

**CITY OF LEBANON,  
NEW HAMPSHIRE**

**ANNUAL FINANCIAL REPORT**

**AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2021**

**CITY OF LEBANON, NEW HAMPSHIRE**  
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# PLODZIK & SANDERSON

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## ***INDEPENDENT AUDITOR'S REPORT***

To the Members of the City Council  
City of Lebanon  
Lebanon, New Hampshire

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the City of Lebanon as of and for the year ended December 31, 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.

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

#### ***Basis for Opinions***

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

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

The City of Lebanon's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a

***City of Lebanon  
Independent Auditor's Report***

material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

**Required Supplementary Information** – Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements:

- Management's Discussion and Analysis,
- Schedule of the City's Proportionate Share of Net Pension Liability,
- Schedule of City Contributions – Pensions,
- Schedule of the City's Proportionate Share of the Net Other Postemployment Benefits Liability,
- Schedule of City Contributions – Other Postemployment Benefits,
- Schedule of Changes in the City's Total Other Postemployment Benefits Liability and Related Ratios, and
- Notes to the Required Supplementary Information

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.

**Supplementary Information** – Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lebanon's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

The combining and individual fund schedules 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 basic 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 fund schedules and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**City of Lebanon  
Independent Auditor's Report**

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2023 on our consideration of the City of Lebanon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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's internal control over financial reporting and compliance.



February 6, 2023  
Concord, New Hampshire

PLODZIK & SANDERSON  
Professional Association

**City of Lebanon, New Hampshire**  
**Management's Discussion and Analysis**

As management of the City of Lebanon, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2021. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and the disclosures that follow this section.

**A. OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements, which are comprised of three components: 1. government-wide financial statements, 2. fund financial statements, 3. notes to the basic financial statements, and required supplementary information. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The government-wide financial statements -- *Statement of Net Position; Statement of Activities* -- are designed to provide readers with both short- and long-term information about the City's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The *Statement of Net Position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflow of resources with the difference 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 as a whole is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes).

Both government-wide financial statements distinguish functions 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 include general government, public safety, highways and streets, welfare, culture and recreation, conservation, and interest on long-term debt. The business-type activities included solid waste disposal, water treatment and distribution, sewage collection and disposal, and municipal airport activities.

**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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City are divided into three categories: *governmental funds, proprietary funds, and fiduciary funds.*

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

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

*Proprietary funds* are used to account for activities that receive significant support from fees and charges. A type of proprietary fund is an enterprise fund; enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. It was determined in 2014 that based on the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 that the City's solid waste disposal, water treatment and distribution, sewage collection and disposal, and municipal airport funds qualify for presentation in the financial statements as business-type activities.

*Fiduciary funds* are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for private enterprises.

**Notes to the Financial Statements.** The notes 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.** In addition to this Management's Discussion and Analysis the basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes Funding Progress for Other Postemployment Benefits Plans and information about the New Hampshire Retirement System.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

## **B. FINANCIAL HIGHLIGHTS**

In comparison to the prior year, as of the close of the current fiscal year:

- Total assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$141,276,370.
- Governmental funds reported combined ending fund balances of \$19,322,205, a decrease of \$5,721,004.
- General fund unassigned fund balance was \$12,631,491, a decrease of \$605,135.
- Bonds/notes payable (governmental and business-type activities combined) was \$88,347,864 an increase of \$2,902,759.
- Annual requirements (governmental and business-type activities combined) to amortize all bonds/notes payable (principal and interest) was \$102,492,972, an increase of \$2,999,958.
- Authorized and unissued debt was \$19,071,169, a decrease of \$4,753,341.

## **C. GOVERNMENT-WIDE FINANCIAL ANALYSIS**

At the close of the current fiscal year, total assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$141,276,370, an increase of \$8,143,509 in comparison to the prior year.

The largest portion of net position (\$136,418,809) represents investment in capital assets (land, building, machinery and equipment and infrastructure) less related debt used to acquire those assets that is still outstanding. These capital assets are used by the City to provide services to citizens and are, consequently, not available for future spending. Although the investment in 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.

An additional portion of net position (\$6,465,693) represents resources that are subject to external restrictions on how they may be used; the remaining balance (-\$1,608,132) represents the part of net position of the City that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements (unrestricted).



	<b>NET POSITION</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Current and Other Assets	\$39,692,670	\$29,854,845	\$34,119,808	\$32,130,449	\$73,812,478	\$61,985,294
Capital Assets	\$113,754,365	\$104,137,701	\$111,315,043	\$109,906,876	\$225,069,408	\$214,044,577
Total Assets	\$153,447,035	\$133,992,546	\$145,434,851	\$142,037,325	\$298,881,886	\$276,029,871
Deferred Outflows of Resources	\$4,713,008	\$6,727,409	\$489,790	\$694,586	\$5,202,798	\$7,421,995
Long-term Liabilities Outstanding	\$66,756,399	\$75,512,695	\$60,802,364	\$56,621,556	\$127,558,763	\$132,134,251
Other Liabilities	\$19,722,688	\$4,831,422	\$1,944,937	\$6,821,670	\$21,667,625	\$11,653,092
Total Liabilities	\$86,479,087	\$80,344,117	\$62,747,301	\$63,443,226	\$149,226,388	\$143,787,343
Deferred Inflows of Resources	\$9,095,118	\$3,351,147	\$4,486,808	\$3,180,516	\$13,581,926	\$6,531,663
Net Position:						
Net Investment in Capital Assets	\$72,485,325	\$61,847,786	\$63,933,484	\$66,738,274	\$136,418,809	\$128,586,060
Restricted	\$2,543,582	\$6,055,242	\$3,922,111	\$3,424,727	\$6,465,693	\$9,479,969
Unrestricted	(\$12,443,069)	(\$10,878,337)	\$10,834,937	\$5,945,169	(\$1,608,132)	(\$4,933,168)
Total Net Position	<u>\$62,585,838</u>	<u>\$57,024,691</u>	<u>\$78,690,532</u>	<u>\$76,108,170</u>	<u>\$141,276,370</u>	<u>\$133,132,861</u>

<b>CHANGES IN NET POSITION</b>						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues --						
Charges for Services	\$2,484,373	\$1,868,431	\$14,499,846	\$14,100,400	\$16,984,219	\$15,968,831
Operating Grants and Contributions	\$986,915	\$3,712,203	\$2,270,207	\$4,972,322	\$3,257,122	\$8,684,525
Capital Grants and Contributions	\$511,912	\$352,880	\$0	\$0	\$511,912	\$352,880
General Revenues --						
Property and Other Taxes	\$25,354,730	\$24,560,130	\$0	\$0	\$25,354,730	\$24,560,130
Licenses & Permits	\$3,605,331	\$4,235,105	\$0	\$0	\$3,605,331	\$4,235,105
Grants and Contributions Not Restricted to Specific Programs	\$1,327,031	\$1,052,387	\$0	\$271,315	\$1,327,031	\$1,323,702
Other General Revenues	\$1,039,205	\$551,204	\$1,197,003	\$1,284,334	\$2,236,208	\$1,835,538
Total Revenues	<u>\$35,309,497</u>	<u>\$36,332,340</u>	<u>\$17,967,056</u>	<u>\$20,628,371</u>	<u>\$53,276,553</u>	<u>\$56,960,711</u>
Gain (Loss) on sale of property	\$0	\$0	\$0	\$3,035	\$0	\$3,035
Contributions to Permanent Funds	\$17,693	\$3,650	\$0	\$0	\$17,693	\$3,650
Transfers	\$1,396,156	\$1,009,031	(\$1,396,156)	(\$1,009,031)	\$0	\$0
Total Revenues Including Transfers	<u>\$36,723,346</u>	<u>\$37,345,021</u>	<u>\$16,570,900</u>	<u>\$19,622,375</u>	<u>\$53,294,246</u>	<u>\$56,967,396</u>
Expenses:						
General Government	\$9,092,003	\$9,282,484	\$0	\$0	\$9,092,003	\$9,282,484
Public Safety	\$11,433,128	\$13,282,758	\$0	\$0	\$11,433,128	\$13,282,758
Highway and Streets	\$5,842,408	\$5,434,351	\$0	\$0	\$5,842,408	\$5,434,351
Sewage Collection and Disposal	\$0	\$0	\$5,545,623	\$5,439,002	\$5,545,623	\$5,439,002
Solid Waste Disposal	\$0	\$0	\$3,663,751	\$3,765,960	\$3,663,751	\$3,765,960
Water Distribution and Treatment	\$0	\$0	\$2,893,288	\$2,343,592	\$2,893,288	\$2,343,592
Welfare (Human Services)	\$468,881	\$528,867	\$0	\$0	\$468,881	\$528,867
Municipal Airport	\$0	\$0	\$1,885,876	\$1,769,742	\$1,885,876	\$1,769,742
Culture and Recreation	\$2,889,186	\$2,572,016	\$0	\$0	\$2,889,186	\$2,572,016
Conservation	\$304,111	\$27,789	\$0	\$0	\$304,111	\$27,789
Interest on Long-term Debt	\$1,132,482	\$1,060,863	\$0	\$0	\$1,132,482	\$1,060,863
Total Expenses	<u>\$31,162,199</u>	<u>\$32,189,128</u>	<u>\$13,988,538</u>	<u>\$13,318,296</u>	<u>\$45,150,737</u>	<u>\$45,507,424</u>
Change in Net Position	<u>\$5,561,147</u>	<u>\$5,155,893</u>	<u>\$2,582,362</u>	<u>\$6,304,079</u>	<u>\$8,143,509</u>	<u>\$11,459,972</u>
Net Position Beginning 1/1	\$57,024,691	\$51,868,798	\$76,108,170	\$69,804,091	\$133,132,861	\$121,672,889
Net Position Ending 12/31	<u><b>\$62,585,838</b></u>	<u><b>\$57,024,691</b></u>	<u><b>\$78,690,532</b></u>	<u><b>\$76,108,170</b></u>	<u><b>\$141,276,370</b></u>	<u><b>\$133,132,861</b></u>

**Governmental Activities.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental activities for the year resulted in a change (increase) in net position of \$5,561,147.

	<u>Amount</u>
Net change in General Fund balance	\$462,143
Net change in Capital Improvements Fund balance	(\$6,993,423)
Net change in other governmental funds fund balance	\$810,276
Capital outlays exceed depreciation expense and asset disposals	\$9,616,664
Revenue that does not provide current financial resources	\$105,744
Offset the effect of providing/using resources through the issuance/repayment of long-term principal debt	\$1,002,349
Change in accrued interest expense, compensated absences payable, pension liability and postemployment benefits payable	\$557,394
Total	<u><b>\$5,561,147</b></u>

Program revenues of \$3,983,200 covered 12.8% of program expenses. The remaining 87.2% was financed by general revenues including property and other taxes, licenses & permits, grants and contributions not restricted to specific programs and other general revenues. The primary funding source for governmental activities was taxes (\$25,354,730) consisting of property taxes (\$22,644,179) and other taxes (\$2,710,551). Property taxes comprise about 61.7% of total program revenues, general revenues and contributions and transfers. The Public Safety function makes up 36.7% of the total governmental activities' expenses followed by General Government, 29.2%, Highway and Streets, 18.7%, and Culture and Recreation, 9.3%.

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b>Governmental Activities:</b>				
General Government	\$9,092,003	29.2%	(\$8,923,976)	32.5%
Public Safety	\$11,433,128	36.7%	(\$9,343,569)	34.1%
Highway and Streets	\$5,842,408	18.7%	(\$5,428,567)	19.8%
Welfare (Human Services)	\$468,881	1.5%	(\$468,881)	1.7%
Culture and Recreation	\$2,889,186	9.3%	(\$2,436,146)	8.9%
Conservation	\$304,111	1.0%	(\$26,499)	0.1%
Interest on Long-Term Debt	\$1,132,482	3.6%	(\$1,086,501)	4.0%
Capital Outlay	\$0	0.0%	\$285,279	-1.0%
Total	<u>\$31,162,199</u>	<u>100.0%</u>	<u>(\$27,428,860)</u>	<u>100.0%</u>

**Business-type Activities.** Business-type activities for the year resulted in a change in net position of \$2,597,668.

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b>Business Type Activities:</b>				
Solid Waste Disposal	\$3,663,751	26.2%	(\$88,327)	-3.2%
Water Treatment and Distribution	\$2,893,288	20.7%	\$881,320	31.7%
Sewage Collection and Disposal	\$5,545,623	39.6%	\$1,233,958	44.4%
Municipal Airport	\$1,885,876	13.5%	\$754,564	27.1%
Total	<u>\$13,988,538</u>	<u>100.0%</u>	<u>\$2,781,515</u>	<u>100.0%</u>

## FINANCIAL ANALYSIS OF CITY OF LEBANON FUNDS

The City of Lebanon uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of this section is specific to funds and types of funds versus entity wide.

**Governmental Funds.** The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. This information is useful in determining financing requirements. Of interest is unassigned fund balance, which may serve as a useful measure of net resources available for spending at the end of the fiscal year. Unassigned Fund Balance is the residual classification for the City's general fund and includes all amounts not contained in other fund balance component classifications and therefore not subject to any constraints.

At the close of the current fiscal year, governmental funds reported combined ending fund balances of \$19,322,205, a decrease of \$5,721,004.

The City's Fund Balance Policy is intended to provide adequate financial resources to ensure the continued orderly operation of government and the provision of services to residents and the continued stability of the tax or rate structure that can be threatened by uncertainty emanating from a number of areas including economic uncertainty, unanticipated changes in federal and state policies, imposition of federal and state mandates, unanticipated expenditures resulting from natural disasters or other unforeseen circumstances, errors in estimating expenditures and revenues, potential drain on resources from funds facing financial difficulties, and disparities in timing between revenue collections and expenditures.

Funds other than the General Fund exist primarily to ensure and demonstrate compliance with limitations on the use of existing resources or as enterprises. The General Fund, as the chief operating fund of the City, has a broader mandate which may include accumulating sufficient financial resources for contingencies.

<b><u>KEY ELEMENTS OF CHANGE IN COMBINED FUND BALANCES</u></b>	
General Fund revenues and transfers in excess of expenditures and transfers out	\$462,143
Capital Improvements Fund expenditures and transfers out in excess of revenues and transfers in	(\$6,993,423)
Other governmental funds revenues and transfers in excess of expenditures and transfers out	<u>\$810,276</u>
Net Change in Fund Balances	<u>(\$5,721,004)</u>
Other Governmental Funds:	
Library Fund expenditures exceed revenues	(\$73,066)
Public Safety Revolving Fund (Police) revenues exceed expenditures	\$6,772
Lebanon Open Space Fund revenues exceed expenditures	\$746,296
Public Safety Revolving Fund (Fire) revenues exceed expenditures	\$23,374
Farmers Market Fund revenues exceed expenditures	\$258
Recreation Revolving Fund revenues exceed expenditures	\$752
Impact Fees transfers out exceed revenues	(\$193,975)
Cemetery Maintenance revenues exceed transfers out	\$8,700
Downtown TIF District revenues exceed transfers out	\$88,614
Airport/Tech Park TIF District revenues exceed expenditures	\$14
Permanent Fund (cemetery perpetual care) revenues exceed expenditures and transfers out	<u>\$202,537</u>
Net Change in Fund Balances	<u>\$810,276</u>

<b><u>UNASSIGNED FUND BALANCE, DECEMBER 31, 2021</u></b>	
<b>Non-GAAP Budgetary Basis:</b>	
<b>Unassigned Fund Balance 1/1</b>	<b><u>\$13,457,135</u></b>
<b>Percentage of total general fund current year budgeted expenditures</b>	<b>40.0%</b>
Changes:	
Unassigned fund balance used to reduce 2021 tax rate	(\$1,535,000)
Unassigned fund balance voted from surplus	(\$950,000)
Revenue surplus	\$1,152,416
Unexpended balance of appropriations	\$640,424
Increase in nonspendable fund balance	(\$22,689)
Decrease in assigned fund balance (non-encumbrance)	\$246,579
<b>Unassigned fund balance 12/31 non-GAAP budgetary basis</b>	<b><u>\$12,988,865</u></b>
<b>Percentage of total general fund current year budgeted expenditures</b>	<b>36.6%</b>
Reconciliation of Non-GAAP Basis to GAAP Basis:	
Deferral of property taxes not collected within 60 days of year-end	(\$507,374)
Elimination of the allowance for uncollectible taxes	\$150,000
<b>Unassigned fund balance 12/31 GAAP basis</b>	<b><u>\$12,631,491</u></b>

It is the objective of the City to maintain an Unassigned Fund Balance of 19.0% to 24.0% of gross current General Fund budgeted expenditures.

- The City considers a balance of less than 19.0% to be a cause for concern and, considering factors or circumstances that may require a higher than normal maximum level of Unassigned Fund Balance, a balance of more than 24.0% as excessive.
- In the event Unassigned Fund Balance is less than 19.0%, restorative steps shall be taken in the immediate subsequent fiscal years. An amount more than 24.0% may be considered to reduce tax levy requirements determined in conjunction with the annual budget process, as a capital improvement funding component, for reservation to accumulate funding for future capital improvements, or for any legal purpose deemed appropriate and desirable by the City Council.
- This Policy is not intended to preclude the administrative application of Unassigned Fund Balance as a companion to the budgeted application of Unassigned Fund Balance as a mitigating utility in setting the annual Municipal Tax Rate.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** Total investment in capital assets for both Governmental and Business-type activities at year end was \$225,069,408 (net of accumulated depreciation).

The capital improvements fund is where the acquisition or construction of major, expensive, and long-lived capital facilities are budgeted. Operating budgets are period oriented (January 1 to December 31); the capital improvements budget is project oriented.

<b>2021 CAPITAL ASSETS</b>			
	<u>Amount</u>		<u>Amount</u>
<b><u>Governmental Activities</u></b>		<b><u>Business-type Activities:</u></b>	-
Not being depreciated:		Not being depreciated:	-
Land	\$7,629,286	Land	\$809,968
Intangible assets	\$189,570	Intangible assets	\$545,054
Construction in progress	<u>\$15,936,229</u>	Construction in progress	<u>\$10,518,684</u>
Total	\$23,755,085	Total	\$11,873,706
Net of depreciation:		Net of depreciation:	
Land Improvements	\$1,245,538	Land Improvements	\$11,825,735
Building and Building Improvements	\$19,481,689	Building and Building Improvements	\$25,762,321
Machinery and Equipment	\$7,943,926	Machinery and Equipment	\$4,402,258
Infrastructure	<u>\$61,328,127</u>	Infrastructure	<u>\$57,451,023</u>
Total	\$89,999,280	Total	\$99,441,337
Net BV value governmental activities capital assets	<u>\$113,754,365</u>	Net BV business-type activities capital assets	<u>\$111,315,043</u>
BV = Book Value		Net BV all capital assets	<u>\$225,069,408</u>

2021 CAPITAL BUDGET					
Purpose:		Amount	Source of Financing:		Amount
Building Improvements		\$ 2,543,541	Intergovernmental (Grants)		\$ 1,110,000
Vehicles and Equipment		\$ 794,000	Other		\$ 920,000
Airport Infrastructure		\$ 3,039,700	Debt Proceeds		\$ 6,467,141
Other	Total	\$ 3,347,900	Interfund Transfers		\$ 1,228,000
		\$ 9,725,141	Applied Fund Balance		\$ 9,725,141
<b>Other includes:</b>					
Community Center		\$ 20,000	Rail Trail Paving		\$ 170,000
Kimball Street Infrastructure Improvements		\$ 102,900	New Water Supply Source Study		\$ 145,000
Mount Support Road/Lahaye Drive Intersection		\$ 250,000	Huber Sludge Dewatering Press		\$ 275,000
Spencer Street Improvements		\$ 1,130,000	Lebanon Sewer System Rehabilitation		\$ 580,000
Lebanon Complete Streets/Multi-Modal Plan		\$ 25,000	Mill Road Slope Stabilization		\$ 100,000
Glenwood Cemetery-Columbarium		\$ 65,000	Landfill Phase 3-4 Design and Permitting		\$ 100,000
Recreation Playing Fields		\$ 45,000	Landfill Gas Collection & Control System		\$ 290,000
			Landfill PFAS Preliminary Study		\$ 50,000
					\$ 3,347,900

### Long-Term Debt

At the close of the current fiscal year, bonds/notes payable (governmental and business-type activities combined) was \$88,347,864, an increase of \$2,902,759; annual requirements (governmental and business-type activities combined) to amortize all bonds/notes payable (principal and interest) was \$102,492,972, an increase of \$2,999,958; authorized and unissued debt was \$19,071,169, a decrease of \$4,753,341. All outstanding debt is debt backed by the full faith and credit of the City.

<u>LONG-TERM LIABILITIES, DECEMBER 31, 2021</u>					
<b>Governmental activities:</b>					
	Balance 1/1	Additions	Reductions	Balance 12/31	
Bonds/notes Payable	\$39,442,112	\$2,685,530	(\$3,713,027)	\$38,414,615	
Unamortized Bond Premium	\$2,834,391	\$201,743	(\$188,640)	\$2,847,494	
Total Bonds/notes Payable	\$42,276,503	\$2,887,273	(\$3,901,667)	\$41,262,109	
Capital Leases	\$13,412	\$0	(\$6,481)	\$6,931	
Compensated Absences Payable	\$1,821,775	\$446,280	(\$2,770)	\$2,265,285	
Net Other Postemployment Benefits	\$2,843,470	\$0	(\$119,847)	\$2,723,623	
Net Pension Liability	\$28,557,535	\$0	(\$8,059,084)	\$20,498,451	
Total	<u>\$75,512,695</u>	<u>\$3,333,553</u>	<u>(\$12,089,849)</u>	<u>\$66,756,399</u>	
<b>Business-type activities:</b>					
	Balance 1/1	Additions	Reductions	Balance 12/31	
Bonds/notes Payable	\$42,062,223	\$7,945,671	(\$4,327,963)	\$45,679,931	
Unamortized Bond Premium	\$1,106,379	\$387,538	(\$88,093)	\$1,405,824	
Total Bonds/notes Payable	\$43,168,602	\$8,333,209	(\$4,416,056)	\$47,085,755	
Capital Leases	\$0	\$358,500	(\$62,696)	\$295,804	
Compensated Absences Payable	\$283,837	\$23,098	(\$30,154)	\$276,781	
Accrued Landfill Closure and Postclosure Care Costs	\$9,901,020	\$794,668	\$0	\$10,695,688	
Net Other Postemployment Benefits	\$355,039	\$24,395	(\$20,084)	\$359,350	
Net Pension Liability	\$2,913,058	\$0	(\$824,072)	\$2,088,986	
Total	<u>\$56,621,556</u>	<u>\$9,533,870</u>	<u>(\$5,353,062)</u>	<u>\$60,802,364</u>	

## F. NEXT YEAR'S BUDGETS AND RATES

- In 2022, the total net assessed valuation, the amount on which the tax rate for municipal, county and local education tax is computed is \$2,737,088,398. A citywide assessment occurred in 2020 and 2022. According to State law, annually, the assessors – Lebanon Board of Assessors – shall adjust assessments to reflect changes so that all assessments are reasonably proportional within the City and that all real estate be reappraised so that assessment are at full and true value at least as often as every five years. (New Hampshire Constitution Part 2 Article 6.)
- An increase in the total net assessed valuation exerts downward pressure on the tax rate; a decrease has the opposite influence.
- The property tax rate bridges the gap between non-property tax revenues, spending and statutory tax credits and property assessment abatements. The Total Tax Rate is made up of four constituent rates: Municipal (general City services), School: Local, School: State and County. Appropriations (authorization to spend public moneys) are a legislative act. The Lebanon City Council is the City's legislative body; the Lebanon School District annual meeting and Grafton County delegation (comprised of state representatives from Grafton County) are the legislative bodies for the school and county.
- The 2022 City Budget Municipal Tax Rate (excluding school and County components) is \$8.62 per \$1,000 of assessed value.
- The tax rate is set (calculated) by the New Hampshire Department of Revenue Administration usually in October. The first step in calculating the tax rate for each of the four tax rate components is to subtract non-property tax revenues and applied spendable fund balance from legal appropriations. (In the case of the Municipal Tax Rate, a provision for taxes that either will not be collected (War Service Tax Credits) or might not be collected to varying degrees (abatements) is added in.) The result, divided by the Net Valuation on Which the Tax Rate for Municipal, County & Local Education Tax is Computed, is converted to a rate expressed per \$1,000 of assessed real estate value. (For the state education tax rate, the result is divided by the Net Valuation on Which Tax Rate for State Education Tax is Computed.) The City Budget concerns the Municipal Tax Rate only.

How the Amount to Be Raised by Property Taxes is distributed is determined by property values that the Lebanon Board of Assessors must ensure by law are reasonably proportional within the City and that all taxable property was appraised to the best of the Board's knowledge and belief at its full value, in accordance with state appraisal standards. What the amount to be raised by property taxes consists of is determined through the city, school, state and county budget processes.

Tax bills are mailed on or around June 1 and November 1 each year, with interest accruing at a rate of 8% on bills outstanding for more than 30 days. Within 18 months of the date assessed (April 1), the Tax Collector places a lien on properties for all uncollected property taxes. The lien on these properties has priority over other liens and accrues interest at 12% per annum. If property is not redeemed (taxes, penalties, and interest) within the 2-year redemption period, the property is tax deduced to the city. The June billing is considered an estimate only. It is based by law on one-half of the prior year's tax rate. The balance of taxes due, considering current year budget activity, is billed in the fall after the New Hampshire Department of Revenue Administration has calculated the City's tax rate.

Property taxes billed and collected by the City include taxes levied for the Lebanon School District and Grafton County, which are remitted to those governmental units as required by law. The former is paid over the course of the based on a cash requirements schedule provided by the district; the latter is paid in December. Both the Lebanon School District and Grafton County receive their respective assessment no matter what may transpire respecting abatement activity and outcomes as ultimate responsibility for the collection of taxes rests with the City.

- *Landfill Fees:* The tipping fee for 2021 was \$76.50/ton.
- *Water and Sewer Service Fees:* The 2021 City Budget provided an increase of 8.0% to water service rates (base user rate and minimum charge) approved by the City Council (December 2, 2020) effective January 1, 2021. Water 0-1200 rate is \$3.49 per 100CF, > 1200, the rate is \$6.98 per 100CF for water. There are also fixed charges for the size of the meter.

The 2021 City Budget provides an increase of 7.2% to sewer service rates (base user rate, minimum charge, and residential flat rate) approved by the City Council (December 2, 2020) effective January 1, 2021. Sewer rate is \$10.43 per 100CF. There are also fixed charges for the size of the meter.

The long-term objective of a rate increase is to moderate future service rate increases by accumulating resources in advance as spendable fund balance sufficient for the Water Treatment and Distribution Fund and Sewage Collection and Disposal Fund to absorb projected operation and maintenance and debt service expenses over the next six-years (2020 – 2025). The intent is to balance recognition of future potential financial obligations and the ramifications of those obligations on future service rates and the fiscal integrity and soundness of the fund by adopting meaningful interim rate adjustments. The Combined Sewer Overflow Separation capital project has been and will continue to be a financial strain on both funds.

- **Labor Force Composition:** The 2021 City Budget had 185.33 active full-time equivalent (FTE) positions (174 full-time; 15 regular part-time positions excluding seasonal and occasional employees and call firefighters). 125.00 positions, or 68.6%, are represented by one of four unions. Positions may be occupied or vacant, funded, or unfunded. Positions are required to have an approved budget before they can be filled.

Fund	2021 Budget
General	\$ 35,461,300
Solid Waste Disposal	\$ 4,498,830
Water Treatment & Distribution	\$ 3,724,290
Sewage Collection and Disposal	\$ 7,128,990
Municipal Airport	\$ 1,358,250
Emergency Management	\$ 25,000
Capital Improvements	\$ 9,725,141
Heritage Fund	\$ 400
Downtown TIFD	\$ 428,630
Airport TIFD	\$ 10
<b>Total</b>	<b>\$ 62,350,841</b>

Expenditures by Function	2021 Budget
Capital Improvements	\$ 9,725,141
Community Development & Preservation	\$ 643,120
Community Services	\$ 2,114,950
Debt Service	\$ 9,763,690
General Government	\$ 9,106,430
Human Services	\$ 639,600
Interfund Transfers	\$ 5,607,380
Municipal Services	\$ 4,540,250
Public Safety	\$ 11,017,110
Sanitation	\$ 6,002,970
Transportation	\$ 1,460,220
Water Resources	\$ 1,729,980
<b>Total</b>	<b>\$ 62,350,841</b>

- The General Fund is 56.9% of the 2021 City Budget; Solid Waste Disposal Fund 7.2%; Water Treatment and Distribution Fund 6.0%; Sewage Collection and Disposal Fund 11.4%; Municipal Airport Fund 2.2%; Emergency Management Fund 0.04%, Capital Improvements Fund 15.6%; and Downtown TIFD .7%.
- The operations and maintenance budget (excluding capital improvements, debt service, and interfund transfers) is 61.5% of the City Budget or \$38,354,630.
- The 2021 Capital Budget of \$9,725,141 is comprised of twenty-nine (29) projects and four sources of financing. Projects include Building Improvements (\$2,543,541), Vehicles and Equipment (\$794,000), Airport Infrastructure (\$3,039,700) and Other (\$3,347,900). Other consists of Community Center (\$20,000), Kimball Street Infrastructure Improvements (\$102,900), Mount Support Road/Lahaye Drive Intersection (\$250,000), Spencer Street Improvements (\$1,130,000), Lebanon Complete Streets, Multi-Modal Plan (\$25,000), Glenwood Cemetery-Columbarium (\$65,000), Recreation Playing Fields (\$45,000), Rail Trail Paving, (\$170,000), New Water Supply Source Study (\$145,000), Huber Sludge Dewatering Press (\$275,000), Lebanon Sewer System Rehabilitation (\$580,000), Mill Road Slope Stabilization (\$100,000), Landfill Phase 3-4 Design and Permitting (\$100,000), Landfill Gas Collection & Control System (\$290,000), and Landfill PFAS Preliminary Study (\$50,000).



- The 2021 City Budget provided revenues of \$60,335,221 a decrease of \$1,376,934 from 2020. The General Fund makes up 54.7% of total revenues; Capital Improvements Fund 16.1%; Sewage Collection and Disposal Fund 12.2%; Solid Waste Disposal Fund 7.4%; Water Treatment and Distribution Fund 6.8%; Municipal Airport Fund 2.0%; and Emergency Management Fund >0.3%.
- 2021 Budget surplus is \$1,792,840 a decrease of \$650,325 from 2020.

**G. REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the finances of the City of Lebanon. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to the Finance Director, City Hall, 51 North Park Street, Lebanon, New Hampshire 03766.

***BASIC FINANCIAL STATEMENTS***

**EXHIBIT A**  
**CITY OF LEBANON, NEW HAMPSHIRE**  
**Statement of Net Position**  
**December 31, 2021**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 32,504,560	\$ 16,693,273	\$ 49,197,833
Investments	2,783,440	11,122,703	13,906,143
Taxes receivables (net)	2,870,079	-	2,870,079
Account receivables (net)	591,412	583,497	1,174,909
Intergovernmental receivable	572,452	5,636,291	6,208,743
Prepaid items	370,727	84,044	454,771
Capital assets:			
Land and construction in progress	23,755,085	11,873,706	35,628,791
Other capital assets, net of depreciation	89,999,280	99,441,337	189,440,617
Total assets	<u>153,447,035</u>	<u>145,434,851</u>	<u>298,881,886</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Amounts related to pensions	4,491,133	457,688	4,948,821
Amounts related to other postemployment benefits	221,875	32,102	253,977
Total deferred outflows of resources	<u>4,713,008</u>	<u>489,790</u>	<u>5,202,798</u>
<b>LIABILITIES</b>			
Accounts payable	804,154	303,171	1,107,325
Retainage payable	488,231	242,053	730,284
Contracts payable	918,212	57,620	975,832
Accrued interest payable	401,518	321,008	722,526
Intergovernmental payable	17,025,109	792,250	17,817,359
Escrow and performance deposits	85,464	228,835	314,299
Long-term liabilities:			
Due within one year	3,497,545	2,448,250	5,945,795
Due in more than one year	63,258,854	58,354,114	121,612,968
Total liabilities	<u>86,479,087</u>	<u>62,747,301</u>	<u>149,226,388</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - Grants received in advance	503,303	-	503,303
Debt forgiveness	1,818,398	3,676,994	5,495,392
Deferred revenue	-	79,147	79,147
Amounts related to pensions	6,266,642	638,630	6,905,272
Amounts related to other postemployment benefits	506,775	92,037	598,812
Total deferred inflows of resources	<u>9,095,118</u>	<u>4,486,808</u>	<u>13,581,926</u>
<b>NET POSITION</b>			
Net investment in capital assets	72,485,325	63,933,484	136,418,809
Restricted	2,543,582	3,922,111	6,465,693
Unrestricted	(12,443,069)	10,834,937	(1,608,132)
Total net position	<u>\$ 62,585,838</u>	<u>\$ 78,690,532</u>	<u>\$ 141,276,370</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT B**  
**CITY OF LEBANON, NEW HAMPSHIRE**  
**Statement of Activities**  
**For the Fiscal Year Ended December 31, 2021**

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
General government	\$ 9,092,003	\$ 164,027	\$ 4,000	\$ -	\$ (8,923,976)	\$ -	\$ (8,923,976)
Public safety	11,433,128	1,821,288	268,271	-	(9,343,569)	-	(9,343,569)
Highways and streets	5,842,408	-	95,531	318,310	(5,428,567)	-	(5,428,567)
Welfare	468,881	-	-	-	(468,881)	-	(468,881)
Culture and recreation	2,889,186	249,197	203,843	-	(2,436,146)	-	(2,436,146)
Conservation	304,111	-	277,612	-	(26,499)	-	(26,499)
Interest on long-term debt	1,132,482	-	45,981	-	(1,086,501)	-	(1,086,501)
Capital outlay	-	-	91,677	193,602	285,279	-	285,279
Total governmental activities	<u>31,162,199</u>	<u>2,234,512</u>	<u>986,915</u>	<u>511,912</u>	<u>(27,428,860)</u>	<u>-</u>	<u>(27,428,860)</u>
Business-type activities:							
Sewage collection and disposal	5,545,623	6,594,914	184,667	-	-	1,233,958	1,233,958
Solid waste disposal	3,663,751	3,575,424	-	-	-	(88,327)	(88,327)
Water treatment and distribution	2,893,288	3,648,467	126,141	-	-	881,320	881,320
Municipal airport	1,885,876	681,041	1,959,399	-	-	754,564	754,564
Total business-type activities	<u>13,988,538</u>	<u>14,499,846</u>	<u>2,270,207</u>	<u>-</u>	<u>-</u>	<u>2,781,515</u>	<u>2,781,515</u>
Total	<u>\$ 45,150,737</u>	<u>\$ 16,734,358</u>	<u>\$ 3,257,122</u>	<u>\$ 511,912</u>	<u>(27,428,860)</u>	<u>2,781,515</u>	<u>(24,647,345)</u>
General revenues:							
Taxes:							
Property					22,644,179	-	22,644,179
Other					2,710,551	-	2,710,551
Motor vehicle permit fees					2,796,483	-	2,796,483
Licenses and other fees					808,848	-	808,848
Grants and contributions not restricted to specific programs					1,327,031	-	1,327,031
Unrestricted investment earnings					850,410	168,131	1,018,541
Miscellaneous					438,656	1,028,872	1,467,528
Total general revenues					<u>31,576,158</u>	<u>1,197,003</u>	<u>32,773,161</u>
Contributions to permanent funds					17,693	-	17,693
Transfers					1,396,156	(1,396,156)	-
Total general revenues, contributions, and transfers					<u>32,990,007</u>	<u>(199,153)</u>	<u>32,790,854</u>
Change in net position					5,561,147	2,582,362	8,143,509
Net position, beginning					57,024,691	76,108,170	133,132,861
Net position, ending					<u>\$ 62,585,838</u>	<u>\$ 78,690,532</u>	<u>\$ 141,276,370</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT C-1**  
**CITY OF LEBANON, NEW HAMPSHIRE**  
**Governmental Funds**  
**Balance Sheet**  
**December 31, 2021**

	General	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 28,913,908	\$ -	\$ 2,634,049	\$ 31,547,957
Investments	1,708	-	1,876,960	1,878,668
Receivables, net of allowance for uncollectible:				
Taxes	2,383,079	-	637,000	3,020,079
Accounts	567,826	-	11,650	579,476
Intergovernmental	30,854	1,699	-	32,553
Interfund receivable	1,351,134	-	975	1,352,109
Voluntary tax liens	8,932	-	-	8,932
Voluntary tax liens reserved until collected	(8,932)	-	-	(8,932)
Prepaid items	712,008	10,000	-	722,008
Restricted assets:				
Cash and cash equivalents	956,603	-	-	956,603
Investments	904,772	-	-	904,772
Accounts receivable	11,936	-	-	11,936
<b>Total assets</b>	<b>\$ 35,833,828</b>	<b>\$ 11,699</b>	<b>\$ 5,160,634</b>	<b>\$ 41,006,161</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 789,496	\$ -	\$ 14,658	\$ 804,154
Retainage payable	10,238	477,993	-	488,231
Contracts payable	-	918,212	-	918,212
Intergovernmental payable	16,452,642	572,467	-	17,025,109
Interfund payable	975	1,306,691	44,443	1,352,109
Escrow and performance deposits	85,464	-	-	85,464
<b>Total liabilities</b>	<b>17,338,815</b>	<b>3,275,363</b>	<b>59,101</b>	<b>20,673,279</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - Property taxes	507,374	-	-	507,374
Unavailable revenue - Grants received in advance	503,303	-	-	503,303
<b>Total deferred inflows of resources</b>	<b>1,010,677</b>	<b>-</b>	<b>-</b>	<b>1,010,677</b>
<b>FUND BALANCES (DEFICIT)</b>				
Nonspendable	712,008	-	1,705,040	2,417,048
Restricted	25,000	-	838,542	863,542
Committed	994,877	-	2,556,727	3,551,604
Assigned	3,120,960	-	1,224	3,122,184
Unassigned (deficit)	12,631,491	(3,263,664)	-	9,367,827
<b>Total fund balances (deficit)</b>	<b>17,484,336</b>	<b>(3,263,664)</b>	<b>5,101,533</b>	<b>19,322,205</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 35,833,828</b>	<b>\$ 11,699</b>	<b>\$ 5,160,634</b>	<b>\$ 41,006,161</b>

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT C-2**  
**CITY OF LEBANON, NEW HAMPSHIRE**  
**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position**  
**December 31, 2021**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances of governmental funds (Exhibit C-1)	\$	19,322,205	
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.			
Cost	\$	158,561,656	
Less accumulated depreciation		<u>(44,807,291)</u>	113,754,365
Prepaid debt is not recognized as an expenditure in the governmental funds in the current period, but reduces the outstanding debt in the Statement of Net Position.			(351,281)
Pension and other postemployment benefit (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:			
Deferred outflows of resources related to pensions	\$	4,491,133	
Deferred inflows of resources related to pensions		(6,266,642)	
Deferred outflows of resources related to OPEB		221,875	
Deferred inflows of resources related to OPEB		<u>(506,775)</u>	(2,060,409)
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.			
Receivables	\$	(1,352,109)	
Payables		<u>1,352,109</u>	-
Long-term revenue (taxes) is not available to pay current-period expenditures, and therefore, is deferred in the governmental funds.			507,374
Allowance for uncollectible property taxes that is recognized on a full accrual basis, but not on the modified accrual basis.			(150,000)
Long-term assets (State aid receivable) are not available to pay for current-period expenditures and therefore, are not reported in the governmental funds.			539,899
Interest on long-term debt is not accrued in governmental funds.			
Accrued interest payable			(401,518)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.			
Bonds	\$	29,823,316	
Notes		8,591,299	
Unamortized bond premium/debt forgiveness		4,665,892	
Capital lease		6,931	
Compensated absences		2,265,285	
Net pension liability		20,498,451	
Other postemployment benefits		<u>2,723,623</u>	(68,574,797)
Net position of governmental activities (Exhibit A)	\$		<u>62,585,838</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT C-3**  
**CITY OF LEBANON, NEW HAMPSHIRE**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended December 31, 2021**

	General	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 24,087,755	\$ -	\$ 1,130,110	\$ 25,217,865
Licenses and permits	3,605,331	-	-	3,605,331
Intergovernmental	2,168,272	22,015	249,861	2,440,148
Charges for services	1,893,721	-	340,791	2,234,512
Miscellaneous	1,050,812	69,662	476,464	1,596,938
Total revenues	<u>32,805,891</u>	<u>91,677</u>	<u>2,197,226</u>	<u>35,094,794</u>
<b>EXPENDITURES</b>				
Current:				
General government	9,124,002	-	10,428	9,134,430
Public safety	10,756,192	-	453,686	11,209,878
Highways and streets	4,354,506	-	-	4,354,506
Welfare	474,885	-	-	474,885
Culture and recreation	2,230,626	-	393,705	2,624,331
Conservation	284,917	-	-	284,917
Debt service:				
Principal	3,550,876	-	-	3,550,876
Interest	1,431,975	-	-	1,431,975
Capital outlay	181,056	11,862,922	-	12,043,978
Total expenditures	<u>32,389,035</u>	<u>11,862,922</u>	<u>857,819</u>	<u>45,109,776</u>
Excess (deficiency) of revenues over (under) expenditures	<u>416,856</u>	<u>(11,771,245)</u>	<u>1,339,407</u>	<u>(10,014,982)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,571,215	1,880,000	11,076	3,462,291
Transfers out	(1,525,928)	-	(540,207)	(2,066,135)
Bond/note proceeds	-	2,897,822	-	2,897,822
Total other financing sources (uses)	<u>45,287</u>	<u>4,777,822</u>	<u>(529,131)</u>	<u>4,293,978</u>
Net change in fund balances	462,143	(6,993,423)	810,276	(5,721,004)
Fund balances, beginning	17,022,193	3,729,759	4,291,257	25,043,209
Fund balances, ending	<u>\$ 17,484,336</u>	<u>\$ (3,263,664)</u>	<u>\$ 5,101,533</u>	<u>\$ 19,322,205</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT C-4**  
**CITY OF LEBANON, NEW HAMPSHIRE**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended December 31, 2021**

Net change in fund balances of governmental funds (Exhibit C-3)	\$	(5,721,004)	
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.			
Capital outlay expenditures exceeded depreciation expense in the current year, as follows:			
Capitalized capital outlay	\$	12,753,443	
Disposal of capital assets		(71,414)	
Depreciation expense		<u>(3,065,365)</u>	9,616,664
Transfers in and out between governmental funds are eliminated on the Statement of Activities.			
Transfers in	\$	(2,066,135)	
Transfers out		<u>2,066,135</u>	
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.			
Change in deferred tax revenue	\$	136,865	
Decrease in deferred aid revenue		<u>(31,121)</u>	105,744
Bond and other debt proceeds provide current financial resources to governmental funds,			
but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.			
Proceeds of debt	\$	(2,685,530)	
Bond premium on new issuance		(201,743)	
Recognition of principal forgiveness		(18,526)	
Repayment of bond principal		3,030,119	
Repayment of note/loan principal		682,908	
Repayment of capital leases		6,481	
Amortization of bond premium		<u>188,640</u>	1,002,349
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.			
Decrease in accrued interest expense	\$	59,538	
Decrease in prepaid items		40,766	
Increase in compensated absences		(443,510)	
Net change in net pension liability and deferred outflows and inflows of resources related to pensions		730,682	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits		<u>169,918</u>	
			<u>557,394</u>
Changes in net position of governmental activities (Exhibit B)	\$		<u><u>5,561,147</u></u>

The Notes to the Basic Financial Statements are an integral part of this statement.



**EXHIBIT D**  
**CITY OF LEBANON, NEW HAMPSHIRE**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**General Fund**  
**For the Fiscal Year Ended December 31, 2021**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 24,196,652	\$ 24,224,620	\$ 27,968
Licenses and permits	3,116,430	3,605,331	488,901
Intergovernmental	1,536,473	1,585,189	48,716
Charges for services	1,482,140	1,893,721	411,581
Miscellaneous	628,205	798,640	170,435
Total revenues	<u>30,959,900</u>	<u>32,107,501</u>	<u>1,147,601</u>
<b>EXPENDITURES</b>			
Current:			
General government	10,185,530	9,250,506	935,024
Public safety	10,992,110	10,792,007	200,103
Highways and streets	4,211,980	4,889,035	(677,055)
Welfare	639,600	474,885	164,715
Culture and recreation	2,114,950	2,114,752	198
Conservation	10,860	9,191	1,669
Debt service:			
Principal	3,558,790	3,550,876	7,914
Interest	1,441,500	1,431,975	9,525
Total expenditures	<u>33,155,320</u>	<u>32,513,227</u>	<u>642,093</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,195,420)</u>	<u>(405,726)</u>	<u>1,789,694</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	2,016,400	2,021,215	4,815
Transfers out	(2,305,980)	(2,307,649)	(1,669)
Total other financing sources (uses)	<u>(289,580)</u>	<u>(286,434)</u>	<u>3,146</u>
Net change in fund balances	<u>\$ (2,485,000)</u>	<u>(692,160)</u>	<u>\$ 1,792,840</u>
Increase in nonspendable fund balance		(22,689)	
Decrease in assigned fund balance (non-encumbrance)		246,579	
Unassigned fund balance, beginning		<u>13,457,135</u>	
Unassigned fund balance, ending		<u>\$ 12,988,865</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT E-1**  
**CITY OF LEBANON, NEW HAMPSHIRE**  
**Proprietary Funds**  
**Statement of Net Position**  
**December 31, 2021**

	Business-type Activities				
	Enterprise Funds				
	Sewage Collection and Disposal	Solid Waste Disposal	Water Treatment and Distribution	Municipal Airport	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,663,890	\$ 6,529,712	\$ 4,863,134	\$ 636,537	\$ 16,693,273
Investments	784,744	9,443,752	874,105	20,102	11,122,703
Receivables:					
Accounts	105,205	374,346	30,303	73,643	583,497
Intergovernmental	4,674,972	11,224	404,924	545,171	5,636,291
Prepaid items	7,737	4,557	10,044	61,706	84,044
Capital assets:					
Land and construction in progress	3,981,951	428,396	6,978,241	485,118	11,873,706
Other capital assets, net of depreciation	54,391,595	9,354,784	25,231,377	10,463,581	99,441,337
Total assets	<u>68,610,094</u>	<u>26,146,771</u>	<u>38,392,128</u>	<u>12,285,858</u>	<u>145,434,851</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Amounts related to pensions	141,714	128,182	116,416	71,376	457,688
Amounts related to other postemployment benefits	10,661	8,370	8,322	4,749	32,102
Total deferred outflows of resources	<u>152,375</u>	<u>136,552</u>	<u>124,738</u>	<u>76,125</u>	<u>489,790</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	74,508	92,984	56,120	79,559	303,171
Retainage payable	95,229	26,978	119,846	-	242,053
Contract payable	13,876	22,505	21,239	-	57,620
Accrued interest payable	116,507	45,082	146,956	12,463	321,008
Intergovernmental payable	396,125	-	396,125	-	792,250
Escrow and performance deposits	213,762	-	-	15,073	228,835
Long-term liabilities:					
Due within one year	1,002,677	396,509	981,386	67,678	2,448,250
Due in more than one year	28,754,089	12,337,528	16,506,205	756,292	58,354,114
Total liabilities	<u>30,666,773</u>	<u>12,921,586</u>	<u>18,227,877</u>	<u>931,065</u>	<u>62,747,301</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Debt forgiveness	1,625,200	-	2,051,794	-	3,676,994
Deferred revenue	28,344	-	-	50,803	79,147
Amounts related to pensions	197,739	178,857	162,440	99,594	638,630
Amounts related to other postemployment benefits	31,566	23,137	24,075	13,259	92,037
Total deferred inflows of resources	<u>1,882,849</u>	<u>201,994</u>	<u>2,238,309</u>	<u>163,656</u>	<u>4,486,808</u>
<b>NET POSITION</b>					
Net investment in capital assets	29,483,569	8,464,136	15,407,507	10,578,272	63,933,484
Restricted	399,998	2,505,297	728,401	288,415	3,922,111
Unrestricted	6,329,280	2,190,310	1,914,772	400,575	10,834,937
Total net position	<u>\$ 36,212,847</u>	<u>\$ 13,159,743</u>	<u>\$ 18,050,680</u>	<u>\$ 11,267,262</u>	<u>\$ 78,690,532</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT E-2**  
**CITY OF LEBANON, NEW HAMPSHIRE**  
**Proprietary Fund**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended December 31, 2021**

	Business-type Activities				Total
	Enterprise Funds				
	Sewage Collection and Disposal	Solid Waste Disposal	Water Treatment and Distribution	Municipal Airport	
Operating revenues:					
User charges	\$ 6,594,914	\$ 3,575,424	\$ 3,647,217	\$ 681,041	\$ 14,498,596
Other sales	-	526,080	-	-	526,080
Fees and interest	-	1,250	-	-	1,250
Intergovernmental revenues	184,667	-	126,141	1,959,399	2,270,207
Miscellaneous	91,348	58,313	177,914	448,328	775,903
Total operating revenues	<u>6,870,929</u>	<u>4,161,067</u>	<u>3,951,272</u>	<u>3,088,768</u>	<u>18,072,036</u>
Operating expenses:					
Salaries and wages	1,037,160	909,163	840,751	599,939	3,387,013
Operation and maintenance	1,686,899	1,222,007	393,611	302,110	3,604,627
Contractual services	178,861	499,926	129,812	129,830	938,429
Materials and supplies	534,984	260,237	523,704	188,106	1,507,031
Depreciation and amortization	1,380,964	724,222	644,941	647,203	3,397,330
Total operating expenses	<u>4,818,868</u>	<u>3,615,555</u>	<u>2,532,819</u>	<u>1,867,188</u>	<u>12,834,430</u>
Operating gain	<u>2,052,061</u>	<u>545,512</u>	<u>1,418,453</u>	<u>1,221,580</u>	<u>5,237,606</u>
Nonoperating revenue (expense):					
Interest income	10,854	137,129	20,148	-	168,131
Interest expense	(725,361)	(27,431)	(360,469)	(18,650)	(1,131,911)
Change in fair market value	(7,370)	(246,410)	(19,331)	-	(273,111)
Investment fees	(1,394)	(20,765)	-	(38)	(22,197)
Total nonoperating revenue (expense)	<u>(723,271)</u>	<u>(157,477)</u>	<u>(359,652)</u>	<u>(18,688)</u>	<u>(1,259,088)</u>
Other financing sources (uses):					
Transfers in	-	-	285,620	224,960	510,580
Transfers out	(478,190)	(870,305)	(501,204)	(57,037)	(1,906,736)
Total other financing sources (uses)	<u>(478,190)</u>	<u>(870,305)</u>	<u>(215,584)</u>	<u>167,923</u>	<u>(1,396,156)</u>
Change in net position	850,600	(482,270)	843,217	1,370,815	2,582,362
Net position, beginning	35,362,247	13,642,013	17,207,463	9,896,447	76,108,170
Net position, ending	<u>\$ 36,212,847</u>	<u>\$ 13,159,743</u>	<u>\$ 18,050,680</u>	<u>#####</u>	<u>\$ 78,690,532</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT E-3**  
**CITY OF LEBANON, NEW HAMPSHIRE**  
**Proprietary Fund**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended December 31, 2021**

	Business-type Activities				Total
	Enterprise Funds				
	Sewage Collection and Disposal	Solid Waste Disposal	Water Treatment and Distribution	Municipal Airport	
Cash flows from operating activities:					
Receipts from customers and users	\$ 7,583,428	\$ 4,193,740	\$ 5,634,574	\$ 2,834,938	\$20,246,680
Payments to employees	(1,181,705)	(914,803)	(794,895)	(577,307)	(3,468,710)
Payments to suppliers	(2,504,483)	(1,090,121)	(1,582,723)	(707,904)	(5,885,231)
Net cash provided by operating activities	<u>3,897,240</u>	<u>2,188,816</u>	<u>3,256,956</u>	<u>1,549,727</u>	<u>10,892,739</u>
Cash flows from capital and related financing activities:					
State revolving loan proceeds	433,963	-	862,437	-	1,296,400
Bond and bond premium proceeds	1,587,490	-	773,490	-	2,360,980
Principal paid on bonds	(2,074,435)	(295,000)	(986,184)	(66,579)	(3,422,198)
Acquisition and construction of fixed assets	(477,682)	(625,465)	(2,261,045)	(1,238,215)	(4,602,407)
Interest paid	(897,376)	(29,215)	(341,170)	(17,998)	(1,285,759)
Net cash used for capital and related financing activities	<u>(1,428,040)</u>	<u>(949,680)</u>	<u>(1,952,472)</u>	<u>(1,322,792)</u>	<u>(5,652,984)</u>
Cash flows from non-capital financing activities:					
Operating transfers in	-	-	285,620	224,960	510,580
Operating transfers out	(701,628)	(870,305)	(699,376)	(23,994)	(2,295,303)
Net cash provided by (used for) non-capital financing activities	<u>(701,628)</u>	<u>(870,305)</u>	<u>(413,756)</u>	<u>200,966</u>	<u>(1,784,723)</u>
Cash flows from investing activities:					
Purchase of investments	(302,657)	(783,891)	(161,222)	(4,640)	(1,252,410)
Interest received	10,854	137,129	20,148	-	168,131
Net cash used for investing activities	<u>(291,803)</u>	<u>(646,762)</u>	<u>(141,074)</u>	<u>(4,640)</u>	<u>(1,084,279)</u>
Net increase/decrease in cash	1,475,769	(277,931)	749,654	423,261	2,370,753
Cash, beginning	3,188,121	6,807,643	4,113,480	165,855	14,275,099
Cash, ending	<u>\$ 4,663,890</u>	<u>\$ 6,529,712</u>	<u>\$ 4,863,134</u>	<u>\$ 589,116</u>	<u>\$16,645,852</u>
<b>Reconciliation of Operating Gain to Net Cash Provided by Operating Activities</b>					
Operating gain	\$ 2,052,061	\$ 545,512	\$ 1,418,453	\$ 1,221,580	\$ 5,237,606
Adjustments to reconcile operating gain to net cash used by operating activities:					
Depreciation expense	1,380,964	724,222	644,941	647,203	3,397,330
(Increase)/Decrease in other receivables	214,872	20,915	25,393	(32,419)	228,761
(Increase)/Decrease in intergovernmental receivables	438,018	11,758	1,657,909	(223,961)	1,883,724
Decrease in prepaid items	740	608	737	(44,778)	(42,693)
Decrease in deferred outflows related to pensions	83,576	49,208	40,099	29,847	202,730
(Increase)/Decrease in deferred outflows related to OPEB	2,517	1,244	394	(2,089)	2,066
Increase/(Decrease) in accounts payable	(71,686)	53,290	(12,012)	(43,080)	(73,488)
Increase/(Decrease) in retainage payable	(38,685)	26,978	(313,876)	-	(325,583)
Increase/(Decrease) in contracts payable	5,892	16,505	(210,445)	-	(188,048)
Increase/(Decrease) in escrow deposits	59,609	-	-	2,550	62,159
Increase/(Decrease) in compensated absences	(25,964)	(4,190)	21,897	1,201	(7,056)
Increase in accrued landfill closure and postclosure care costs	-	794,668	-	-	794,668
Decrease in net pension liability	(346,927)	(197,406)	(159,027)	(120,712)	(824,072)
Increase/(Decrease) in OPEB	(15,487)	(3,463)	3,786	19,475	4,311
Increase in deferred inflows related to pensions	165,677	153,612	140,166	85,189	544,644
Increase/(Decrease) in deferred inflows related to OPEB	(7,937)	(4,645)	(1,459)	9,721	(4,320)
Total adjustments	<u>1,845,179</u>	<u>1,643,304</u>	<u>1,838,503</u>	<u>328,147</u>	<u>5,655,133</u>
Net cash provided by operating activities	<u>\$ 3,897,240</u>	<u>\$ 2,188,816</u>	<u>\$ 3,256,956</u>	<u>\$ 1,549,727</u>	<u>\$10,892,739</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT F-1**  
**CITY OF LEBANON, NEW HAMPSHIRE**  
**Fiduciary Funds**  
**Statement of Net Position**  
**December 31, 2021**

	Private Purpose Trust	All Custodial Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 66,642	\$ 564,899
Investments	1,843,445	3,820,679
Intergovernmental	-	15,982,387
Total assets	<u>1,910,087</u>	<u>20,367,965</u>
<b>LIABILITIES</b>		
Intergovernmental payable	-	<u>15,982,387</u>
<b>NET POSITION</b>		
Unrestricted	<u>\$ 1,910,087</u>	<u>\$ 4,385,578</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT F-2**  
**CITY OF LEBANON, NEW HAMPSHIRE**  
**Fiduciary Funds**  
**Statement of Changes in Net Position**  
**For the Fiscal Year Ended December 31, 2021**

	Private Purpose Trust	All Custodial Funds
<b>ADDITIONS</b>		
Contributions	\$ 10,592	\$ 821,916
Investment earnings	25,541	43,868
Change in fair market value	152,964	(73,800)
Tax collections for other governments	-	38,384,241
State fees collected	-	825,996
Total additions	<u>189,097</u>	<u>40,002,221</u>
<b>DEDUCTIONS</b>		
Benefits paid	19,320	-
Administrative expenses	9,668	122,168
Payments of taxes to other governments	-	38,384,241
Payments of State fees	-	825,996
Total deductions	<u>28,988</u>	<u>39,332,405</u>
Change in net position	160,109	669,816
Net position, beginning	1,749,978	3,715,762
Net position, ending	<u>\$ 1,910,087</u>	<u>\$ 4,385,578</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Lebanon, New Hampshire (the City), have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The more significant of the City's accounting policies are described below.

***1-A Reporting Entity***

The City of Lebanon is a municipal corporation governed by an elected City Council. In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The City has no component units to include in its reporting entity.

***1-B Basis of Accounting, and Measurement Focus***

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

***Government-wide Financial Statements*** – The City's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

***Governmental Fund Financial Statements*** – Include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying statement is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The City has presented all major funds that met those qualifications.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement-based grants, which use a period of one year. Property taxes, licenses, and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

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Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City reports the following major governmental funds:

**General Fund** – is the City’s primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include property taxes, State grants, and motor vehicle permit fees. The primary expenditures are for general government, public safety, highways and streets, welfare, culture and recreation, and debt service. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* guidance, the expendable trust, grants, emergency management, Heritage, restricted, Community Development Block Grant, and American Rescue Plan Act funds are consolidated in the general fund.

**Capital Improvements Fund** – accounts for activity pertaining to multiple construction and renovation projects that are not reported in other funds.

Additionally, the City reports the following fund types:

**Special Revenue Funds** – are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**Permanent Funds** – are held in the custody of the Trustees of Trust Funds and are used to account for resources held in trust for use by the City. These can include legal trusts for which the interest on the corpus provides funds for the City’s cemetery operations.

All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements. The City reports eleven nonmajor governmental funds.

**Proprietary Fund Financial Statements** – Include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund.

Proprietary funds are reported using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City reports the following major proprietary funds:

**Sewage Collection and Disposal Fund** – accounts for the operation of the wastewater treatment plant and the maintenance and replacement of the wastewater collection system and pump stations.

**Solid Waste Disposal Fund** – accounts for the operation and maintenance of the landfill, recycling facilities, and hazardous waste processing.

**Water Treatment and Distribution Fund** – accounts for the operation of the water treatment facilities, maintenance, and replacement of distribution system, water tanks, and pump stations.

**Municipal Airport Fund** – accounts for the operation and maintenance of the Lebanon Municipal Airport.

**Fiduciary Fund Financial Statements** – Include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The City’s fiduciary funds are private purpose trust and custodial funds, which are custodial in nature. These funds are accounted for on a spending, or “economic resources” measurement focus and the accrual basis of accounting, as are the proprietary funds explained above.

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The City reports the following fiduciary funds:

**Private Purpose Trust Fund** – is used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments.

**Custodial Fund** – is custodial in nature and do not belong to the primary government. A custodial fund is used to account for assets held on behalf of outside parties, including other governments.

***1-C Cash and Cash Equivalents***

The City considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits and savings accounts. A cash pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and cash equivalents."

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations, or obligations to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

***1-D Restricted Assets***

Certain City assets are classified as restricted assets because their use is restricted by statutory limitation and/or they are earmarked for a specific purpose.

***1-E Statement of Cash Flows***

For purposes of the Statement of Cash Flows, the City considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

***1-F Investments***

State statutes place certain limitations on the nature of deposits and investments available as follows:

New Hampshire law authorizes the City to invest in the following type of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the State treasurer.

Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the City. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

**Fair Value Measurements of Investments** – In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, except for investments measured using net asset value (NAV) as a practical expedient to estimate fair value, the City categorizes the fair value measurements of its investments within the fair value hierarchy established by US GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

**Level 1** – Inputs reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the City has the ability to access at the measurement date. Directly held marketable equity securities would be examples of Level 1 investments.

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**Level 2** – Inputs are other than quoted prices that are observable for the assets or liabilities, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2. All of the City’s holdings in New Hampshire Public Deposit Investment Pool (NHPDIP), U.S. government obligations, and corporate bonds would be examples of Level 2 investments.

**Level 3** – Inputs are significant unobservable inputs.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, it is the level in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. Investments are reported at fair value. If an investment is held directly by the City and an active market with quoted prices exists, such as for domestic equity securities, the market price of an identical security is used to report fair value and is classified in Level 1. Corporate fixed income securities and certain governmental securities utilize pricing that may involve estimation using similar securities or trade dates and are classified in Level 2. Fair values for shares in registered mutual funds and exchange-traded funds are based on published share prices and classified in Level 1.

In determining fair value, the City utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

**Investments in Certain External Investment Pools** – In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the City held investments with the New Hampshire Public Deposit Investment Pool (NHPDIP) are categorized as Level 2. The NHPDIP measures all of its investments at amortized cost. There are no redemption restrictions and shares may be redeemed by the City in accordance with the NHPDIP’s Information Statement.

***1-G Receivables***

Receivables recorded in the financial statements represent amounts due to the City at December 31. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of taxes, billing for charges, and other user fees.

***1-H Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements, and expenses/expenditures as the items are used. Under the full accrual basis of accounting used for the government-wide and proprietary fund financial statements, prepayments of debt are recognized as they occurred (see Note 8).

***1-I Capital Assets***

Capital assets include property, plant, and equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets, which are reported in the applicable governmental or business-type activities columns in the government-wide financial statements, and in the proprietary funds. The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund’s measurement focus. General capital assets are assets of the City as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the government-wide Statement of Net Position. Capital assets of the proprietary fund are capitalized in the fund and the cost basis for proprietary fund capital assets is the same as that used for general capital assets.

Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are carried at historical cost or estimated historical cost. When the cost of the capital assets cannot be determined from available records, estimated historical cost is used. Donated capital assets received on or prior to June 15, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015, are recorded at acquisition value.

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The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
<b>Capital Asset Classes:</b>	
Land improvements	20 - 30
Buildings and building improvements	20 - 30
Machinery and equipment	5 - 25
Infrastructure	50

**1-J Interfund Activities**

Interfund activities are reported as follows:

**Interfund Receivables and Payables** – Activity between funds that is 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.”

**Interfund Transfers** – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

**1-K Property Taxes**

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year in accordance with RSA 76:15-a, *Semi-Annual Collection of Taxes in certain Towns and Cities*. Warrants for the year were issued on June 7, 2021, and October 29, 2021, and were due on July 12, 2021, and December 6, 2021, respectively. Interest accrues at a rate of 8% on bills outstanding after the due date and 14% on tax liens outstanding. The City placed a lien on all outstanding taxes from 2020 on June 10, 2021.

In connection with the setting of the tax rate, City officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for tax abatement and refunds, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any reserve for uncollectable at year-end. The property taxes collected by the City include taxes levied for the State of New Hampshire, Lebanon School District, and Grafton County, which are remitted to these entities as required by law.

The City net assessed valuation as of April 1, 2021, utilized in the setting of the tax rate was as follows:

Total assessment valuation with utilities	\$	2,280,148,240
Total assessment valuation without utilities	\$	2,171,364,940

The tax rates and amounts assessed for the year ended December 31, 2021, were as follows:

	<u>Per \$1,000 of Assessed Valuation</u>	<u>Property Taxes Assessed</u>
Municipal portion	\$ 10.06	\$ 22,914,416
School portion:		
State of New Hampshire	2.02	4,396,112
Local	13.20	30,102,239
County portion	1.70	3,885,890
Total	<u>\$ 26.98</u>	<u>\$ 61,298,657</u>

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***1-L Accounts Payable***

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of December 31, 2021.

***1-M Deferred Outflows/Inflows of Resources***

*Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position that applies to a future period(s) and thus will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense and contributions from the City after the measurement date but before the end of the City's reporting period.

*Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within 60 days after year-end.

***1-N Long-term Obligations***

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, business-type activities, or proprietary fund Statement of Net Position. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and bond 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

In accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, the City utilizes the following classifications to categorize the financial transactions:

**Direct Borrowings** – financial transactions for a note or a loan where the City negotiates certain terms with a single lender and are not offered for public sale.

**Direct Placements** – financial transactions for the sale of bonds where the City engages with a single buyer or limited number of buyers without a public offering.

***1-O Compensated Absences***

**Vacation** - The City's policy allows certain employees to earn varying amounts of vacation based on the employee's length of employment. Upon separation from service, employees are paid in full for any accrued leave earned as set forth by the City's personnel policy or collective bargaining agreement. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

**Sick Leave** – Benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probably the benefits will result in termination payments. The liability is based on the City's experience of making termination payments.

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***1-P Claims and Judgments***

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as an expense when the related liabilities are incurred.

***1-Q Defined Benefit Pension Plan***

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, and GASB Statement No. 82 *Pension Issues – an amendment of GASB Statement No. 67, No. 68 and No. 73*, requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

The schedules prepared by New Hampshire Retirement System, and audited by the plan's independent auditors, require management to make a number of estimates and assumptions related to the reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences may be material.

***1-R Postemployment Benefits Other Than Pensions***

The City maintains two separate other postemployment benefit plans (OPEB), as follows:

***New Hampshire Retirement System Plan*** – For the purposes of measuring the total other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System OPEB Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position has been determined on the same basis as they are reported by the New Hampshire Retirement System. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

***Single Employer Plan*** – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined based on the City's actuarial report. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms.

***1-S Net Position/Fund Balances***

***Government-wide Statements, Proprietary Funds, and Fiduciary Funds*** – Equity is classified as net position and displayed in three components:

**Net investment in capital assets** – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

**Restricted net position** – Results when constraints placed on net position use are either externally imposed by a third party (statutory, bond covenant, or granting agency) or are imposed by law through constitutional provisions or enabling legislation. The City typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a further project.

**Unrestricted net position** – Consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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**Fund Balance Classifications** – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extent of the constraints placed on a government’s fund balances are more transparent. The following classifications describe the relative strength of the spending constraints:

**Nonspendable** – Amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items); or (b) are legally or contractually required to be maintained intact.

**Restricted** – Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed** – Amounts that can be used only for specific purposes determined by a vote of the City Council. These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed.

**Assigned** – Amounts that are constrained by the City’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Manager through the budgetary process.

**Unassigned** – Amounts that are available for any purpose. Positive amounts are reported only in the general fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by the offsetting of assigned fund balance amounts.

When multiple net position/fund balance classifications are available for use, it is the City’s policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

It is the goal of the City to maintain an unassigned fund balance of 15% to 17% of current general fund budgeted expenditure activity. The City considers a balance of less than 15% to be a cause for concern and, taking into account factors or circumstances that may require a higher than normal maximum level of unassigned fund balance, a balance of more than 17% as excessive. An amount in excess of 15% may be considered to reduce tax levy requirements determined in conjunction with the annual budget process, as a capital improvement funding component, for reservation to accumulate funding for future capital improvements, or for any legal purpose deemed appropriate and desirable by the City Council. In the event unassigned fund balance is less than 15%, restorative steps shall be taken in the immediate and subsequent fiscal years.

***1-T Use of Estimates***

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. These estimates include assessing the collectability of accounts, taxes, and ambulance receivables, the useful lives and impairment of tangible and intangible capital assets, net pension liability, other postemployment benefit liability, deferred outflows and inflows of resources related to both pension and other postemployment benefits, and accrued landfill closure and postclosure care costs, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

***NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY***

***2-A Budgetary Information***

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the City’s operations. The City Council adopts a budget for the current year for the general, emergency management, and capital improvement governmental funds, as well as sewage collection and disposal, solid waste disposal, water treatment and distribution, and municipal airport proprietary funds. Except as reconciled below, the budget was adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).



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The head of any department, with the written approval of the City Manager, may transfer any unencumbered balance or any portion thereof from one fund or agency within their department to another fund or agency within their department. Expenditures may not legally exceed budgeted appropriations in total. Except for capital improvements, all annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2021, \$1,535,000 of the beginning general fund unassigned fund balance was applied for this purpose. In addition, \$950,000 was voted from unassigned fund balance to fund supplemental appropriations.

**2-B Budgetary Reconciliation to GAAP Basis**

While the City reports financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual is presented for the general fund.

Differences between the budgetary basis and GAAP basis of accounting for the general fund are as follows:

Revenues and other financing sources:	General
Per Exhibit D (budgetary basis)	\$ 34,128,716
Adjustment:	
Basis differences:	
GASB Statement No. 54:	
To record income of the blended funds	835,255
To record transfers in to the blended funds	400
To eliminate transfers between expendable trust and general funds	781,321
To eliminate transfers between blended funds	(1,231,721)
Change in deferred tax revenue relating to 60-day revenue recognition recognized as revenue on the GAAP basis, but not on the budgetary basis	(136,865)
Per Exhibit C-3 (GAAP basis)	\$ 34,377,106
 Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 34,820,876
Adjustment:	
Basis differences:	
Encumbrances, beginning	1,496,668
Encumbrances, ending	(2,539,690)
GASB Statement No. 54:	
To record expenditures of the blended funds during the year	918,830
To eliminate transfers between general and blended funds	(1,231,721)
To recognize transfers out of the blended funds	450,000
Per Exhibit C-3 (GAAP basis)	\$ 33,914,963

**2-C Deficit Fund Balances**

The capital improvements fund had a deficit fund balance of \$3,263,664 at December 31, 2021. This deficit will be financed through future bond/note proceeds as well as transfers from the expendable trust funds.

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**DETAILED NOTES ON ALL FUNDS**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

The City's deposits are covered by federal depository insurance Corporation (FDIC). The FDIC currently insures the first \$250,000 of the City's deposits at each financial institution, per case custodian. The City utilizes Insured Cash Sweep accounts, which ensures that all bank balances are covered by FDIC. As of year-end, the carrying amount of the City's deposits was \$49,829,374 and the bank balances totaled \$50,518,687. Petty cash totaled \$2,340.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 49,197,833
Cash per Statement of Net Position - Fiduciary Fund (Exhibit F-1)	<u>631,541</u>
Total cash and cash equivalents	<u>\$ 49,829,374</u>

**NOTE 4 – RESTRICTED ASSETS**

The following assets are classified as restricted because of the statutory limitation placed on their use as they are earmarked for a specific purpose:

Cash and cash equivalents:	
General fund:	
Expendable trust	\$ 45,734
Grants	65,750
Heritage	31,160
Restricted funds	285,821
American Rescue Plan Act	<u>440,378</u>
Total restricted cash and cash equivalents	<u>956,603</u>
Investments:	
General fund:	
Expendable trust	<u>904,772</u>
Accounts receivable:	
General fund:	
Grants	<u>11,936</u>
Total restricted assets	<u>\$ 1,873,311</u>

**NOTE 5 – INVESTMENTS**

Note 1-F describes statutory requirements covering the investment of the City funds. The City holds investments that are measured at fair value on a recurring basis. Since investing is not a core part of the City's mission, the City determines that the disclosures related to these investments only need to be disaggregated by major type. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The City has the following recurring fair value measurements and maturities as of December 31, 2021:

	Valuation Measurement Method	Reported Balance	Less Than 1 Year	1-5 Years	Exempt from Disclosure
Investment type:					
Equities	Level 1	\$ 1,796,831	\$ -	\$ -	\$ 1,796,831
Fixed income	Level 1	<u>17,771,728</u>	<u>3,104,624</u>	<u>11,112,538</u>	<u>3,554,566</u>
Total fair value		<u>19,568,559</u>	<u>\$ 3,104,624</u>	<u>\$ 11,112,538</u>	<u>\$ 5,351,397</u>
Investments carried at amortized cost:					
New Hampshire Public Deposit Investment Pool		<u>1,708</u>			
Total investments		<u>\$ 19,570,267</u>			

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**Interest Rate Risk** – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The City’s Trustees of Trust Funds investment policy limits investment maturities for capital reserve funds to five years as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk** - The City’s Trustees of Trust Funds investment policy limits capital reserve investments to the highest grade domestic fixed investments (U.S. treasuries and agencies) and/or in a suitable money market fund or mutual fund, including exchange traded funds, as a means of managing credit risk. For trust funds, the policy specifies that not more than 50%, nor less than 30%, of the portfolio should be invested in equities; of which not more than 90%, nor less than 70%, in an S&P 500 Index fund, 10% to 30% international index funds and 0% to 15% in small- and mid-cap index funds. Not more than 70% nor less than 50% of the portfolio should be invested in diversified fixed income pools or funds representative of the broad U.S. government and corporate market. The cash balance, which composes the rest, should range between 0% and 10% of the total trust fund balance.

Investments Type	Reported Balance	Exempt from Disclosure	Ratings as of Year-end	
			Aaa	Other
Investment type:				
Equities	\$ 1,796,831	\$ 1,796,831	\$ -	\$ -
Fixed income	17,771,728	3,554,566	5,846,044	8,371,118
New Hampshire Public Deposit Investment Pool	1,708	1,708	-	-
Total fair value	<u>\$ 19,570,267</u>	<u>\$ 5,353,105</u>	<u>\$ 5,846,044</u>	<u>\$ 8,371,118</u>

**Custodial Credit Risk** – This is the risk that in the event of the failure of the counterparty (e.g., broker/dealer) to honor a transaction, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have custodial credit risk policies for investments.

**Concentration of Credit Risk** – The City’s Trustees of Trust Funds investment policy limits the amount it may invest in any one issuer to not more than 10% of the total trust fund balance, excepting U.S. obligations and mutual funds. There are no issuers that exceeded 5% of the City’s total investments.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 13,906,143
Investments per Statement of Net Position - Fiduciary Funds (Exhibit F-1)	<u>5,664,124</u>
Total investments	<u>\$ 19,570,267</u>

**NOTE 6 – TAXES RECEIVABLE**

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2021. The amount in the governmental activities has been reduced by an allowance for an estimated uncollectible amount of \$150,000, which is removed in the general fund due to the deferral of taxes received not collected within 60 days of year-end. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2021	\$ 2,134,218	\$ 2,134,218
Unredeemed (under tax lien):		
Levy of 2020	139,541	139,541
Levy of 2019	61,988	61,988
Levies of 2018 and prior	41,359	41,359
Land use change	637,000	637,000
Excavation	5,973	5,973
Less: allowance for estimated uncollectible taxes	<u>(150,000) *</u>	<u>-</u>
Net taxes receivable	<u>\$ 2,870,079</u>	<u>\$ 3,020,079</u>

\*The allowance for uncollectible property taxes is not recognized under the modified accrual basis of accounting (Exhibit C-1 and C-3) due to the 60-day rule as explained in Note 1-B. However, the allowance is recognized under the full accrual basis of accounting (Exhibits A and B).

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**NOTE 7 – OTHER RECEIVABLES**

Receivables at December 31, 2021, consisted of accounts (billings for police details, water, sewer, ambulance, and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the City’s financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

Receivables as of December 31, 2021 for the City’s individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-type Activities	Total Government-wide
Receivables:			
Accounts	\$ 1,698,735	\$ 583,497	\$ 2,282,232
Intergovernmental	572,452	5,636,291	6,208,743
Voluntary tax liens	8,932	-	8,932
Gross receivables	<u>2,280,119</u>	<u>6,219,788</u>	<u>8,499,907</u>
Less: allowance for uncollectibles	(1,116,255)	-	(1,116,255)
Net total receivables	<u>\$ 1,163,864</u>	<u>\$ 6,219,788</u>	<u>\$ 7,383,652</u>

	Proprietary Funds				Total Proprietary Funds
	Sewage Collection and Disposal	Solid Waste Disposal	Water Treatment and Distribution	Municipal Airport	
Receivables:					
Accounts	\$ 105,205	\$ 374,346	\$ 30,303	\$ 73,643	\$ 583,497
Intergovernmental	4,674,972	11,224	404,924	545,171	5,636,291
Net total receivables	<u>\$ 4,780,177</u>	<u>\$ 385,570</u>	<u>\$ 435,227</u>	<u>\$ 618,814</u>	<u>\$ 6,219,788</u>

	Governmental Funds			Total Governmental Funds	Fiduciary Funds
	General	Capital Improvements	Nonmajor		
Receivables:					
Accounts	\$ 1,675,149	\$ -	\$ 11,650	\$ 1,686,799	\$ -
Restricted	11,936	-	-	11,936	-
Intergovernmental	30,854	1,699	-	32,553	15,982,387
Voluntary tax liens	8,932	-	-	8,932	-
Gross receivables	<u>1,726,871</u>	<u>1,699</u>	<u>11,650</u>	<u>1,740,220</u>	<u>15,982,387</u>
Less: allowance for uncollectibles	(1,116,255)	-	-	(1,116,255)	-
Net total receivables	<u>\$ 610,616</u>	<u>\$ 1,699</u>	<u>\$ 11,650</u>	<u>\$ 623,965</u>	<u>\$ 15,982,387</u>

1. Fiduciary Funds – Intergovernmental receivables represent property taxes collected on behalf of the Lebanon School District. These amounts are collected and are part of the City’s general fund cash at year-end. The general fund reports an offsetting intergovernmental payable for this amount at year-end, see Note 11.

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**NOTE 8 – PREPAID ITEMS**

Prepaid items at December 31, 2021 consisted of the following:

	Government-wide Statements		Governmental Funds		Proprietary Funds			
	Governmental	Business-type	General	Capital	Sewage	Solid	Water	Municipal
	Activities	Activities		Improvements	Collection and Disposal	Waste Disposal	Treatment and Distribution	Airport
Insurance	\$ 110,462	\$ 83,205	\$ 110,462	\$ -	\$ 7,737	\$ 4,557	\$ 9,205	\$ 61,706
Debt	-	-	257,783	-	-	-	-	-
Interest	-	-	93,498	-	-	-	-	-
Other	260,265	839	250,265	10,000	-	-	839	-
Total	<u>\$ 370,727</u>	<u>\$ 84,044</u>	<u>\$ 712,008</u>	<u>\$ 10,000</u>	<u>\$ 7,737</u>	<u>\$ 4,557</u>	<u>\$ 10,044</u>	<u>\$ 61,706</u>

**NOTE 9 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2021 is as follows:

	Balance, beginning	Additions	Deletions	Balance, ending
<b>Governmental activities:</b>				
At cost:				
Not being depreciated:				
Land	\$ 7,629,286	\$ -	\$ -	\$ 7,629,286
Intangible assets	144,497	45,073	-	189,570
Construction in progress	17,399,810	9,111,135	(10,574,716)	15,936,229
Total capital assets not being depreciated	<u>25,173,593</u>	<u>9,156,208</u>	<u>(10,574,716)</u>	<u>23,755,085</u>
Being depreciated:				
Land improvements	3,744,468	-	-	3,744,468
Buildings and building improvements	21,612,647	7,362,998	-	28,975,645
Machinery and equipment	12,605,685	3,107,334	(596,260)	15,116,759
Infrastructure	83,268,080	3,701,619	-	86,969,699
Total capital assets being depreciated	<u>121,230,880</u>	<u>14,171,951</u>	<u>(596,260)</u>	<u>134,806,571</u>
Total all capital assets	<u>146,404,473</u>	<u>23,328,159</u>	<u>(11,170,976)</u>	<u>158,561,656</u>
Less accumulated depreciation:				
Land improvements	(2,373,863)	(125,067)	-	(2,498,930)
Buildings and building improvements	(8,925,130)	(568,826)	-	(9,493,956)
Machinery and equipment	(6,918,612)	(779,067)	524,846	(7,172,833)
Infrastructure	(24,049,167)	(1,592,405)	-	(25,641,572)
Total accumulated depreciation	<u>(42,266,772)</u>	<u>(3,065,365)</u>	<u>524,846</u>	<u>(44,807,291)</u>
Net book value, capital assets being depreciated	<u>78,964,108</u>	<u>11,106,586</u>	<u>(71,414)</u>	<u>89,999,280</u>
Net book value, all governmental activities capital assets	<u>\$ 104,137,701</u>	<u>\$ 20,262,794</u>	<u>\$ (10,646,130)</u>	<u>\$ 113,754,365</u>

(Continued)

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Capital assets continued:

	Balance, beginning	Additions	Deletions	Balance, ending
<b>Business-type activities:</b>				
At cost:				
Not being depreciated:				
Land	\$ 809,968	\$ -	\$ -	\$ 809,968
Intangible assets	-	545,054	-	545,054
Construction in progress	14,401,738	2,789,971	(6,673,025)	10,518,684
Total capital assets not being depreciated	<u>15,211,706</u>	<u>3,335,025</u>	<u>(6,673,025)</u>	<u>11,873,706</u>
Being depreciated:				
Land improvements	45,641,150	-	-	45,641,150
Buildings and building improvements	40,975,641	1,371,087	-	42,346,728
Machinery and equipment	8,481,636	1,274,956	-	9,756,592
Infrastructure	77,019,383	5,497,454	-	82,516,837
Total capital assets being depreciated	<u>172,117,810</u>	<u>8,143,497</u>	<u>-</u>	<u>180,261,307</u>
Total all capital assets	<u>187,329,516</u>	<u>11,478,522</u>	<u>(6,673,025)</u>	<u>192,135,013</u>
Less accumulated depreciation:				
Land improvements	(32,963,874)	(851,541)	-	(33,815,415)
Buildings and building improvements	(15,905,430)	(678,977)	-	(16,584,407)
Machinery and equipment	(4,902,966)	(451,368)	-	(5,354,334)
Infrastructure	(23,650,370)	(1,415,444)	-	(25,065,814)
Total accumulated depreciation	<u>(77,422,640)</u>	<u>(3,397,330)</u>	<u>-</u>	<u>(80,819,970)</u>
Net book value, capital assets being depreciated	94,695,170	4,746,167	-	99,441,337
Net book value, all business-type activities capital assets	<u>\$ 109,906,876</u>	<u>\$ 8,081,192</u>	<u>\$ (6,673,025)</u>	<u>\$ 111,315,043</u>

Depreciation expense was charged to functions of the City based on their usage of the related assets. The amounts allocated to each function are as follows:

<b>Governmental activities:</b>	
General government	\$ 66,414
Public safety	500,694
Highways and streets	2,230,809
Culture and recreation	248,254
Conservation	19,194
Total depreciation expense	<u>\$ 3,065,365</u>
<b>Business-type activities:</b>	
Sewage collection and disposal	\$ 1,380,964
Solid waste disposal	724,222
Water treatment and distribution	644,941
Municipal airport	647,203
Total depreciation expense	<u>\$ 3,397,330</u>

**NOTE 10 – INTERFUND BALANCES AND TRANSFERS**

**Interfund Balances** - The composition of interfund balances as of December 31, 2021 is as follows:

Receivable Fund	Payable Fund	Amount
General	Capital improvements	\$ 1,306,691
General	Nonmajor governmental	44,443
Nonmajor governmental	General	975
		<u>\$ 1,352,109</u>

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The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**Interfund Transfers** - The composition of interfund transfers for the year ended December 31, 2021 is as follows:

	Transfers In	Transfers Out	Cumulative Transfers
Major governmental funds:			
General	\$ 1,571,215	\$ (1,525,928)	\$ 45,287
Capital improvements	1,880,000	-	1,880,000
Nonmajor governmental funds	11,076	(540,207)	(529,131)
Total governmental funds	<u>3,462,291</u>	<u>(2,066,135)</u>	<u>1,396,156</u>
Major proprietary funds:			
Sewage collection and disposal	-	(478,190)	(478,190)
Solid waste disposal	-	(870,305)	(870,305)
Water treatment and distribution	285,620	(501,204)	(215,584)
Municipal airport	224,960	(57,037)	167,923
Total proprietary funds	<u>510,580</u>	<u>(1,906,736)</u>	<u>(1,396,156)</u>
Total	<u>\$ 3,972,871</u>	<u>\$ (3,972,871)</u>	<u>\$ -</u>

During the year, transfers are used to (1) move revenues from the fund with collection authority to the fund responsible for expenditure and (2) move general fund resources to provide an annual subsidy.

**NOTE 11 – INTERGOVERNMENTAL PAYABLES**

Amounts due to other governments at December 31, 2021, consist of the following:

	Governmental Activities	Business-type Activities	Total Government-wide
Property taxes due to the custodial funds	\$ 15,982,387	\$ -	\$ 15,982,387
Balance due to the New Hampshire Retirement System	468,379	-	468,379
Fees due to the State of New Hampshire	1,732	-	1,732
Other miscellaneous intergovernmental payables	144	-	144
State of New Hampshire - SRF drawdown requests	572,467	792,250	1,364,717
Total intergovernmental payables due	<u>\$ 17,025,109</u>	<u>\$ 792,250</u>	<u>\$ 17,817,359</u>

	Governmental Funds		Total Governmental Funds
	General	Capital Improvements	
Property taxes due to the custodial funds	\$ 15,982,387	\$ -	\$ 15,982,387
Balance due to the New Hampshire Retirement System	468,379	-	468,379
Fees due to the State of New Hampshire	1,732	-	1,732
Other miscellaneous intergovernmental payables	144	-	144
State of New Hampshire - SRF drawdown requests	-	572,467	572,467
Total intergovernmental payables due	<u>\$ 16,452,642</u>	<u>\$ 572,467</u>	<u>\$ 17,025,109</u>

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*Intergovernmental payables continued:*

	Proprietary Funds		Total Proprietary Funds	Fiduciary Funds
	Sewage Collection and Disposal	Water Treatment and Distribution		
State of New Hampshire - SRF drawdown requests	\$ 396,125	\$ 396,125	\$ 792,250	\$ -
Property taxes due to the Lebanon School District	-	-	-	15,982,387
Total intergovernmental payables due	<u>\$ 396,125</u>	<u>\$ 396,125</u>	<u>\$ 792,250</u>	<u>\$ 15,982,387</u>

2. Property taxes due to the Lebanon School District represent amounts collected by the City that will be paid to the School District in incremental payments based upon an agreed schedule in the next calendar year.

**NOTE 12 – CONSTRUCTION COMMITMENTS**

The City has active construction projects as of December 31, 2021. The projects include street construction, water and sewer improvements, sidewalk construction, and other capital improvements. At year-end, the City’s commitments with contractors for work are as follows:

	Contracts Payable	Retainage Payable
Governmental funds:		
General fund	\$ -	\$ 10,238
Capital improvements	918,212	477,993
Total governmental funds	<u>918,212</u>	<u>488,231</u>
Proprietary funds:		
Sewage collection and disposal	13,876	95,229
Solid waste disposal	22,505	26,978
Water treatment and distribution	21,239	119,846
Total proprietary funds	<u>57,620</u>	<u>242,053</u>
Total	<u>\$ 975,832</u>	<u>\$ 730,284</u>

The remaining balances of uncompleted construction contracts at December 31, 2021, are as follows:

	Total Contracts	Spent to Date	Remaining Commitment
Governmental fund:			
Capital improvements	\$ 12,119,714	\$ 9,517,575	\$ 2,602,139
Proprietary funds:			
Sewage collection and disposal	540,250	423,394	116,856
Solid waste disposal	2,277,080	1,520,472	756,608
Water treatment and distribution	2,203,729	1,705,340	498,389
Total proprietary funds	<u>5,021,059</u>	<u>3,649,206</u>	<u>1,371,853</u>
Total	<u>\$ 17,140,773</u>	<u>\$ 13,166,781</u>	<u>\$ 3,973,992</u>



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**NOTE 13 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

Deferred outflows of resources are as follows:

	Government-wide Statements		Proprietary Funds			
	Governmental Activities	Business-type Activities	Sewage Collection and Disposal	Solid Waste Disposal	Water Treatment and Distribution	Municipal Airport
Amounts related to pensions (see Note 16)	\$ 4,491,133	\$ 457,688				
Amounts related to other postemployment benefits (see Note 17)	221,875	32,102				
Total	<u>\$ 4,713,008</u>	<u>\$ 489,790</u>				
Amounts related to pensions (see Note 16)			\$ 141,714	\$ 128,182	\$ 116,416	\$ 71,376
Amounts related to other postemployment benefits (see Note 17)			10,661	8,370	8,322	4,749
Total			<u>\$ 152,375</u>	<u>\$ 136,552</u>	<u>\$ 124,738</u>	<u>\$ 76,125</u>

Deferred inflows of resources are as follows:

	Government-wide Statements		Proprietary Funds				
	Governmental Activities	Business-type Activities	Governmental Fund General	Sewage Collection and Disposal	Solid Waste Disposal	Water Treatment and Distribution	Municipal Airport
Unavailable revenue - Grants received in advance	\$ 503,303	\$ -	\$ 507,374	\$ -	\$ -	\$ -	\$ -
Debt forgiveness	1,818,398	3,676,994	503,303	-	-	-	-
Deferred revenue	-	79,147	-	1,625,200	-	2,051,794	-
Amounts related to pensions (see Note 16)	6,266,642	638,630	-	28,344	-	-	50,803
Amounts related to other postemployment benefits (see Note 17)	506,775	92,037	-	197,739	178,857	162,440	99,594
Total	<u>\$ 9,095,118</u>	<u>\$ 4,486,808</u>	<u>\$ 1,010,677</u>	<u>\$ 1,882,849</u>	<u>\$ 201,994</u>	<u>\$ 2,238,309</u>	<u>\$ 163,656</u>

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**NOTE 14 – CAPITAL LEASE OBLIGATIONS**

The City has entered into capital lease agreements under which the related equipment will become the property of the City when all the terms of the lease agreement are met.

	Standard Interest Rate	Present Value of Remaining Payments as of December 31, 2021
<b>Governmental activities:</b>		
Capital lease obligation:		
Ford Interceptor	6.95%	\$ <u>6,931</u>
<b>Business-type activities:</b>		
Capital lease obligation:		
John Deere wheel loader	2.00%	\$ <u>295,804</u>

Leased equipment under the capital lease, included in capital assets, is as follows:

<b>Governmental activities:</b>		
Equipment:		
Ford Interceptor		\$ 32,551
Less: accumulated depreciation		<u>(26,041)</u>
Total capital lease equipment		<u>\$ 6,510</u>
<b>Business-type activities:</b>		
Equipment:		
John Deere wheel loader		\$ 358,500
Less: accumulated depreciation		<u>(8,136)</u>
Total capital lease equipment		<u>\$ 350,364</u>

The annual requirements to amortize the capital lease payable as of December 31, 2021, including interest payments, are as follows:

Fiscal Year Ending December 31,	Governmental Activities
<u>2022</u>	\$ 7,413
Less: interest	<u>(482)</u>
Present value of remaining payments	<u>\$ 6,931</u>
Fiscal Year Ending December 31,	Business-type Activities
2022	\$ 62,791
2023	62,791
2024	62,791
2025	62,791
2026	<u>62,791</u>
Total requirements	313,955
Less: interest	<u>(18,151)</u>
Present value of remaining payments	<u>\$ 295,804</u>

Amortization of lease equipment under capital assets is included with depreciation expense.

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**NOTE 15 – LONG-TERM LIABILITIES**

Changes in the City’s long-term liabilities consisted of the following for the year ended December 31, 2021:

	Balance January 1, 2021	Additions	Reductions	Balance December 31, 2021	Due Within One Year	Due In More Than One Year
<b>Governmental activities:</b>						
Bonds payable:						
Direct placements	\$ 31,624,365	\$ 1,229,070	\$ (3,030,119)	\$ 29,823,316	\$ 2,956,844	\$ 26,866,472
Notes/loans payable - direct borrowings	7,817,747	1,456,460	(682,908) *	8,591,299	280,309	8,310,990
Premium	<u>2,834,391</u>	<u>201,743</u>	<u>(188,640)</u>	<u>2,847,494</u>	<u>198,727</u>	<u>2,648,767</u>
Total bonds/notes payable	42,276,503	2,887,273	(3,901,667)	41,262,109	3,435,880	37,826,229
Capital leases	13,412	-	(6,481)	6,931	6,931	-
Compensated absences	1,821,775	446,280	(2,770)	2,265,285	54,734	2,210,551
Net pension liability	28,557,535	-	(8,059,084)	20,498,451	-	20,498,451
Net other postemployment benefits	2,843,470	-	(119,847)	2,723,623	-	2,723,623
Total long-term liabilities	<u>\$ 75,512,695</u>	<u>\$ 3,333,553</u>	<u>\$ (12,089,849)</u>	<u>\$ 66,756,399</u>	<u>\$ 3,497,545</u>	<u>\$ 63,258,854</u>

**\*Water Pollution Control Revolving Fund Program** – Included in the \$682,908 debt reduction is \$145,178 of one-time principal forgiveness related to two separate loans received under the Drinking Water State Revolving Fund Program. The loans were consolidated by promissory notes upon completion of the respective projects. The total loan amounts issued was \$1,456,460 (in the governmental activities), of which \$145,178, or 10.0%, was forgiven in the form of federal financial assistance.

	Balance January 1, 2021	Additions	Reductions	Balance December 31, 2021	Due Within One Year	Due In More Than One Year
<b>Business-type activities:</b>						
Bonds payable:						
Direct placements	\$ 15,131,959	\$ 2,360,980	\$ (1,601,631)	\$ 15,891,308	\$ 1,693,207	\$ 14,198,101
Notes/loans payable - direct borrowings	26,930,264	5,584,691	(2,726,332) *	29,788,623	528,276	29,260,347
Premium	<u>1,106,379</u>	<u>387,538</u>	<u>(88,093)</u>	<u>1,405,824</u>	<u>107,469</u>	<u>1,298,355</u>
Total bonds/notes payable	43,168,602	8,333,209	(4,416,056)	47,085,755	2,328,952	44,756,803
Capital leases	-	358,500	(62,696)	295,804	56,820	238,984
Compensated absences	283,837	23,098	(30,154)	276,781	44,078	232,703
Accrued landfill closure and postclosure care costs	9,901,020	794,668	-	10,695,688	18,400	10,677,288
Net pension liability	2,913,058	-	(824,072)	2,088,986	-	2,088,986
Net other postemployment benefits	355,039	24,395	(20,084)	359,350	-	359,350
Total long-term liabilities	<u>\$ 56,621,556</u>	<u>\$ 9,533,870</u>	<u>\$ (5,353,062)</u>	<u>\$ 60,802,364</u>	<u>\$ 2,448,250</u>	<u>\$ 58,354,114</u>

**\*Water Pollution Control Revolving Fund Program** – Included in the \$2,726,332 debt reduction is \$905,766 of one-time principal forgiveness related to three separate loans received under the Drinking Water State Revolving Fund Program. The loans were consolidated by promissory notes upon completion of the respective projects. The total loan amount issued was \$5,584,691 (\$1,092,345 in the sewage collection and disposal proprietary fund and \$4,492,346 in the water treatment and distribution proprietary fund), of which \$905,766 (\$108,883 in the sewage collection and disposal proprietary fund and \$796,883 in the water treatment and distribution proprietary fund), or 16.2% (10.0% in the sewage collection and disposal proprietary fund and 17.7% in the water treatment and distribution proprietary fund) was forgiven in the form of federal financial assistance.

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Long-term bonds/notes are comprised of the following:

**Governmental activities:**

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2021	Current Portion
<b>Bonds payable</b>						
Direct placements:						
NHMBB02B	\$ 2,050,000	2002	2022	3.00-5.00	\$ 90,000	\$ 90,000
NHMBB03C	\$ 1,118,620	2003	2023	4.00-6.00	111,320	55,660
NHMBB04B	\$ 3,506,098	2004	2024	3.00-5.00	516,429	172,143
NHMBB05B	\$ 4,583,082	2005	2025	4.00-4.50	900,000	225,000
NHMBB06A	\$ 4,441,665	2006	2026	4.50-5.00	1,100,000	220,000
NHMBB07B	\$ 6,584,511	2007	2027	4.00-4.75	1,816,600	323,600
NHMBB08A	\$ 2,396,404	2008	2028	4.00-4.125	491,675	74,525
NHMBB09C	\$ 3,836,780	2009	2029	3.02-5.02	962,000	121,000
NHMBB10B	\$ 3,948,393	2010	2030	3.823	1,751,330	197,370
NHMBB11B	\$ 3,651,784	2011	2031	3.55	1,700,000	170,000
NHMBB12B	\$ 428,374	2012	2032	2.57-3.18	223,960	20,360
NHMBB14A	\$ 655,000	2014	2024	5.10	195,000	65,000
NHMBB16B	\$ 1,819,100	2016	2036	2.51	1,350,000	90,000
NHMBB17B	\$ 1,856,400	2017	2037	2.52	1,395,000	115,000
NHMBB18B	\$ 2,905,400	2018	2038	3.20	2,393,000	164,000
NHMBB20A	\$ 7,148,900	2020	2040	2.12	6,765,000	380,000
NHMBB20B	\$ 7,239,292	2020	2040	1.64	6,832,932	409,116
NHMBB21C	\$ 1,229,070	2021	2041	2.10-5.10	1,229,070	64,070
Total direct placements					<u>29,823,316</u>	<u>2,956,844</u>
Notes/loans payable - direct borrowings:						
SRF CS-333092-05	\$ 2,912,891	2014	2034	3.392	888,423	74,035
SRF CS-330092-07 CSO	\$ 1,272,534	2016	2036	2.00	780,458	-
SRF CS-330092-08 CSO	\$ 1,280,000	2017	2036	2.00	840,000	56,000
SRF CS-330092-10 CSO	\$ 728,283	2018	2037	2.70	524,368	32,773
SRF CS-1321010-02 CSO	\$ 800,000	2019	2039	1.70	640,744	35,597
Mascoma Bank vehicle note	\$ 84,863	2019	2023	2.99	33,945	16,973
SRF CS-330092-11 CSO	\$ 4,489,689	2020	2040	2.00	3,636,648	-
SRF DWGT-17 CSO	\$ 74,615	2021	2040	2.424	64,790	2,725
SRF CS-330092-12 CSO	\$ 1,381,845	2021	2040	2.00	1,181,923	62,206
Total direct borrowings					<u>8,591,299</u>	<u>280,309</u>
Bond premiums					2,847,494	198,727
Total					<u>\$ 41,262,109</u>	<u>\$ 3,435,880</u>

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Governmental activities continued:

**Business-type activities:**

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2021	Current Portion
<b>Bonds payable</b>						
Direct placements:						
NHMBB03C	\$ 1,769,210	2003	2023	4.00-6.00	\$ 38,680	\$ 19,340
NHMBB04B	\$ 1,281,902	2004	2024	3.00-5.00	83,571	27,857
NHMBB05B	\$ 1,254,393	2005	2025	4.00-4.50	240,000	60,000
NHMBB06A	\$ 2,070,164	2006	2026	4.50-5.00	515,000	105,000
NHMBB07B	\$ 2,362,489	2007	2027	4.00-4.75	823,400	121,400
NHMBB08A	\$ 2,030,611	2008	2028	4.00-4.125	738,325	105,475
NHMBB09C	\$ 1,370,220	2009	2029	3.02-5.02	543,000	69,000
NHMBB10B	\$ 3,152,607	2010	2030	3.823	1,418,670	157,630
NHMBB11B	\$ 4,720,716	2011	2031	3.55	2,350,000	235,000
NHMBB12B	\$ 4,306,526	2012	2032	2.57-3.18	1,266,040	329,640
NHMBB13C	\$ 2,207,000	2013	2033	4.10-5.60	1,295,000	110,000
NHMBB18B	\$ 1,629,000	2018	2038	3.20	1,377,000	81,000
NHMBB20B	\$ 2,993,133	2020	2040	1.64	2,841,642	150,885
NHMBB21C	\$ 2,360,980	2021	2041	2.10-5.10	2,360,980	120,980
Total direct placements					<u>15,891,308</u>	<u>1,693,207</u>
Notes/loans payable - direct borrowings:						
SRF CS-330092-03	\$ 1,576,416	2008	2028	2.352	472,924	-
2012 SRF/ARRA	\$ 1,294,062	2011	2031	3.55	383,345	33,650
SRF CS-333092-05	\$ 4,369,336	2014	2034	3.392	1,332,637	111,053
SRF CS-330092-07 CSO	\$ 1,908,801	2016	2036	2.00	1,170,690	-
SRF CS-330092-04	\$ 11,541,564	2016	2036	2.00	8,079,091	-
SRF CS-330092-06	\$ 1,904,452	2016	2036	2.00	1,071,709	-
SRF CS-330092-08 CSO	\$ 1,920,000	2017	2036	2.00	1,260,000	84,000
SRF #1321010-01	\$ 200,000	2017	2036	1.96	157,955	9,088
SRF CS-330092-09	\$ 4,672,089	2017	2037	2.42	3,504,068	-
SRF CS-330092-10 CSO	\$ 1,092,424	2018	1905	2.70	786,545	49,159
SRF CS-1321010-02 CSO	\$ 1,200,000	2019	2039	1.70	961,116	53,395
SRF CS-330092-11 CSO	\$ 7,440,093	2020	2040	2.00	6,026,472	-
SRF DWGT-17 CSO	\$ 111,923	2021	2040	2.424	97,186	4,088
SRF CS-330092-12 CSO	\$ 2,072,768	2021	2040	2.00	1,772,885	93,310
SRF DWGT-23	\$ 3,400,000	2021	2041	3.38	2,712,000	90,533
Total direct borrowings					<u>29,788,623</u>	<u>528,276</u>
Bond premiums					1,405,824	107,469
Total					<u>\$ 47,085,755</u>	<u>\$ 2,328,952</u>

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The annual requirements to amortize all general obligation bonds/notes outstanding as of December 31, 2021, including interest payments, are as follows:

**Governmental activities:**

Fiscal Year Ending December 31,	Bonds - Direct Placements			Notes/Loans - Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 2,956,844	\$ 1,117,117	\$ 4,073,961	\$ 280,309	\$ 114,994	\$ 395,303
2023	2,834,462	978,547	3,813,009	538,158	179,663	717,821
2024	2,774,114	845,728	3,619,842	521,253	167,558	688,811
2025	2,531,971	736,469	3,268,440	521,323	155,965	677,288
2026	2,266,971	659,896	2,926,867	521,394	144,370	665,764
2027-2031	8,196,509	1,960,749	10,157,258	2,608,096	547,866	3,155,962
2032-2036	5,200,939	524,673	5,725,612	2,388,041	489,856	2,877,897
2037-2041	3,061,506	159,681	3,221,187	1,212,725	58,367	1,271,092
Totals	\$ 29,823,316	\$ 6,982,860	\$ 36,806,176	\$ 8,591,299	\$ 1,858,639	\$ 10,449,938

**Business-type activities:**

Fiscal Year Ending December 31,	Bonds - Direct Placements			Notes/Loans - Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 1,693,207	\$ 639,035	\$ 2,332,242	\$ 528,276	\$ 258,157	\$ 786,433
2023	1,710,113	547,691	2,257,804	1,923,610	665,500	2,589,110
2024	1,695,887	474,811	2,170,698	1,928,269	621,542	2,549,811
2025	1,363,029	401,858	1,764,887	1,933,077	577,436	2,510,513
2026	1,303,029	340,140	1,643,169	1,938,040	533,176	2,471,216
2027-2031	4,813,491	959,994	5,773,485	9,533,900	2,004,166	11,538,066
2032-2036	1,994,061	312,404	2,306,465	8,958,191	954,160	9,912,351
2037-2041	1,318,491	76,775	1,395,266	3,045,260	190,082	3,235,342
Totals	\$ 15,891,308	\$ 3,752,708	\$ 19,644,016	\$ 29,788,623	\$ 5,804,219	\$ 35,592,842

**Accrued Landfill Closure and Postclosure Care Costs** – Federal and State laws and regulations require that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site after closure. A liability is being recognized based on the future closure and postclosure care costs that will be incurred. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used through the end of the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$10,695,688 as of December 31, 2021, which is based on 100% usage of the closed unlined landfill, 100% usage of the closed C&D debris landfill, 100% usage of the secured (lined) landfill Phase I and II-A, and 64.3% usage of the secured (lined) landfill Phases II-B and II-C. The estimated total current cost of the landfill closure and postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2021. However, the actual cost of closure and postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations. The City expects to finance the closure and postclosure care costs through contemporaneous setting aside of sufficient amounts in a capital reserve fund.

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**Bonds/Notes Authorized and Unissued** – Bonds and notes authorized and unissued as of December 31, 2021 were as follows:

Per City Meeting Vote of	Purpose	Unissued Amount	Responsible Fund
2015	Packard Hill bridge	\$ 100,000	General
2017	CSO Separation and Utility replacement	2,397,285	General/water treatment and distribution/sewage collection and disposal
2018	CSO Separation and Utility replacement	3,485,387	General/water treatment and distribution/sewage collection and disposal
2018	Lebanon Police Department HVAC repair and upgrade	50,000	General
2018	Streets rehabilitation/reconstruction	255,000	General/sewage collection and disposal
2019	Packard Hill bridge	120,000	General
2019	Hanover Street/Route 120 bridge	275,000	General
2019	CSO Separation and Utility replacement	2,220,687	General/water treatment and distribution/sewage collection and disposal
2019	Mechanic/High/Mascoma Streets intersection	700,000	General
2019	Radio communications repeater replacement	170,000	General
2019	Water treatment facility improvements	20,000	Water treatment and distribution
2019	Asset management program	120,000	Sewage collection and disposal
2020	Airport TIF District infrastructure improvements	350,000	General
2020	Miracle Mile pedestrian transit improvements	200,000	General
2020	Hanover Street reconstruction	355,000	General
2020	Huber sludge dewatering press	1,100,000	Sewage collection and disposal
2020	Lanfill gas to energy project	1,500,000	Solid waste disposal
2021	Airport TIF District Infrastructure Improvements	1,929,700	Airport
2021	Lebanon Library Renovation - Design/Engr/Constr.	1,720,210	General
2021	Valley Cemetery - Maintenance Building Replacement	405,000	General
2021	Parks Storage & Maintenance Building	120,000	General
2021	Kimball Street Infrastructure Improvements	102,900	General/water treatment and distribution/sewage collection and disposal
2021	Spencer Street Improvements	1,000,000	General
2021	Huber Sludge Dewatering Process	275,000	Sewage collection and disposal
2021	Mill Rd Slope Stabilization	100,000	Sewage collection and disposal
		<u>\$ 19,071,169</u>	

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**NOTE 16 – DEFINED BENEFIT PENSION PLAN**

**Plan Description** – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers a cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death, and vested retirement benefits to members and their beneficiaries. Substantially all full-time State employees, public school teachers and administrators, permanent firefighters, and permanent police officers within the State are eligible and required to participate in the Pension Plan. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

**Benefits Provided** – Benefit formulas and eligibility requirements for the Pension Plan are set by state law (RSA 100-A). The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II.

Group I benefits are provided based on creditable service and average final salary for the highest of either three or five years, depending on when service commenced.

Group II benefits are provided based on age, years of creditable service, and benefit multiplier depending on vesting status as of January 1, 2012. The maximum retirement allowance for Group II members vested by January 1, 2012 (45 years of age with 20 years of service or age 60 regardless of years of creditable service) is the average final compensation multiplied by 2.5% multiplied by creditable service. For Group II members not vested by January 1, 2012, the benefit is calculated the same way, but the multiplier used in the calculation will change depending on age and years of creditable service as follows:

<b>Years of Creditable Service as of January 1, 2012</b>	<b>Minimum Age</b>	<b>Minimum Service</b>	<b>Benefit Multiplier</b>
At least 8 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	23	2.2%
Less than 4 years	49	24	2.1%

Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances, subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

**Contributions** - The System is financed by contributions from both the employees and the City. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. Group I (employee and teacher) members are required to contribute 7% of earnable compensation and Group II (police and firefighters) members contribute 11.55% and 11.80%, respectively. For the period of January 1, 2021 to June 30, 2021, the City contributed 24.77% for police, 26.43% for firefighters, and 10.88% for other employees. For the period of July 1, 2021 to December 31, 2021, the City contributed 30.67% for police, 29.78% for firefighters, and 13.75% for other employees. The contribution requirement for the fiscal year 2021 was \$2,341,483, which was paid in full.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions** – At December 31, 2021, the City reported a liability of \$22,587,437 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participants, actuarially determined. At June 30, 2021, the City’s proportion was 0.51%, which was an increase of 0.02% from its proportion measured as of June 30, 2020.



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For the year ended December 31, 2021, the City recognized pension expense of \$1,562,094. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities		Business-type Activities		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 668,953	\$ 319,062	\$ 68,238	\$ 32,546	\$ 737,191	\$ 351,608
Changes in assumptions	2,140,758	-	218,372	-	2,359,130	-
Net difference between projected and actual investment earnings on pension plan investments	-	5,732,442	-	584,747	-	6,317,189
Differences between expected and actual experience	574,332	215,138	58,148	21,337	632,480	236,475
Contributions subsequent to the measurement date	1,107,090	-	112,930	-	1,220,020	-
Total	<u>\$ 4,491,133</u>	<u>\$ 6,266,642</u>	<u>\$ 457,688</u>	<u>\$ 638,630</u>	<u>\$ 4,948,821</u>	<u>\$ 6,905,272</u>

The \$1,220,020 (\$1,107,090 in the governmental activities and \$112,930 in the business-type activities) reported as deferred outflows of resources related to pensions results from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending December 31,	Governmental Activities	Business-type Activities	Total
2022	\$ (556,942)	\$ (56,812)	\$ (613,754)
2023	(260,901)	(26,614)	(287,515)
2024	(350,118)	(35,714)	(385,832)
2025	(1,714,638)	(174,732)	(1,889,370)
Totals	<u>\$ (2,882,599)</u>	<u>\$ (293,872)</u>	<u>\$ (3,176,471)</u>

**Actuarial Assumptions** – The collective total pension liability was based on the following assumptions:

Inflation:	2.0%
Salary increases:	5.6% average, including inflation
Wage inflation:	2.75% (2.25% for teachers)
Investment rate of return:	6.75% net of pension plan investment expense, including inflation

Mortality rates were based on the Pub-2010 Health Retiree Mortality Tables with credibility adjustments for each group (Police and Firefighters combined) and projected fully generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2016 – June 30, 2019.

**Long-term Rates of Return** – The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation.

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Following is a table presenting target allocations and geometric real rates of return for each asset class:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2021
Large Cap Equities	22.50%	6.46%
Small/Mid Cap Equities	7.50%	1.14%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	14.00%	5.53%
Emerging Int'l Equities	6.00%	2.37%
Total international equity	20.00%	
Core US Fixed Income	25.00%	3.60%
Total fixed income	25.00%	
Private equity	10.00%	8.85%
Private debt	5.00%	7.25%
Total alternative investments	15.00%	
Real estate	10.00%	6.60%
Total	100.00%	

**Discount Rate** – The discount rate used to measure the collective total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan’s actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

**Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – The following table presents the City’s proportionate share of the net pension liability calculated using the discount rate of 6.75% as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

	Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
Governmental activities	June 30, 2021	\$ 29,312,546	\$ 20,498,451	\$ 13,142,742
Business-type activities	June 30, 2021	2,990,074	2,088,986	1,340,647
		<u>\$ 32,302,620</u>	<u>\$ 22,587,437</u>	<u>\$ 14,483,389</u>

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plan’s fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

**NOTE 17 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**17-A New Hampshire Retirement System (NHRS)**

**Plan Description** – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system which administers a cost-sharing multiple-employer other postemployment benefit (OPEB) plan. For additional system information, please refer to the 2021 Annual Comprehensive Financial Report, which can be found on the System’s website at [www.nhrs.org](http://www.nhrs.org).

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**Benefits Provided** - Benefit amounts and eligibility requirements for the OPEB Plan are set by State law (RSA 100-A:52, RSA 100-A:52-a, and RSA 100-A:52-b), and members are designated in statute by type. The four membership types are Group II, Police Officers and Firefighters; Group I, Teachers; Group I, Political Subdivision Employees; and Group I, State Employees. The OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children with a disability who are living in the household and being cared for by the retiree. If the health insurance premium amount is less than the medical subsidy amount, then only the health insurance premium amount will be paid. If the health insurance premium amount exceeds the medical subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

Group I benefits are based on creditable service, age, and retirement date. Group II benefits are based on hire date, age, and creditable service. The OPEB plan is closed to new entrants.

Maximum medical subsidy rates paid during fiscal year 2021 were as follows:

For qualified retirees not eligible for Medicare, the amounts were \$375.56 for a single-person plan and \$751.12 for a two-person plan.

For those qualified retirees eligible for Medicare, the amounts were \$236.84 for a single-person plan and \$473.68 for a two-person plan.

**Contributions** – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2018, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend, and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For the period of January 1, 2021 to June 30, 2021, the City contributed 3.66% for police and firefighters, and 0.29% for other employees. For the period of July 1, 2021 to December 31, 2021, the City contributed 3.21% for police and firefighters, and 0.31% for other employees. The contribution requirement for the fiscal year 2021 was \$230,831, which was paid in full.

**OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** – At December 31, 2021, the City reported a liability of \$1,919,830 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City’s proportion of the net OPEB liability was based on a projection of the City’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participants, actuarially determined. At June 30, 2021, the City’s proportion was 0.46%, which was the same as its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the City recognized OPEB expense of \$131,729. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Governmental Activities		Business-type Activities		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 507	\$ -	\$ 52	\$ -	\$ 559	\$ -
Net difference between projected and actual investment earnings on OPEB plan investments	-	21,762	-	2,220	-	23,982
Differences between expected and actual experience	-	366	-	36	-	402
Contributions subsequent to the measurement date	107,494	-	10,954	-	118,448	-
<b>Total</b>	<b>\$ 108,001</b>	<b>\$ 22,128</b>	<b>\$ 11,006</b>	<b>\$ 2,256</b>	<b>\$ 119,007</b>	<b>\$ 24,384</b>

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The \$118,448 (\$107,494 in the governmental activities and \$10,954 in the business-type activities) reported as deferred outflows of resources related to OPEB results from the City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending December 31,	Governmental Activities	Business-type Activities	Total
2022	\$ (4,834)	\$ (493)	\$ (5,327)
2023	(4,573)	(466)	(5,039)
2024	(5,125)	(523)	(5,648)
2025	(7,089)	(722)	(7,811)
Totals	<u>\$ (21,621)</u>	<u>\$ (2,204)</u>	<u>\$ (23,825)</u>

**Actuarial Assumptions** – The collective total OPEB liability was based on the following actuarial assumptions:

Inflation:	2.0%
Salary increases:	5.6 % average, including inflation
Wage inflation:	2.75 % (2.25%) for teachers
Investment rate of return:	6.75 % net of OPEB plan investment expense, including inflation for determining solvency contributions

Mortality rates were based on the Pub-2010 Health Retiree Mortality Tables with credibility adjustments for each group (Police and Firefighters combined) and projected fully generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2016 – June 30, 2019.

**Long-term Rates of Return** – The long-term expected rate of return on OPEB plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and geometric real rates of return for each asset class:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return <u>2021</u>
Large Cap Equities	22.50%	6.46%
Small/Mid Cap Equities	7.50%	1.14%
Total domestic equity	<u>30.00%</u>	
Int'l Equities (unhedged)	14.00%	5.53%
Emerging Int'l Equities	6.00%	2.37%
Total international equity	<u>20.00%</u>	
Core US Fixed Income	25.00%	3.60%
Total fixed income	<u>25.00%</u>	
Private equity	10.00%	8.85%
Private debt	5.00%	7.25%
Total alternative investments	<u>15.00%</u>	
Real estate	10.00%	6.60%
Total	<u>100.00%</u>	

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**Discount Rate** – The discount rate used to measure the total OPEB liability as of June 30, 2021, was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statutes RSA 100-A:16 and 100-A:53. Based on those assumptions, the OPEB Plan’s fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

**Sensitivity of the City’s Proportionate Share of the OPEB Liability to Changes in the Discount Rate** – The following table presents the City’s proportionate share of the OPEB liability calculated using the discount rate of 6.75% as well as what the City’s proportionate share of the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

	Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
Governmental activities	June 30, 2021	\$ 1,893,823	\$ 1,742,276	\$ 1,610,132
Business-type activities	June 30, 2021	193,183	177,554	164,244
		<u>\$ 2,087,006</u>	<u>\$ 1,919,830</u>	<u>\$ 1,774,376</u>

**Sensitivity of the City’s Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Assumption** – GASB Statement No. 75 requires the sensitivity of the OPEB liability to the healthcare cost trend assumption. Since the medical subsidy benefits are fixed stipends, there is no sensitivity to changes in the healthcare cost trend assumption.

**OPEB Plan Fiduciary Net Position** – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit OPEB Plan financial report.

**17-B City of Lebanon Retiree Health Benefit Program**

**Plan Description** – GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires governments to account for other postemployment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their postemployment benefits, rather than when they use their postemployment benefit. The postemployment benefit liability is recognized on the Statement of Net Position over time.

**Benefits Provided** – The City provides postemployment healthcare benefits for certain eligible retirees. The City provides medical benefits to its eligible retirees.

**Employees Covered by Benefit Terms** – At January 1, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	66
Active employees	<u>172</u>
Total participants covered by OPEB plan	<u>238</u>

**Total OPEB Liability** – The City’s total OPEB liability of \$1,163,143 was measured as of January 1, 2020 and was determined by an actuarial valuation of that date.

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**Actuarial Assumptions and Other Inputs** – The total OPEB liability of \$1,163,143 in the January 1, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate:	2.03%
Healthcare Cost Trend Rates:	
Current Year Trend	6.5%
Second Year Trend	6.0%
Decrement	0.5%
Ultimate Trend	4.5%
Year Ultimate Trend is Reached	2025

The discount rate was based on the index provided by *Bond Buyer 20-Bond General Obligation Index* based on the 20-year AA municipal bond rate as of December 31, 2020.

Mortality rates were based on the RPH-2014 Total Dataset headcount-weighted fully generational mortality table with projection scale MP-2019.

**Changes in the Total OPEB Liability**

	Governmental Activities	Business-type Activities	Total
OPEB liability, beginning of year	\$ 999,972	\$ 166,989	\$ 1,166,961
Changes for the year:			
Service cost	38,349	7,104	45,453
Interest	20,958	3,882	24,840
Assumption changes and difference between actual and expected experience	(8,865)	16,616	7,751
Benefit payments	(69,067)	(12,795)	(81,862)
OPEB liability, end of year	<u>\$ 981,347</u>	<u>\$ 181,796</u>	<u>\$ 1,163,143</u>

**Sensitivity of the City's OPEB Liability to Changes in the Discount Rate** – The January 1, 2020, actuarial valuation was prepared using a discount rate of 2.03%. If the discount rate were 1% lower than what was used, the OPEB liability would increase to \$1,308,190. If the discount rate were 1% higher than what was used, the OPEB liability would decrease to \$1,024,700.

Total OPEB Liability	Discount Rate		
	1% Decrease	Baseline 2.03%	1% Increase
Governmental Activities	\$ 1,103,724	\$ 981,347	\$ 864,542
Business-type Activities	204,466	181,796	160,158
	<u>\$ 1,308,190</u>	<u>\$ 1,163,143</u>	<u>\$ 1,024,700</u>

**Sensitivity of the City's OPEB Liability to Changes in the Healthcare Cost Trend Rates** – The January 1, 2020, actuarial valuation was prepared using an initial trend rate of 6.50%. If the trend rate were 1% lower than what was used, the OPEB liability would decrease to \$1,034,118. If the trend rate were 1% higher than what was used, the OPEB liability would increase to \$1,315,998.

Total OPEB Liability	Healthcare Cost Trend Rates		
	1% Decrease 5.50%	Baseline 6.50%	1% Increase 7.50%
Governmental Activities	\$ 872,488	\$ 981,347	\$ 1,110,311
Business-type Activities	161,630	181,796	205,687
	<u>\$ 1,034,118</u>	<u>\$ 1,163,143</u>	<u>\$ 1,315,998</u>

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**OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB** – For the year ended December 31, 2021, the City recognized OPEB expense of \$14,300. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Governmental Activities		Business-type Activities		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 113,874	\$ 113,211	\$ 21,096	\$ 20,972	\$ 134,969	\$ 134,184
Net difference between projected and actual investment earnings on OPEB plan investments	-	371,436	-	68,809	-	440,245
Total	\$ 113,874	\$ 484,647	\$ 21,096	\$ 89,781	\$ 134,969	\$ 574,429

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

Fiscal Year Ending December 31,	Governmental Activities	Business-type Activities	Total
2022	\$ (47,242)	\$ (8,751)	\$ (55,993)
2023	(47,242)	(8,751)	(55,993)
2024	(47,242)	(8,751)	(55,993)
2025	(47,242)	(8,751)	(55,993)
2026	(46,710)	(8,653)	(55,363)
Thereafter	(135,095)	(25,028)	(160,123)
Totals	\$ (370,773)	\$ (68,685)	\$ (439,460)

**NOTE 18 – ENCUMBRANCES**

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at December 31, 2021 and are as follows:

General fund:	
General government	\$ 1,007,389
Public safety	217,606
Highways and streets	1,221,481
Culture and recreation	93,214
Total encumbrances	\$ 2,539,690

**NOTE 19 – STATE AID TO WATER POLLUTION PROJECTS**

The City is due to receive from the State of New Hampshire the following amounts in the form of state aid to water pollution projects:

Bond Issued	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
C-769 Wastewater Treatment Facility Upgrade	\$ -	\$ -	\$ -	\$ 116,886	\$ 13,713	\$ 130,599
C-844 Combined Sewer Overflow	147,287	47,426	194,713	220,930	71,138	292,068
L-145 Lebanon C&D Municipal Landfill Closure	-	-	-	11,224	-	11,224
C-903 Dana & Craft Avenue Area	225,469	38,304	263,773	338,205	57,456	395,661
C-924 Combined Sewer Overflow - Phase 1	167,143	40,189	207,332	250,714	60,284	310,998
C-928 Etna Road - NH Rt 10 Sewer Replacement	-	-	-	1,634,530	255,636	1,890,166
C-874 WWTF Phase 2 Upgrade and Energy Evaluation Improvements	-	-	-	2,016,907	313,744	2,330,651
C-899 Combined Sewer Overflow & Utility Improvements - Phase 9	-	-	-	501,725	4,471	506,196
	\$ 539,899	\$ 125,919	\$ 665,818	\$ 5,091,121	\$ 776,442	\$ 5,867,563

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Under New Hampshire RSA Chapter 486, the City receives from the State of New Hampshire a percentage of the annual amortization charges on the original costs resulting from various projects. At December 31, 2021, the City is due to receive the following annual amounts to offset debt payments:

Fiscal Year Ending December 31,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 31,107	\$ 14,046	\$ 45,153	\$ 267,955	\$ 76,868	\$ 344,823
2023	31,046	13,226	44,272	314,042	84,636	398,678
2024	31,114	12,390	43,504	314,142	79,530	393,672
2025	31,114	11,542	42,656	314,142	73,500	387,642
2026	31,052	10,697	41,749	314,051	67,493	381,544
2027-2031	154,896	40,720	195,616	1,485,638	251,630	1,737,268
2032-2036	152,083	20,190	172,273	1,459,491	120,248	1,579,739
2037-2041	77,487	3,108	80,595	564,258	21,835	586,093
2042	-	-	-	57,402	702	58,104
Totals	\$ 539,899	\$ 125,919	\$ 665,818	\$ 5,091,121	\$ 776,442	\$ 5,867,563

**NOTE 20 – NET POSITION**

Net position reported on the government wide, proprietary funds, and fiduciary funds Statements of Net Position at December 31, 2021 include the following:

	Government-wide Financial Statements			Fiduciary Fund
	Governmental Activities	Business-type Activities	Total	
Net investment in capital assets:				
Net book value, all capital assets	\$ 113,754,365	\$ 111,315,043	\$ 225,069,408	\$ -
Less:				
General obligation bonds payable	(29,823,316)	(15,891,308)	(45,714,624)	-
Unamortized bond premiums	(2,847,494)	(1,405,824)	(4,253,318)	-
Notes payable	(8,591,299)	(29,788,623)	(38,379,922)	-
Capital leases payable	(6,931)	(295,804)	(302,735)	-
Total net investment in capital assets	72,485,325	63,933,484	136,418,809	-
Restricted net position:				
Capital projects	-	3,193,710	3,193,710	-
Library	118,094	-	118,094	-
Perpetual care - principal balance	1,705,040	-	1,705,040	-
Perpetual care - income balance	202,537	-	202,537	-
Downtown TIF District	517,884	-	517,884	-
Airport/Tech Park TIF District	27	-	27	-
Water investment fees	-	728,401	728,401	-
Total restricted net position	2,543,582	3,922,111	6,465,693	-
Unrestricted (deficit)	(12,443,069)	10,834,937	(1,608,132)	6,295,665
Total net position	\$ 62,585,838	\$ 78,690,532	\$ 141,276,370	\$ 6,295,665



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**NOTE 21 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the fund financial statements at December 31, 2021 include the following:

	General Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
<b>Nonspendable:</b>				
Prepaid items	\$ 712,008	\$ -	\$ -	\$ 712,008
Permanent fund - principal balance	-	-	1,705,040	1,705,040
Total nonspendable fund balance	<u>712,008</u>	<u>-</u>	<u>1,705,040</u>	<u>2,417,048</u>
<b>Restricted:</b>				
Heritage fund - donations	25,000	-	-	25,000
Public library	-	-	118,094	118,094
Downtown TIF District	-	-	517,884	517,884
Airport/Tech Park TIF District	-	-	27	27
Permanent - income balance	-	-	202,537	202,537
Total restricted fund balance	<u>25,000</u>	<u>-</u>	<u>838,542</u>	<u>863,542</u>
<b>Committed:</b>				
Expendable trust	988,717	-	-	988,717
Heritage fund	6,160	-	-	6,160
Police public safety revolving	-	-	229,490	229,490
Lebanon open space	-	-	1,443,777	1,443,777
Fire public safety revolving	-	-	66,974	66,974
Recreation revolving	-	-	97,424	97,424
Impact fees	-	-	698,962	698,962
Cemetery maintenance	-	-	20,100	20,100
Total committed fund balance	<u>994,877</u>	<u>-</u>	<u>2,556,727</u>	<u>3,551,604</u>
<b>Assigned:</b>				
Encumbrances	2,539,690	-	-	2,539,690
Abatements	147,749	-	-	147,749
Grants	15,909	-	-	15,909
Restricted funds	272,046	-	-	272,046
Emergency management	145,566	-	-	145,566
Farmers market	-	-	1,224	1,224
Total assigned fund balance	<u>3,120,960</u>	<u>-</u>	<u>1,224</u>	<u>3,122,184</u>
<b>Unassigned (deficit):</b>				
General fund	12,631,491	-	-	12,631,491
Capital improvements (deficit)	-	(3,263,664)	-	(3,263,664)
Total unassigned fund balance (deficit)	<u>12,631,491</u>	<u>(3,263,664)</u>	<u>-</u>	<u>9,367,827</u>
Total governmental fund balances	<u>\$ 17,484,336</u>	<u>\$ (3,263,664)</u>	<u>\$ 5,101,533</u>	<u>\$ 19,322,205</u>

**NOTE 22 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2021, the City was a member of the New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability programs.

The New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2021, to December 31, 2021, by Primex<sup>3</sup>, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex<sup>3</sup> to

**CITY OF LEBANON, NEW HAMPSHIRE**  
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make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. In 2021, the City paid \$348,118 for workers' compensation and \$280,666 for property/liability. At this time, Primex<sup>3</sup> foresees no likelihood of any additional assessment for this or any prior year.

The City continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 23 – CAFETERIA BENEFIT PLAN**

Effective July 1, 1991, the City implemented a cafeteria benefit plan pursuant to Section 125 of the IRS code. Under this plan, eligible employees may direct a contribution, made by the City, into any combination of the following benefit categories:

1. Premium Conversion Benefit for Group Medical and Dental Plans;
2. Healthcare Flexible Spending Account; or
3. Dependent Care Reimbursement Account

In addition to directing the City's contribution to the above categories, eligible employees may elect to contribute pre-tax dollars to these categories. Under no circumstances may an employee direct more than \$2,700 annually into the Healthcare Flexible Spending Account or \$5,000 annually into the Dependent Care Reimbursement Account. This cap applies to both City contributions and employee pre-tax contributions. There are no limits on contributions to the Premium Conversion Benefit for Group Medical and Dental Plans.

**NOTE 24 – SECURITY AGREEMENT**

The City entered a security agreement with Dartmouth-Hitchcock Medical Center (DHMC) on May 17, 2013. The purpose of the agreement is to finance the possible future expansion of the City sewer system to the DHMC properties. Under the agreement, DHMC established an escrow account in the amount of \$475,000. At December 31, 2021, the balance in the escrow account was \$548,474. The City may only access these funds if certain terms in the security agreement are met related to the expansion of services. If no action is taken, the security agreement will expire after ten years.

**NOTE 25 – CONTINGENCIES**

The City participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the City's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City anticipates such amounts, if any, will be immaterial.

**NOTE 26 – COVID-19**

As a result of the spread of the COVID-19 Coronavirus, economic uncertainties continue. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

The City was allotted a total of \$1,429,118 in federal funding from the American Rescue Plan Act (ARPA) in 2021. A total of \$714,559, or 50%, of the funding was received in 2021. The remainder is expected to be received in 2022. Eligible uses of these funds include pandemic response or its negative impacts, workforce/personnel, including payroll and hazard/premium pay, provision of government services to the extent of reduced revenue, and necessary water, sewer, and broadband investment. For the year ended December 31, 2021, the City spent \$275,726 of the funds received. The remaining funds are included in deferred inflows of resources until eligible expenditures have been made.

The full extent of the financial impact cannot be determined as of the date of the financial statements.

***CITY OF LEBANON, NEW HAMPSHIRE***  
***NOTES TO THE BASIC FINANCIAL STATEMENTS***  
***AS OF AND FOR THE FISCAL YEAR ENDED***  
***DECEMBER 31, 2021***

***NOTE 27 – SUBSEQUENT EVENTS***

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date but arose after the date. Management has evaluated subsequent events through February 6, 2023, the date the December 31, 2021 financial statements were available to be issued, and the no event that requires recognition or disclosure.

***REQUIRED SUPPLEMENTARY INFORMATION***

**EXHIBIT G**  
**CITY OF LEBANON, NEW HAMPSHIRE**  
*Schedule of the City's Proportionate Share of Net Pension Liability*  
*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended December 31, 2021*  
**Unaudited**

Fiscal year-end	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021
Measurement date	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
City's:									
Proportion of the net pension liability	0.54%	0.52%	0.52%	0.52%	0.53%	0.50%	0.50%	0.49%	0.51%
Proportionate share of the net pension liability	\$ 23,325,532	\$ 19,345,430	\$ 20,607,815	\$ 27,786,081	\$ 25,878,401	\$ 23,995,698	\$ 23,845,366	\$ 31,470,593	\$ 22,587,437
Covered payroll	\$ 11,097,378	\$ 10,876,951	\$ 11,206,359	\$ 11,555,902	\$ 12,700,824	\$ 11,902,341	\$ 12,287,475	\$ 12,896,955	\$ 13,820,770
Proportionate share of the net pension liability as a percentage of its covered payroll	210.19%	177.86%	183.89%	240.45%	203.75%	201.60%	194.06%	244.02%	163.43%
Plan fiduciary net position as a percentage of the total pension liability	59.81%	66.32%	65.47%	58.30%	62.66%	64.73%	65.59%	58.72%	72.22%

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.  
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**EXHIBIT H**  
**CITY OF LEBANON, NEW HAMPSHIRE**  
*Schedule of City Contributions - Pensions*  
*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended December 31, 2021*  
**Unaudited**

Fiscal year-end	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021
Measurement date	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Contractually required contributions	\$ 1,347,646	\$ 1,672,029	\$ 1,745,205	\$ 1,871,074	\$ 1,927,693	\$ 2,106,239	\$ 2,156,652	\$ 2,185,777	\$ 2,341,483
Contributions in relation to the contractually required contributions	(1,347,646)	(1,672,029)	(1,745,205)	(1,871,074)	(1,927,693)	(2,106,239)	(2,156,652)	(2,185,777)	(2,341,483)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 11,097,378	\$ 10,876,951	\$ 11,206,359	\$ 11,555,902	\$ 12,700,824	\$ 11,902,341	\$ 12,287,475	\$ 12,896,955	\$ 14,033,071
Contributions as a percentage of covered payroll	12.14%	15.37%	15.57%	16.19%	15.18%	17.70%	17.55%	16.95%	16.69%

**CITY OF LEBANON, NEW HAMPSHIRE**  
**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –**  
**PENSION LIABILITY**  
**FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

***Schedule of the City’s Proportionate Share of Net Pension Liability and  
Schedule of City Contributions - Pensions***

***Changes in Benefit Terms*** - There were no changes in benefit terms for the current period.

***Changes in Assumptions*** – There were no changes in assumptions for the current period.

***Methods and Assumptions Used to Determine Contribution Rates***– A full list of the methods and assumptions used to determine the contribution rates can be found in the most recent actuarial valuation report. This report can be located at [www.nhrs.org](http://www.nhrs.org).

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits G and H represent the actuarial determined costs associated with the City’s pension plan at December 31, 2021. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

**EXHIBIT I**  
**CITY OF LEBANON, NEW HAMPSHIRE**  
*Schedule of the City's Proportionate Share of the Net Other Postemployment Benefits Liability*  
*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended December 31, 2021*  
**Unaudited**

Fiscal year-end	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021
Measurement date	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
City's proportion of the net OPEB liability	0.35%	0.36%	0.52%	0.51%	0.46%	0.46%
City's proportionate share of the net OPEB liability (asset)	\$ 1,695,898	\$ 1,629,045	\$ 2,367,418	\$ 2,239,957	\$ 2,031,548	\$ 1,919,830
City's covered payroll	\$ 11,555,902	\$ 12,700,824	\$ 11,902,341	\$ 12,287,475	\$ 12,896,955	\$ 13,820,770
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	14.68%	12.83%	19.89%	18.23%	15.75%	13.89%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%	7.75%	7.74%	7.74%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.



**EXHIBIT J**  
**CITY OF LEBANON, NEW HAMPSHIRE**  
*Schedule of City Contributions - Other Postemployment Benefits*  
*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended December 31, 2021*  
**Unaudited**

Fiscal year-end	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021
Measurement date	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Contractually required contribution	\$ 203,555	\$ 211,169	\$ 228,719	\$ 233,166	\$ 215,437	\$ 230,831
Contributions in relation to the contractually required contribution	(203,555)	(211,169)	(228,719)	(233,166)	(215,437)	(230,831)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 11,555,902	\$ 12,700,824	\$ 11,902,341	\$ 12,287,475	\$ 12,896,955	\$ 14,033,071
Contributions as a percentage of covered payroll	1.76%	1.66%	1.92%	1.90%	1.67%	1.64%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

**EXHIBIT K**  
**CITY OF LEBANON, NEW HAMPSHIRE**  
*Schedule of Changes in the City's Total Other Postemployment Benefits Liability and Related Ratios*  
**Retiree Health Benefit Program**  
**For the Fiscal Year Ended December 31, 2021**  
**Unaudited**

	December 31,			
	2018	2019	2020	2021
OPEB liability, beginning of year	\$ 1,692,911	\$ 1,628,158	\$ 1,652,115	\$ 1,166,961
Changes for the year:				
Service cost	55,750	50,153	39,303	45,453
Interest	58,654	66,921	30,915	24,840
Assumption changes and difference between actual and expected experience	(91,181)	-	(466,752)	7,751
Benefit payments	(87,976)	(93,117)	(88,620)	(81,862)
OPEB liability, end of year	<u>\$ 1,628,158</u>	<u>\$ 1,652,115</u>	<u>\$ 1,166,961</u>	<u>\$ 1,163,143</u>
Covered payroll	<u>\$ 8,170,172</u>	<u>\$ 8,374,426</u>	<u>\$ 10,442,024</u>	<u>\$ 10,703,075</u>
Total OPEB liability as a percentage of covered payroll	19.93%	19.73%	11.18%	10.87%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

**CITY OF LEBANON, NEW HAMPSHIRE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –**  
**OTHER POSTEMPLOYMENT BENEFITS LIABILITY**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2021**

***Schedule of the City’s Proportionate Share of Net Other Postemployment Benefits Liability and  
Schedule of City Contributions – Other Postemployment Benefits***

***Changes in Benefit Terms*** - There were no changes in benefit terms for the current period.

***Changes in Assumptions*** – There were no changes in assumptions for the current period.

***Methods and Assumptions Used to Determine Contribution Rates***– A full list of the methods and assumptions used to determine the contribution rates can be found in the most recent actuarial valuation report. This report can be located at [www.nhrs.org](http://www.nhrs.org).

As required by GASB Statement No. 75, Exhibits I and J represent the actuarial determined costs associated with the City’s other postemployment benefits at December 31, 2021. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

***Schedule of Changes in City’s Total Other Postemployment Benefits Liability and Related Ratios***

***Changes in Benefit Terms*** - There were no changes in benefit terms for the current period.

***Changes in Assumptions*** – There were no changes in assumptions for the current period.

As required by GASB Statement No. 75, Exhibit K represents the actuarial determined costs associated with the City’s other postemployment benefits at December 31, 2021. The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

***COMBINING AND INDIVIDUAL FUND SCHEDULES***

**SCHEDULE 1**  
**CITY OF LEBANON, NEW HAMPSHIRE**  
**Major General Fund**  
*Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)*  
**For the Fiscal Year Ended December 31, 2021**

	Estimated	Actual	Variance Positive (Negative)
<b>Taxes:</b>			
Property	\$ 22,145,610	\$ 22,258,479	\$ 112,869
Yield	12,690	11,844	(846)
Excavation	5,000	5,001	1
Payment in lieu of taxes	1,838,732	1,835,160	(3,572)
Interest and penalties on taxes	194,620	114,136	(80,484)
Total from taxes	<u>24,196,652</u>	<u>24,224,620</u>	<u>27,968</u>
<b>Licenses, permits, and fees:</b>			
Motor vehicle permit fees	2,578,200	2,796,483	218,283
Building permits	425,000	669,007	244,007
Other	113,230	139,841	26,611
Total from licenses, permits, and fees	<u>3,116,430</u>	<u>3,605,331</u>	<u>488,901</u>
<b>Intergovernmental:</b>			
State:			
Meals and rooms distribution	1,043,363	1,043,363	-
Highway block grant	318,391	318,310	(81)
Water pollution grants	49,239	45,981	(3,258)
Other	64,000	92,781	28,781
Federal:			
FEMA	-	18,612	18,612
Other	61,480	66,142	4,662
Total from intergovernmental	<u>1,536,473</u>	<u>1,585,189</u>	<u>48,716</u>
<b>Charges for services:</b>			
Income from departments	<u>1,482,140</u>	<u>1,893,721</u>	<u>411,581</u>
<b>Miscellaneous:</b>			
Sale of municipal property	47,030	64,390	17,360
Interest on investments	90,000	45,482	(44,518)
Other	491,175	688,768	197,593
Total from miscellaneous	<u>628,205</u>	<u>798,640</u>	<u>170,435</u>
<b>Other financing sources:</b>			
Transfers in	<u>2,016,400</u>	<u>2,021,215</u>	<u>4,815</u>
Total revenues and other financing sources	32,976,300	<u>\$ 34,128,716</u>	<u>\$ 1,152,416</u>
Unassigned fund balance used to reduce tax rate	1,535,000		
Amounts voted from fund balance	950,000		
Total revenues, other financing sources, and use of fund balance	<u>\$ 35,461,300</u>		

**SCHEDULE 2**  
**CITY OF LEBANON, NEW HAMPSHIRE**  
**Major General Fund**  
*Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)*  
**For the Fiscal Year Ended December 31, 2021**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
<b>Current:</b>					
<b>General government:</b>					
Executive	\$ 66,723	\$ 691,490	\$ 677,959	\$ 45,978	\$ 34,276
Election and registration	124,765	642,510	609,110	57,287	100,878
Financial administration	391,092	3,330,990	2,716,570	867,723	137,789
Legal	-	300,000	277,448	-	22,552
Personnel administration	900	3,758,700	3,258,200	15,300	486,100
Planning and zoning	79,667	608,760	617,073	18,663	52,691
General government buildings	97,437	272,010	302,435	2,438	64,574
Cemeteries	-	56,260	53,602	-	2,658
Insurance, not otherwise allocated	-	252,000	218,849	-	33,151
Advertising and regional associations	-	23,100	22,745	-	355
Other	-	249,710	249,710	-	-
<b>Total general government</b>	<b>760,584</b>	<b>10,185,530</b>	<b>9,003,701</b>	<b>1,007,389</b>	<b>935,024</b>
<b>Public safety:</b>					
Police	55,322	5,322,540	5,158,149	193,304	26,409
Fire	-	4,334,990	4,165,009	24,302	145,679
Building inspection	-	437,000	434,214	-	2,786
Other	-	897,580	872,351	-	25,229
<b>Total public safety</b>	<b>55,322</b>	<b>10,992,110</b>	<b>10,629,723</b>	<b>217,606</b>	<b>200,103</b>
<b>Highways and streets:</b>					
Administration	10,326	1,037,570	1,046,961	21,590	(20,655)
Highways and streets	463,841	2,952,750	2,836,474	1,199,891	(619,774)
Bridges	-	3,500	63	-	3,437
Street lighting	-	89,910	79,224	-	10,686
Other	-	128,250	178,999	-	(50,749)
<b>Total highways and streets</b>	<b>474,167</b>	<b>4,211,980</b>	<b>4,141,721</b>	<b>1,221,481</b>	<b>(677,055)</b>
<b>Welfare:</b>					
Administration and direct assistance	-	297,770	203,153	-	94,617
Vendor payments and other	-	341,830	271,732	-	70,098
<b>Total welfare</b>	<b>-</b>	<b>639,600</b>	<b>474,885</b>	<b>-</b>	<b>164,715</b>
<b>Culture and recreation:</b>					
Parks and recreation	191,790	854,990	934,627	32,416	79,737
Library	14,805	1,259,960	1,293,506	60,798	(79,539)
<b>Total culture and recreation</b>	<b>206,595</b>	<b>2,114,950</b>	<b>2,228,133</b>	<b>93,214</b>	<b>198</b>
Conservation	-	10,860	9,191	-	1,669
<b>Debt service:</b>					
Principal of long-term debt	-	3,558,790	3,550,876	-	7,914
Interest on long-term debt	-	1,441,500	1,431,975	-	9,525
<b>Total debt service</b>	<b>-</b>	<b>5,000,290</b>	<b>4,982,851</b>	<b>-</b>	<b>17,439</b>
<b>Other financing uses:</b>					
Transfers out	-	2,305,980	2,307,649	-	(1,669)
<b>Total appropriations, expenditures, other financing uses, and encumbrances</b>	<b>\$ 1,496,668</b>	<b>\$ 35,461,300</b>	<b>\$ 33,777,854</b>	<b>\$ 2,539,690</b>	<b>\$ 640,424</b>

**SCHEDULE 3**  
**CITY OF LEBANON, NEW HAMPSHIRE**  
**Major General Fund**  
**Schedule of Changes in Unassigned Fund Balance**  
**For the Fiscal Year Ended December 31, 2021**

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 13,457,135
Changes:		
Unassigned fund balance used to reduce 2021 tax rate		(1,535,000)
Amounts voted from fund balance		(950,000)
2021 Budget summary:		
Revenue surplus (Schedule 1)	\$ 1,152,416	
Unexpended balance of appropriations (Schedule 2)	<u>640,424</u>	
2021 Budget surplus		1,792,840
Increase in nonspendable fund balance		(22,689)
Decrease in assigned fund balance (non-encumbrance)		<u>246,579</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		12,988,865
<b>Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis</b>		
To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(507,374)
Elimination of the allowance for uncollectible taxes		<u>150,000</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		<u><u>\$ 12,631,491</u></u>

**SCHEDULE 4**  
**CITY OF LEBANON, NEW HAMPSHIRE**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**December 31, 2021**

	Special Revenue Funds				
	Public Library	Police Public Safety Revolving	Lebanon Open Space	Fire Public Safety Revolving	Farmers Market
<b>ASSETS</b>					
Cash and cash equivalents	\$ 124,326	\$ 219,135	\$ 806,777	\$ 66,974	\$ 1,224
Investments	-	-	-	-	-
Receivables, net of allowance for uncollectable:					
Taxes	-	-	637,000	-	-
Accounts	-	11,650	-	-	-
Interfund receivable	-	-	-	-	-
Total assets	<u>\$ 124,326</u>	<u>\$ 230,785</u>	<u>\$ 1,443,777</u>	<u>\$ 66,974</u>	<u>\$ 1,224</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ 1,295	\$ -	\$ -	\$ -
Interfund payable	6,232	-	-	-	-
Total liabilities	<u>6,232</u>	<u>1,295</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances:</b>					
Nonspendable	-	-	-	-	-
Restricted	118,094	-	-	-	-
Committed	-	229,490	1,443,777	66,974	-
Assigned	-	-	-	-	1,224
Total fund balances	<u>118,094</u>	<u>229,490</u>	<u>1,443,777</u>	<u>66,974</u>	<u>1,224</u>
Total liabilities and fund balances	<u>\$ 124,326</u>	<u>\$ 230,785</u>	<u>\$ 1,443,777</u>	<u>\$ 66,974</u>	<u>\$ 1,224</u>



Special Revenue Funds						
Recreation Revolving	Impact Fees	Cemetery Maintenance	Downtown TIF District	Airport/ Tech Park TIF District	Permanent Fund	Total
\$ 106,787	\$ 698,962	\$ 24,100	\$ 517,884	\$ 27	\$ 67,853	\$ 2,634,049
-	-	-	-	-	1,876,960	1,876,960
-	-	-	-	-	-	637,000
-	-	-	-	-	-	11,650
-	-	-	-	-	975	975
<u>\$ 106,787</u>	<u>\$ 698,962</u>	<u>\$ 24,100</u>	<u>\$ 517,884</u>	<u>\$ 27</u>	<u>\$ 1,945,788</u>	<u>\$ 5,160,634</u>
\$ 9,363	\$ -	\$ 4,000	\$ -	\$ -	\$ -	\$ 14,658
-	-	-	-	-	38,211	44,443
<u>9,363</u>	<u>-</u>	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>38,211</u>	<u>59,101</u>
-	-	-	-	-	1,705,040	1,705,040
-	-	-	517,884	27	202,537	838,542
97,424	698,962	20,100	-	-	-	2,556,727
-	-	-	-	-	-	1,224
<u>97,424</u>	<u>698,962</u>	<u>20,100</u>	<u>517,884</u>	<u>27</u>	<u>1,907,577</u>	<u>5,101,533</u>
<u>\$ 106,787</u>	<u>\$ 698,962</u>	<u>\$ 24,100</u>	<u>\$ 517,884</u>	<u>\$ 27</u>	<u>\$ 1,945,788</u>	<u>\$ 5,160,634</u>

**SCHEDULE 5**  
**CITY OF LEBANON, NEW HAMPSHIRE**  
**Nonmajor Governmental Funds**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended December 31, 2021**

	Special Revenue Funds				
	Public Library	Police Public Safety Revolving	Lebanon Open Space	Fire Public Safety Revolving	Farmers Market
<b>Revenues:</b>					
Taxes	\$ -	\$ -	\$ 744,410	\$ -	\$ -
Intergovernmental	-	46,083	-	203,778	-
Charges for services	-	185,820	-	48,151	-
Miscellaneous	200,966	-	1,886	-	2,787
Total revenues	<u>200,966</u>	<u>231,903</u>	<u>746,296</u>	<u>251,929</u>	<u>2,787</u>
<b>Expenditures:</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	225,131	-	228,555	-
Culture and recreation	285,108	-	-	-	2,529
Total expenditures	<u>285,108</u>	<u>225,131</u>	<u>-</u>	<u>228,555</u>	<u>2,529</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(84,142)</u>	<u>6,772</u>	<u>746,296</u>	<u>23,374</u>	<u>258</u>
<b>Other financing sources (uses):</b>					
Transfers in	11,076	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>11,076</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(73,066)	6,772	746,296	23,374	258
Fund balances, beginning	191,160	222,718	697,481	43,600	966
Fund balances, ending	<u>\$ 118,094</u>	<u>\$ 229,490</u>	<u>\$ 1,443,777</u>	<u>\$ 66,974</u>	<u>\$ 1,224</u>

Special Revenue Funds						
Recreation Revolving	Impact Fees	Cemetery Maintenance	Downtown TIF District	Airport/ Tech Park TIF District	Permanent Fund	Total
\$ -	\$ -	\$ -	\$ 385,686	\$ 14	\$ -	\$ 1,130,110
-	-	-	-	-	-	249,861
106,820	-	-	-	-	-	340,791
-	26,025	12,700	828	-	231,272	476,464
106,820	26,025	12,700	386,514	14	231,272	2,197,226
-	-	-	-	-	10,428	10,428
-	-	-	-	-	-	453,686
106,068	-	-	-	-	-	393,705
106,068	-	-	-	-	10,428	857,819
752	26,025	12,700	386,514	14	220,844	1,339,407
-	-	-	-	-	-	11,076
-	(220,000)	(4,000)	(297,900)	-	(18,307)	(540,207)
-	(220,000)	(4,000)	(297,900)	-	(18,307)	(529,131)
752	(193,975)	8,700	88,614	14	202,537	810,276
96,672	892,937	11,400	429,270	13	1,705,040	4,291,257
\$ 97,424	\$ 698,962	\$ 20,100	\$ 517,884	\$ 27	\$ 1,907,577	\$ 5,101,533

**SCHEDULE 6**  
**CITY OF LEBANON, NEW HAMPSHIRE**  
**Custodial Funds**  
**Combining Schedule of Fiduciary Net Position**  
**December 31, 2021**

	Custodial Funds				Total
	Taxes	Trust Funds	School Impact Fees	State Fees	
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 348,303	\$ 216,596	\$ -	\$ 564,899
Investments	-	3,820,679	-	-	3,820,679
Intergovernmental receivables	15,982,387	-	-	-	15,982,387
<b>Total assets</b>	<b>15,982,387</b>	<b>4,168,982</b>	<b>216,596</b>	<b>-</b>	<b>20,367,965</b>
<b>LIABILITIES</b>					
Intergovernmental payable - due to school district	15,982,387	-	-	-	15,982,387
<b>NET POSITION</b>					
Unrestricted	\$ -	\$ 4,168,982	\$ 216,596	\$ -	\$ 4,385,578

**SCHEDULE 7**  
**CITY OF LEBANON, NEW HAMPSHIRE**  
**Custodial Funds**  
**Combining Schedule of Changes in Fiduciary Net Position**  
**For the Fiscal Year Ended December 31, 2021**

	Custodial Funds				Total
	Taxes	Trust Funds	School Impact Fees	State Fees	
<b>Additions:</b>					
Contributions	\$ -	\$ 800,000	\$ 21,916	\$ -	\$ 821,916
Investment earnings	-	43,868	-	-	43,868
Change in fair market value	-	(73,800)	-	-	(73,800)
Tax collections for other governments	38,384,241	-	-	-	38,384,241
State fees collected	-	-	-	825,996	825,996
Total additions	<u>38,384,241</u>	<u>770,068</u>	<u>21,916</u>	<u>825,996</u>	<u>40,002,221</u>
<b>Deductions:</b>					
Administrative expenses	-	7,063	115,105	-	122,168
Payments of taxes to other governments	38,384,241	-	-	-	38,384,241
Payments of State fees	-	-	-	825,996	825,996
Total deductions	<u>38,384,241</u>	<u>7,063</u>	<u>115,105</u>	<u>825,996</u>	<u>39,332,405</u>
Change in net position	-	763,005	(93,189)	-	669,816
Net position, beginning	-	3,405,977	309,785	-	3,715,762
Net position, ending	<u>\$ -</u>	<u>\$ 4,168,982</u>	<u>\$ 216,596</u>	<u>\$ -</u>	<u>\$ 4,385,578</u>

***SINGLE AUDIT ACT SCHEDULES  
AND INDEPENDENT AUDITOR'S REPORTS***



# PLODZIK & SANDERSON

*Professional Association/Accountants & Auditors*

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX-224-1380

## ***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 Members of the City Council  
City of Lebanon  
Lebanon, New Hampshire

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the City of Lebanon, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Lebanon's basic financial statements, and have issued our report thereon dated February 6, 2023.

### ***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

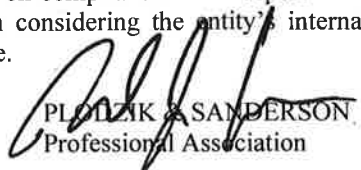
### ***Compliance and Other Matters***

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

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

February 6, 2023  
Concord, New Hampshire

  
PLODZIK & SANDERSON  
Professional Association



## **PLODZIK & SANDERSON**

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

To the Members of the City Council  
City of Lebanon  
Lebanon, New Hampshire

#### ***Report on Compliance for the Major Federal Program***

We have audited the City of Lebanon's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City of Lebanon's major federal program for the year ended December 31, 2021. The City of Lebanon's 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the City of Lebanon's major federal program 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 of Lebanon'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 the major federal program. However, our audit does not provide a legal determination of the City of Lebanon's compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, the City of Lebanon complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

#### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance which are described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001 and 2021-002. Our opinion on the major federal program is not modified with respect to these matters.

The City of Lebanon's responses to the noncompliance findings identified in our audit are described in the accompany Schedule of Findings and Questioned Costs. The City of Lebanon's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly we express no opinion on the responses.



**City of Lebanon**  
**Independent Auditor's Report on Compliance for Each Major Federal Program and**  
**Report on Internal Control Over Compliance Required by the Uniform Guidance**

**Report on Internal Control Over Compliance**

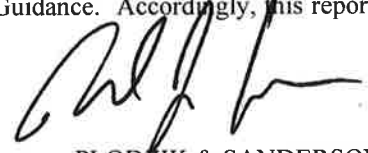
Management of the City of Lebanon is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Lebanon's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 the City of Lebanon'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 a 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.

February 6, 2023  
Concord, New Hampshire



PLODZIK & SANDERSON  
Professional Association



*SCHEDULE I (continued)*  
**CITY OF LEBANON, NEW HAMPSHIRE**  
*Schedule of Findings and Questioned Costs*  
*For the Year Ended December 31, 2021*

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**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**2021-001 Lack of Timely Report Submissions (Significant Deficiency)**

**Federal Agency:** Department of Transportation  
**Cluster/Program:** Airport Improvement Program  
**Assistance Listing Number:** 20.106  
**Passed-through Identification:** #3-33-0010-056-2020, 3-33-0010-057-2017, 3-33-0010-059-2019, 3-33-0010-060-2019, 3-33-0010-061-2020, 3-33-0010-062-2020, 3-33-0010-063-2020, 3-33-0010-064-2021, 3-33-0010-065-2021, 3-33-0010-066-2021, 3-33-0010-067-2021  
**Compliance Requirement:** Reporting

**Type of Finding:**  
Internal Control – Significant Deficiency  
Internal Control over Compliance

**Criteria or Specific Requirement:** Federal regulations 2 CFR 200.303 states, the City, as a recipient of Federal funds, must establish and maintain effective internal controls over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

In addition, the program requires financial reports to be completed and submitted through the Certification Activity Tracking System (CATS) for each program year.

**Condition:** During our review of financial reports, two required forms, FAA Form 5100-127, *Operating and Financial Summary*, and FAA Form 5100-126, *Financial Government Payment Report*, which are applicable to the City as the airport offers commercial services, were not completed nor submitted for program year 2021 until February 2023. The forms are due 120 days after the end of the City’s fiscal year.

**Cause:** Administrative oversight, turnover of internal staffing.

**Effect:** The City did not complete nor submit the required forms within the 120 days after the year end and therefore, is not in compliance with the reporting requirements of the program.

**Questioned Costs:** None

**Repeat Finding:** No

**Recommendation:** We recommend that the City develop policies and procedures to ensure required reports are filed timely and correctly for each program year.

**Views of Responsible Officials:** Management’s views and corrective action plan is included at the end of this report.

*SCHEDULE I (continued)*  
**CITY OF LEBANON, NEW HAMPSHIRE**  
*Schedule of Findings and Questioned Costs*  
*For the Year Ended December 31, 2021*

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**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued)**

**2021-002 Lack of Documented Use of Airport Revenue Policy (Significant Deficiency)**

**Federal Agency:** Department of Transportation

**Cluster/Program:** Airport Improvement Program

**Assistance Listing Number:** 20.106

**Passed-through Identification:** #3-33-0010-056-2020, 3-33-0010-057-2017, 3-33-0010-059-2019, 3-33-0010-060-2019, 3-33-0010-061-2020, 3-33-0010-062-2020, 3-33-0010-063-2020, 3-33-0010-064-2021, 3-33-0010-065-2021, 3-33-0010-066-2021, 3-33-0010-067-2021

**Compliance Requirement:** Special Tests and Provisions – Revenue Diversion

**Type of Finding:**

Internal Control – Significant Deficiency

Internal Control over Compliance

**Criteria or Specific Requirement:** Federal regulations 2 CFR 200.303 states, the City, as a recipient of Federal funds, must establish and maintain effective internal controls over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

In addition, the requirements of the program states that the use of airport revenues generated by a public airport must be expended for the capital or operating costs of the airport. The Federal Aviation Administration issued a notice titled *“Policies and Procedures Concerning the Generation and Use of Airport Revenue”* which contains definitions, and unlawful revenue diversion, examples of airport revenue, and describes permitted and prohibited uses of airport revenue.

**Condition:** During our review of the program, the City does not have a policy over the use of airport revenues.

**Cause:** The City has not documented a use of airport revenue policy that complies with the Code of Federal Regulations (CFR) or the Federal program.

**Effect:** Lack of a formal, documented policy may result in inappropriate use of revenues that may not be in compliance with federal standards.

**Questioned Costs:** None

**Repeat Finding:** No

**Recommendation:** We recommend that the City formally document and adopt a policy over the use of airport revenues to ensure compliance with Federal regulations.

**Views of Responsible Officials:** Management’s views and corrective action plan is included at the end of this report.

**City of Lebanon**  
FINANCE DEPARTMENT



51 North Park Street  
Lebanon, New Hampshire 03766-1381

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**CORRECTIVE ACTION PLAN**  
**December 31, 2021**

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**Audit Finding Reference:**

2021-001

**Planned Corrective Action:**

The City acknowledges the recommendation and has submitted the 2021 reports (completed 1/23/2023) and will submit the 2022 reports as required within the 120 days after the calendar year end date.

**Name of Contact Person and Completion Date:**

Contact #1: Carl Gross, Airport Manager

Contact #2: Vicki Lee, Finance Director

Anticipated Completion Date -

No later than 03/31/2023

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**Audit Finding Reference:**

2021-002

**Planned Corrective Action:**

The City of Lebanon agrees to adopt a Revenue Use Policy by year end 12/31/2023

**Name of Contact Person and Completion Date:**

Contact #1: Carl Gross, Airport Manager

Contact #2: Shaun Mulholland, City Manager

Anticipated Completion Date - 12/31/2023

**SCHEDULE II**  
**CITY OF LEBANON, NEW HAMPSHIRE**  
*Schedule of Expenditures of Federal Awards*  
*For the Year Ended December 31, 2021*

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Provided to Subrecipients	Total Federal Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
Passed Through the New Hampshire Community Development Finance Authority				
Community Development Block Grant/State's Program	14.228	18-094-CDHS	\$ -	\$ 31,785
Community Development Block Grant/State's Program	14.228	19-094-FSPF	-	89,271
Community Development Block Grant/State's Program	14.228	20-094-CDIP	-	60,000
<i>PROGRAM TOTAL</i>			-	181,056
<b>U.S. DEPARTMENT OF THE INTERIOR</b>				
Passed Through the New Hampshire Department of Cultural Resources				
Historic Preservation Fund Grants-In-Aid	15.904	CLG-P20AS00020-01	-	9,356
<b>U.S. DEPARTMENT OF JUSTICE</b>				
Passed Through the New Hampshire Department of Justice				
COVID 19 - Emergency Supplemental Funding Program	16.034	2020-VD-BX-0001	-	6,850
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
Passed Through the New Hampshire Department of Transportation				
Airport Improvement Program	20.106	AIP #3-33-0010-056-2020	-	(1,793)
Airport Improvement Program	20.106	AIP #3-33-0010-057-2017	-	2,353
Airport Improvement Program	20.106	AIP #3-33-0010-059-2019	-	33,276
Airport Improvement Program	20.106	AIP #3-33-0010-060-2019	-	41,328
Airport Improvement Program	20.106	AIP #3-33-0010-061-2020	-	717,983
COVID-19 - Airport Improvement Program	20.106	AIP #3-33-0010-061-2020	-	79,777
COVID-19 - Airport Improvement Program	20.106	AIP #3-33-0010-062-2020	-	243,333
COVID-19 - Airport Improvement Program	20.106	AIP #3-33-0010-063-2020	-	50,431
Airport Improvement Program	20.106	AIP #3-33-0010-064-2021	-	112,810
COVID-19 - Airport Improvement Program	20.106	AIP #3-33-0010-064-2021	-	12,535
Airport Improvement Program	20.106	AIP #3-33-0010-065-2021	-	77,643
COVID-19 - Airport Improvement Program	20.106	AIP #3-33-0010-065-2021	-	8,627
Airport Improvement Program	20.106	AIP #3-33-0010-066-2021	-	2,211
COVID-19 - Airport Improvement Program	20.106	AIP #3-33-0010-066-2021	-	246
COVID-19 - Airport Improvement Program	20.106	AIP #3-33-0010-067-2021	-	564,530
<i>PROGRAM TOTAL</i>			-	1,945,290
Passed Through the New Hampshire Department of Safety				
State and Community Highway Safety	20.600	#19-101	-	20,608
<b>U.S. DEPARTMENT OF TREASURY</b>				
Passed Through the State of New Hampshire Governor's Office for Emergency Relief and Recovery (GOFERR)				
COVID-19 - Coronavirus Relief Fund	21.019	N/A	-	57,818
<i>PROGRAM TOTAL</i>			-	57,818

**SCHEDULE II (Continued)**  
**CITY OF LEBANON, NEW HAMPSHIRE**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2021**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Provided to Subrecipients	Total Federal Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Passed Through the National Association of County and City Health Officials				
Medical Reserve Corps Small Grant Program	93.008	03420-08242	-	4,753
<b>U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>				
Passed Through the State of New Hampshire State Library				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	-	4,228
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
Passed Through the New Hampshire Department of Health and Human Services				
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4516-DR-NH	-	249,861
<b>DIRECT FUNDING</b>				
<b>U.S. DEPARTMENT OF JUSTICE</b>				
Bullet Proof Vest Partnership Program	16.607	N/A	-	318
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	-	90,000
<b>U.S. DEPARTMENT OF TREASURY</b>				
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	-	275,726
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
Assistance to Firefighters Grant	97.044	N/A	-	9,785
Staffing for Adequate Fire and Emergency Response (SAFR)	97.083	N/A	-	18,612
<b>Total Expenditures of Federal Awards</b>			<b>\$ -</b>	<b>\$ 2,874,261</b>

The accompanying notes are an integral part of this schedule.

**CITY OF LEBANON, NEW HAMPSHIRE**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

***Note 1. Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City of Lebanon under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Lebanon, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Lebanon.

***Note 2. Summary of Significant Accounting Policies***

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

***Note 3. Indirect Cost Rate***

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