



CITY OF LEBANON, ILLINOIS

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED
APRIL 30, 2021

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CITY OF LEBANON, ILLINOIS

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Lebanon, Illinois:

Report on the Financial Statements

We have audited the accompanying financial statements of the of the City of Lebanon, Illinois as of and for the year ended April 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the governmental funds financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the presentation of the governmental fund financial statements in the circumstances. Management is also responsible for the preparation and fair presentation of the business-type and proprietary fund financial statements in accordance with accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities (modified cash basis), the business-type activities (accrual basis), each major fund (governmental-modified cash basis, proprietary-accrual basis), and the aggregate remaining fund information of the City of Lebanon, Illinois as of April 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The governmental fund financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information/Other Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 to 10), budgetary comparison information (pages 38 to 39) and schedules of pension funding information (pages 40 to 41) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lebanon, Illinois' basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2021 on our consideration of the City of Lebanon, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lebanon, Illinois' internal control over financial reporting and compliance.



Certified Public Accountants
Alton, Illinois
September 29, 2021

CITY OF LEBANON, ILLINOIS **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the City of Lebanon, Illinois' (City) annual audit presents a management's discussion and analysis of the City's financial activity during the fiscal year ended April 30, 2021. The Management's Discussion and Analysis (MD&A) is designed to focus on current activities, resulting changes and currently known facts and should be read in conjunction with the basic financial statements and footnotes. Responsibility for the completeness and fairness of this information rests with the City.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements. There are three components to the basic statements:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

This report also contains required supplementary information/other information and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The government-wide financial statements exclude fiduciary fund activities.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, and cemetery. The business-type activities include water and sewer.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. Changes in net position are reported on the modified cash basis for the governmental activities and on the accrual basis for the business-type activities.

CITY OF LEBANON, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS

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 two categories: governmental and proprietary.

Governmental Funds. Governmental funds are used to account for essential functions reported as governmental activities in the government-wide financial statements. 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 financial decisions. Both of the governmental fund financial statements provide a reconciliation to facilitate this comparison between governmental funds and the government-wide governmental activities.

The City maintains five individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for two major funds: General Fund and Motor Fuel Tax Fund. Data from the other governmental funds are combined into a single, aggregated presentation called "Other Governmental Funds." Individual fund data for each of these nonmajor governmental funds is provided in the form of combining schedules in the other supplementary information section of this report.

The City adopts an annual budget for all governmental funds. Budgetary comparison schedules for the major funds have been provided to demonstrate legal compliance with the adopted budget.

Proprietary funds. Enterprise funds are used to report the same functions and the same type of information presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer operations.

Notes to the financial statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required supplementary information/Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information/other information concerning the City's progress in funding its obligation to provide pension benefits to its employees. The City also reports expenditures of its major funds in comparison to budgeted amounts.

Other supplementary information. The combining and individual fund statements, referred to earlier in connection with nonmajor governmental funds, are presented immediately following the required supplementary information/other information.

CITY OF LEBANON, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City presents its financial statements under the reporting model pursuant to Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$13,965,555 at the close of the most recent fiscal year.

The largest portion of the City's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The condensed statement of net position is as follows:

	Governmental Activities		Business-type Activities		Total	
	April 30, 2021	April 30, 2020	April 30, 2021	April 30, 2020	April 30, 2021	April 30, 2020
Current and other assets	\$ 1,020,044	\$ 772,301	\$ 3,633,669	\$ 3,049,452	\$ 4,653,713	\$ 3,821,753
Capital assets	4,323,921	4,421,751	16,625,575	15,371,373	20,949,496	19,793,124
Total assets	<u>5,343,965</u>	<u>5,194,052</u>	<u>20,259,244</u>	<u>18,420,825</u>	<u>25,603,209</u>	<u>23,614,877</u>
Deferred outflows	-	-	203,673	228,784	203,673	228,784
Long-term liabilities outstanding	101,815	168,710	10,354,238	8,862,627	10,456,053	9,031,337
Other liabilities	8,122	6,730	1,075,141	1,316,400	1,083,263	1,323,130
Total liabilities	<u>109,937</u>	<u>175,440</u>	<u>11,429,379</u>	<u>10,179,027</u>	<u>11,539,316</u>	<u>10,354,467</u>
Deferred inflows	-	-	301,411	258,648	301,411	258,648
Net position:						
Net investment in capital assets	4,222,106	4,253,041	6,473,191	6,836,069	10,695,297	11,089,110
Restricted	1,047,678	886,296	-	-	1,047,678	886,296
Unrestricted	(36,356)	(120,725)	2,258,936	1,375,865	2,222,580	1,255,140
Total net position	<u>\$ 5,233,428</u>	<u>\$ 5,018,612</u>	<u>\$ 8,732,127</u>	<u>\$ 8,211,934</u>	<u>\$ 13,965,555</u>	<u>\$ 13,230,546</u>

Total net position increased \$735,009 resulting in a balance of \$13,965,555 as of April 30, 2021. Current assets, which include cash, investments and accounts receivable, increased \$831,960. Non-current assets increased \$1,156,372. Current liabilities, which include accounts payable, advance payments for water and sewer tap deposits and customer deposits, decreased \$239,867. Long-term liabilities increased \$1,424,716 primarily due to the additional debt related to the WWTP upgrade.

CITY OF LEBANON, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS

ANALYSIS OF NET POSITION

<u>Analysis of Net Position</u>	<u>2021</u>		<u>2020</u>	
	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>
Net invested in capital assets	76.6%	\$ 10,695,297	83.8%	\$ 11,089,110
Restricted	7.5%	1,047,678	6.7%	886,296
Unrestricted	15.9%	2,222,580	9.5%	1,255,140
Total net position	<u>100.0%</u>	<u>\$ 13,965,555</u>	<u>100.0%</u>	<u>\$ 13,230,546</u>

Total net position balances increased by \$735,009 in fiscal year 2021 to a total ending balance of \$13,965,555. Capital net position balances decreased by \$393,813 in the current year due to capital additions of \$1,523,083 that were offset by depreciation of \$362,944 and additional capital related debt. The combined restricted and unrestricted net position balances changed by the net income of operating activities. The revenue and expenditure comparisons that comprise the current year increases follow.

GOVERNMENTAL ACTIVITIES

<u>Revenues by type</u>	<u>2021</u>	<u>2020</u>
Property tax	\$ 305,393	\$ 290,716
Other charges for services	196,371	352,784
Sales and use tax	693,115	668,388
State income tax	506,468	478,842
Motor fuel tax	156,731	159,707
Replacement tax	6,305	6,270
Telecommunications tax	48,905	66,024
Video gaming tax	45,248	73,546
Utility tax	244,669	239,150
Operating grants and contributions	182,254	35,000
Capital grants and contributions	164,882	-
Franchise fees	41,558	40,090
Investment Income	35,686	8,638
Other miscellaneous	29,348	15,602
	<u>\$ 2,656,933</u>	<u>\$ 2,434,757</u>

Total governmental revenues increased \$222,176 for the year ended April 30, 2021. The primary reason for the increase is the grant revenue related to the Rebuild Illinois grant and Covid reimbursement funding. Sales taxes and income taxes both reported increases in the current year.

<u>Expenditures by category</u>	<u>2021</u>		<u>2020</u>	
	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>
General government	13.7%	\$ 334,983	14.1%	\$ 333,332
Public safety	53.9%	1,316,478	53.2%	1,255,972
Highways and streets	30.5%	745,857	27.9%	657,350
Miscellaneous - Cemetery	1.6%	37,932	1.7%	40,026
Development	0.1%	2,278	2.9%	67,605
Interest on Long-Term Debt	0.2%	4,589	0.2%	5,152
Total expenditures	<u>100.0%</u>	<u>\$ 2,442,117</u>	<u>100.0%</u>	<u>\$ 2,359,437</u>

CITY OF LEBANON, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS

The City increased expenses in the governmental activities by \$82,680. In both years, the largest category of expense is public safety which consists of the City police department and ambulance services. Highways and streets, which include the street department, motor fuel tax expenses, and expenses paid out of the Municipal Utility Tax fund, was the second largest category of governmental activities expenses.

The above expenditure categories include amounts for depreciation expense on assets purchased in the current and prior years. The breakdown by category is as follows:

	<u>2021</u>	<u>2020</u>
General government	\$ 8,881	\$ 5,970
Public safety	26,808	22,043
Highways and streets	<u>149,465</u>	<u>150,655</u>
Total depreciation	<u>\$ 185,154</u>	<u>\$ 178,668</u>

Total capital outlay expenditures for the governmental activities in the current year totaled \$87,324 which is lower in comparison to the current year depreciation.

BUSINESS-TYPE ACTIVITIES

<u>Revenues by type</u>	<u>2021</u>	<u>2020</u>
Water and sewer charges	\$ 1,899,745	\$ 1,897,106
Investment Income	<u>18,802</u>	<u>80,877</u>
	<u>\$ 1,918,547</u>	<u>\$ 1,977,983</u>

Water and sewer revenue for charges increased by \$2,639 in the current year. The City did not receive any grants related to the enterprise funds in the year ended April 30, 2021.

<u>Operating Expenditures</u>	<u>2021</u>		<u>2020</u>	
	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>
Personal services	45.3%	\$ 594,177	46.7%	\$ 656,061
Contractual services	34.8%	457,454	32.6%	457,959
Supplies and materials	1.1%	13,790	0.8%	11,057
Heat, light and power	5.3%	69,843	6.2%	87,187
Depreciation	<u>13.5%</u>	<u>177,790</u>	<u>13.8%</u>	<u>193,327</u>
Total expenditures	<u>100.0%</u>	<u>\$ 1,313,054</u>	<u>100.0%</u>	<u>\$ 1,405,591</u>

Expenses in the business type activities decreased by \$92,537. As in the prior year, the largest categories of operating expense were for personal services and contractual services.

CITY OF LEBANON, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS

FUNDS FINANCIAL ANALYSIS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental 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. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of 2021, the City's governmental funds reported combined ending fund balances of \$1,011,322, an increase of \$245,751 in comparison with the prior year. The total amount constitutes balances which are available for spending at the City's discretion. However, \$1,523,616 of the balance has been restricted or designated for specific purposes.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$(693,994). As a measure of the General Fund's liquidity, it is useful to compare the unassigned fund balance to total fund expenditures. Due to the negative balance in the General Fund, this calculation is not pertinent. The fund balance of the City's general fund decreased by \$2,741 during the current fiscal year.

The motor fuel tax fund reported an increase of \$120,901. This increase is related to motor fuel tax and Rebuild Illinois monies received which are greater than the amount spent on City projects in the current year.

Proprietary fund. The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the water and sewer funds at the end of the year amounted to \$2,258,936, an increase of \$883,071. The revenues and expenditures that make up this increase are discussed in the above paragraphs.

BUDGETARY HIGHLIGHTS

A comparison of appropriations and actual expenditures for the general fund is as follows:

	<u>Budget</u>	<u>Actual</u>
General Fund	\$ 2,034,362	\$ 1,970,960

The budget was not amended in the current year.

CITY OF LEBANON, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS

TRANSFERS

The City makes transfers between the governmental funds to assist in paying general expenditures and transferring unrestricted interest income. All transfers were from unrestricted funds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>April 30, 2021</u>	<u>April 30, 2020</u>	<u>April 30, 2021</u>	<u>April 30, 2020</u>	<u>April 30, 2021</u>	<u>April 30, 2020</u>
Land	\$ 96,345	\$ 70,507	\$ -	\$ -	\$ 96,345	\$ 70,507
Buildings and Improvements	78,456	85,585	12,976,750	11,570,949	13,055,206	11,656,534
Vehicles and Equipment	243,895	238,029	63,863	64,607	307,758	302,636
Infrastructure Systems	3,905,225	4,027,630	3,584,962	3,735,817	7,490,187	7,763,447
Total net assets	<u>\$ 4,323,921</u>	<u>\$ 4,421,751</u>	<u>\$ 16,625,575</u>	<u>\$ 15,371,373</u>	<u>\$ 20,949,496</u>	<u>\$ 19,793,124</u>

The City’s investment in capital assets for its governmental and business-type activities as of April 30, 2021, amounts to \$20,949,496, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, equipment, vehicles and infrastructure. The total increase in capital assets for the current year was \$1,156,372. This increase is due to capital acquisitions of \$1,523,083 that were offset by current year depreciation expense of \$362,944. The largest outlays in the current year were related to expenditures for the WWTP upgrades and for a new vehicle. Capital assets are described in additional detail in Note 8 of the financial statements.

Long-term Debt

At the end of 2021, the City had total long-term debt obligations for governmental activities and business-type activities in the amount of \$101,815 and \$10,152,384, respectively, compared to \$168,710 and \$8,535,304 at the end of 2020. The City continued to makes draws on the debt agreement for construction upgrades on the WWTP.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>April 30, 2021</u>	<u>April 30, 2020</u>	<u>April 30, 2021</u>	<u>April 30, 2020</u>	<u>April 30, 2021</u>	<u>April 30, 2020</u>
Notes Payable	<u>\$ 101,815</u>	<u>\$ 168,710</u>	<u>\$ 10,152,384</u>	<u>\$ 8,535,304</u>	<u>\$ 10,254,199</u>	<u>\$ 8,704,014</u>

Other information related to long-term debt is described in more detail in Note 6 of the financial statements.

Requests for Information

This financial report is designed to provide a general overview of the City of Lebanon, Illinois’ for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk’s office, 312 West St. Louis St., Lebanon, IL 62254.

CITY OF LEBANON, ILLINOIS

STATEMENT OF NET POSITION
 (BUSINESS -TYPE ACTIVITIES - ACCRUAL BASIS)
 (GOVERNMENTAL ACTIVITIES - MODIFIED CASH BASIS)
 APRIL 30, 2021

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 702,284	\$ 1,908,128	\$ 2,610,412
Investments	237,160	1,638,044	1,875,204
Receivables (Net of allowance for uncollectible):	-	161,753	161,753
Prepaid Expenses	-	5,744	5,744
Internal Balances	80,000	(80,000)	-
Capital Assets:			
Land	96,345	-	96,345
Buildings and Improvements	277,488	13,384,922	13,662,410
Infrastructure	4,896,249	6,798,028	11,694,277
Vehicles and Equipment	857,472	597,426	1,454,898
Accumulated Depreciation	<u>(1,803,633)</u>	<u>(4,154,801)</u>	<u>(5,958,434)</u>
Total Assets	<u>\$ 5,343,365</u>	<u>\$ 20,259,244</u>	<u>\$ 25,602,609</u>
<u>Deferred Outflows of Resources</u>			
Pension Plan Obligations	<u>\$ -</u>	<u>\$ 203,673</u>	<u>\$ 203,673</u>
<u>Liabilities</u>			
Accounts Payable	\$ 8,122	\$ 663,448	\$ 671,570
Accrued Salaries	-	15,133	15,133
Compensated Absences	-	16,610	16,610
Accrued Interest Payable	-	125,385	125,385
Customer Deposits	-	163,565	163,565
Deposit Advances	-	91,000	91,000
Noncurrent Liabilities:			
Due Within One Year	57,268	223,884	281,152
Due In More Than One Year	44,547	10,130,354	10,174,901
Total Liabilities	<u>109,937</u>	<u>11,429,379</u>	<u>11,539,316</u>
<u>Deferred Inflows of Resources</u>			
Pension Plan Obligations	<u>\$ -</u>	<u>\$ 301,411</u>	<u>\$ 301,411</u>
<u>Net Position</u>			
Net Investment in Capital Assets	4,222,106	6,473,191	10,695,297
Restricted	1,047,678	-	1,047,678
Unrestricted	<u>(36,356)</u>	<u>2,258,936</u>	<u>2,222,580</u>
Total Net Position	<u>\$ 5,233,428</u>	<u>\$ 8,732,127</u>	<u>\$ 13,965,555</u>

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

CITY OF LEBANON, ILLINOIS

STATEMENT OF ACTIVITIES
 (BUSINESS -TYPE ACTIVITIES - ACCRUAL BASIS)
 (GOVERNMENTAL ACTIVITIES - MODIFIED CASH BASIS)
 FOR THE YEAR ENDED APRIL 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General Government	\$ 334,983	\$ 74,140	\$ -	\$ -	\$ (260,843)		\$ (260,843)
Public Safety	1,316,478	102,881	182,254	19,300	(1,012,043)		(1,012,043)
Highways and Streets	745,857	-	-	145,582	(600,275)		(600,275)
Miscellaneous - Cemetery	37,932	19,350	-	-	(18,582)		(18,582)
Development	2,278	-	-	-	(2,278)		(2,278)
Interest on Long-Term Debt	4,589	-	-	-	(4,589)		(4,589)
Total Governmental Activities	<u>2,442,117</u>	<u>196,371</u>	<u>182,254</u>	<u>164,882</u>	<u>(1,898,610)</u>		<u>(1,898,610)</u>
Business-type Activities:							
Water and Sewer	1,398,354	1,899,745	-	-		\$ 501,391	501,391
Total Business-type Activities	<u>1,398,354</u>	<u>1,899,745</u>	<u>-</u>	<u>-</u>		<u>501,391</u>	<u>501,391</u>
Total Government	<u>\$ 3,840,471</u>	<u>\$ 2,096,116</u>	<u>\$ 182,254</u>	<u>\$ 164,882</u>	<u>(1,898,610)</u>	<u>501,391</u>	<u>(1,397,219)</u>

General Revenues:		
Property Tax, Levied for General Purposes		305,393
Sales and Use Tax		693,115
Replacement Tax		6,305
State Income Tax		506,468
Motor Fuel Tax		156,731
Telecommunications Tax		48,905
Video Gaming Tax		45,248
Utility Tax		244,669
Franchise Fees		41,558
Unrestricted Investment Earnings	18,802	35,686
Miscellaneous		29,348
Total General Revenues		<u>2,113,426</u>
Change in Net Position		<u>214,816</u>
Net Position - Beginning		<u>5,018,612</u>
Net Position - Ending		<u>\$ 5,233,428</u>

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

CITY OF LEBANON, ILLINOIS

STATEMENT OF ASSETS, LIABILITIES AND
FUND BALANCES ARISING FROM MODIFIED CASH BASIS TRANSACTIONS
GOVERNMENTAL FUNDS
APRIL 30, 2021

	<u>General</u>	<u>Motor Fuel Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 209,841	\$ 286,493	\$ 205,950	\$ 702,284
Investments	-	-	237,160	237,160
Due from Other Funds	-	6,678	1,043,418	1,050,096
Total Assets	<u>209,841</u>	<u>293,171</u>	<u>1,486,528</u>	<u>1,989,540</u>
<u>Liabilities and Fund Balance</u>				
Liabilities:				
Payroll Withholdings	8,122	-	-	8,122
Due to Other Funds	895,713	-	74,383	970,096
Total Liabilities	<u>903,835</u>	<u>-</u>	<u>74,383</u>	<u>978,218</u>
Fund Balance:				
Nonspendable	-	-	243,639	243,639
Restricted	-	293,171	510,868	804,039
Committed	-	-	719,577	719,577
Unassigned	(693,994)	-	(61,939)	(755,933)
Total Fund Balance	<u>(693,994)</u>	<u>293,171</u>	<u>1,412,145</u>	<u>1,011,322</u>
Total Liabilities and Fund Balance	<u>\$ 209,841</u>	<u>\$ 293,171</u>	<u>\$ 1,486,528</u>	<u>\$ 1,989,540</u>

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

CITY OF LEBANON, ILLINOIS

RECONCILIATION OF THE STATEMENT OF ASSETS,
LIABILITIES AND FUND BALANCES ARISING FROM MODIFIED
CASH BASIS TRANSACTIONS TO THE STATEMENT OF NET POSITION
APRIL 30, 2021

Amounts reported for governmental fund balances are different because:

Fund balances - total governmental funds	\$ 1,011,322
Capital assets used in governmental activities are not financial resources and, therefore, are not reported on the balance sheet of the governmental funds.	4,323,921
Long-term debt (e.g., bonds, leases) is not reported as a liability on the balance sheet of the governmental funds.	<u>(101,815)</u>
Net position of governmental activities	<u>\$ 5,233,428</u>

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

CITY OF LEBANON, ILLINOIS

STATEMENT OF REVENUES AND EXPENDITURES
ARISING FROM MODIFIED CASH BASIS TRANSACTIONS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED APRIL 30, 2021

	<u>General</u>	<u>Motor Fuel Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property Tax	\$ 297,628	\$ -	\$ 7,765	\$ 305,393
Intergovernmental:				
Replacement Tax	6,305	-	-	6,305
Sales and Use Tax	558,780	-	134,335	693,115
State Income Tax	506,468	-	-	506,468
Motor Fuel Tax	-	156,731	-	156,731
Telecommunications Tax	48,905	-	-	48,905
Video Gaming Tax	45,248	-	-	45,248
Grants	176,528	145,582	25,026	347,136
Utility Tax	-	-	244,669	244,669
Licenses and Permits	28,261	-	-	28,261
Fines and Penalties	4,450	-	26,961	31,411
Rental Income	3,000	-	-	3,000
Franchise Fees	41,558	-	-	41,558
Other Fees	133,699	-	-	133,699
Investment Earnings	681	486	34,519	35,686
Reimbursements	64,612	-	-	64,612
Miscellaneous	18,333	1,029	8,193	27,555
Total Revenues	<u>1,934,456</u>	<u>303,828</u>	<u>481,468</u>	<u>2,719,752</u>
Expenditures:				
Current:				
General Government	256,510	-	69,592	326,102
Public Safety	1,223,917	-	65,753	1,289,670
Highways and Streets	389,039	182,927	87,245	659,211
Miscellaneous - Cemetery	37,270	-	662	37,932
Development	-	-	2,278	2,278
Capital Outlay	-	-	87,324	87,324
Debt Service:				
Principal	60,024	-	36,871	96,895
Interest	4,200	-	389	4,589
Total Expenditures	<u>1,970,960</u>	<u>182,927</u>	<u>350,114</u>	<u>2,504,001</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(36,504)</u>	<u>120,901</u>	<u>131,354</u>	<u>215,751</u>
Other Financing Sources (Uses):				
Proceeds From Debt	30,000	-	-	30,000
Transfers In (Out)	3,763	-	(3,763)	-
Total Other Financing Sources (Uses)	<u>33,763</u>	<u>-</u>	<u>(3,763)</u>	<u>30,000</u>
Net Change in Fund Balances	(2,741)	120,901	127,591	245,751
Fund Balance (Deficit), Beginning of Year	<u>(691,253)</u>	<u>172,270</u>	<u>1,284,554</u>	<u>765,571</u>
Fund Balance (Deficit), End of Year	<u>\$ (693,994)</u>	<u>\$ 293,171</u>	<u>\$ 1,412,145</u>	<u>\$ 1,011,322</u>

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

CITY OF LEBANON, ILLINOIS

RECONCILIATION OF THE STATEMENT OF REVENUES AND
EXPENDITURES ARISING FROM MODIFIED CASH BASIS
TRANSACTIONS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2021

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

Net change in fund balances - total governmental funds	\$ 245,751
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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 depreciation expense (\$185,154) exceeded capital outlays (\$87,324) in the current year. (97,830)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of those differences in the treatment of long-term debt and related items. 66,895

Change in net position of governmental activities	<u>\$ 214,816</u>
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The notes to the financial statements are an integral part of this statement

CITY OF LEBANON, ILLINOIS

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 APRIL 30, 2021

<u>Assets</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Current Assets:			
Cash and Cash Equivalents	\$ 284,510	\$ 1,623,618	\$ 1,908,128
Investments	312,558	1,325,486	1,638,044
Receivables:			
Customers	42,716	80,088	122,804
Unbilled Revenue	16,541	22,408	38,949
Prepaid Expenses	2,851	2,893	5,744
Due From Other Funds	-	195,101	195,101
Total Current Assets	<u>659,176</u>	<u>3,249,594</u>	<u>3,908,770</u>
Noncurrent Assets:			
Property, Plant and Equipment:			
Buildings and Improvements	66,051	13,318,871	13,384,922
Distribution and Collection Systems	4,349,078	2,448,950	6,798,028
Vehicles and Equipment	110,895	486,531	597,426
	<u>4,526,024</u>	<u>16,254,352</u>	<u>20,780,376</u>
Less - Accumulated Depreciation	1,805,574	2,349,227	4,154,801
Net Property, Plant and Equipment	<u>2,720,450</u>	<u>13,905,125</u>	<u>16,625,575</u>
Total Assets	<u>\$ 3,379,626</u>	<u>\$ 17,154,719</u>	<u>\$ 20,534,345</u>
<u>Deferred Outflows of Resources</u>			
Pension Plan Obligations	<u>\$ 89,226</u>	<u>\$ 114,447</u>	<u>\$ 203,673</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable	\$ 44,010	\$ 619,438	\$ 663,448
Accrued Salaries	6,480	8,653	15,133
Accrued Interest	1,429	123,956	125,385
Due To Other Funds	275,101	-	275,101
Current Portion of Debt	91,186	132,698	223,884
Deposit Advances	46,000	45,000	91,000
Compensated Absences	112,752	72,552	185,304
Customer Deposits	82,410	81,155	163,565
Total Current Liabilities	<u>659,368</u>	<u>1,083,452</u>	<u>1,742,820</u>
Noncurrent Liabilities:			
Net Pension Liability	14,527	18,633	33,160
Long Term Debt (Net of Current Portion)	542,942	9,385,558	9,928,500
Total Noncurrent Liabilities	<u>557,469</u>	<u>9,404,191</u>	<u>9,961,660</u>
Total Liabilities	<u>\$ 1,216,837</u>	<u>\$ 10,487,643</u>	<u>\$ 11,704,480</u>
<u>Deferred Inflows of Resources</u>			
Pension Plan Obligations	<u>\$ 132,044</u>	<u>\$ 169,367</u>	<u>\$ 301,411</u>
<u>Net Position</u>			
Net Investment in Capital Assets	2,086,322	4,386,869	6,473,191
Unrestricted	33,649	2,225,287	2,258,936
Total Net Position	<u>\$ 2,119,971</u>	<u>\$ 6,612,156</u>	<u>\$ 8,732,127</u>

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

CITY OF LEBANON, ILLINOIS

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2021

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenue:			
Charges for Services:			
Water and Sewer Charges	\$ 786,400	\$ 1,061,761	\$ 1,848,161
Connection Fees	32,517	15,000	47,517
Miscellaneous	3,458	609	4,067
Total Operating Revenue	<u>822,375</u>	<u>1,077,370</u>	<u>1,899,745</u>
Operating Expenses:			
Personal Services	261,881	332,296	594,177
Contractual Services and Other	352,878	104,576	457,454
Supplies and Materials	4,947	8,843	13,790
Heat, Light and Power	12,713	57,130	69,843
Depreciation	111,005	66,785	177,790
Total Operating Expenses	<u>743,424</u>	<u>569,630</u>	<u>1,313,054</u>
Operating Income	<u>78,951</u>	<u>507,740</u>	<u>586,691</u>
Nonoperating Revenues (Expenses):			
Interest Income	4,189	14,613	18,802
Sale of Fixed Assets	-	(3,767)	(3,767)
Interest Expense	(17,585)	(63,948)	(81,533)
Total Nonoperating Revenues (Expenses)	<u>(13,396)</u>	<u>(53,102)</u>	<u>(66,498)</u>
Change in Net Position	65,555	454,638	520,193
Net Position, Beginning of Year	<u>2,054,416</u>	<u>6,157,518</u>	<u>8,211,934</u>
Net Position, End of Year	<u>\$ 2,119,971</u>	<u>\$ 6,612,156</u>	<u>\$ 8,732,127</u>

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

CITY OF LEBANON, ILLINOIS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED APRIL 30, 2021

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 829,236	\$ 1,071,388	\$ 1,900,624
Payments to Suppliers	(435,072)	(249,144)	(684,216)
Payments to Employees	<u>(210,232)</u>	<u>(267,131)</u>	<u>(477,363)</u>
Net Cash Provided by Operating Activities	<u>183,932</u>	<u>555,113</u>	<u>739,045</u>
Cash Flows from Capital Financing Activities:			
Purchase of Fixed Assets	(19,826)	(1,756,180)	(1,776,006)
Payment of Debt Principal	(89,376)	-	(89,376)
Payment of Debt Interest	(17,770)	-	(17,770)
Proceeds from Loan	<u>-</u>	<u>1,706,456</u>	<u>1,706,456</u>
Net Cash Provided (Used) by Capital Financing Activities	<u>(126,972)</u>	<u>(49,724)</u>	<u>(176,696)</u>
Cash Flows from Investing Activities:			
Sale (Purchase) of Investments	(2,764)	(11,727)	(14,491)
Interest Income	<u>4,189</u>	<u>14,613</u>	<u>18,802</u>
Net Cash Provided by Investing Activities	<u>1,425</u>	<u>2,886</u>	<u>4,311</u>
Cash Flows from Non-Capital Financing Activities:			
Customer Deposits	<u>5,390</u>	<u>5,260</u>	<u>10,650</u>
Net Cash Provided by Non-Capital Financing Activities	<u>5,390</u>	<u>5,260</u>	<u>10,650</u>
Net Change in Cash and Cash Equivalents	63,775	513,535	577,310
Cash and Cash Equivalents, Beginning of Year	<u>220,735</u>	<u>1,110,083</u>	<u>1,330,818</u>
Cash and Cash Equivalents, End of Year	<u>\$ 284,510</u>	<u>\$ 1,623,618</u>	<u>\$ 1,908,128</u>

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

CITY OF LEBANON, ILLINOIS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED BY OPERATING ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2021

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Income	\$ 78,951	\$ 507,740	\$ 586,691
Adjustments to Reconcile Operating Income			
Net Cash Provided by Operating Activities:			
Depreciation	111,005	66,785	177,790
Change in Pension Obligations	(32,676)	(25,739)	(58,415)
(Increase) Decrease in:			
Accounts Receivable	12,764	809	13,573
Unbilled Revenue	(1,903)	(2,791)	(4,694)
Prepaid Expenses	(643)	(652)	(1,295)
Increase (Decrease) in:			
Accounts Payable	14,134	11,003	25,137
Accrued Salaries	654	343	997
Compensated Absences	5,646	1,615	7,261
Deposit Advances	<u>(4,000)</u>	<u>(4,000)</u>	<u>(8,000)</u>
Net Cash Provided by Operating Activities	<u>\$ 183,932</u>	<u>\$ 555,113</u>	<u>\$ 739,045</u>

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

CITY OF LEBANON, ILLINOIS

NOTES TO FINANCIAL STATEMENTS APRIL 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Lebanon, Illinois have been prepared in conformity with the modified cash basis of accounting for the Governmental Fund Types and the accrual basis for the Proprietary Fund Types as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

(a) The financial reporting entity

The City is a political subdivision of the State of Illinois. These financial statements present the government and its component units. Component units are legally separate entities for which the City is financially accountable. The City defines its reporting entity in accordance with Codification of Governmental Accounting and Financial Reporting Standards, Section 2100. Component units are organizations for which the City, as the primary government, is financially accountable. To be considered financially accountable, the organization must be fiscally dependent on the City or the City must appoint a majority of the board of the organization and either (1) be able to impose its will on the organization or (2) the relationship must have the potential for creating a financial benefit to or imposing a financial burden on the City. The City did not have any component units at April 30, 2021.

(b) Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The primary government is also reported separately from legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function

CITY OF LEBANON, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

(c) Measurement focus, basis of accounting and financial statement presentation

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. Accordingly, receipts are recorded when cash is received and disbursements are recorded when checks are written. Only assets representing a right to receive cash arising from a previous payment of cash are recorded as assets of a fund. In the same manner, only liabilities resulting from previous cash transactions are recorded as liabilities of a particular fund. Property taxes are recognized as revenues in the year for which they are received.

The government-wide financial statements are reported on the basis of accounting as used by the individual funds in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Motor Fuel Tax Fund accounts for the taxes received and amounts paid related to motor fuel tax expenditures.

The City reports the following major proprietary funds:

The Water and Sewer Funds account for all activities related to the billing, administration, distribution and collection processes of the water and sewer utilities. The City operates the water distribution system as well as the sewage treatment plant, sewage pumping stations and collection systems.

CITY OF LEBANON, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are reimbursements between funds for direct costs applicable to the other fund. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. All taxes are reported as general revenues of the City.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(d) Assets, liabilities and net assets or equity

Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits and short-term investments with original maturities of three months or less.

The City is authorized by state statute to invest in obligations of the United States of America, insured interest bearing accounts of banks, savings and loan associations or credit unions, certain short-term obligations of corporations organized in the United States, money market mutual funds that invest in obligations of the United States of America or its agencies or are guaranteed by the full faith and credit of the United States of America, the Illinois Funds and repurchase agreements of government securities. Investment income is recognized by fund in accordance with the accounting basis.

The Cemetery Care fund is authorized to invest in the same obligations of the City as well as preferred or common stocks. Investment income is recognized as earned.

All cash and investments are reported at fair value.

CITY OF LEBANON, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade receivables are shown net of an allowance for uncollectible.

Unbilled water and sewer utility receivables related to the business-type activities are recorded at year-end. They are determined by taking cycle billings subsequent to April 30 and prorating the applicable number of days to the current fiscal year.

Capital assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects when constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Type of Property And Equipment</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	15 - 40 Years
Infrastructure Systems	15 - 50 Years
Vehicles and Equipment	5 - 10 Years

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net positions. Debt premiums and discounts are deferred and amortized over the life of the debt using the effective interest method.

CITY OF LEBANON, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund balances

In the fund financial statements, the City classifies the fund balances based upon the following criteria:

Nonspendable - includes amounts that cannot be spent because they are either 1) not in spendable form, or 2) legally or contractually required to remain intact.

Restricted - balances with constraints that are either externally imposed by creditors or imposed by law through constitutional provisions or enabling legislation.

Committed - balances that are to be only used for specific purposes pursuant to constraints imposed by formal action of the City Council; the government's highest level of decision-making authority.

Assigned - balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned - the residual classification of the General Fund balance.

When expenditures are incurred for which the City has both restricted and unrestricted funds available, the City spends any restricted funds before using unrestricted sources. Likewise, the City uses committed, assigned and then unassigned balances, in that order, when spending amounts for which all three categories are available.

CITY OF LEBANON, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The following details the description and amount of all constraints recorded by the City in the fund financial statements:

<u>Governmental Funds</u>	
Nonspendable:	
Cemetery Trust	<u>\$ 243,639</u>
Restricted:	
Motor Fuel Tax	\$ 293,171
Police Funds	27,049
City Square Park	9,330
Additional Sales Tax	<u>474,489</u>
	<u>\$ 804,039</u>
Committed:	
Municipal Utility Tax	<u>\$ 719,577</u>

(e) Estimates

The City uses estimates and assumptions in preparing these financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenditures. Actual results could vary from estimates that were used.

(f) Risk management

The City is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions and natural disasters for which the City carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

(g) Budget and budgetary accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Treasurer submits to the City Council a proposed operating budget for the fiscal year commencing May 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to May 1, the budget is legally enacted through the passage of an ordinance.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds and Enterprise Funds.

CITY OF LEBANON, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

At April 30, 2021, the carrying amount of the City's deposits was \$4,248,456 and the bank balance was \$4,303,212. The deposits are comprised of checking, interest checking, money market funds and certificates of deposit.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City requires that all deposits be fully covered by FDIC insurance or collateralized with investments held by the financial institution in the City's name.

As of April 30, 2021, cash deposit balances of \$3,537,125, which were in excess of FDIC insurance, were collateralized with investments by the financial institution. Cash deposit balances of \$304,288 were in excess of FDIC insurance and were not collateralized with other investments.

At April 30, 2021, the City had the following investments:

<u>Investment</u>	<u>Weighted Average Maturity (Years)</u>	<u>Fair Value</u>
Mutual Funds	--	\$ 237,160
Deposits as reported above		<u>4,248,456</u>
Total deposits and investments		<u>\$ 4,485,616</u>
As Reported in the Statement of Net Position:		
Cash and Cash Equivalents		\$ 2,610,412
Investments		<u>1,875,204</u>
		<u>\$ 4,485,616</u>

Interest Rate Risk. The City's investment policy limits investment maturities in order to maintain sufficient liquidity to reflect the cash flow needs of the fund type being invested. The policy also requires diversification of the investment portfolio via length of maturity as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. As of April 30, 2021, the City did not have a credit risk.

Concentration of Credit Risk. As of April 30, 2021, the City did not have a concentration of credit risk.

Foreign Currency Risk. As of April 30, 2021, the City did not have a foreign currency risk.

CITY OF LEBANON, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3: RECEIVABLES

The City reports the following receivables for business-type activities in the statement of net position as of April 30, 2021. These amounts are reported net of the applicable allowances for uncollectible accounts.

Receivables:	
Customer Accounts	\$ 122,804
Unbilled Revenue	<u>38,949</u>
	<u>\$ 161,753</u>

NOTE 4: INTERFUND TRANSFERS

The following is a summary of interfund transfers for the year ended April 30, 2021:

General Fund Transfer From (To):	
Cemetery Care Fund	\$ 3,763
Police Funds Transfer (To):	
Police Vehicle Fund	(9,779)
Police Vehicle Fund Transfer From:	
Police Funds	9,779
Cemetery Care Fund Transfer (To):	
General Fund	<u>(3,763)</u>
	<u>\$ -</u>

Transfers were made between funds to transfer unrestricted interest income and to reimburse general costs.

NOTE 5: RETIREMENT FUND COMMITMENTS

Illinois Municipal Retirement Fund

Plan Description. The City's defined benefit pension plan for regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The Plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained on-line at www.imrf.org.

Funding Policy. As set by statute, members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer annual required contribution rate for calendar year

CITY OF LEBANON, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2020 was 11.15 percent. The employer also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Covered Employees. The following types of employees comprise the membership of the plan.

Retirees and Beneficiaries	19
Inactive, non-Retired Members	13
Active Members	<u>24</u>
Total	<u>56</u>

Discount Rate. GASB Statement No. 68 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount rate is used. In years where assets are not projected to be sufficient to meet benefit payments, the use of a “risk-free” rate is required, as described in the following paragraph.

The *Single Discount Rate* (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

CITY OF LEBANON, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.25%; the municipal bond rate is 2.00%; and the resulting single discount rate is 7.25%.

Actuarial Valuation Date	12/31/20
Measurement Date of the Net Pension Liability	12/31/20
Fiscal Year End	04/30/21

Development of the Single Discount Rate as of December 31, 2020	
Long-Term Expected Rate of Investment Return	7.25%
Long-Term Municipal Bond Rate	2.00%
Last year ending December 31 in the 2021 to 2120 projection period for which projected benefit payments are fully funded	2120
Resulting Single Discount Rate based on the above development	7.25%
Single Discount Rate calculated using December 31, 2019 Measurement Date	7.25%

The Long-Term Municipal Bond Rate is based on the Fidelity Index's "20-Year Municipal GO AA Index" as of December 31, 2020.

Actuarial Assumptions. The following are the actuarial assumptions used in the calculation of the net pension liability.

Asset Valuation Method	Market Value of Assets
Price Inflation	2.25%
Salary Increases	2.85% to 13.75%
Investment Rate of Return	7.25%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2020 valuation pursuant to an experience study of the period 2017-2019.
Mortality	For non-disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 106%) and Female (adjusted 105%) tables, and future mortality improvements projected using scale MP-2020. For disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020. For active members, the Pub-2010, Amount-Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020.

CITY OF LEBANON, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Net Pension Liability. The following is a summary of the Net Pension Liability as shown as a liability in the financial statements.

Total pension liability	
Service Cost	\$ 152,579
Interest on the Total Pension Liability	524,031
Changes of benefit terms	-
Difference between expected and actual experience of the Total Pension Liability	245,503
Changes of assumptions	(112,284)
Benefit payments, including refunds of employee contributions	<u>(286,627)</u>
Net change in total pension liability	\$ 523,202
Total pension liability - beginning	<u>7,295,031</u>
Total pension liability - ending	<u>\$ 7,818,233</u>
Plan fiduciary net position	
Contributions - employer	\$ 173,986
Contributions - employee	70,219
Net investment income	972,259
Benefit payments, including refunds of employee contributions	(286,627)
Other (Net Transfer)	<u>(5,057)</u>
Net change in plan fiduciary net position	\$ 924,780
Plan fiduciary net position - beginning	<u>6,782,796</u>
Plan fiduciary net position - ending	<u>\$ 7,707,576</u>
Net pension liability/(asset)	<u>\$ 110,657</u>
Plan fiduciary net position as a percentage of the total pension liability	98.58%
Covered valuation payroll	\$ 1,560,413
Net pension liability as a percentage of covered valuation payroll	7.09%

CITY OF LEBANON, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

To report the sensitivity of the net pension liability to the selected discount rate, the following table displays the variation given a 1% increase or decrease.

	1% Decrease	Current Single Discount Rate Assumption	1% Increase
	<u>6.25%</u>	<u>7.25%</u>	<u>8.25%</u>
Total Pension Liability	\$ 8,939,528	\$ 7,818,233	\$ 6,915,848
Plan Fiduciary Net Position	<u>7,707,576</u>	<u>7,707,576</u>	<u>7,707,576</u>
Net Pension Liability/(Asset)	<u>\$ 1,231,952</u>	<u>\$ 110,657</u>	<u>\$ (791,728)</u>

Deferred Outflows and Deferred Inflows of Resources by Source to be recognized in Future Pension Expenses. The following tables display the amount of deferred inflows and outflows related to the net pension liability and the future periods that these deferrals will affect the financial statements.

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ 235,838	\$ 2,492
Changes in assumptions	77,072	110,621
Subsequent employer contributions	51,508	-
Net difference between projected and actual earnings on pension plan investments	<u>315,247</u>	<u>892,708</u>
Total	<u>\$ 679,665</u>	<u>\$ 1,005,821</u>

Year Ending <u>December 31,</u>	Net Deferred Inflows of <u>Resources</u>
2021	\$ (46,953)
2022	3,769
2023	(198,116)
2024	(84,856)
2025	<u>-</u>
	<u>\$ (326,156)</u>

CITY OF LEBANON, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6: LONG-TERM DEBT

The City has the following long-term debt as of April 30, 2021.

Governmental Activities

On August 11, 2014, the City entered into a loan to perform infrastructure projects for \$250,000. The loan is to be repaid by 84 monthly payments of \$3,105, including interest at 1.20%. The loan is secured by deposits at the bank. The loan is to be repaid from the Municipal Utility Tax Fund. \$ 12,349

On December 3, 2014, the City entered into a loan to purchase a used street sweeper for \$116,350. The loan is to be repaid by 84 monthly payments of \$1,502, including interest at 2.30%. The loan is secured by the related equipment. The loan is to be repaid from the Municipal Utility Tax Fund. \$ 11,914

On November 28, 2017, the City entered into a loan to purchase a 2018 Ford Explorer for \$29,645. The loan is to be repaid by 5 annual payments of \$6,233, including interest at 2.01%. The loan is secured by the related equipment. The loan is to be repaid from the General Fund. \$ 6,105

On December 31, 2018, the City entered into a loan to purchase a 2019 Ford F450 Dump Truck for \$80,000. The loan is to be repaid by 84 monthly payments of \$1,084, including interest at 3.75%. The loan is secured by the related equipment. The loan is to be repaid from the General Fund. \$ 55,628

On April 30, 2018, the City entered into a loan for \$80,000 of which the City made a draw of \$30,000 in the current year. The loan is to be repaid by monthly payments of \$1,418, including interest at 2.45%. The loan is unsecured and will be repaid from the General Fund. \$ 15,819

Business-type Activities

On October 5, 2006, the City entered into a loan for construction of a new elevated water storage tank for \$1,100,000. The loan is to be repaid by 40 semiannual payments of \$35,809, including interest at 2.50%. The loan is to be repaid from the Water Fund. \$ 457,301

On September 29, 2016, the City entered into a loan with First Federal Savings Bank of Mascoutah for ground storage tank renovations of \$300,000. The loan is to be repaid by 120

CITY OF LEBANON, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

monthly payments of \$2,961, including interest at 3.00%. The loan is secured by inventory and equipment. The loan is to be repaid from the Water Fund.

\$ 176,827

On August 1, 2018, the City entered into a loan for construction of a new wastewater treatment plant for \$11,392,650. A portion of the loan, \$1,874,394, was forgiven by the State of Illinois. The loan is to be repaid by 60 semiannual payments through May 30, 2051, including interest at 1.38%. The loan is to be repaid from the Sewer Fund.

\$ 9,518,256

Annual debt service requirements to maturity for long-term debt are as follows:

Fiscal Year Ended April 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 57,268	\$ 2,431	\$ 223,884	\$ 277,366
2023	11,504	1,510	358,704	142,546
2024	11,943	1,070	364,901	136,349
2025	12,399	614	370,893	130,357
2026	8,701	150	377,675	123,575
2027-2031	-	-	1,592,651	535,328
2032-2036	-	-	1,542,552	427,967
2037-2041	-	-	1,652,637	317,882
2042-2046	-	-	1,770,961	199,559
2047-2051	-	-	1,897,526	72,994
	<u>\$ 101,815</u>	<u>\$ 5,775</u>	<u>\$ 10,152,384</u>	<u>\$ 2,363,923</u>

The following is a summary of changes in long-term debt for the year ended April 30, 2021.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Direct Borrowings	\$ 168,710	\$ 30,000	\$ 96,895	\$ 101,815	\$ 57,268
	<u>\$ 168,710</u>	<u>\$ 30,000</u>	<u>\$ 96,895</u>	<u>\$ 101,815</u>	<u>\$ 57,268</u>
<u>Business-type Activities:</u>					
Direct Borrowings	\$ 8,535,304	\$ 1,706,456	\$ 89,376	\$ 10,152,384	\$ 223,884
Net Pension Liability	159,449	-	126,289	33,160	-
Compensated Absences	178,043	-	9,349	168,694	-
	<u>\$ 8,872,796</u>	<u>\$ 1,706,456</u>	<u>\$ 225,014</u>	<u>\$ 10,354,238</u>	<u>\$ 223,884</u>

For the loans through the banks, upon default, the bank may declare the entire balance and related interest immediately due.

CITY OF LEBANON, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 7: PROPERTY TAXES

The City's property taxes are levied each year on all taxable real property located in the City on or before the last Tuesday in December. The City Council passed the levy on December 14, 2020. Property taxes attach as an enforceable lien on property as of January 1 and are payable in four installments. The County has not mailed tax bills as of April 30 and past mailing practices of the County have been subsequent to April 30 of each year. The City receives distributions of tax receipts beginning in July and August after the County mails the tax bills.

The following are the tax rates applicable to the various levies per \$100 of assessed valuation:

	Maximum	Levy Years		
	Rate	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Tax Rates:</u>				
General	\$0.3300	\$ 0.3106	\$ 0.3238	\$ 0.3223
Audit	None	0.0123	0.0128	0.0131
Emergency Services	0.0500	0.0005	0.0005	0.0005
Social Security/Medicare	None	<u>0.0703</u>	<u>0.0732</u>	<u>0.0748</u>
Totals		<u>\$ 0.3937</u>	<u>\$ 0.4103</u>	<u>\$ 0.4107</u>
Assessed Valuation		<u>\$ 61,601,189</u>	<u>\$ 59,079,730</u>	<u>\$ 57,668,339</u>
<u>Tax Extensions:</u>				
General		\$ 191,333	\$ 191,300	\$ 185,865
Audit		7,577	7,562	7,555
Emergency Services		308	295	288
Social Security/Medicare		<u>43,305</u>	<u>43,247</u>	<u>43,136</u>
Totals		<u>\$ 242,523</u>	<u>\$ 242,404</u>	<u>\$ 236,844</u>
Collections		<u>\$ -</u>	<u>\$ 240,118</u>	<u>\$ 234,766</u>
Percentage of Extensions Collected		<u>0.00%</u>	<u>99.06%</u>	<u>99.12%</u>

CITY OF LEBANON, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 8: CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2021 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 70,507	\$ 25,838	\$ -	\$ 96,345
Capital assets, being depreciated:				
Buildings and improvements	277,488	-	-	277,488
Vehicles and equipment	795,986	61,486	-	857,472
Infrastructure	4,896,249	-	-	4,896,249
Total capital assets being depreciated	<u>5,969,723</u>	<u>61,486</u>	<u>-</u>	<u>6,031,209</u>
Less accumulated depreciation for:				
Buildings and improvements	191,903	7,129	-	199,032
Vehicles and equipment	557,957	55,620	-	613,577
Infrastructure	868,619	122,405	-	991,024
Total accumulated depreciation	<u>1,618,479</u>	<u>185,154</u>	<u>-</u>	<u>1,803,633</u>
Total capital assets, being depreciated, net	<u>4,351,244</u>	<u>(123,668)</u>	<u>-</u>	<u>4,227,576</u>
Governmental activities capital assets, net	<u>\$ 4,421,751</u>	<u>\$ (97,830)</u>	<u>\$ -</u>	<u>\$ 4,323,921</u>
<u>Business-type activities:</u>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 11,982,666	\$ 1,415,933	\$ 13,677	\$ 13,384,922
Distribution and collection systems	6,798,028	-	-	6,798,028
Vehicles and equipment	659,737	19,826	82,137	597,426
Total capital assets, being depreciated	<u>19,440,431</u>	<u>1,435,759</u>	<u>95,814</u>	<u>20,780,376</u>
Less accumulated depreciation for:				
Buildings and improvements	411,717	10,132	13,677	408,172
Distribution and collection systems	3,062,211	150,855	-	3,213,066
Vehicles and equipment	595,130	16,803	78,370	533,563
Total accumulated depreciation	<u>4,069,058</u>	<u>177,790</u>	<u>92,047</u>	<u>4,154,801</u>
Business-type activities capital assets, net	<u>\$ 15,371,373</u>	<u>\$ 1,257,969</u>	<u>\$ 3,767</u>	<u>\$ 16,625,575</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

<u>Governmental activities:</u>	
General government	\$ 8,881
Public safety	26,808
Highways and street	<u>149,465</u>
Total depreciation expense - governmental activities	<u>\$ 185,154</u>
Business-type activities - water and sewer	<u>\$ 177,790</u>

CITY OF LEBANON, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9: INTERFUND RECEIVABLES/PAYABLES

Individual fund interfund receivable and payable balances as of April 30, 2021 are as follows:

	Interfund Receivable/ <u>(Payable)</u>
General Fund Due (To):	
Municipal Utility Tax Fund	\$ (488,283)
Additional Sales Tax Fund	(407,430)
Municipal Utility Tax Fund Due (To):	
General Fund	488,283
Motor Fuel Tax Fund	(6,678)
Water Fund	80,000
TIF Fund	66,067
Motor Fuel Tax Fund Due (To):	
Municipal Utility Tax Fund	6,678
Additional Sales Tax Fund Due From:	
General Fund	407,430
TIF Fund	1,638
TIF Fund Due From (To):	
Additional Sales Tax Fund	(1,638)
Municipal Utility Tax Fund	(66,067)
Water Fund Due (To):	
Sewer Fund	(195,101)
Municipal Utility Tax Fund	(80,000)
Sewer Fund Due (To):	
Water Fund	<u>195,101</u>
	<u>\$ -</u>

The interfund receivables/payables are short term in nature and are expected to be repaid in the subsequent year.

NOTE 10: SUBSEQUENT EVENTS

The City has evaluated events occurring after the financial statement date through September 29, 2021 in order to determine their potential for recognition or disclosure in the financial statements. The latter date is the same date the financial statements were available to be issued.

CITY OF LEBANON, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MODIFIED CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2021

	<u>Budgeted Amounts</u>		Actual (Budget Basis)
	<u>Original</u>	<u>Final</u>	
Receipts:			
Property Tax	\$ 299,800	\$ 299,800	\$ 297,628
Replacement Tax	4,000	4,000	6,305
Sales Tax	550,000	550,000	558,780
State Income Tax	440,000	440,000	506,468
Telecommunications Tax	65,000	65,000	48,905
Video Gaming Tax	70,000	70,000	45,248
Franchise Fees	40,000	40,000	41,558
Grants	-	-	176,528
Licenses and Permits	58,654	58,654	28,261
Fines and Penalties	15,000	15,000	4,450
Rental Income	3,000	3,000	3,000
Fees	195,425	195,425	133,699
Investment Earnings	400	400	681
Reimbursement of Expenses	30,000	30,000	64,612
Miscellaneous	10,500	10,500	18,333
Total Receipts	<u>1,781,779</u>	<u>1,781,779</u>	<u>1,934,456</u>
Disbursements:			
Current:			
General Government	276,538	276,538	256,510
Public Safety	1,295,016	1,295,016	1,223,917
Highways and Streets	373,615	373,615	389,039
Miscellaneous - Cemetery	42,673	42,673	37,270
Capital Outlay	4,000	4,000	-
Debt Service:			
Principal	38,125	38,125	60,024
Interest	4,395	4,395	4,200
Total Disbursements	<u>2,034,362</u>	<u>2,034,362</u>	<u>1,970,960</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(252,583)</u>	<u>(252,583)</u>	<u>(36,504)</u>
Other Financing Sources:			
Transfers From (To) Other Funds	4,800	4,800	3,763
Total Other Financing Sources	<u>4,800</u>	<u>4,800</u>	<u>33,763</u>
Net Change in Fund Balances	<u>\$ (247,783)</u>	<u>\$ (247,783)</u>	(2,741)
No change for modified cash basis reporting			-
As reported on the Statement of Revenues and Expenditures Arising From Modified Cash Basis Transactions			<u>\$ (2,741)</u>

CITY OF LEBANON, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MODIFIED CASH BASIS
MOTOR FUEL TAX FUND
FOR THE YEAR ENDED APRIL 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual (Budget Basis)</u>
	<u>Original</u>	<u>Final</u>	
Receipts:			
Motor Fuel Tax	\$ 115,000	\$ 115,000	\$ 156,731
Grants	-	-	145,582
Investment Earnings	450	450	486
Miscellaneous	-	-	1,029
Total Receipts	<u>115,450</u>	<u>115,450</u>	<u>303,828</u>
Disbursements:			
Highways and Streets	<u>120,000</u>	<u>120,000</u>	<u>182,927</u>
Total Disbursements	<u>120,000</u>	<u>120,000</u>	<u>182,927</u>
Net Change in Fund Balances	<u>\$ (4,550)</u>	<u>\$ (4,550)</u>	120,901
No change for modified cash basis reporting			<u>-</u>
As reported on the Statement of Revenues and Expenditures Arising From Modified Cash Basis Transactions			<u>\$ 120,901</u>

CITY OF LEBANON, ILLINOIS

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
ILLINOIS MUNICIPAL RETIREMENT FUND
APRIL 30, 2021**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability:						
Service Cost	\$ 152,579	\$ 146,037	\$ 127,387	\$ 134,662	\$ 134,793	\$ 132,704
Interest	524,031	496,810	463,963	460,713	443,338	428,256
Difference between expected and actual experience	245,503	13,901	112,644	(22,272)	(15,247)	(94,845)
Assumption changes	(112,284)	-	223,784	(214,058)	(17,416)	8,532
Benefit payments, including refunds	<u>(286,627)</u>	<u>(282,498)</u>	<u>(258,962)</u>	<u>(365,176)</u>	<u>(293,898)</u>	<u>(238,946)</u>
Net change in total pension liability	523,202	374,250	668,816	(6,131)	251,570	235,701
Total pension liability - beginning	<u>7,295,031</u>	<u>6,920,781</u>	<u>6,251,965</u>	<u>6,258,096</u>	<u>6,006,526</u>	<u>5,770,825</u>
Total pension liability - ending	<u>\$ 7,818,233</u>	<u>\$ 7,295,031</u>	<u>\$ 6,920,781</u>	<u>\$ 6,251,965</u>	<u>\$ 6,258,096</u>	<u>\$ 6,006,526</u>
Plan Fiduciary Net Position						
Contributions - employer	173,986	127,957	150,803	154,979	155,460	156,843
Contributions - employee	70,219	63,979	60,322	57,295	55,832	53,267
Net investment income	972,259	1,083,917	(329,771)	930,736	348,197	25,279
Benefit payments, including refunds	(286,627)	(282,498)	(258,962)	(365,176)	(293,898)	(238,946)
Other	<u>(5,057)</u>	<u>(22,792)</u>	<u>109,325</u>	<u>(108,100)</u>	<u>81,098</u>	<u>(2,479)</u>
Net change in plan fiduciary net position	924,780	970,563	(268,283)	669,734	346,689	(6,036)
Plan fiduciary net position - beginning	<u>6,782,796</u>	<u>5,812,233</u>	<u>6,080,516</u>	<u>5,410,782</u>	<u>5,064,093</u>	<u>5,070,129</u>
Plan fiduciary net position - ending	<u>\$ 7,707,576</u>	<u>\$ 6,782,796</u>	<u>\$ 5,812,233</u>	<u>\$ 6,080,516</u>	<u>\$ 5,410,782</u>	<u>\$ 5,064,093</u>
Net Pension Liability	<u>\$ 110,657</u>	<u>\$ 512,235</u>	<u>\$ 1,108,548</u>	<u>\$ 171,449</u>	<u>\$ 847,314</u>	<u>\$ 942,433</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>98.58%</u>	<u>92.98%</u>	<u>83.98%</u>	<u>97.26%</u>	<u>86.46%</u>	<u>84.31%</u>
Covered-employee Payroll	<u>\$ 1,560,413</u>	<u>\$ 1,421,754</u>	<u>\$ 1,340,482</u>	<u>\$ 1,273,226</u>	<u>\$ 1,240,704</u>	<u>\$ 1,183,722</u>
Net position liability as a percentage of covered-employee payroll	<u>7.09%</u>	<u>36.03%</u>	<u>82.70%</u>	<u>13.47%</u>	<u>68.29%</u>	<u>79.62%</u>

CITY OF LEBANON, ILLINOIS

SCHEDULE OF CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND
APRIL 30, 2021

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarial Determined Contribution	\$ 173,986	\$ 127,958	\$ 150,804	\$ 148,331	\$ 155,460	\$ 156,843
Contributions in relation to actuarial determined contribution	<u>173,986</u>	<u>127,957</u>	<u>150,803</u>	<u>154,979</u>	<u>155,460</u>	<u>156,843</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ (6,648)</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered-employee Payroll	 <u>\$ 1,560,413</u>	 <u>\$ 1,421,754</u>	 <u>\$ 1,340,482</u>	 <u>\$ 1,273,226</u>	 <u>\$ 1,240,704</u>	 <u>\$ 1,183,722</u>
 Contributions as a percentage of covered-employee payroll	 <u>11.15%</u>	 <u>9.00%</u>	 <u>11.25%</u>	 <u>12.17%</u>	 <u>12.53%</u>	 <u>13.25%</u>

Actuarial valuation date for above is December 31, 2020.

The actuarial valuations presented are prepared using the following parameters:

Actuarial Cost Method:	Aggregate Entry Age Normal
Amortization Method:	Level Percentage of Payroll, Closed
Remaining Amortization Period:	23 years
Asset Valuation Method:	Gains and losses recognized over a five year period
Actuarial Assumptions:	
Investment Rate of Return	7.25%
Wage Growth	3.25%
Price Inflation	2.50%

CITY OF LEBANON, ILLINOIS

COMBINING STATEMENT OF ASSETS, LIABILITIES AND
FUND BALANCES ARISING FROM MODIFIED CASH BASIS TRANSACTIONS
NONMAJOR GOVERNMENTAL FUNDS
APRIL 30, 2021

	Special Revenue Funds						Permanent Fund Cemetery Care	Total Nonmajor Governmental Funds	
	Municipal Utility Tax	Police Special	Police Vehicle	Police Funds	City Square Park	TIF			Additional Sales Tax
<u>Assets</u>									
Cash and Cash Equivalents	\$ 91,905	\$ 4,858	\$ 2,900	\$ 19,291	\$ 9,330	\$ 5,766	\$ 65,421	\$ 6,479	\$ 205,950
Investments	-	-	-	-	-	-	-	237,160	237,160
Due from Other Funds	634,350	-	-	-	-	-	409,068	-	1,043,418
Total Assets	<u>726,255</u>	<u>4,858</u>	<u>2,900</u>	<u>19,291</u>	<u>9,330</u>	<u>5,766</u>	<u>474,489</u>	<u>243,639</u>	<u>1,486,528</u>
<u>Liabilities and Fund Balance</u>									
Liabilities:									
Due to Other Funds	6,678	-	-	-	-	67,705	-	-	74,383
Total Liabilities	<u>6,678</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,705</u>	<u>-</u>	<u>-</u>	<u>74,383</u>
Fund Balance:									
Nonspendable	-	-	-	-	-	-	-	243,639	243,639
Committed	719,577	-	-	-	-	-	-	-	719,577
Restricted	-	4,858	2,900	19,291	9,330	-	474,489	-	510,868
Unassigned	-	-	-	-	-	(61,939)	-	-	(61,939)
Total Fund Balance	<u>719,577</u>	<u>4,858</u>	<u>2,900</u>	<u>19,291</u>	<u>9,330</u>	<u>(61,939)</u>	<u>474,489</u>	<u>243,639</u>	<u>1,412,145</u>
Total Liabilities and Fund Balance	<u>\$ 726,255</u>	<u>\$ 4,858</u>	<u>\$ 2,900</u>	<u>\$ 19,291</u>	<u>\$ 9,330</u>	<u>\$ 5,766</u>	<u>\$ 474,489</u>	<u>\$ 243,639</u>	<u>\$ 1,486,528</u>

CITY OF LEBANON, ILLINOIS

COMBINING STATEMENT OF REVENUES AND EXPENDITURES
ARISING FROM MODIFIED CASH BASIS TRANSACTIONS
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED APRIL 30, 2021

	Special Revenue Funds						Permanent Fund Cemetery Care	Total Nonmajor Governmental Funds
	Municipal Utility Tax	Police Special	Police Vehicle	Police Funds	City Square Park	TIF		
Revenues:								
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,765	\$ -	\$ 7,765
Sales Tax	-	-	-	-	-	-	134,335	134,335
Grant Receipts	5,726	-	-	19,300	-	-	-	25,026
Utility Tax	244,669	-	-	-	-	-	-	244,669
Fines and Penalties	-	6,823	1,616	18,522	-	-	-	26,961
Investment Earnings	144	150	6	2	19	7	34,099	34,519
Miscellaneous	-	6,275	608	-	146	-	1,164	8,193
Total Revenues	250,539	13,248	2,230	37,824	165	7,772	135,591	481,468
Expenditures:								
Current:								
General Government	56,899	-	-	-	-	-	10,947	69,592
Public Safety	-	8,064	3,556	14,772	-	-	39,361	65,753
Highways and Streets	74,764	-	-	-	-	-	12,481	87,245
Cemetery	-	-	-	-	-	-	662	662
Development	-	-	-	-	-	2,278	-	2,278
Capital Outlay	-	6,169	7,115	48,202	25,838	-	-	87,324
Debt Service:								
Principal	36,871	-	-	-	-	-	-	36,871
Interest	389	-	-	-	-	-	-	389
Total Expenditures	168,923	14,233	10,671	62,974	25,838	2,278	63,451	312,854
Excess (Deficiency) of Revenues Over Expenditures	81,616	(985)	(8,441)	(25,150)	(25,673)	5,494	72,140	131,354
Other Financing Sources (Uses):								
Transfers In (Out)	-	-	9,779	(9,779)	-	-	(3,763)	(3,763)
Total Other Financing Sources (Uses)	-	-	9,779	(9,779)	-	-	(3,763)	(3,763)
Net Change in Fund Balances	81,616	(985)	1,338	(34,929)	(25,673)	5,494	72,140	127,591
Fund Balance, Beginning of Year	637,961	5,843	1,562	54,220	35,003	(67,433)	402,349	1,284,554
Fund Balance, End of Year	\$ 719,577	\$ 4,858	\$ 2,900	\$ 19,291	\$ 9,330	\$ (61,939)	\$ 474,489	\$ 1,412,145



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and City Council
City of Lebanon, Illinois:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lebanon, Illinois as of and for the year ended April 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Lebanon, Illinois' basic financial statements, and have issued our report thereon dated September 29, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

C. J. Schlon & Company LLC

Certified Public Accountants

Alton, Illinois

September 29, 2021



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Mayor and City Council
City of Lebanon, Illinois:

Report on Compliance for Each Major Federal Program

We have audited the City of Lebanon, Illinois' ("City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Lebanon, Illinois' major federal programs for the year ended April 30, 2021. The City of Lebanon, Illinois' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Lebanon, Illinois' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Lebanon, Illinois' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Lebanon, Illinois complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2021.

Report on Internal Control Over Compliance

Management of the City of Lebanon, Illinois is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants

Alton, Illinois

September 29, 2021

CITY OF LEBANON, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
APRIL 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Program or Award Amount	Federal Expenditures
<u>Environmental Protection Agency</u>				
Passed Through Illinois Environmental Protection Agency:				
Capitalization Grants for Clean Water State Revolving Funds	66.458	L171038	\$ 971,243	<u>\$ 971,243</u>
<u>Department of the Treasury</u>				
Passed Through State of Illinois Commerce and Economic Opportunity:				
COVID 19 - Coronavirus Relief Fund	21.019		\$ 182,254	<u>182,254</u>
<u>Department of Agriculture</u>				
Direct Award:				
Community Facilities Loans and Grants	10.766		\$ 19,371	<u>19,300</u>
Total Federal Awards				<u>\$ 1,172,797</u>

No awards were passed through to Sub-recipients

See notes to schedule of expenditures of federal awards

CITY OF LEBANON, ILLINOIS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
APRIL 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The accompanying Schedule of Federal Awards presents the activity of all federal award programs of City of Lebanon, Illinois. The City's reporting entity is defined in Note 1 to the City's financial statements. Federal awards passed through other government agencies are included on the schedule.

Basis of Accounting

The accompanying Schedule of Federal Awards is presented using the modified cash basis of accounting, which is described in Note 1 to the City's financial statements.

Noncash Assistance, Federal Insurance and Loans/Loan Guarantees

The City did not receive any noncash assistance, federal guaranteed loans or federal insurance for any of its programs for the year ended April 30, 2021.

Subrecipient Monitoring

The City did not provide any funds to subrecipients for federal funds.

Indirect Cost Rate

The City elected to use the de minimis indirect cost rate of 10%.

CITY OF LEBANON, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
APRIL 30, 2021

Part 1 -- Summary of Auditor's Results

- (a) The independent auditor's report expresses an unmodified opinion on the governmental activities and the business-type activities and fund financial statements.
- (b) No significant deficiencies or material weaknesses in internal control were disclosed during the audit of the financial statements which would be required to be reported in accordance with Government Auditing Standards.
- (c) No instances of noncompliance material to the financial statements were disclosed during the audit which would be required to be reported in accordance with Governmental Auditing Standards.
- (d) No significant deficiencies or material weaknesses in internal control over major federal programs were disclosed by the audit of the financial statements of the City.
- (e) An unmodified opinion was issued in the report on compliance for major programs.
- (f) The audit did not disclose any findings required to be reported in accordance with Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.
- (g) The City's major program is Capitalization Grants for Clean Water State Revolving Funds - CFDA #66.458.
- (h) The dollar threshold to distinguish between Type A and Type B programs is \$750,000.
- (i) The City did not qualify as a low-risk auditee under Section .530.

Part 2 -- The City has no findings to the financial statements that are required to be reported in accordance with GAGAS.

Part 3 -- The City has no findings or questioned costs for federal awards

CITY OF LEBANON, ILLINOIS

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
APRIL 30, 2021

None