,012</u>	<u>\$ 7,684,406</u>	<u>\$ 480,167</u>	<u>\$ 297,316</u>	<u>\$ 11,787,901</u>
Reconciliation of operating income to net cash from operating activities:					
Operating income	\$ (81,987)	\$ 263,347	\$ 64,037	\$ 6,743	\$ 252,140
Adjustments to reconcile operating income to net cash from operating activities:					
Depreciation	277,661	486,482	-	-	764,143
Changes in assets, liabilities and deferred outflows and inflows:					
Receivables	(2,256)	3,220	(2,254)	-	(1,290)
Prepaid items	379	359	14	-	752
Supplies inventory	15,716	-	-	-	15,716
Accounts payable	225	9,262	-	-	9,487
Accrued wages payable	2,571	1,309	25	-	3,905
Intergovernmental payable	11,779	(4,465)	220	-	7,534
Compensated absences payable	(5,210)	(3,630)	86	-	(8,754)
Deferred outflows - pensions and OPEB	41,637	15,237	2,120	-	58,994
Deferred inflows - pensions and OPEB	23,014	(9,778)	1,361	-	14,597
Net pension and OPEB liabilities and assets	<u>(94,091)</u>	<u>(57,294)</u>	<u>(4,481)</u>	<u>-</u>	<u>(155,866)</u>
Net cash from operating activities	<u>\$ 189,438</u>	<u>\$ 704,049</u>	<u>\$ 61,128</u>	<u>\$ 6,743</u>	<u>\$ 961,358</u>
<u>Schedule of non-cash capital and related financing activities:</u>					
Contributions of capital assets from governmental funds	<u>\$ 98,421</u>	<u>\$ -</u>			
Capital assets from outstanding liabilities	<u>\$ 6,814</u>	<u>\$ 9,652</u>			

See accompanying notes to the financial statements and accountants' compilation report.

CITY OF SOUTH LEBANON, OHIO

Statement of Changes in Fiduciary Net Position

Fiduciary Fund

Year Ended December 31, 2025

	<u>Custodial Fund</u>
<i>Additions:</i>	
Collection of fines and fees	\$ 10,854
<i>Deductions:</i>	
Distributions to other governments and individuals	<u>10,854</u>
Change in net position	-
Net position, beginning of year	<u>-</u>
Net position, end of year	<u>\$ -</u>

See accompanying notes to the financial statements and accountants' compilation report.



CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 1 DESCRIPTION OF THE ENTITY

The City of South Lebanon (the "City") is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly elected six-member Council and Mayor direct the City. The City provides public works, water, sewer, and sanitation utilities and park operations. The City contracts with the Warren County Sheriff's Office 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.

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.

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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, 2025

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. The City only presents a statement of changes in fiduciary net position since there are no balances to report on the statement of fiduciary net position.

Measurement Focus

Government-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, 2025

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 related to 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, 2025

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, 2025, 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 2025, 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, 2025, 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 2025, 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, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Receivables

Receivables at December 31, 2025 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.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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:

Building 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, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Compensated Absences

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – vacation and sick leave.

A liability for compensated absences is recorded as incurred in the government-wide and fund financial statements of net position using the first-in, first-out flow assumption, where the oldest accumulated leave is the leave first used. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

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

Operating Revenues and Expenses

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

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

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, 2025

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 \$2,309,483 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 \$8,474,879 and the bank balance was \$8,538,250. 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, 2025

NOTE 3 DEPOSITS AND INVESTMENTS – continued

Investments

The City's investments at December 31, 2025 are comprised of STAR Ohio of \$12,426,323. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form. STAR Ohio has a Standard & Poor's rating of AAAM and an average days to maturity of 28.2 days.

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 2025 for real and public utility property taxes represents collections of 2024 taxes.

2025 real property taxes are levied after October 1, 2025 on the assessed value as of January 1, 2025, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2025 real property taxes are collected in and intended to finance 2025.

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. 2025 public utility property taxes, which became a lien December 31, 2024 are levied after October 1, 2025, and are collected in 2025 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 2025 taxes were collected was \$234,010,070. The full tax rate for all City operations applied for real property for fiscal year ended December 31, 2025 was \$1.20 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, 2025. 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 2025 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, 2025

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, 2025 was as follows:

	Balance 1/1/25	Additions	Deletions	Balance 12/31/25
<u>Governmental Activities:</u>				
<i>Nondepreciable capital assets:</i>				
Land	\$ 1,595,675	\$ -	\$ -	\$ 1,595,675
Construction in progress	79,112	884,355	(902,491)	60,976
<i>Total nondepreciable capital assets</i>	<u>1,674,787</u>	<u>884,355</u>	<u>(902,491)</u>	<u>1,656,651</u>
<i>Depreciable capital assets:</i>				
Building improvements	2,407,141	-	-	2,407,141
Improvements other than buildings	1,831,892	100,388	-	1,932,280
Equipment	1,350,807	137,138	-	1,487,945
Infrastructure	12,765,186	1,106,525	(144,988)	13,726,723
<i>Total depreciable capital assets</i>	<u>18,355,026</u>	<u>1,344,051</u>	<u>(144,988)</u>	<u>19,554,089</u>
<i>Accumulated depreciation:</i>				
Building improvements	(391,749)	(46,434)	-	(438,183)
Improvements other than buildings	(393,876)	(58,142)	-	(452,018)
Equipment	(558,115)	(115,673)	-	(673,788)
Infrastructure	(7,298,226)	(440,512)	144,988	(7,593,750)
<i>Total accumulated depreciation</i>	<u>(8,641,966)</u>	<u>(660,761)</u>	<u>144,988</u>	<u>(9,157,739)</u>
<i>Total capital assets being depreciated, net</i>	<u>9,713,060</u>	<u>683,290</u>	<u>-</u>	<u>10,396,350</u>
 <i>Total Governmental Activities</i>	 <u>\$ 11,387,847</u>	 <u>\$ 1,567,645</u>	 <u>\$ (902,491)</u>	 <u>\$ 12,053,001</u>

Depreciation expense was charged to governmental functions as follows:

Transportation	\$521,219
General government	59,083
Security of persons and property	51,624
Leisure time activities	28,835
Total Depreciation Expense	<u>\$ 660,761</u>

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 6 CAPITAL ASSETS – continued

Capital asset activity in the business-type activities for the year ended December 31, 2025 was as follows:

	Balance 1/1/25	Additions	Deletions	Balance 12/31/25
<u>Business-Type Activities</u>				
<i>Nondepreciable capital assets:</i>				
Land	\$ 64,789	\$ -	\$ -	\$ 64,789
Construction in progress	468,405	209,207	(169,039)	508,573
<i>Total nondepreciable capital assets</i>	<u>533,194</u>	<u>209,207</u>	<u>(169,039)</u>	<u>573,362</u>
<i>Depreciable capital assets:</i>				
Building improvements	650,215	-	-	650,215
Improvements other than buildings	693,963	-	-	693,963
Equipment	1,089,471	30,655	-	1,120,126
Infrastructure	31,324,541	339,398	-	31,663,939
<i>Total depreciable capital assets</i>	<u>33,758,190</u>	<u>370,053</u>	<u>-</u>	<u>34,128,243</u>
<i>Accumulated depreciation:</i>				
Building improvements	(331,842)	(14,525)	-	(346,367)
Improvements other than buildings	(408,214)	(16,482)	-	(424,696)
Equipment	(600,586)	(89,248)	-	(689,834)
Infrastructure	(13,878,210)	(643,888)	-	(14,522,098)
<i>Total accumulated depreciation</i>	<u>(15,218,852)</u>	<u>(764,143)</u>	<u>-</u>	<u>(15,982,995)</u>
<i>Total capital assets being depreciated, net</i>	<u>18,539,338</u>	<u>(394,090)</u>	<u>-</u>	<u>18,145,248</u>
 <i>Total Business-Type Activities</i>	 <u>\$ 19,072,532</u>	 <u>\$ (184,883)</u>	 <u>\$ (169,039)</u>	 <u>\$ 18,718,610</u>

NOTE 7 INTERFUND TRANSACTIONS

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.

During 2025, a nonmajor capital projects fund funded a water construction fund project for \$98,421. This amount was reported as a capital contribution in the water fund's fund financial statements, but as a transfer between governmental and business-type activities in the statement of activities.

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 8 LONG-TERM LIABILITIES

The City's outstanding debt at December 31, 2025 was as follows:

	Principal Outstanding	Interest Rate	Maturity
<i>Governmental Activities</i>			
Direct placement:			
River's Crossing TIF Revenue Refunding Bonds, Series 2018	\$ 5,990,000	4.800%	12/1/2036
Riverside TIF Revenue Bonds, Series 2023	6,162,000	5.430%	12/1/2036
Direct borrowing:			
Ohio Public Works Commission Loan - Zoar Road Repaving	180,728	0.000%	1/1/2036
<i>Business-Type Activities</i>			
Direct borrowing:			
Ohio Water Development Authority Loan - Water Main Replacement	123,212	0.000%	1/1/2043

The changes in the City's long-term liabilities for the year ended December 31, 2025 were as follows:

	Balance 1/1/25	Issued	Retired	Balance 12/31/25	Amount Due Within One Year
<i>Governmental Activities:</i>					
<i>Tax Increment Revenue Bonds:</i>					
Direct placement:					
River's Crossing, Series 2018 Refunding	\$ 6,395,000	\$ -	\$ (405,000)	\$ 5,990,000	\$ 425,000
Riverside, Series 2023	6,499,000	-	(337,000)	6,162,000	407,000
<i>Loans Payable:</i>					
Direct borrowing:					
OPWC Loan - Zoar Road Repaving	197,940	-	(17,212)	180,728	17,212
Compensated absences*	74,497	15,038	-	89,535	46,888
Net pension liability (Note 10)	936,923	-	(260,555)	676,368	-
<i>Total Governmental Activities</i>	<u>\$ 14,103,360</u>	<u>\$ 15,038</u>	<u>\$ (1,019,767)</u>	<u>\$ 13,098,631</u>	<u>\$ 896,100</u>
	Balance 1/1/25	Issued	Retired	Balance 12/31/25	Amount Due Within One Year
<i>Business Type Activities:</i>					
<i>Loans Payable:</i>					
Direct borrowing:					
OWDA Loan - Water Main Replace.	130,252	-	(7,040)	123,212	7,041
Compensated absences*	51,513	-	(8,754)	42,759	24,797
Net pension liability (Note 10)	550,257	-	(135,709)	414,548	-
<i>Total Business Type Activities</i>	<u>\$ 732,022</u>	<u>\$ -</u>	<u>\$ (151,503)</u>	<u>\$ 580,519</u>	<u>\$ 31,838</u>

* The change in compensated absences above is a net change for the year.

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 8 LONG-TERM LIABILITIES – continued

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 \$985,280 for 2025.

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.

Net pension liabilities will be paid by the fund which primarily pays the employee’s salary.

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

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 December 31,	<i>Direct Placement</i>		<i>Direct Borrowing</i>	
	TIF Revenue Bonds		OPWC Loan	OWDA Loan
	Principal	Interest	Principal	Principal
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	977,000	481,795	17,212	7,041
2030	1,028,000	431,351	17,212	7,041
2031-2035	6,092,000	1,298,234	86,060	35,205
2036-2040	1,422,000	64,619	8,608	35,205
2041-2043	-	-	-	17,597
	<u>\$ 12,152,000</u>	<u>\$ 3,996,855</u>	<u>\$ 180,728</u>	<u>\$ 123,212</u>

NOTE 9 RISK MANAGEMENT

Risk Pool Membership. The City belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, non-profit providing a formalized, jointly administered self-insurance risk management program and other administrative services to 885 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the casualty and the property portions the Plan retains. The Plan retains the first \$250,000 of casualty losses and the first \$500,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

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, 2025 and 2024 (latest information available):

	<u>2025</u>	<u>2024</u>
Assets	\$ 24,848,259	\$ 24,456,615
Liabilities	18,205,891	16,692,162
Members' Equity	6,642,368	7,764,453

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 2025, the City provided 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.

Ohio Revised Code (ORC) limits the City's obligation for this liability to annual 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, 2025

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 the 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 the Ohio Public Employees Retirement System (OPERS). OPERS administers two separate pension plans. The traditional pension plan is a cost-share, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan. The traditional pension plan also includes members of the legacy combined plan, a hybrid defined benefit/defined contribution plan referred to as the combined plan division of the traditional pension plan throughout this disclosure. Prior to January 1, 2024, the combined plan was a separate pension plan. Effective January 1, 2022, the combined plan is no longer available for member selection. In October 2023, the legislature approved House Bill 33 which allowed for the consolidation of the combined plan into the traditional pension plan. The combined plan was consolidated into the traditional pension plan effective January 1, 2024 and is tracked as a separate division within the traditional pension plan. No changes were made to the benefit design features of the combined plan as part of the consolidation so that members in this plan will experience no changes.

While members (e.g., City employees) may have elected the member-directed plan, the majority of employee members are in OPERS' traditional pension plan; therefore, the following disclosure focuses on the traditional pension plan. Throughout this disclosure, references to the traditional pension plan are inclusive of the combined plan division, unless otherwise noted.

Members of the combined plan division earn a formula benefit similar to, but at a factor less than, the traditional pension plan benefit. This defined benefit is funded by employer contributions and associated investment earnings. Additionally, combined plan division member contributions are deposited into a defined contribution account in which the member self-directs the investment. Upon retirement or termination, the member may choose a defined contribution retirement distribution that is equal in amount to the member's contributions to the plan and investment gains or losses on those contributions. Members in this division may also elect to annuitize their defined contribution account balances.

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's fiduciary net position that may be obtained by visiting www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 10 DEFINED BENEFIT PENSION PLANS – *continued*

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three-member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS' ACFR 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
<i>Age and Service Requirements:</i> Age 60 with 5 years of service credit or Age 55 with 25 years of service credit	<i>Age and Service Requirements:</i> Age 60 with 5 years of service credit or Age 55 with 25 years of service credit	<i>Age and Service Requirements:</i> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<i>Formula:</i> <u><i>Traditional Plan Formula:</i></u> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<i>Formula:</i> <u><i>Traditional Plan Formula:</i></u> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<i>Formula:</i> <u><i>Traditional Plan Formula:</i></u> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<u><i>Combined Plan Division Formula:</i></u> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<u><i>Combined Plan Division Formula:</i></u> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<u><i>Combined Plan Division Formula:</i></u> 1% of FAS multiplied by years of service for the first 35 years and 1.25% For service years in excess of 35

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

Traditional pension plan state and local members (excluding the combined plan division) who retire before meeting the age-and-years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The amount of a member's pension benefit vests at retirement.

Combined plan division members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit.

When a traditional pension plan 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. Members retiring under the combined plan division receive a COLA on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring on or after 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%.

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 10 DEFINED BENEFIT PENSION PLANS – continued

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan division members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan division consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan division members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options and will continue to be administered by OPERS), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Funding Policy—The ORC provides statutory authority for member and employer contributions as follows:

	State and Local Divisions	
	Excluding Combined Plan Division	Combined Plan Division
2025 Statutory Max Contribution Rates		
Employer	14.0%	14.0%
Employee*	10.0%	10.0%
2025 Actual Contribution Rates		
Employer:		
Pension	14.0%	12.0%
Post-employment Health Care Benefits**	0.0	2.0
Total Employer	14.0%	14.0%
Employee	10.0%	10.0%

* Member contributions within the combined plan division are not used to fund the defined benefit retirement allowance.

** These pension and employer health care rates are for the traditional pension plan.

The City's contractually required contribution was \$157,911 for 2025. Of this amount, \$5,531 is reported as an intergovernmental payable.

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 10 DEFINED BENEFIT PENSION PLANS – continued

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

The net pension liability for OPERS was measured as of December 31, 2024, 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	\$	1,090,916
Proportion of Net Pension Liability		0.00445%
Change in Proportion		(0.00123%)
Pension Expense	\$	47,425

At December 31, 2025, 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	\$	20,873
Net differences between projected and actual investment earnings		128,695
Change in proportionate share and difference in employer contributions		17,079
City contributions subsequent to the measurement date		157,911
	\$	<u>324,558</u>
<u>Deferred Inflows of Resources</u>		
Change in proportionate share and difference in employer contributions	\$	<u>169,075</u>

\$157,911 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, 2026.

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 10 DEFINED BENEFIT PENSION PLANS – *continued*

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:		
2026	\$	(27,582)
2027		90,978
2028		(49,654)
2029		(16,170)
	\$	<u>(2,428)</u>

Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

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: 2.90% simple through 2025, 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.

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 10 DEFINED BENEFIT PENSION PLANS – continued

During 2024, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Defined Contribution portfolio and the Health Care portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, including the defined benefit component of the Combined Plan division, 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 gain of 8.8% for 2024.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board as outlined 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 real rates of return over a 20-year period 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 real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric real 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, 2024, these best estimates are summarized in the following table. A simple weighted sum of asset class returns will not yield the results shown on the table given the process followed to adjust for inflation, the compounding to a given time period, and the impact of volatility and correlations to the portfolio.

For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2024, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	24.00%	2.42%
Domestic Equities	21.00%	5.70%
Real Estate	13.00%	4.17%
Private Equity	15.00%	8.40%
International Equities	20.00%	6.10%
Risk Parity	2.00%	4.40%
Other Investments	5.00%	2.54%
Total	<u>100.00%</u>	

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 10 DEFINED BENEFIT PENSION PLANS – continued

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 chart represents the City's proportionate share of the net pension liability at the 6.90% discount rate, as well as the sensitivity to a 1% increase and 1% decrease in the current discount rate:

	1% Decrease (5.9%)	Current Discount Rate of 6.9%	1% Increase (7.9%)
City's proportionate share of the net pension liability	\$ 1,784,715	\$ 1,090,916	\$ 514,419

NOTE 11 DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/(Asset)

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

ORC 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 ORC 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/(asset). 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.

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 11 DEFINED BENEFIT OPEB PLANS – continued

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

Plan Description—Ohio Public Employees Retirement System (OPERS)

The OPERS administers two separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; and the member-directed plan, a defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust. The 115 Health Care Trust (115 Trust or Health Care Trust) was established in 2014, under Section 115 of the Internal Revenue Code (IRC). The purpose of the 115 Trust is to fund health care for the Traditional Pension and Member-Directed plans. 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. Retirees in the Traditional Pension and Combined plans may have an allowance deposited into a health reimbursement arrangement (HRA) account to be used toward the health care program of their choice and other eligible expenses. An OPERS vendor is available to assist with the selection of a health care program

With one exception, OPERS-provided health care coverage is neither guaranteed nor statutorily required. Ohio law currently requires Medicare Part A equivalent coverage or Medicare Part A premium reimbursement for eligible retirees and their eligible dependents.

OPERS offers a health reimbursement arrangement (HRA) allowance to benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents.

OPERS members enrolled in the Traditional Pension Plan retiring with an effective date of January 1, 2022, or after must meet the following health care eligibility requirements to receive an HRA allowance:

Age 65 or older Retirees Minimum of 20 years of qualifying service credit

Age 60 to 64 Retirees Based on the following age-and-service criteria:

Group A 30 years of total service with at least 20 years of qualified health care service credit;

Group B 31 years of total service credit with at least 20 years of qualified health care service credit; or

Group C 32 years of total service credit with at least 20 years of qualified health care service credit.

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 11 DEFINED BENEFIT OPEB PLANS – continued

Age 59 or younger Based on the following age-and-service criteria:

Group A 30 years of qualified health care service credit;

Group B 32 years of qualified health care service credit at any age or 31 years of qualified health care service credit and at least age 52; or

Group C 32 years of qualified health care service credit and at least age 55.

Retirees who do not meet the requirement for coverage as a non-Medicare participant can become eligible for coverage at age 65 if they have at least 20 years of qualifying service.

Members with a retirement date prior to December 1, 2014, with at least 10 years of qualifying health care service credit will continue to be eligible for OPERS health care program. Members with a retirement date after December 1, 2014, but prior to January 1, 2022, who were eligible to participate in the OPERS health care program will continue to be eligible after January 1, 2022, as summarized in the following table:

Group A	Group B	Group C
Age and Service Requirements: December 1, 2014, or Prior Any age with 10 years of service credit	Age and Service Requirements: December 1, 2014, or Prior Any age with 10 years of service credit	Age and Service Requirements: December 1, 2014, or Prior Any age with 10 years of service credit
January 1, 2015, through December 31, 2021 Age 60 with 20 years of service credit or any age with 30 years of service credit	January 1, 2015, through December 31, 2021: Age 50 with 31 years of service credit or Age 60 with 20 years of service credit or Any age with 32 years of service credit	January 1, 2015, through December 31, 2021 Age 55 with 32 years of service credit or Age 60 with 20 years of service credit

See the Age and Service Retirement section of the OPERS ACFR for a description of Groups A, B, and C.

Beginning January 1, 2014, qualifying contributing service credit for health care will be accumulated only if the member's eligible salary is at least \$1,000 per month. Partial health care credit will not be granted for months in which eligible salary is less than \$1,000. Credit earned prior to January 2014 will not be affected by this requirement.

Recipients of disability benefits prior to January 1, 2014, have continued access to the health care program while the disability benefit continues and will not be subject to the five-year rule described below. The allowance will be determined in the same manner as an age-and-service retiree. If the recipient does not meet minimum age-and-service requirements, the minimum allowance will be used. Recipients with an initial disability effective date on or after January 1, 2014, will have coverage during the first five years of disability benefits. After five years, the recipient must meet minimum age-and-service health care eligibility requirements or be enrolled in Medicare (due to disability status) to remain enrolled in the OPERS health care program. If enrolled, the allowance will be determined in the same way as an age-and-service retiree.

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 11 DEFINED BENEFIT OPEB PLANS – *continued*

Eligible retirees may receive a monthly HRA allowance for reimbursement of health care coverage premiums and other qualified medical expenses. Monthly allowances are determined using a percentage based on years of service and the age when the individual is first eligible for the HRA, multiplied by the base allowance as determined by the Board.

The base allowance was \$1,200 per month for non-Medicare retirees and \$350 per month for Medicare retirees throughout 2024. The base allowance for Medicare retirees increased to \$400 per month in January 2025. Monthly allowances range between 51% and 90% of the base allowance for both non-Medicare and Medicare retirees.

Retirees will have access to the OPERS Connector, which is a relationship with a vendor selected by OPERS to assist retirees participating in the health care program. The OPERS Connector may assist retirees in selecting and enrolling in the appropriate health care plan. While Medicare eligible retirees must use the Connector to select a vendor to be eligible to receive an HRA, non-Medicare eligible retirees may use the Connector or another vendor and still be eligible to receive an HRA.

When members become Medicare-eligible, recipients enrolled in OPERS health care programs must enroll in Medicare Part A (hospitalization) and Medicare Part B (medical).

OPERS reimburses retirees who are not eligible for premium-free Medicare Part A (hospitalization) for their Part A premiums as well as any applicable surcharges (late-enrollment fees). Retirees within this group must enroll in Medicare Part A and select medical coverage, and may select prescription coverage, through the OPERS Connector. OPERS also will reimburse 50% of the Medicare Part A premium and any applicable surcharges for eligible spouses. Proof of enrollment in Medicare Part A and confirmation that the retiree is not receiving reimbursement or payment from another source must be submitted. The premium reimbursement is added to the monthly pension benefit.

Participants in the Member-Directed Plan have a portion of the employer contribution credited to an individual retiree medical account. Interest accrues based on the investment performance of the stable value fund, not to exceed 4%. Members with an account prior to July 1, 2015, become vested in the account at a rate of 20% for each year of participation until the member is fully vested at the end of five years. Members establishing accounts on or after July 1, 2015, vest over 15 years at a rate of 10% each year starting with the sixth year of participation.

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 allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan (except for the combined division).

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 11 DEFINED BENEFIT OPEB PLANS – continued

Employer contribution rates are expressed as a percentage of the earnable salary of active members. For fiscal year 2025, state and local employers contributed at a rate of 14.0% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2025, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan. Beginning July 1, 2022, there was a 2% allocation to health care for the Combined Plan Division which continued through 2025. 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 2025 was 4.0%. Effective July 1, 2022, a portion of the health care rate was funded with reserves which has continued through 2025.

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

The net OPEB asset and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2023, rolled forward to the measurement date of December 31, 2024, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The City's proportion of the net OPEB asset was based on the City's share of contributions to the OPERS relative to the contributions of all participating entities.

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

Proportionate Share of Net OPEB Asset	\$ 99,587
Proportion of Net OPEB Asset	0.00425%
Change in Proportion	(0.00105%)
OPEB Expense	\$ (28,066)

At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Deferred Outflows of Resources</u>	
Net differences between projected and actual investment earnings	\$ 2,051
Change in proportionate share and difference in employer contributions	8,351
	<u>\$ 10,402</u>

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 11 DEFINED BENEFIT OPEB PLANS – *continued*

Deferred Inflows of Resources

Differences between expected and actual experience	\$ 4,847
Change in assumptions	14,370
Change in proportionate share and difference in employer contributions	808
	<u>\$ 20,025</u>

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

Year Ending December 31:	
2026	\$ (5,372)
2027	11,980
2028	(12,003)
2029	(4,228)
	<u>\$ (9,623)</u>

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 coverage 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, 2023, rolled forward to the measurement date of December 31, 2024. 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	6.00%
Prior measurement period	5.70%
Investment rate of return	6.00%
Municipal bond rate:	
Current measurement period	4.08%
Prior measurement period	3.77%
Health care cost trend rate:	
Current measurement period	5.5% initial, 3.50% ultimate in 2039
Prior measurement period	5.5% initial, 3.50% ultimate in 2038
Actuarial cost method	Individual entry age

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

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 2024, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Defined Contribution portfolio, and the Health Care portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan division and Member-Directed Plan eligible members. 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 gain of 10.0% for 2024.

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined benefit pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return over a 20-year period 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 real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care portfolio's target asset allocation as of December 31, 2024, these best estimates are summarized on the following page. A simple weighted sum of asset class returns will not yield the results shown on the table given the process followed to adjust for inflation, the compounding to a given time period, and the impact of volatility and correlations to the portfolio.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	37.00%	2.37%
Domestic Equities	26.00%	5.70%
REITs	5.00%	5.00%
International Equities	26.00%	6.10%
Risk Parity	3.00%	4.40%
Other Investments	3.00%	2.50%
Total	<u>100.00%</u>	

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 11 DEFINED BENEFIT OPEB PLANS – continued

Discount Rate. A single discount rate of 6.00% was used to measure the total OPEB liability on the measurement date of December 31, 2024; however, the single discount rate used at the beginning of the year was 5.70%. 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) a 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). The single discount rate was based on the actuarial assumed rate of return of 6.00%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2124. As a result, the single discount rate was set as the actuarial assumed long-term expected rate of return on health care investments and was applied to projected costs through the year 2124, the duration of the projection period through which projected health care payments are fully funded. The tax-exempt municipal bond rate was not needed in the determination of the single discount rate.

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

	1% Decrease (5.00%)	Current Discount Rate of 6.00%	1% Increase (7.00%)
City's proportionate share of the net OPEB asset	\$ 49,454	\$ 99,587	\$ 141,439

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2025 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, 2025

NOTE 11 DEFINED BENEFIT OPEB PLANS – continued

	<u>1% Decrease</u>	Current Health Care Cost Trend Rate Assumption	<u>1% Increase</u>
City's proportionate share of the net OPEB asset	\$ 101,116	\$ 99,587	\$ 97,888

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	\$ 87,695
Nonmajor Governmental Funds	<u>3,610</u>
	\$ <u>91,305</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 2025 was \$326,716.

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 2025 was \$225,327.

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

NOTE 14 FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned, 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	\$ 1,474	\$ -	\$ -	\$ -	\$ 1,474
<i>Restricted for</i>					
Debt service	-	1,004	1,004	-	2,008
Capital projects	-	-	-	30,482	30,482
Public safety	-	-	-	12,471	12,471
Transportation	-	-	-	1,836,105	1,836,105
<i>Total Restricted</i>	<u>-</u>	<u>1,004</u>	<u>1,004</u>	<u>1,879,058</u>	<u>1,881,066</u>
<i>Committed to</i>					
Parks and recreation	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,121</u>	<u>67,121</u>
<i>Assigned to</i>					
Budget resource	871,657	-	-	-	871,657
General government	<u>35,914</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,914</u>
<i>Total Assigned</i>	<u>907,571</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>907,571</u>
<i>Unassigned</i>	<u>6,451,027</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,451,027</u>
<i>Total Fund Balance</i>	<u>\$ 7,360,072</u>	<u>\$ 1,004</u>	<u>\$ 1,004</u>	<u>\$ 1,946,179</u>	<u>\$ 9,308,259</u>

CITY OF SOUTH LEBANON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2025

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, 2025, 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.

NOTE 16 SUBSEQUENT EVENT

In January 2026, the City was awarded an \$11,165,458 OWDA loan at an interest rate of 2.7% for the River Corridor Public Sanitary Sewer Extension project. The project includes the construction of approximately 6,000 linear feet of gravity sewer, 8,000 linear feet of sewer force main, and the construction of a new sewer lift station along the Little Miami Bike Trail. The project will allow for future development.



REQUIRED SUPPLEMENTARY INFORMATION



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, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Property and other local taxes	\$ 287,000	\$ 287,000	\$ 262,037	\$ (24,963)
Municipal income taxes	2,575,000	2,575,000	3,199,572	624,572
Intergovernmental	898,856	211,390	285,495	74,105
Charges for services	-	-	2,033	2,033
Fines, licenses and permits	154,000	174,000	179,815	5,815
Interest	250,000	300,000	430,370	130,370
Miscellaneous	30,000	32,500	53,122	20,622
Total revenues	<u>4,194,856</u>	<u>3,579,890</u>	<u>4,412,444</u>	<u>832,554</u>
Expenditures:				
Current:				
Security of persons and property	918,426	918,426	908,766	9,660
Public health services	13,000	13,000	9,687	3,313
Leisure time activities	80,000	80,000	30,311	49,689
Basic utility services	235,700	235,700	167,178	68,522
Community environment	-	33,000	18,826	14,174
General government	1,547,091	1,559,311	1,341,220	218,091
Capital outlay	<u>2,466,503</u>	<u>2,466,503</u>	<u>649,550</u>	<u>1,816,953</u>
Total expenditures	<u>5,260,720</u>	<u>5,305,940</u>	<u>3,125,538</u>	<u>2,180,402</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,065,864)</u>	<u>(1,726,050)</u>	<u>1,286,906</u>	<u>3,012,956</u>
Other financing sources:				
Transfers in	<u>-</u>	<u>-</u>	<u>941</u>	<u>941</u>
Net change in fund balance	(1,065,864)	(1,726,050)	1,287,847	<u>\$ 3,013,897</u>
Fund balance, beginning of year	5,689,788	5,689,788	5,689,788	
Prior year encumbrances appropriated	<u>130,541</u>	<u>130,541</u>	<u>130,541</u>	
Fund balance, end of year	<u>\$ 4,754,465</u>	<u>\$ 4,094,279</u>	<u>\$ 7,108,176</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, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Interest	\$ 20	\$ 20	\$ 13	\$ (7)
Payment in lieu of taxes	1,299,980	1,309,080	1,309,068	(12)
Total revenues	1,300,000	1,309,100	1,309,081	(19)
Expenditures:				
Current:				
General government	592,840	601,940	601,891	49
Debt service:				
Principal retirement	405,000	405,000	405,000	-
Interest and fiscal charges	302,160	302,160	302,160	-
Total expenditures	1,300,000	1,309,100	1,309,051	49
Net change in fund balance	-	-	30	\$ 30
Fund balance, beginning of year	974	974	974	
Fund balance, end of year	\$ 974	\$ 974	\$ 1,004	

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, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Intergovernmental	\$ 77,684	\$ 85,089	\$ 85,089	\$ -
Interest	-	-	8	8
Payment in lieu of taxes	972,316	1,065,011	1,064,993	(18)
Total revenues	1,050,000	1,150,100	1,150,090	(10)
Expenditures:				
Current:				
General government	360,104	410,354	410,316	38
Debt service:				
Principal retirement	337,000	337,000	337,000	-
Interest and fiscal charges	352,896	402,746	402,743	3
Total expenditures	1,050,000	1,150,100	1,150,059	41
Net change in fund balance	-	-	31	\$ 31
Fund balance, beginning of year	973	973	973	
Fund balance, end of year	\$ 973	\$ 973	\$ 1,004	

See notes to 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%
2024	0.00568%	1,487,180	937,343	158.66%	79.01%
2025	0.00445%	1,090,916	809,514	134.76%	80.99%

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%
2024	113,332	(113,332)	-	809,514	14.00%
2025	157,911	(157,911)	-	1,127,936	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.

See notes to required supplementary information.

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

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%
2024	0.00530%	(47,801)	937,343	(5.10%)	107.76%
2025	0.00425%	(99,587)	809,514	(12.30%)	121.51%

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%
2024	-	-	-	809,514	0.00%
2025	-	-	-	1,127,936	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.

See notes to required supplementary information.

CITY OF SOUTH LEBANON, OHIO
Notes to the Required Supplementary Information
Year Ended December 31, 2025

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 2025.

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 Required Supplementary Information
Year Ended December 31, 2025

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 accounted 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 Required Supplementary Information
Year Ended December 31, 2025

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	\$ 1,432,894	\$ 30	\$ 31
Increase / (decrease):			
Due to revenues	(45,987)	-	-
Due to expenditures	(12,306)	-	-
Due to other sources (uses)	941	-	-
Due to encumbrances	<u>(87,695)</u>	<u>-</u>	<u>-</u>
Net change in fund balance - Budget Basis	<u>\$ 1,287,847</u>	<u>\$ 30</u>	<u>\$ 31</u>

NOTE 3 OPERS PENSION INFORMATION

Changes of Benefit and Funding Terms

There have been no changes in benefit terms.

Changes of Assumptions

In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a reduction of the discount rate from 8.0% to 7.5%, a reduction in the wage inflation rate from 3.75% to 3.25%, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables.

In 2019, 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.

Effective January 1, 2024, the Combined Plan was consolidated into the Traditional Pension Plan as a separate division. No changes were made to the benefit design features of the Combined Plan as part of this consolidation. Members in this plan will continue to receive benefits under the Combined Plan provisions in effect prior to the consolidation, subject to future changes to the Traditional Pension Plan.

CITY OF SOUTH LEBANON, OHIO
Notes to the Required Supplementary Information
Year Ended December 31, 2025

NOTE 4 OPERS OPEB INFORMATION

Changes of Benefit and Funding Terms

There have been no changes in benefit terms.

Changes of Assumptions

In 2018, the single discount rate changed from 4.23% to 3.85%.

In 2019, the single discount rate changed from 3.85% to 3.96%, the investment rate of return changed from 6.50% to 6.00%, and the health care cost trend rate changed from 7.5% initial to 10.0% initial.

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.

In 2024, the single discount rate changed from 5.22% to 5.70% and the health care cost trend rate changed from 5.5% initial, 3.50% ultimate in 2036 to 5.5% initial, 3.50% ultimate in 2038.

In 2025, the single discount rate changed from 5.70% to 6.00% and the health care cost trend rate changed from 5.5% initial, 3.50% ultimate in 2038 to 5.5% initial, 3.50% ultimate in 2039.