

**CITY OF LEBANON,  
NEW HAMPSHIRE**

**ANNUAL FINANCIAL REPORT**

**AS OF AND FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2020**

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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

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of 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.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

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, 2020, the respective changes in financial position, the respective budgetary comparison for the general fund, and where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

**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,

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

- 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.

**Other 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2021 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.

October 5, 2021



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, 2020. 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 \$133,132,861.
- Governmental funds reported combined ending fund balances of \$25,043,209, an increase of \$12,249,845.
- General fund unassigned fund balance was \$13,236,626, an increase of \$770,660.
- Bonds/notes payable (governmental and business-type activities combined) was \$85,445,105 an increase of \$23,952,175.
- Annual requirements (governmental and business-type activities combined) to amortize all bonds/notes payable (principal and interest) was \$99,493,014, an increase of \$26,034,569.
- Authorized and unissued debt was \$23,824,510, a decrease of \$21,144,783.

## **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 \$133,132,861, an increase of \$11,459,972 in comparison to the prior year.

The largest portion of net position (\$128,568,060) 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 (\$9,479,969) represents resources that are subject to external restrictions on how they may be used; the remaining balance (-\$4,933,168) 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>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Current and Other Assets	\$29,854,845	\$20,532,477	\$32,130,449	\$27,474,413	\$61,985,294	\$48,006,890
Capital Assets	\$104,137,701	\$91,910,659	\$109,906,876	\$102,856,638	\$214,044,577	\$194,767,297
Total Assets	\$133,992,546	\$112,443,136	\$142,037,325	\$130,331,051	\$276,029,871	\$242,774,187
Deferred Outflows of Resources	\$6,727,409	\$2,099,879	\$694,586	\$196,802	\$7,421,995	\$2,296,681
Long-term Liabilities Outstanding	\$75,512,695	\$52,090,439	\$56,621,556	\$48,066,251	\$132,134,251	\$100,156,690
Other Liabilities	\$4,831,422	\$7,644,491	\$6,821,670	\$10,083,598	\$11,653,098	\$17,728,089
Total Liabilities	\$80,344,117	\$59,734,930	\$63,443,226	\$58,149,849	\$143,787,343	\$117,884,779
Deferred Inflows of Resources	\$3,351,147	\$2,939,287	\$3,180,516	\$2,573,913	\$6,531,663	\$5,513,200
Net Position:						
Net Investment in Capital Assets	\$61,847,786	\$66,671,778	\$66,738,274	\$66,454,522	\$128,586,060	\$133,126,300
Restricted	\$6,055,242	\$1,741,375	\$3,424,727	\$3,729,139	\$9,479,969	\$5,470,514
Unrestricted	(\$10,878,337)	(\$16,544,355)	\$5,945,169	(\$379,570)	(\$4,933,168)	(\$16,923,925)
Total Net Position	<u>\$57,024,691</u>	<u>\$51,868,798</u>	<u>\$76,108,170</u>	<u>\$69,804,091</u>	<u>\$133,132,861</u>	<u>\$121,672,889</u>

<b>CHANGES IN NET POSITION</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Revenues:						
Program Revenues –						
Charges for Services	\$1,868,431	\$2,202,918	\$14,100,400	\$13,311,972	\$15,968,831	\$15,514,890
Operating Grants and Contributions	\$3,712,203	\$2,351,364	\$4,972,322	\$932,219	\$8,684,525	\$3,283,583
Capital Grants and Contributions	\$352,880	\$79,799	\$0	\$0	\$352,880	\$79,799
General Revenues –						
Property and Other Taxes	\$24,580,130	\$23,622,502	\$0	\$0	\$24,580,130	\$23,622,502
Licenses & Permits	\$4,235,105	\$3,170,711	\$0	\$0	\$4,235,105	\$3,170,711
Grants and Contributions Not Restricted to Specific Programs	\$1,052,387	\$1,181,282	\$271,315	\$481,869	\$1,323,702	\$1,663,151
Other General Revenues	\$551,204	\$620,263	\$1,284,334	\$916,962	\$1,835,538	\$1,537,225
Total Revenues	\$36,332,340	\$33,228,839	\$20,628,371	\$15,643,022	\$56,980,711	\$48,871,861
Gain (Loss) on sale of property	\$0	\$0	\$3,035	\$6,874	\$3,035	\$6,874
Contributions to Permanent Funds	\$3,650	\$0	\$0	\$0	\$3,650	\$0
Transfers	\$1,009,031	\$1,217,048	(\$1,009,031)	(\$1,217,048)	\$0	\$0
Total Revenues Including Transfers	\$37,345,021	\$34,445,887	\$19,622,375	\$14,432,848	\$56,967,396	\$48,878,735
Expenses:						
General Government	\$9,282,484	\$6,905,314	\$0	\$0	\$9,282,484	\$6,905,314
Public Safety	\$13,282,758	\$12,857,987	\$0	\$0	\$13,282,758	\$12,857,987
Highway and Streets	\$5,434,351	\$6,715,698	\$0	\$0	\$5,434,351	\$6,715,698
Sanitation	\$0	\$0	\$0	\$0	\$0	\$0
Sewage Collection and Disposal	\$0	\$0	\$5,439,002	\$4,934,199	\$5,439,002	\$4,934,199
Solid Waste Disposal	\$0	\$0	\$3,765,960	\$2,565,060	\$3,765,960	\$2,565,060
Water Distribution and Treatment	\$0	\$0	\$2,343,592	\$2,468,908	\$2,343,592	\$2,468,908
Welfare (Human Services)	\$528,867	\$522,714	\$0	\$0	\$528,867	\$522,714
Municipal Airport	\$0	\$0	\$1,789,742	\$1,485,862	\$1,789,742	\$1,485,862
Culture and Recreation	\$2,572,016	\$2,997,465	\$0	\$0	\$2,572,016	\$2,997,465
Conservation	\$27,789	\$28,282	\$0	\$0	\$27,789	\$28,282
Interest on Long-term Debt	\$1,060,863	\$881,694	\$0	\$0	\$1,060,863	\$881,694
Capital Outlay	\$0	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$32,189,128	\$30,909,154	\$13,318,296	\$11,454,029	\$45,507,424	\$42,363,183
Change in Net Position	\$5,155,893	\$3,536,733	\$6,304,079	\$2,978,819	\$11,459,972	\$6,515,552
Net Position Beginning 1/1	\$51,868,798	\$48,332,065	\$69,804,091	\$66,825,372	\$121,672,889	\$115,157,437
Net Position Ending 12/31	<u>\$57,024,691</u>	<u>\$51,868,798</u>	<u>\$76,108,170</u>	<u>\$69,804,191</u>	<u>\$133,132,861</u>	<u>\$121,672,889</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 \$5,155,893.

	<u>Amount</u>
Net change in General Fund balance	\$1,543,867
Net change in Capital Improvements Fund balance	\$9,383,414
Net change in other governmental funds fund balance	\$1,322,564
Capital outlays exceed depreciation expense and asset disposals	\$12,227,042
Revenue that does not provide current financial resources	\$306,218
Offset the effect of providing/using resources through the issuance/repayment of long-term principal debt	(\$17,432,693)
Change in accrued interest expense, compensated absences payable, and postemployment benefits payable	(\$2,194,519)
Total	<u>\$5,155,893</u>

Program revenues of \$5,933,514 covered 18.4% of program expenses. The remaining 81.6% 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 (\$24,560,130) consisting of property taxes (\$22,247,200) and other taxes (\$2,312,930) – payment-in-lieu-of-taxes, yield tax, excavation tax and penalties/interest on taxes. Property taxes comprise about 65.8% of total program revenues, general revenues and contributions and transfers. The Public Safety function makes up 41.3% of the total governmental activities' expenses followed by General Government, 28.8%, Highway and Streets, 16.9%, and Culture and Recreation, 8.0%.

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	Amount	%	Amount	%
<b>Governmental Activities:</b>				
General Government	\$9,282,484	29.1%	(\$9,013,345)	34.3%
Public Safety	\$13,009,087	40.8%	(\$10,179,535)	38.8%
Highway and Streets	\$5,434,351	17.0%	(\$4,693,765)	17.9%
Sanitation	\$0	0.0%	\$0	0.0%
Health	\$0	0.0%	\$0	0.0%
Welfare (Human Services)	\$528,867	1.7%	(\$525,482)	2.0%
Culture and Recreation	\$2,572,016	8.1%	(\$1,992,368)	7.6%
Conservation	\$27,789	0.1%	(\$23,038)	0.1%
Interest on Long-Term Debt	\$1,060,863	3.3%	(\$1,060,863)	4.0%
Capital Outlay	\$0	0.0%	\$1,232,782	-4.7%
Total	<u>\$31,915,457</u>	<u>100.0%</u>	<u>(\$26,255,614)</u>	<u>100.0%</u>

**Business-type Activities.** Business-type activities for the year resulted in a change in net position of \$6,304,079.

	<u>Amount</u>
Solid waste disposal operations	(\$404,429)
Water treatment and distribution operations	\$1,451,684
Sewage collection and disposal operations	\$3,577,305
Municipal Airport operations	\$1,679,519
Total	<u>\$6,304,079</u>

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	Amount	%	Amount	%
<b>Business Type Activities:</b>				
Solid Waste Disposal	\$3,765,960	28.3%	(\$558,643)	-9.7%
Water Treatment and Distribution	\$2,343,592	17.6%	\$1,402,623	24.4%
Sewage Collection and Disposal	\$5,439,002	40.8%	\$4,000,576	69.5%
Municipal Airport	\$1,767,372	13.3%	\$909,870	15.8%
Total	<u>\$13,315,926</u>	<u>100.0%</u>	<u>\$5,754,426</u>	<u>100.0%</u>

**D. 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 \$25,043,209, an increase of \$12,249,845.

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. Accordingly, the Fund Balance Policy is limited to the General Fund.

<b>KEY ELEMENTS OF CHANGE IN COMBINED FUND BALANCES</b>	
General Fund revenues and transfers in exceed expenditures and transfers out	\$1,543,867
Capital Improvements Fund revenues and other financing sources exceed expenditures	\$9,383,414
Other governmental funds expenditures and transfers out exceed revenues and transfers in	<u>\$1,322,564</u>
Net Change in Fund Balances	<u>\$12,249,845</u>
Other Governmental Funds:	
Library Fund revenues and transfers in exceed expenditures	\$11,065
Public Safety Revolving Fund (Police) expenditures exceed revenues	(\$7,093)
Lebanon Open Space Fund revenues exceed expenditures	\$11,892
Public Safety Revolving Fund (Fire) revenues exceed expenditures	\$26,736
Farmers Market Fund revenues exceed expenditures	\$896
Recreation Revolving Fund revenues exceed expenditures	\$14,275
Impact Fees revenues exceed expenditures	\$680,350
Cemetery Maintenance revenues exceed expenditures	\$11,400
Downtown TIF District revenues exceed expenditures	\$429,270
Airport/Tech Park TIF District revenues exceed expenditures	\$13
Permanent Fund (cemetery perpetual care) revenues exceed expenditures and transfers out	<u>\$143,760</u>
Net Change in Fund Balances	<u>\$1,322,564</u>

<u>UNASSIGNED FUND BALANCE, DECEMBER 31, 2020</u>	
<b>Non-GAAP Budgetary Basis:</b>	
	<b>Unassigned Fund Balance 1/1 <u>\$12,601,277</u></b>
<b>Percentage of total general fund current year budgeted expenditures</b>	<b>43.0%</b>
Changes:	
Unassigned fund balance used to reduce 2020 tax rate	(\$1,940,000)
Unassigned fund balance voted from surplus	(\$190,000)
Revenue surplus	\$1,870,872
Unexpended balance of appropriations	\$1,563,512
Increase in nonspendable fund balance	(\$229,198)
Increase in assigned fund balance (non-encumbrance)	(\$219,328)
	<u>\$13,457,135</u>
<b>Percentage of total general fund current year budgeted expenditures</b>	<b>40.0%</b>
Reconciliation of Non-GAAP Basis to GAAP Basis:	
Deferral of property taxes not collected within 60 days of year-end	(\$370,509)
Elimination of the allowance for uncollectible taxes	\$150,000
	<u>\$13,236,626</u>

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.

**E. CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** Total investment in capital assets for both Governmental and Business-type activities at year end was \$214,044,577 (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>2020 CAPITAL ASSETS</b>			
	<b>Amount</b>		<b>Amount</b>
<b>Governmental Activities</b>		<b>Business-type Activities:</b>	
Not being depreciated:		Not being depreciated:	
Land	\$7,629,286	Land	\$809,968
Intangible assets	\$144,497	Construction in progress	\$14,401,738
Construction in progress	\$17,399,810		
		<b>Total</b>	<b>\$15,211,706</b>
<b>Total</b>	<b>\$25,173,593</b>	Net of depreciation:	
Net of depreciation:		Land Improvements	\$12,677,276
Land Improvements	\$1,370,605	Building and Building Improvements	\$25,070,211
Building and Building Improvements	\$12,687,517	Machinery and Equipment	\$3,578,670
Machinery and Equipment	\$5,687,073	Infrastructure	\$53,369,013
Infrastructure	\$59,218,913		
		<b>Total</b>	<b>\$94,695,170</b>
<b>Total</b>	<b>\$78,964,108</b>	Net BV business-type activities capital assets	<b>\$109,906,876</b>
Net BV value governmental activities capital assets	<b>\$104,137,701</b>	Net BV all capital assets	<b>\$214,044,577</b>

BV = Book Value

<b>2020 CAPITAL BUDGET</b>			
<b>Purpose:</b>	<b>Amount</b>	<b>Source of Financing:</b>	<b>Amount</b>
Building Improvements	\$3,680,270	Intergovernmental (Grants)	\$1,112,250
Vehicles and Equipment	\$2,805,000	Other	
Airport Infrastructure	\$1,222,000	Debt Proceeds	\$10,395,270
Other	\$5,375,000	Interfund Transfers	\$1,384,750
		Applied Fund Balance	\$190,000
<b>Total</b>	<b>\$13,082,270</b>		<b>\$13,082,270</b>
Other Includes:			
Downtown Visioning & Tunnel Project	\$1,545,000	Hanover Street Reconstruction	\$355,000
Landfill Gas to Energy	\$1,500,000	20 Spencer St Cleanup Project	\$300,000
Lebanon Sewer System Rehabilitation	\$1,000,000	Facility Assessment Plan/Asset Management	\$75,000
Miracle Mile Pedestrian and Transit Improvements	\$200,000	Community Center	\$50,000
Airport TIF district Infrastructure	\$350,000		
		<b>Total</b>	<b>\$5,375,000</b>

### **Long-Term Debt**

At the close of the current fiscal year, bonds/notes payable (governmental and business-type activities combined) was \$85,445,105, an increase of \$23,952,175; annual requirements (governmental and business-type activities combined) to amortize all bonds/notes payable (principal and interest) was \$99,493,014, an increase of \$26,034,569; authorized and unissued debt was \$23,824,510, a decrease of \$21,144,783. All outstanding debt is debt backed by the full faith and credit of the City.

<u>LONG-TERM LIABILITIES, DECEMBER 31, 2020</u>				
<b>Governmental activities:</b>				
	<u>Balance 1/1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31</u>
Bonds/notes Payable	\$23,986,215	\$18,906,108	(\$3,450,211)	\$39,442,112
Unamortized Bond Premium	\$1,104,599	\$1,806,592	(\$76,800)	\$2,834,391
Total Bonds/notes Payable	\$25,090,814	\$20,712,700	(\$3,527,011)	\$42,276,503
Capital Leases Payable	\$148,067	\$0	(\$134,655)	\$13,412
Compensated Absences Payable	\$1,608,474	\$221,540	(\$8,239)	\$1,821,775
Net Other Postemployment Benefits	\$3,441,026	\$0	(\$597,556)	\$2,843,470
Net Pension Liability	\$21,802,058	\$6,755,477	\$0	\$28,557,535
Total	<u>\$52,090,439</u>	<u>\$27,689,717</u>	<u>(\$4,267,461)</u>	<u>\$75,512,695</u>
<b>Business-type activities:</b>				
	<u>Balance 1/1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31</u>
Bonds/notes Payable	\$35,629,605	\$10,404,999	(\$3,972,381)	\$42,062,223
Unamortized Bond Premium	\$772,511	\$422,353	(\$88,485)	\$1,106,379
Total Bonds/notes Payable	\$36,402,116	\$10,827,352	(\$4,060,866)	\$43,168,602
Compensated Absences Payable	\$267,805	\$50,631	(\$34,599)	\$283,837
Accrued Landfill Closure and Postclosure Care Costs	\$8,901,976	\$999,044	\$0	\$9,901,020
Net Other Postemployment Benefits	\$451,046	\$0	(\$96,007)	\$355,039
Net Pension Liability	\$2,043,308	\$869,750	\$0	\$2,913,058
Total	<u>\$48,066,251</u>	<u>\$12,746,777</u>	<u>(\$4,191,472)</u>	<u>\$56,621,556</u>

**F. NEXT YEAR’S BUDGETS AND RATES**

- In 2020, the total net assessed valuation, the amount on which the tax rate for municipal, county and local education tax is computed is \$2,237,505,225. A citywide assessment occurred in 2020, however it will occur again in 2021. 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 2020 City Budget Municipal Tax Rate (excluding school and County components) is \$9.96 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 12% 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 18% per annum. If property is not redeemed (taxes, penalties and interest) within the 2-year redemption period, the property is tax deeded 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 2020 was \$75/ton. There was an increase in tipping fees in June of 2019 bringing it to the \$75/ton from \$68.68.

- *Water and Sewer Service Fees:* The 2020 City Budget provided an increase of 8.0% to water service rates (base user rate and minimum charge) approved by the City Council (December 4, 2019) effective January 1, 2020. Water 0-1200 rate is \$3.23 per 100CF, > 1200, the rate is \$6.46 per 100CF for water. There are also fixed charges for the size of the meter.

The 2020 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 4, 2019) effective January 1, 2020. Sewer 0-1200 rate is \$3.49 per 100CF, > 1200, the rate is \$6.98 per 100CF for sewer. 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 2020 City Budget has 182.20 active full-time equivalent (FTE) positions (181.00 full-time; 7.2 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.

		CITY BUDGETS		
		2020	2019	
<i>Fund</i>		<u>Budget</u>	<u>Budget</u>	<u>Change</u>
General		\$ 33,636,895	\$ 32,508,264	\$ 1,128,631
Solid Waste Disposal		\$ 4,334,830	\$ 3,454,260	\$ 880,570
Water Treatment and Distribution		\$ 3,421,290	\$ 3,647,675	\$ (226,385)
Sewage Collection and Disposal		\$ 6,759,110	\$ 7,031,135	\$ (272,025)
Municipal Airport		\$ 1,440,710	\$ 1,441,040	\$ (330)
Emergency Management		\$ 25,000	\$ 25,000	\$ -
Sub-Total Before Capital		<u>\$ 49,617,835</u>	<u>\$ 48,107,374</u>	<u>\$ 1,510,461</u>
Capital		\$ 13,082,270	\$ 23,000,000	\$ (9,917,730)
Total	Total	<u>\$ 62,700,105</u>	<u>\$ 71,107,374</u>	<u>\$ (8,407,269)</u>
<i>Expenditures by Type (Excluding Capital)</i>				
Personnel Services		\$ 23,717,920	\$ 21,980,940	\$ 1,736,980
Contractual Services		\$ 9,275,970	\$ 8,857,740	\$ 418,230
Material and Supplies		\$ 3,591,445	\$ 3,413,610	\$ 177,835
Property		\$ 283,860	\$ 198,590	\$ 85,270
Debt Service		\$ 7,600,480	\$ 7,794,890	\$ (194,410)
Interfund Transfers		\$ 5,148,160	\$ 5,861,604	\$ (713,444)
	Total	<u>\$ 49,617,835</u>	<u>\$ 48,107,374</u>	<u>\$ 1,510,461</u>

- The General Fund is 53.7% of the 2020 City Budget; Capital Improvements Fund 20.8%; Sewage Collection and Disposal Fund 10.8%; Solid Waste Disposal Fund 6.9%; Water Treatment and Distribution Fund 5.4%; Municipal Airport Fund 2.3%; and Emergency Management Fund >0.4%.
- The operations and maintenance budget (excluding capital improvements, debt service, and interfund transfers) is 58.6% of the City Budget or \$36,869,195.
- The 2020 Capital Budget of \$13,082,270 is comprised of nineteen (19) projects and four sources of financing. Projects include Building Improvements (\$3,680,270), Vehicles and Equipment (\$2,805,000), Airport Infrastructure (\$1,222,000) and Other (\$5,375,000). Other consists of Downtown Visioning & Tunnel Project (\$1,545,000), Landfill Energy to Gas (\$1,500,000), Lebanon Sewer System Rehabilitation (\$1,000,000), Miracle Mile Pedestrian and Transit Improvements (\$200,000), Airport TIF District Infrastructure (\$350,000), Hanover Street Reconstruction (\$355,000), 20 Spencer Street Cleanup Project (\$300,000), Facility Assessment Plan/Asset Management (\$75,000), Community Center (\$50,000).
- The 2020 City Budget provides estimated revenues of \$61,997,155 a decrease of \$5,311,150 from 2019. The General Fund makes up 51.6% of total revenues; Capital Improvements Fund 20.8%; Sewage Collection and Disposal Fund 11.8%; Solid Waste Disposal Fund 7.0%; Water Treatment and Distribution Fund 6.3%; Municipal Airport Fund 2.2%; and Emergency Management Fund >0.3%.
- 2020 Budget surplus is \$2,443,165 an increase of \$627,975 from 2019.

## 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, 2020**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 23,573,624	\$ 14,275,099	\$ 37,848,723
Investments	2,417,758	9,870,293	12,288,051
Taxes receivables (net)	1,296,279	-	1,296,279
Account receivables (net)	420,134	812,258	1,232,392
Intergovernmental receivable	1,451,211	7,520,015	8,971,226
Internal balances	388,567	(388,567)	-
Prepaid items	307,272	41,351	348,623
Capital assets:			
Land and construction in progress	25,173,593	15,211,706	40,385,299
Other capital assets, net of depreciation	78,964,108	94,695,170	173,659,278
Total assets	<u>133,992,546</u>	<u>142,037,325</u>	<u>276,029,871</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Amounts related to pensions	6,474,265	660,418	7,134,683
Amounts related to other postemployment benefits	253,144	34,168	287,312
Total deferred outflows of resources	<u>6,727,409</u>	<u>694,586</u>	<u>7,421,995</u>
<b>LIABILITIES</b>			
Accounts payable	1,005,571	376,659	1,382,230
Accrued salaries and benefits	60,697	-	60,697
Retainage payable	612,574	567,636	1,180,210
Contracts payable	774,454	245,668	1,020,122
Accrued interest payable	461,056	384,490	845,546
Intergovernmental payable	1,809,350	5,080,541	6,889,891
Escrow and performance deposits	107,720	166,676	274,396
Long-term liabilities:			
Due within one year	3,483,786	2,062,694	5,546,480
Due in more than one year	72,028,909	54,558,862	126,587,771
Total liabilities	<u>80,344,117</u>	<u>63,443,226</u>	<u>143,787,343</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - Grants received in advance	41,788	-	41,788
Debt forgiveness	1,799,872	2,979,878	4,779,750
Deferred revenue	-	10,294	10,294
Amounts related to pensions	921,372	93,986	1,015,358
Amounts related to other postemployment benefits	588,115	96,357	684,472
Total deferred inflows of resources	<u>3,351,147</u>	<u>3,180,515</u>	<u>6,531,662</u>
<b>NET POSITION</b>			
Net investment in capital assets	61,847,786	66,738,274	128,586,060
Restricted	6,055,242	3,424,727	9,479,969
Unrestricted	(10,878,337)	5,945,169	(4,933,168)
Total net position	<u>\$ 57,024,691</u>	<u>\$ 76,108,170</u>	<u>\$ 133,132,861</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, 2020**

	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	\$ 9,282,484	\$ 231,433	\$ 37,706	\$ -	\$ (9,013,345)	\$ -	\$ (9,013,345)
Public safety	13,009,087	1,524,207	1,302,345	3,000	(10,179,535)	-	(10,179,535)
Highways and streets	5,434,351	6,399	678,628	55,559	(4,693,765)	-	(4,693,765)
Welfare	528,867	-	3,385	-	(525,482)	-	(525,482)
Culture and recreation	2,572,016	106,392	471,498	1,758	(1,992,368)	-	(1,992,368)
Conservation	27,789	-	4,751	-	(23,038)	-	(23,038)
Interest on long-term debt	1,060,863	-	-	-	(1,060,863)	-	(1,060,863)
Capital outlay	-	-	940,219	292,563	1,232,782	-	1,232,782
Total governmental activities	<u>31,915,457</u>	<u>1,868,431</u>	<u>3,438,532</u>	<u>352,880</u>	<u>(26,255,614)</u>	<u>-</u>	<u>(26,255,614)</u>
Business-type activities:							
Sewage collection and disposal	5,439,002	6,909,307	2,530,271	-	-	4,000,576	4,000,576
Solid waste disposal	3,765,960	3,207,317	-	-	-	(558,643)	(558,643)
Water treatment and distribution	2,343,592	3,535,717	210,498	-	-	1,402,623	1,402,623
Municipal airport	1,767,372	448,059	2,229,183	-	-	909,870	909,870
Total business-type activities	<u>13,315,926</u>	<u>14,100,400</u>	<u>4,969,952</u>	<u>-</u>	<u>-</u>	<u>5,754,426</u>	<u>5,754,426</u>
Total	<u>\$45,231,383</u>	<u>\$15,968,831</u>	<u>\$ 8,408,484</u>	<u>\$ 352,880</u>	<u>(26,255,614)</u>	<u>5,754,426</u>	<u>(20,501,188)</u>
General revenues:							
Taxes:							
Property					22,245,897	-	22,245,897
Other					2,314,233	-	2,314,233
Motor vehicle permit fees					2,693,210	-	2,693,210
Licenses and other fees					1,541,895	-	1,541,895
Grants and contributions not restricted to specific programs					889,338	-	889,338
Unrestricted investment earnings					163,049	271,315	434,364
Miscellaneous					551,204	1,284,334	1,835,538
Total general revenues					<u>30,398,826</u>	<u>1,555,649</u>	<u>31,954,475</u>
Contributions to permanent funds					3,650	-	3,650
Gain on sale of property					-	3,035	3,035
Transfers					1,009,031	(1,009,031)	-
Total general revenues, contributions, and transfers					<u>31,411,507</u>	<u>549,653</u>	<u>31,961,160</u>
Change in net position					5,155,893	6,304,079	11,459,972
Net position, beginning, as restated (see Note 22)					51,868,798	69,804,091	121,672,889
Net position, ending					<u>\$57,024,691</u>	<u>\$ 76,108,170</u>	<u>\$ 133,132,861</u>

**EXHIBIT C-1**  
**CITY OF LEBANON, NEW HAMPSHIRE**  
**Governmental Funds**  
**Balance Sheet**  
**December 31, 2020**

	General	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 14,650,660	\$ 5,818,000	\$ 2,613,361	\$ 23,082,021
Investments	54,901	-	1,697,638	1,752,539
Receivables, net of allowance for uncollectible:				
Taxes	1,446,279	-	-	1,446,279
Accounts	362,294	-	36,029	398,323
Intergovernmental	176,537	703,654	-	880,191
Interfund receivable	443,150	-	4,178	447,328
Voluntary tax liens	9,804	-	-	9,804
Voluntary tax liens reserved until collected	(9,804)	-	-	(9,804)
Prepaid items	689,319	10,000	-	699,319
Restricted assets:				
Cash and cash equivalents	491,603	-	-	491,603
Investments	665,219	-	-	665,219
Accounts receivable	21,811	-	-	21,811
Total assets	<u>\$ 19,001,773</u>	<u>\$ 6,531,654</u>	<u>\$ 4,351,206</u>	<u>\$ 29,884,633</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,004,383	\$ -	\$ 1,188	\$ 1,005,571
Accrued salaries and benefits	60,697	-	-	60,697
Retainage payable	-	612,574	-	612,574
Contracts payable	-	774,454	-	774,454
Intergovernmental payable	394,483	1,414,867	-	1,809,350
Interfund payable	-	-	58,761	58,761
Escrow and performance deposits	107,720	-	-	107,720
Total liabilities	<u>1,567,283</u>	<u>2,801,895</u>	<u>59,949</u>	<u>4,429,127</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - Property taxes	370,509	-	-	370,509
Unavailable revenue - Grants received in advance	41,788	-	-	41,788
Total deferred inflows of resources	<u>412,297</u>	<u>-</u>	<u>-</u>	<u>412,297</u>
<b>FUND BALANCES</b>				
Nonspendable	689,319	-	1,561,280	2,250,599
Restricted	25,000	3,729,759	764,203	4,518,962
Committed	756,262	-	1,964,808	2,721,070
Assigned	2,314,986	-	966	2,315,952
Unassigned	13,236,626	-	-	13,236,626
Total fund balances	<u>17,022,193</u>	<u>3,729,759</u>	<u>4,291,257</u>	<u>25,043,209</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 19,001,773</u>	<u>\$ 6,531,654</u>	<u>\$ 4,351,206</u>	<u>\$ 29,884,633</u>

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, 2020**

Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total fund balances of governmental funds (Exhibit C-1)		\$ 25,043,209
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.		
Cost	\$146,404,473	
Less accumulated depreciation	<u>(42,266,772)</u>	
		104,137,701
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.		(392,047)
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	\$ 6,474,265	
Deferred inflows of resources related to pensions	(921,372)	
Deferred outflows of resources related to OPEB	253,144	
Deferred inflows of resources related to OPEB	<u>(588,115)</u>	
		5,217,922
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (58,761)	
Payables	<u>58,761</u>	
		-
Long-term revenue (taxes) is not available to pay current-period expenditures, and therefore, is deferred in the governmental funds.		370,509
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.		571,020
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(461,056)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Bonds/notes	\$ 39,442,112	
Unamortized bond premium/debt forgiveness	4,634,263	
Capital leases	13,412	
Compensated absences	1,821,775	
Net pension liability	28,557,535	
Other postemployment benefits	<u>2,843,470</u>	
		<u>(77,312,567)</u>
Net position of governmental activities (Exhibit A)		<u>\$ 57,024,691</u>

**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, 2020**

	General	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 24,039,145	\$ -	\$ 435,787	\$ 24,474,932
Licenses and permits	4,235,105	-	-	4,235,105
Intergovernmental	2,495,965	711,963	-	3,207,928
Charges for services	1,451,215	-	417,216	1,868,431
Miscellaneous	799,817	228,256	941,632	1,969,705
Total revenues	<u>33,021,247</u>	<u>940,219</u>	<u>1,794,635</u>	<u>35,756,101</u>
<b>EXPENDITURES</b>				
Current:				
General government	9,086,681	-	9,170	9,095,851
Public safety	10,965,001	-	304,481	11,269,482
Highways and streets	4,266,011	-	-	4,266,011
Welfare	520,624	-	-	520,624
Culture and recreation	2,079,868	-	154,266	2,234,134
Conservation	8,699	-	-	8,699
Debt service:				
Principal	2,754,010	-	-	2,754,010
Interest	1,035,684	-	-	1,035,684
Capital outlay	331,825	13,732,153	-	14,063,978
Total expenditures	<u>31,048,403</u>	<u>13,732,153</u>	<u>467,917</u>	<u>45,248,473</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,972,844</u>	<u>(12,791,934)</u>	<u>1,326,718</u>	<u>(9,492,372)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,661,602	1,442,162	20,955	3,124,719
Transfers out	(2,090,579)	-	(25,109)	(2,115,688)
Bonds/notes proceeds	-	20,733,186	-	20,733,186
Total other financing sources (uses)	<u>(428,977)</u>	<u>22,175,348</u>	<u>(4,154)</u>	<u>21,742,217</u>
Net change in fund balances	1,543,867	9,383,414	1,322,564	12,249,845
Fund balances (deficit), beginning	15,478,326	(5,653,655)	2,968,693	12,793,364
Fund balances, ending	<u>\$ 17,022,193</u>	<u>\$ 3,729,759</u>	<u>\$ 4,291,257</u>	<u>\$ 25,043,209</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, 2020**

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 12,249,845
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	\$ 14,919,375	
Disposal of capital assets	(35,373)	
Depreciation expense	<u>(2,656,960)</u>	
		12,227,042
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (2,115,688)	
Transfers out	<u>2,115,688</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	\$ 85,198	
Increase in deferred aid revenue	<u>221,020</u>	
		306,218
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Proceeds of debt	\$ (18,906,108)	
Bond premium on new issuance	(1,806,592)	
Recognition of principal forgiveness	(477,192)	
Repayment of bond principal	3,450,211	
Repayment of capital leases	134,655	
Amortization of bond premium	76,800	
Amortization of debt forgiveness	<u>95,533</u>	
		(17,432,693)
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.		
Increase in accrued interest expense	\$ (83,734)	
Increase in compensated absences	(213,301)	
Net change in net pension liability and deferred outflows and inflows of resources related to pensions	(1,791,668)	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>230,484</u>	
		(2,194,519)
Changes in net position of governmental activities (Exhibit B)		<u>\$ 5,155,893</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, 2020**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 23,602,656	\$ 24,124,343	\$ 521,687
Licenses and permits	2,902,600	4,235,105	1,332,505
Intergovernmental	1,517,878	1,573,941	56,063
Charges for services	1,561,020	1,451,215	(109,805)
Miscellaneous	384,041	524,799	140,758
Total revenues	<u>29,968,195</u>	<u>31,909,403</u>	<u>1,941,208</u>
<b>EXPENDITURES</b>			
Current:			
General government	9,899,605	9,099,316	800,289
Public safety	10,982,460	10,395,521	586,939
Highways and streets	4,295,700	4,033,524	262,176
Welfare	542,920	520,624	22,296
Culture and recreation	2,321,450	2,280,188	41,262
Conservation	10,920	8,699	2,221
Debt service:			
Principal	2,754,440	2,754,010	430
Interest	900,360	1,035,684	(135,324)
Total expenditures	<u>31,707,855</u>	<u>30,127,566</u>	<u>1,580,289</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,739,660)</u>	<u>1,781,837</u>	<u>3,521,497</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,728,700	1,658,364	(70,336)
Transfers out	<u>(2,119,040)</u>	<u>(2,135,817)</u>	<u>(16,777)</u>
Total other financing sources (uses)	<u>(390,340)</u>	<u>(477,453)</u>	<u>(87,113)</u>
Net change in fund balances	<u>\$ (2,130,000)</u>	1,304,384	<u>\$ 3,434,384</u>
Increase in nonspendable fund balance		(229,198)	
Increase in assigned fund balance (non-encumbrance)		(219,328)	
Unassigned fund balance, beginning		12,601,277	
Unassigned fund balance, ending		<u>\$ 13,457,135</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, 2020**

	Business-type Activities				Total
	Enterprise Funds				
	Sewage Collection and Disposal	Solid Waste Disposal	Water Treatment and Distribution	Municipal Airport	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,188,121	\$ 6,807,643	\$ 4,113,480	\$ 165,855	\$ 14,275,099
Investments	482,087	8,659,861	712,883	15,462	9,870,293
Receivables:					
Accounts	320,077	395,261	55,696	41,224	812,258
Intergovernmental	5,112,990	22,982	2,062,833	321,210	7,520,015
Internal balances	-	-	25,408	33,043	58,451
Prepaid items	8,477	5,165	10,781	16,928	41,351
Capital assets:					
Land and construction in progress	5,783,811	458,838	7,316,519	1,652,538	15,211,706
Other capital assets, net of depreciation	53,237,055	9,412,455	23,331,158	8,714,502	94,695,170
Total assets	<u>68,132,618</u>	<u>25,762,205</u>	<u>37,628,758</u>	<u>10,960,762</u>	<u>142,484,343</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Amounts related to pensions	225,290	177,390	156,515	101,223	660,418
Amounts related to other postemployment benefits	13,178	9,614	8,716	2,660	34,168
Total deferred outflows of resources	<u>238,468</u>	<u>187,004</u>	<u>165,231</u>	<u>103,883</u>	<u>694,586</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	146,194	39,694	68,132	122,639	376,659
Retainage payable	133,914	-	433,722	-	567,636
Contract payable	7,984	6,000	231,684	-	245,668
Accrued interest payable	158,254	46,866	166,255	13,115	384,490
Intergovernmental payable	1,054,507	-	4,026,034	-	5,080,541
Internal balances	223,438	-	223,580	-	447,018
Escrow and performance deposits	154,153	-	-	12,523	166,676
Long term liabilities:					
Due within one year	875,664	346,722	772,630	67,678	2,062,694
Due in more than one year	28,553,188	11,814,887	13,266,781	924,006	54,558,862
Total liabilities	<u>31,307,296</u>	<u>12,254,169</u>	<u>19,188,818</u>	<u>1,139,961</u>	<u>63,890,244</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Debt forgiveness	1,629,978	-	1,349,900	-	2,979,878
Deferred revenue	-	-	-	10,294	10,294
Amounts related to pensions	32,062	25,245	22,274	14,405	93,986
Amounts related to other postemployment benefits	39,503	27,782	25,534	3,538	96,357
Total deferred inflows of resources	<u>1,701,543</u>	<u>53,027</u>	<u>1,397,708</u>	<u>28,237</u>	<u>3,180,515</u>
<b>NET POSITION</b>					
Net investment in capital assets	30,847,181	8,535,068	17,427,090	9,928,935	66,738,274
Restricted	-	2,573,576	565,017	286,134	3,424,727
Unrestricted	4,515,066	2,533,369	(784,644)	(318,622)	5,945,169
Total net position	<u>\$35,362,247</u>	<u>\$ 13,642,013</u>	<u>\$17,207,463</u>	<u>\$ 9,896,447</u>	<u>\$ 76,108,170</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, 2020**

	Business-type Activities				Total
	Enterprise Funds				
	Sewage Collection and Disposal	Solid Waste Disposal	Water Treatment and Distribution	Municipal Airport	
Operating revenues:					
User charges	\$ 6,909,307	\$ 3,207,317	\$ 3,535,717	\$ 448,059	\$ 14,100,400
Other sales	-	496,500	-	-	496,500
Intergovernmental revenues	2,530,271	-	210,498	2,229,183	4,969,952
Miscellaneous	82,182	119,157	37,799	451,494	690,632
Total operating revenues	<u>9,521,760</u>	<u>3,822,974</u>	<u>3,784,014</u>	<u>3,128,736</u>	<u>20,257,484</u>
Operating expenses:					
Salaries and wages	1,075,343	834,885	724,290	569,718	3,204,236
Operation and maintenance	1,659,990	1,710,041	377,784	372,970	4,120,785
Contractual services	144,847	394,851	176,958	153,199	869,855
Materials and supplies	196,142	35,272	173,122	16,054	420,590
Depreciation and amortization	1,300,473	726,662	551,050	632,081	3,210,266
Total operating expenses	<u>4,376,795</u>	<u>3,701,711</u>	<u>2,003,204</u>	<u>1,744,022</u>	<u>11,825,732</u>
Operating gain	<u>5,144,965</u>	<u>121,263</u>	<u>1,780,810</u>	<u>1,384,714</u>	<u>8,431,752</u>
Nonoperating revenue (expense):					
Interest income	25,284	210,250	35,781	-	271,315
Gain on sale of property	-	2,500	-	535	3,035
Interest expense	(1,061,280)	(43,526)	(340,388)	(23,322)	(1,468,516)
Change in fair market value	7,553	73,638	16,011	-	97,202
Investment fees	(927)	(20,723)	-	(28)	(21,678)
Total nonoperating revenues (expense)	<u>(1,029,370)</u>	<u>222,139</u>	<u>(288,596)</u>	<u>(22,815)</u>	<u>(1,118,642)</u>
Other financing sources (uses):					
Transfers in	60,450	581,421	310,660	385,610	1,338,141
Transfers out	(598,740)	(1,329,252)	(351,190)	(67,990)	(2,347,172)
Total other financing sources (uses)	<u>(538,290)</u>	<u>(747,831)</u>	<u>(40,530)</u>	<u>317,620</u>	<u>(1,009,031)</u>
Change in net position	3,577,305	(404,429)	1,451,684	1,679,519	6,304,079
Net position, beginning, as restated (see Note 22)	31,784,942	14,046,442	15,755,779	8,216,928	69,804,091
Net position, ending	<u>\$ 35,362,247</u>	<u>\$ 13,642,013</u>	<u>\$ 17,207,463</u>	<u>\$ 9,896,447</u>	<u>\$ 76,108,170</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, 2020**

	Business-type Activities				
	Enterprise Funds				
	Sewage Collection and Disposal	Solid Waste Disposal	Water Treatment and Distribution	Municipal Airport	Total
Cash flows from operating activities:					
Receipts from customers and users	\$6,394,811	\$ 3,882,187	\$ 3,809,470	\$ 2,870,770	\$ 16,957,238
Payments to employees	(939,131)	(719,787)	(743,651)	(463,480)	(2,866,049)
Payments to suppliers	(1,719,427)	(1,134,517)	(704,130)	(482,959)	(4,041,033)
Net cash provided by operating activities	<u>3,736,253</u>	<u>2,027,883</u>	<u>2,361,689</u>	<u>1,924,331</u>	<u>10,050,156</u>
Cash flows from capital and related financing activities:					
State revolving loan proceeds	3,665,540	-	3,030,540	-	6,696,080
Bond and bond premium proceeds	1,417,893	-	2,692,893	-	4,110,786
Principal paid on bonds	(1,800,101)	(295,000)	(681,290)	(66,579)	(2,842,970)
Acquisition and construction of fixed assets	(4,190,308)	(398,055)	(5,389,896)	(1,525,887)	(11,504,146)
Interest paid	(1,120,145)	(41,015)	(367,560)	(24,240)	(1,552,960)
Net cash used for capital and related financing activities	<u>(2,027,121)</u>	<u>(734,070)</u>	<u>(715,313)</u>	<u>(1,616,706)</u>	<u>(5,093,210)</u>
Cash flows from non-capital financing activities:					
Operating transfers in	60,450	581,421	310,660	385,610	1,338,141
Operating transfers out	(1,332,638)	(1,329,252)	(1,391,854)	(872,519)	(4,926,263)
Net cash used for non-capital financing activities	<u>(1,272,188)</u>	<u>(747,831)</u>	<u>(1,081,194)</u>	<u>(486,909)</u>	<u>(3,588,122)</u>
Cash flows from investing activities:					
Sale of investments	(329,414)	-	(185,503)	(15,462)	(530,379)
Purchase of investments	-	195,496	-	-	195,496
Interest received	25,284	210,250	35,781	-	271,315
Net cash provided by (used for) investing activities	<u>(304,130)</u>	<u>405,746</u>	<u>(149,722)</u>	<u>(15,462)</u>	<u>(63,568)</u>
Net increase/decrease in cash	132,814	951,728	415,460	(194,746)	1,305,256
Cash, beginning	3,055,307	5,855,915	3,698,020	360,601	12,969,843
Cash, ending	<u>\$3,188,121</u>	<u>\$ 6,807,643</u>	<u>\$ 4,113,480</u>	<u>\$ 165,855</u>	<u>\$ 14,275,099</u>

**Reconciliation of Operating Gain to Net Cash Provided by Operating Activities**

Operating gain	\$5,144,965	\$ 121,263	\$ 1,780,810	\$ 1,384,714	\$ 8,431,752
Adjustments to reconcile operating gain to net cash used by operating activities:					
Depreciation expense	1,300,473	726,662	551,050	632,081	3,210,266
Loss on disposition of capital assets	-	(3,841)	-	-	(3,841)
(Increase)/Decrease in other receivables	(28,134)	46,919	778	30,744	50,307
(Increase)/Decrease in intergovernmental receivables	(3,252,968)	12,294	24,678	(289,329)	(3,505,325)
(Increase)/Decrease in prepaid items	441,523	149	14,651	(4,170)	452,153
Increase in deferred outflows related to pensions	(160,423)	(128,648)	(107,097)	(76,911)	(473,079)
Increase in deferred outflows related to OPEB	(9,901)	(7,152)	(6,220)	(1,432)	(24,705)
Increase/(Decrease) in accounts payable	(159,971)	10,295	9,083	63,434	(77,159)
Increase in escrow deposits	154,153	-	-	619	154,772
Increase/(Decrease) in compensated absences	18,811	5,164	(34,599)	26,656	16,032
Increase in accrued landfill closure and postclosure care co	-	999,044	-	-	999,044
Increase in net pension liability	286,236	250,830	151,370	181,314	869,750
Decrease in OPEB	(20,291)	(20,535)	(32,491)	(22,690)	(96,007)
Decrease in deferred inflows related to pensions	(13,689)	(9,132)	(12,581)	(2,742)	(38,144)
Increase in deferred inflows related to OPEB	35,469	24,571	22,257	2,043	84,340
Total adjustments	<u>(1,408,712)</u>	<u>1,906,620</u>	<u>580,879</u>	<u>539,617</u>	<u>1,618,404</u>
Net cash provided by operating activities	<u>\$3,736,253</u>	<u>\$ 2,027,883</u>	<u>\$ 2,361,689</u>	<u>\$ 1,924,331</u>	<u>\$ 10,050,156</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, 2020*

	Private Purpose Trust	All Custodial Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 65,645	\$ 16,232,890
Investments	1,684,333	3,023,432
Total assets	<u>1,749,978</u>	<u>19,256,322</u>
<b>LIABILITIES</b>		
Intergovernmental payable	<u>-</u>	<u>15,540,560</u>
<b>NET POSITION</b>		
Unrestricted	<u>\$ 1,749,978</u>	<u>\$ 3,715,762</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, 2020**

	Private Purpose Trust	All Custodial Funds
<b>ADDITIONS</b>		
Contributions	\$ 9,378	\$1,100,007
Investment earnings	28,773	53,624
Change in fair market value	141,441	35,633
Tax collections for other governments	-	38,099,910
Total additions	<u>179,592</u>	<u>39,289,174</u>
<b>DEDUCTIONS</b>		
Benefits paid	35,536	-
Administrative expenses	8,454	227,532
Payments of taxes to other governments	-	38,099,910
Total deductions	<u>43,990</u>	<u>38,327,442</u>
Change in net position	135,602	961,732
Net position, beginning, as restated (see Note 22)	<u>1,614,376</u>	<u>2,754,030</u>
Net position, ending	<u>\$1,749,978</u>	<u>\$3,715,762</u>

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

**CITY OF LEBANON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2020**

	<u>NOTE</u>
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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, and Community Development Block Grant 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) 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. 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.

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.

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

<b>Capital Asset Classes:</b>	<u>Years</u>
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 May 30, 2020, and November 4, 2020, and were due on July 2, 2020, and December 7, 2020, 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 2019 on May 21, 2020.

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, 2020, utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 2,127,331,325
For all other taxes	\$ 2,237,505,225

The tax rates and amounts assessed for the year ended December 31, 2020, were as follows:

	<u>Per \$1,000 of Assessed Valuation</u>	<u>Property Taxes Assessed</u>
Municipal portion	\$ 9.96	\$22,294,860
School portion:		
State of New Hampshire	1.99	4,239,974
Local	13.28	29,709,043
County portion	1.86	4,150,893
Total	<u>\$ 27.09</u>	<u>\$60,394,770</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, 2020.

***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 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.

***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.

***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.

***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.

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***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*** – 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.

***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.

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.

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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).

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 2020, \$1,940,000 of the beginning general fund unassigned fund balance was applied for this purpose and \$190,000 was voted from unassigned fund balance as a transfer to the expendable trust funds.

***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.

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

Revenues and other financing sources:	<u>General</u>	
Per Exhibit D (budgetary basis)		\$ 33,567,767
Adjustment:		
Basis difference:		
GASB Statement No. 54:		
To record income of the blended funds		1,197,042
To record transfers in to the blended funds		400
To eliminate transfers between expendable trust and general funds		768,238
To eliminate transfers between blended funds		(765,400)
Change in deferred tax revenue relating to 60-day revenue recognition recognized as revenue on the GAAP basis, but not on the budgetary basis		(85,198)
Per Exhibit C-3 (GAAP basis)		<u>\$ 34,682,849</u>
Expenditures and other financing uses:		
Per Exhibit D (budgetary basis)		\$ 32,263,383
Adjustment:		
Basis differences:		
Encumbrances, beginning		1,233,384
Encumbrances, ending		(1,496,668)
GASB Statement No. 54:		
To record expenditures of the blended funds during the year		1,184,121
To eliminate transfers between general and blended funds		(765,400)
To recognize transfers out of the blended funds		720,162
Per Exhibit C-3 (GAAP basis)		<u>\$ 33,138,982</u>

**DETAILED NOTES ON ALL FUNDS**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

The City's deposits are covered by federal depository insurance (FDIC) or by collateral held by the City's agent in the City's name. 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 \$54,147,258 and the bank balances totaled \$57,170,530. Petty cash totaled \$2,165.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)		\$ 37,848,723
Cash per Statement of Net Position - Fiduciary Fund (Exhibit F-1)		16,298,535
Total cash and cash equivalents		<u>\$ 54,147,258</u>

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**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	\$ 48,393
Grants	2,115
Heritage	30,760
Restricted funds	375,460
Community Development Block Grant	34,875
Total restricted cash and cash equivalents	491,603
Investments:	
General fund:	
Expendable trust	665,219
Accounts receivable:	
General fund:	
Grants	21,811
Total restricted assets	\$ 1,178,633

**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, 2020:

Investment type:	Valuation		Exempt from	Less Than 1	1-5 Years
	Measurement	Fair Value			
	Method				
Equities	Level 1	\$ 1,735,818	\$ 1,735,818	\$ -	\$ -
Fixed income	Level 1	15,205,097	2,734,368	3,499,721	8,971,008
New Hampshire Public Deposit Investment Pool	Level 2	54,901	54,901	-	-
Total fair value		\$ 16,995,816	\$ 4,525,087	\$ 3,499,721	\$ 8,971,008

**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.



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The cash balance, which composes the rest, should range between 0% and 10% of the total trust fund balance.

Investment type:	Fair Value	Exempt from Disclosure	Ratings as of Year-end	
			Aaa	Other
Equities	\$ 1,735,818	\$1,735,818	\$ -	\$ -
Fixed income	15,259,998	2,789,269	4,004,296	8,466,433
New Hampshire Public Deposit Investment Pool	54,901	54,901	-	-
Total fair value	<u>\$ 16,995,816</u>	<u>\$4,525,087</u>	<u>\$ 4,004,296</u>	<u>\$ 8,466,433</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)	\$ 12,288,051
Investments per Statement of Net Position - Fiduciary Funds (Exhibit F-1)	4,707,765
Total investments	<u>\$ 16,995,816</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, 2020. 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 2020	\$ 1,223,352	\$ 1,223,352
Unredeemed (under tax lien):		
Levy of 2019	131,532	131,532
Levy of 2018	38,410	38,410
Levies of 2017 and prior	47,813	47,813
Yield	5,172	5,172
Less: allowance for estimated uncollectible taxes	(150,000) *	-
Net taxes receivable	<u>\$ 1,296,279</u>	<u>\$ 1,446,279</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).

**NOTE 7 – OTHER RECEIVABLES**

Receivables at December 31, 2020, 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.

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Receivables as of December 31, 2020 for the City's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds			Total Governmental Funds
	General	Capital Improvements	Nonmajor	
Receivables:				
Accounts	\$ 1,504,274	\$ -	\$ 36,029	\$ 1,540,303
Restricted	21,811	-	-	21,811
Intergovernmental	176,537	703,654	-	880,191
Voluntary tax liens	9,804	-	-	9,804
Gross receivables	1,712,426	703,654	36,029	2,452,109
Less: allowance for uncollectibles	(1,151,784)	-	-	(1,151,784)
Net total receivables	<u>\$ 560,642</u>	<u>\$ 703,654</u>	<u>\$ 36,029</u>	<u>\$ 1,300,325</u>

	Proprietary Funds				Total Proprietary Funds
	Sewage Collection and Disposal	Solid Waste Disposal	Water Treatment and Distribution	Municipal Airport	
Receivables:					
Accounts	\$ 320,077	\$ 395,261	\$ 55,696	\$ 41,224	\$ 812,258
Intergovernmental	5,112,990	22,982	2,062,833	321,210	7,520,015
Net total receivables	<u>\$ 5,433,067</u>	<u>\$ 418,243</u>	<u>\$ 2,118,529</u>	<u>\$ 362,434</u>	<u>\$ 8,332,273</u>

	Governmental Activities	Business-type Activities	Total Government-wide
Receivables:			
Accounts	\$ 1,562,114	\$ 812,258	\$ 2,374,372
Intergovernmental	1,451,211	7,520,015	8,971,226
Voluntary tax liens	9,804	-	9,804
Gross receivables	3,023,129	8,332,273	11,355,402
Less: allowance for uncollectibles	(1,151,784)	-	(1,151,784)
Net total receivables	<u>\$ 1,871,345</u>	<u>\$ 8,332,273</u>	<u>\$ 10,203,618</u>

**NOTE 8 – PREPAID ITEMS**

Prepaid items at December 31, 2020 consisted of the following:

	Government-wide Statements		Governmental Funds		Proprietary Funds			
	Governmental Activities	Business-type Activities	General	Capital Improvements	Sewage Collection and Disposal	Solid Waste Disposal	Water Treatment and Distribution	Municipal Airport
	Insurance	\$ 101,101	\$ 39,889	\$ 101,101	\$ -	\$ 8,477	\$ 4,938	\$ 9,546
Debt	-	-	257,783	-	-	-	-	-
Interest	-	-	134,264	-	-	-	-	-
Other	206,171	1,462	196,171	10,000	-	227	1,235	-
Total	<u>\$ 307,272</u>	<u>\$ 41,351</u>	<u>\$ 689,319</u>	<u>\$ 10,000</u>	<u>\$ 8,477</u>	<u>\$ 5,165</u>	<u>\$ 10,781</u>	<u>\$ 16,928</u>

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**NOTE 9 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2020 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	111,847	32,650	-	144,497
Construction in progress	14,765,885	13,002,515	(10,368,590)	17,399,810
Total capital assets not being depreciated	<u>22,507,018</u>	<u>13,035,165</u>	<u>(10,368,590)</u>	<u>25,173,593</u>
Being depreciated:				
Land improvements	3,414,287	330,181	-	3,744,468
Buildings and building improvements	21,577,485	35,162	-	21,612,647
Machinery and equipment	12,045,295	914,126	(353,736)	12,605,685
Infrastructure	72,294,749	10,973,331	-	83,268,080
Total capital assets being depreciated	<u>109,331,816</u>	<u>12,252,800</u>	<u>(353,736)</u>	<u>121,230,880</u>
Total all capital assets	<u>131,838,834</u>	<u>25,287,965</u>	<u>(10,722,326)</u>	<u>146,404,473</u>
Less accumulated depreciation:				
Land improvements	(2,260,316)	(113,547)	-	(2,373,863)
Buildings and building improvements	(8,528,618)	(396,512)	-	(8,925,130)
Machinery and equipment	(6,529,555)	(707,420)	318,363	(6,918,612)
Infrastructure	(22,609,686)	(1,439,481)	-	(24,049,167)
Total accumulated depreciation	<u>(39,928,175)</u>	<u>(2,656,960)</u>	<u>318,363</u>	<u>(42,266,772)</u>
Net book value, capital assets being depreciated	69,403,641	9,595,840	(35,373)	78,964,108
Net book value, all governmental activities capital assets	<u>\$ 91,910,659</u>	<u>\$22,631,005</u>	<u>\$ (10,403,963)</u>	<u>\$ 104,137,701</u>
<b>Business-type activities:</b>				
At cost:				
Not being depreciated:				
Land	\$ 809,968	\$ -	\$ -	\$ 809,968
Construction in progress	23,644,811	9,432,749	(18,675,822)	14,401,738
Total capital assets not being depreciated	<u>24,454,779</u>	<u>9,432,749</u>	<u>(18,675,822)</u>	<u>15,211,706</u>
Being depreciated:				
Land improvements	43,313,359	2,327,791	-	45,641,150
Buildings and building improvements	40,714,136	261,505	-	40,975,641
Machinery and equipment	8,218,431	301,612	(38,407)	8,481,636
Infrastructure	60,402,873	16,616,510	-	77,019,383
Total capital assets being depreciated	<u>152,648,799</u>	<u>19,507,418</u>	<u>(38,407)</u>	<u>172,117,810</u>
Total all capital assets	<u>177,103,578</u>	<u>28,940,167</u>	<u>(18,714,229)</u>	<u>187,329,516</u>
Less accumulated depreciation:				
Land improvements	(32,055,606)	(908,268)	-	(32,963,874)
Buildings and building improvements	(15,267,813)	(637,617)	-	(15,905,430)
Machinery and equipment	(4,516,967)	(420,565)	34,566	(4,902,966)
Infrastructure	(22,406,554)	(1,243,816)	-	(23,650,370)
Total accumulated depreciation	<u>(74,246,940)</u>	<u>(3,210,266)</u>	<u>34,566</u>	<u>(77,422,640)</u>
Net book value, capital assets being depreciated	78,401,859	16,297,152	(3,841)	94,695,170
Net book value, all business-type activities capital assets	<u>\$ 102,856,638</u>	<u>\$25,729,901</u>	<u>\$ (18,679,663)</u>	<u>\$ 109,906,876</u>

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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	\$ 62,248
Public safety	472,603
Highways and streets	1,864,493
Culture and recreation	238,422
Conservation	19,194
Total depreciation expense	<u>\$ 2,656,960</u>
<b>Business-type activities:</b>	
Sewage collection and disposal	\$ 1,300,473
Solid waste disposal	726,662
Water treatment and distribution	551,050
Municipal airport	632,081
Total depreciation expense	<u>\$ 3,210,266</u>

**NOTE 10 – INTERFUND BALANCES AND TRANSFERS**

**Interfund Balances** - The composition of interfund balances as of December 31, 2020 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$ 54,583
Nonmajor governmental	Nonmajor governmental	4,178
General	Major proprietary - Sewage collection and disposal	223,580
General	Major proprietary - Water treatment and distribution	198,030
Major proprietary - Municipal airport	General	33,043
Major proprietary - Water treatment and distribution	Major proprietary - Sewage collection and disposal	25,408
		<u>\$ 538,822</u>

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, 2020 is as follows:

	Transfers In	Transfers Out	Cumulative Transfers
<b>Major governmental funds:</b>			
General	\$ 1,661,602	\$(2,090,579)	\$ (428,977)
Capital improvements	1,442,162	-	1,442,162
Nonmajor governmental funds	20,955	(25,109)	(4,154)
Total governmental funds	<u>3,124,719</u>	<u>(2,115,688)</u>	<u>1,009,031</u>
<b>Major proprietary funds:</b>			
Sewage collection and disposal	60,450	(598,740)	(538,290)
Solid waste disposal	581,421	(1,329,252)	(747,831)
Water treatment and distribution	310,660	(351,190)	(40,530)
Municipal airport	385,610	(67,990)	317,620
Total proprietary funds	<u>1,338,141</u>	<u>(2,347,172)</u>	<u>(1,009,031)</u>
Total	<u>\$ 4,462,860</u>	<u>\$(4,462,860)</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.

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**NOTE 11 – INTERGOVERNMENTAL PAYABLES**

Amounts due to other governments of \$22,430,451 at December 31, 2020, consist of the following:

<b>Governmental funds:</b>	
General:	
Fees due to the State of New Hampshire	\$ 1,522
Due to other governments	392,961
Total general fund	<u>394,483</u>
Capital improvements:	
State of New Hampshire - drawdown requests	1,414,867
Total governmental funds	<u>1,809,350</u>
<b>Proprietary funds:</b>	
Sewage collection and disposal:	
State of New Hampshire - drawdown requests	1,054,507
Water treatment and distribution:	
State of New Hampshire - drawdown requests	4,026,034
Total proprietary funds	<u>5,080,541</u>
<b>Fiduciary fund:</b>	
Custodial:	
Balance of 2020-21 district assessment due to the Lebanon School District	15,482,993
Impact fees due to the Lebanon School District	57,567
Total proprietary funds	<u>15,540,560</u>
Total intergovernmental payables due	<u>\$ 22,430,451</u>

**NOTE 12 – CONSTRUCTION COMMITMENTS**

The City has active construction project as of December 31, 2020. The projects include street construction, water and sewer improvements, airport 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 fund:		
Capital improvements	\$ 774,454	\$ 612,574
Proprietary funds:		
Sewage collection and disposal	7,984	133,914
Solid waste disposal	6,000	-
Water treatment and distribution	231,684	433,722
Total proprietary funds	<u>245,668</u>	<u>567,636</u>
Total	<u>\$ 1,020,122</u>	<u>\$ 1,180,210</u>

The remaining balances of uncompleted construction contracts at December 31, 2020, are as follows:

	Total Contracts	Spent to Date	Remaining Commitment
Governmental fund:			
Capital improvements	\$ 16,186,190	\$ 12,001,416	\$ 4,184,774
Proprietary funds:			
Sewage collection and disposal	2,588,951	2,133,535	455,416
Solid waste disposal	553,840	418,813	135,027
Water treatment and distribution	7,407,342	6,147,818	1,259,524
Total proprietary funds	<u>10,550,133</u>	<u>8,700,166</u>	<u>1,849,967</u>
Total	<u>\$ 26,736,323</u>	<u>\$ 20,701,582</u>	<u>\$ 6,034,741</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	Business-type	Sewage Collection and Disposal	Solid Waste Disposal	Water Treatment and Distribution	Municipal Airport
	Activities	Activities				
Amounts related to pensions (see Note 16)	\$ 6,474,265	\$ 660,418				
Amounts related to other postemployment benefits (see Note 17)	253,144	34,168				
Total	<u>\$ 6,727,409</u>	<u>\$ 694,586</u>				
Amounts related to pensions (see Note 16)	\$ 225,290	\$ 177,390	\$ 156,515			\$ 101,223
Amounts related to other postemployment benefits (see Note 17)	13,178	9,614	8,716			2,660
Total	<u>\$ 238,468</u>	<u>\$ 187,004</u>	<u>\$ 165,231</u>			<u>\$ 103,883</u>

Deferred inflows of resources are as follows:

	Government-wide Statements		Proprietary Funds			
	Governmental	Business-type	Sewage Collection and Disposal	Solid Waste Disposal	Water Treatment and Distribution	Municipal Airport
	Activities	Activities				
Unavailable revenue - Grants received in advance	\$ 41,788	\$ -				
Debt forgiveness	1,799,872	2,979,878				
Deferred revenue	-	10,294				
Amounts related to pensions (see Note 16)	921,372	93,986				
Amounts related to other postemployment benefits (see Note 17)	588,115	96,357				
	<u>\$ 3,351,147</u>	<u>\$ 3,180,515</u>				
Unavailable revenue - Property taxes	\$ 370,509		\$ -	\$ -	\$ -	\$ -
Unavailable revenue - Grants received in advance	41,788		-	-	-	-
Debt forgiveness	-		1,629,978		1,349,900	-
Deferred revenue	-		-		-	10,294
Amounts related to pensions (see Note 16)	-		32,062	25,245	22,274	14,405
Amounts related to other postemployment benefits (see Note 17)	-		39,503	27,782	25,534	3,538
	<u>\$ 412,297</u>		<u>\$ 1,701,543</u>	<u>\$ 53,027</u>	<u>\$ 1,397,708</u>	<u>\$ 28,237</u>

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**NOTE 14 – CAPITAL LEASE OBLIGATION**

The City has entered into a capital lease agreement 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, 2020
<b>Governmental activities:</b>		
Capital lease obligation:		
Ford Interceptor	6.95%	\$ 13,412

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

	Governmental Activities
Equipment:	
Ford Interceptor	\$ 32,551
Less: accumulated depreciation	(19,531)
Total capital lease equipment	\$ 13,020

The annual requirements to amortize the capital lease payable as of December 31, 2020, including interest payments, are as follows:

Fiscal Year Ending December 31,	Governmental Activities
2021	\$ 7,413
2022	7,413
Total requirements	14,826
Less: interest	(1,414)
Present value of remaining payments	\$ 13,412

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

**NOTE 15 – LONG-TERM LIABILITIES**

Changes in the City's long-term liabilities consisted of the following for the year ended December 31, 2020:

	Balance January 1, 2020 (as restated)	Additions	Reductions	Balance December 31, 2020	Due Within One Year
<b>Governmental activities:</b>					
Bonds/notes payable:					
Bonds/notes	\$ 23,986,215	\$ 18,906,108	\$(3,450,211) *	\$ 39,442,112	\$ 3,245,497
Premium	1,104,599	1,806,592	(76,800)	2,834,391	188,640
Total bonds/notes payable	25,090,814	20,712,700	(3,527,011)	42,276,503	3,434,137
Capital leases	148,067	-	(134,655)	13,412	6,481
Compensated absences	1,608,474	221,540	(8,239)	1,821,775	43,168
Net pension liability	21,802,058	6,755,477	-	28,557,535	-
Net other postemployment benefits	3,441,026	-	(597,556)	2,843,470	-
Total long-term liabilities	\$ 52,090,439	\$ 27,689,717	\$(4,267,461)	\$ 75,512,695	\$ 3,483,786

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**\*Water Pollution Control Revolving Fund Program** – Included in the \$3,450,211 debt reduction is a one-time principal forgiveness received under the Drinking Water State Revolving Fund Program. The loan was consolidated by a promissory note on December 15, 2020, in order to finance the Combined Sewer Overflow (CSO) #11 Phase 2 Construction, which has been completed. The total loan amount issued was \$4,517,912 (in the governmental activities), of which \$477,192, or 10.6%, was forgiven in the form of federal financial assistance.

	Balance January 1, 2020 (as restated)	Additions	Reductions	Balance December 31, 2020	Due Within One Year
<b>Business-type activities:</b>					
Bonds/notes payable:					
Bonds/notes	\$ 35,629,605	\$ 10,404,999	\$(3,972,381) *	\$ 42,062,223	\$ 1,940,864
Premium	772,511	422,353	(88,485)	1,106,379	88,093
Total bonds/notes payable	<u>36,402,116</u>	<u>10,827,352</u>	<u>(4,060,866)</u>	<u>43,168,602</u>	<u>2,028,957</u>
Compensated absences	267,805	50,631	(34,599)	283,837	15,337
Accrued landfill closure and postclosure care cost:	8,901,976	999,044	-	9,901,020	18,400
Net pension liability	2,043,308	869,750	-	2,913,058	-
Net other postemployment benefits	451,046	-	(96,007)	355,039	-
Total long-term liabilities	<u>\$ 48,066,251</u>	<u>\$ 12,746,777</u>	<u>\$(4,191,472)</u>	<u>\$ 56,621,556</u>	<u>\$ 2,062,694</u>

**\*Water Pollution Control Revolving Fund Program** – Included in the \$3,972,381 debt reduction is a one-time principal forgiveness received under the Drinking Water State Revolving Fund Program. The loan was consolidated by a promissory note on December 15, 2020, in order to finance the Combined Sewer Overflow (CSO) #11 Phase 2 Construction, which has been completed. The total loan amount issued was \$7,411,866 (\$4,023,433 in the sewage collection and disposal proprietary fund and \$3,388,433 in the water treatment and distribution proprietary fund), of which \$715,786 (\$357,893 in the sewage collection and disposal proprietary fund and \$357,893 in the water treatment and distribution proprietary fund), or 9.7% (8.9% in the sewage collection and disposal proprietary fund and 10.6% in the water treatment and distribution proprietary fund) was forgiven in the form of federal financial assistance.

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

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2020	Current Portion
<b>Governmental activities:</b>						
Bonds/notes payable:						
(Majority multi purpose)	\$ 2,490,682	2001	2021	4.125-5.00	\$ 119,200	\$ 119,200
	\$ 2,490,682	2002	2022	3.00-5.00	180,000	90,000
	\$ 1,118,620	2003	2023	4.00-6.00	166,980	55,660
	\$ 3,506,098	2004	2024	3.00-5.00	688,572	172,143
	\$ 4,583,082	2005	2025	4.00-4.50	1,125,000	225,000
	\$ 4,441,665	2006	2026	4.50-5.00	1,320,000	220,000
	\$ 6,584,511	2007	2027	4.00-4.75	2,140,200	323,600
	\$ 2,396,404	2008	2028	4.00-4.125	566,200	74,525
	\$ 3,797,000	2009	2029	3.02-5.02	1,083,000	121,000
	\$ 3,948,393	2010	2030	3.823	1,948,700	197,370
	\$ 3,651,784	2011	2031	3.55	1,885,000	185,000
	\$ 428,374	2012	2032	2.57-3.18	244,320	20,360
	\$ 2,912,891	2014	2034	3.392	962,458	74,035
	\$ 655,000	2014	2024	5.10	260,000	65,000
	\$ 1,819,100	2016	2036	2.51	1,440,000	90,000
	\$ 1,272,534	2016	2036	2.00	836,205	-
	\$ 1,280,000	2017	2036	2.00	896,000	56,000
	\$ 1,856,400	2017	2037	2.52	1,510,000	115,000

*(Continued)*



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*Long-term bonds/notes continued:*

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2020	Current Portion
<b>Governmental activities:</b>						
Bonds/notes payable:						
(Majority multi purpose)	\$ 2,905,400	2018	2038	3.20	2,559,000	166,000
	\$ 728,283	2018	2038	2.70	557,141	32,773
	\$ 800,000	2019	2039	1.70	676,341	35,597
	\$ 84,863	2019	2023	2.99	50,918	16,973
	\$ 7,148,900	2020	2040	2.12	7,148,900	383,900
	\$ 7,239,292	2020	2040	1.64	7,239,293	406,361
	\$ 4,040,720	2020	2040	2.00	3,838,684	-
Total bonds/notes payable					39,442,112	3,245,497
Bond premium					2,834,391	188,640
Total governmental activities					42,276,503	3,434,137
<b>Business-type activities:</b>						
Bonds/notes payable:						
(Majority multi purpose)	\$ 3,297,982	2001	2021	4.125-5.00	25,800	25,800
	\$ 1,769,210	2003	2023	4.00-6.00	58,020	19,340
	\$ 1,281,902	2004	2024	3.00-5.00	111,428	27,857
	\$ 1,254,393	2005	2025	4.00-4.50	300,000	60,000
	\$ 2,070,164	2006	2026	4.50-5.00	620,000	105,000
	\$ 1,901,689	2007	2027	4.00-4.75	944,800	121,400
	\$ 1,574,416	2008	2028	2.352	551,745	-
	\$ 2,030,611	2008	2028	4.00-4.125	843,800	105,475
	\$ 1,410,000	2009	2029	3.02-5.02	612,000	69,000
	\$ 3,152,607	2010	2030	3.823	1,576,300	157,630
	\$ 4,720,716	2011	2031	3.55	2,585,000	235,000
	\$ 1,294,062	2011	2031	3.55	416,057	32,712
	\$ 4,306,526	2012	2032	2.57-3.18	1,595,680	329,640
	\$ 2,207,000	2013	2033	4.10-5.60	1,405,000	110,000
	\$ 4,369,336	2014	2034	3.392	1,443,690	111,053
	\$ 1,908,801	2016	2036	2.00	1,254,310	-
	\$ 11,541,564	2016	2036	2.00	8,656,169	-
	\$ 1,904,452	2016	2036	2.00	1,148,260	-
	\$ 1,920,000	2017	2036	2.00	1,344,000	84,000
	\$ 200,000	2017	2036	1.96	166,869	8,914
	\$ 4,672,089	2017	2037	2.42	3,737,672	-
	\$ 1,629,000	2018	2038	3.20	1,461,000	84,000
	\$ 1,092,424	2018	2037	2.70	835,704	49,159
	\$ 1,200,000	2019	2039	1.70	1,014,511	53,395
	\$ 2,993,133	2020	2040	1.64	2,993,132	151,489
	\$ 6,696,080	2020	2040	2.00	6,361,276	-
Total bonds/notes payable					42,062,223	1,940,864
Bond premium					1,106,379	88,093
Total					43,168,602	2,028,957
Grand total					\$ 85,445,105	\$ 5,463,094

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The annual requirements to amortize all general obligation bonds/notes outstanding as of December 31, 2020, including interest payments, are as follows:

**Governmental activities:**

Fiscal Year Ending December 31,	Principal	Interest	Total
2021	\$ 3,245,497	\$ 1,289,697	\$ 4,535,194
2022	3,365,885	1,232,309	4,598,194
2023	3,240,622	1,086,776	4,327,398
2024	3,163,302	946,581	4,109,883
2025	2,921,159	830,460	3,751,619
2026-2030	11,158,944	2,731,759	13,890,703
2031-2035	7,334,168	1,100,376	8,434,544
2036-2040	5,012,535	300,075	5,312,610
Totals	<u>\$ 39,442,112</u>	<u>\$ 9,518,033</u>	<u>\$ 48,960,145</u>

**Business-type activities:**

Fiscal Year Ending December 31,	Principal	Interest	Total
2021	\$ 1,940,864	\$ 1,390,511	\$ 3,331,375
2022	3,297,049	1,121,598	4,418,647
2023	3,313,078	998,916	4,311,994
2024	3,300,024	893,706	4,193,730
2025	2,973,372	788,389	3,761,761
2026-2030	13,305,328	2,628,128	15,933,456
2031-2035	9,672,586	1,068,995	10,741,581
2036-2040	4,259,922	210,870	4,470,792
Totals	<u>\$ 42,062,223</u>	<u>\$ 9,101,113</u>	<u>\$ 51,163,336</u>

**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 \$9,901,020 as of December 31, 2020, 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 60.6% 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, 2020. 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, 2020 were as follows:

Per City Meeting Vote of	Purpose	Unissued Amount	Responsible Fund
2014	CSO Separation and Utility replacement	\$ 470,000	General/water treatment and distribution/sewage collection and disposal
2015	Packard Hill bridge	100,000	General
2017	CSO Separation and Utility replacement	4,489,510	General/water treatment and distribution/sewage collection and disposal
2018	CSO Separation and Utility replacement	5,350,000	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	3,800,000	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	3,420,000	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
2020	Lebanon sewer system rehabilitation #2	1,000,000	Sewage collection and disposal
		<u>\$23,824,510</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 1/1/12. The maximum retirement allowance for Group II members vested by 1/1/12 (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 1/1/12, 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:

Years of Creditable Service as of 1/1/12	Minimum Age	Minimum Service	Benefit Multiplier
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 fiscal year 2020, the City contributed 24.77% for police, 26.43% for firefighters, and 10.88% for other employees. The contribution requirement for the fiscal year 2020 was \$2,276,310, which was paid in full.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions** – At December 31, 2020, the City reported a liability of \$31,470,593 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020, the City’s proportion was 0.49%, which was a decrease of 0.01% from its proportion measured as of June 30, 2019.

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For the year ended December 31, 2020, the City recognized pension expense of \$4,428,611. At December 31, 2020 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	\$ 30,165	\$ 614,746	\$ 3,077	\$ 62,708	\$ 33,242	\$ 677,454
Changes in assumptions	2,824,907	-	288,159	-	3,113,066	-
Net difference between projected and actual investment earnings on pension plan investments	1,766,314	-	180,176	-	1,946,490	-
Differences between expected and actual experience	771,191	306,626	78,667	31,278	849,858	337,904
Contributions subsequent to the measurement date	1,081,688	-	110,339	-	1,192,027	-
<b>Total</b>	<b>\$ 6,474,265</b>	<b>\$ 921,372</b>	<b>\$ 660,418</b>	<b>\$ 93,986</b>	<b>\$ 7,134,683</b>	<b>\$1,015,358</b>

The \$1,192,027 (\$1,081,688 in the governmental activities and \$110,339 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, 2021. 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
2021	\$ 710,423	\$ 72,468	\$ 782,891
2022	1,087,154	110,897	1,198,051
2023	1,379,513	140,719	1,520,232
2024	1,294,115	132,009	1,426,124
<b>Totals</b>	<b>\$4,471,205</b>	<b>\$ 456,093</b>	<b>\$4,927,298</b>

**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 2020
Large Cap Equities	22.50%	3.71%
Small/Mid Cap Equities	7.50%	4.15%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	3.96%
Emerging Int'l Equities	7.00%	6.20%
Total international equity	20.00%	
Core Bonds	9.00%	0.42%
Global Multi-Sector Fixed Income	10.00%	1.66%
Absolute Return Fixed Income	6.00%	0.92%
Total fixed income	25.00%	
Private equity	10.00%	7.71%
Private debt	5.00%	4.81%
Total alternative investments	15.00%	
Real estate	10.00%	2.95%
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, 2020	\$ 36,970,386	\$ 28,557,535	\$ 21,683,123
Business-type activities	June 30, 2020	3,771,224	2,913,058	2,211,822
		<u>\$ 40,741,610</u>	<u>\$ 31,470,593</u>	<u>\$ 23,894,945</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 2019 Comprehensive Annual 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 2020 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 fiscal year 2020, the City contributed 3.66% for police and firefighters, and 0.29% for other employees. The contribution requirement for the fiscal year 2020 was \$222,797, which was paid in full.

**OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** – At December 31, 2020, the City reported a liability of \$2,031,548 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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, 2020, the City's proportion was 0.46%, which was a decrease of 0.05% from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the City recognized OPEB expense of \$8,377. At December 31, 2020, 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	\$ -	\$ 23,171	\$ -	\$ 2,363	\$ -	\$ 25,534
Changes in assumptions	11,853	-	1,209	-	13,062	-
Net difference between projected and actual investment earnings on OPEB plan investments	6,897	-	704	-	7,601	-
Differences between expected and actual experience	-	5,342	-	545	-	5,887
Contributions subsequent to the measurement date	105,986	-	10,811	-	116,797	-
Total	\$ 124,736	\$ 28,513	\$ 12,724	\$ 2,908	\$ 137,460	\$ 31,421

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The \$116,797 (\$105,986 in the governmental activities and \$10,811 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, 2021. 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
2021	\$ (16,137)	\$ (1,646)	\$ (17,783)
2022	2,042	208	2,250
2023	2,434	248	2,682
2024	1,898	195	2,093
Totals	<u>\$ (9,763)</u>	<u>\$ (995)</u>	<u>\$ (10,758)</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, 2019, 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 2020
Large Cap Equities	22.50%	3.71%
Small/Mid Cap Equities	7.50%	4.15%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	3.96%
Emerging Int'l Equities	7.00%	6.20%
Total international equity	20.00%	
Core Bonds	9.00%	0.42%
Global Multi-Sector Fixed Income	10.00%	1.66%
Absolute Return Fixed Income	6.00%	0.92%
Total fixed income	25.00%	
Private equity	10.00%	7.71%
Private debt	5.00%	4.81%
Total alternative investments	15.00%	
Real estate	10.00%	2.95%
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, 2020, 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, 2020	\$ 2,001,846	\$ 1,843,498	\$ 1,706,020
Business-type activities	June 30, 2020	204,202	188,050	174,025
		<u>\$ 2,206,048</u>	<u>\$ 2,031,548</u>	<u>\$ 1,880,045</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	172
Total participants covered by OPEB plan	<u>238</u>

**Total OPEB Liability** – The City’s total OPEB liability of \$1,166,961 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 \$1,166,961 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:	2.12%
Healthcare Cost Trend Rates:	
Current Year Trend	7.0%
Second Year Trend	6.5%
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	\$ 1,393,011	\$ 259,104	\$ 1,652,115
Changes for the year:			
Service cost	33,679	5,624	39,303
Interest	26,491	4,424	30,915
Assumption changes and difference between actual and expected experience	(377,270)	(89,482)	(466,752)
Benefit payments	(75,939)	(12,681)	(88,620)
OPEB liability end of year	<u>\$ 999,972</u>	<u>\$ 166,989</u>	<u>\$ 1,166,961</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 2.12%. If the discount rate were 1% lower than what was used, the OPEB liability would increase to \$1,257,358. If the discount rate were 1% higher than what was used, the OPEB liability would decrease to \$1,083,861.

Total OPEB Liability	Discount Rate		
	1% Decrease	Baseline 2.12%	1% Increase
Governmental Activities	\$ 1,077,433	\$ 999,972	\$ 928,763
Business-type Activities	179,925	166,989	155,098
	<u>\$ 1,257,358</u>	<u>\$ 1,166,961</u>	<u>\$ 1,083,861</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 7.00%. If the trend rate were 1% lower than what was used, the OPEB liability would decrease to \$1,004,899. If the trend rate were 1% higher than what was used, the OPEB liability would increase to \$1,305,443.

Total OPEB Liability	Healthcare Cost Trend Rates		
	1% Decrease 6.00% Decreasing to 3.50%	Baseline 7.00% Decreasing to 4.50%	1% Increase 8.00% Decreasing to 5.50%
Governmental Activities	\$ 861,101	\$ 999,972	\$ 1,118,638
Business-type Activities	143,798	166,989	186,805
	<u>\$ 1,004,899</u>	<u>\$ 1,166,961</u>	<u>\$ 1,305,443</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, 2020, the City recognized OPEB expense of \$13,394. At December 31, 2020, 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	Deferred	Deferred	Deferred	Deferred	Deferred
	Outflows of Resources	Inflows of Resources	Outflows of Resources	Inflows of Resources	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$ 128,408	\$ 559,602	\$ 21,444	\$ 93,449	\$ 149,852	\$ 653,051

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
2021	\$ (48,693)	\$ (8,131)	\$ (56,824)
2022	(48,693)	(8,131)	(56,824)
2023	(48,693)	(8,131)	(56,824)
2024	(48,693)	(8,131)	(56,824)
2025	(48,693)	(8,131)	(56,824)
Thereafter	(187,729)	(31,350)	(219,079)
Totals	\$ (431,194)	\$ (72,005)	\$ (503,199)

**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, 2020 and are as follows:

General fund:	
General government	\$ 760,584
Public safety	55,322
Highways and streets	474,167
Culture and recreation	206,595
Total encumbrances	\$ 1,496,668

**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	\$ -	\$ -	\$ -	\$ 136,367	\$ 18,284	\$ 154,651
C-844 Combined Sewer Overflow	156,050	53,307	209,357	234,075	79,961	314,036
L-145 Lebanon C&D Municipal Landfill Closure	-	-	-	22,982	-	22,982
C-903 Dana & Craft Avenue Area	237,996	42,560	280,556	356,994	63,840	420,834
C-924 Combined Sewer Overflow - Phase 1	176,974	44,918	221,892	265,461	67,377	332,838
C-928 Etna Road - NH Rt 10 Sewer Replacement	-	-	-	1,662,787	268,590	1,931,377
C-874 WWTF Phase 2 Upgrade and Energy Evaluation Improvements	-	-	-	2,151,367	355,576	2,506,943
C-899 Combined Sewer Overflow & Utility Improvements - Phase 9	-	-	-	529,598	4,968	534,566
	\$ 571,020	\$ 140,785	\$ 711,805	\$ 5,359,631	\$ 858,596	\$ 6,218,227

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At December 31, 2020, 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
2021	\$ 31,121	\$ 14,866	\$ 45,987	\$ 268,511	\$ 82,153	\$ 350,664
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
2026-2030	155,079	44,955	200,034	1,506,621	279,407	1,786,028
2031-2035	153,122	24,192	177,314	1,462,271	146,320	1,608,591
2036-2040	106,042	5,568	111,610	795,231	34,076	829,307
2041-2042	1,275	-	1,275	116,716	2,106	118,822
Totals	<u>\$571,020</u>	<u>\$140,785</u>	<u>\$ 711,805</u>	<u>\$5,359,631</u>	<u>\$858,596</u>	<u>\$6,218,227</u>

**NOTE 20 – NET POSITION**

Net position reported on the government wide, proprietary funds, and fiduciary funds Statements of Net Position at December 31, 2020 include the following:

	Governmental Activities	Business-type Activities	Fiduciary Fund
Net investment in capital assets:			
Net book value, all capital assets	\$104,137,701	\$ 109,906,876	\$ -
Less:			
General obligation bonds payable	(39,442,112)	(42,062,223)	-
Unamortized bond premiums	(2,834,391)	(1,106,379)	-
Capital leases payable	(13,412)	-	-
Total net investment in capital assets	<u>61,847,786</u>	<u>66,738,274</u>	<u>-</u>
Restricted net position:			
Capital projects	3,729,759	2,859,710	-
Library	191,160	-	-
Perpetual care - principal balance	1,561,280	-	-
Perpetual care - income balance	143,760	-	-
Downtown TIF District	429,270	-	-
Airport/Tech Park TIF District	13	-	-
Water investment fees	-	565,017	-
Total restricted net position	<u>6,055,242</u>	<u>3,424,727</u>	<u>-</u>
Unrestricted (deficit)	<u>(10,878,337)</u>	<u>5,945,169</u>	<u>5,465,740</u>
Total net position	<u>\$ 57,024,691</u>	<u>\$ 76,108,170</u>	<u>\$ 5,465,740</u>

**NOTE 21 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the fund financial statements at December 31, 2020 include the following:

	General Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
<b>Nonspendable:</b>				
Prepaid items	\$ 689,319	\$ -	\$ -	\$ 689,319
Permanent fund - principal balance	-	-	1,561,280	1,561,280
Total nonspendable fund balance	<u>689,319</u>	<u>-</u>	<u>1,561,280</u>	<u>2,250,599</u>

*(Continued)*

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Governmental fund balances continued:

	General Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
<b>Restricted:</b>				
Heritage fund - donations	25,000	-	-	25,000
Capital projects	-	3,729,759	-	3,729,759
Public library	-	-	191,160	191,160
Downtown TIF District	-	-	429,270	429,270
Airport/Tech Park TIF District	-	-	13	13
Permanent - income balance	-	-	143,760	143,760
Total restricted fund balance	<u>25,000</u>	<u>3,729,759</u>	<u>764,203</u>	<u>4,518,962</u>
<b>Committed:</b>				
Expendable trust	750,502	-	-	750,502
Heritage fund	5,760	-	-	5,760
Police public safety revolving	-	-	222,718	222,718
Lebanon open space	-	-	697,481	697,481
Fire public safety revolving	-	-	43,600	43,600
Recreation revolving	-	-	96,672	96,672
Impact fees	-	-	892,937	892,937
Cemetery maintenance	-	-	11,400	11,400
Total committed fund balance	<u>756,262</u>	<u>-</u>	<u>1,964,808</u>	<u>2,721,070</u>
<b>Assigned:</b>				
Encumbrances	1,496,668	-	-	1,496,668
Abatements	394,328	-	-	394,328
Grants	15,909	-	-	15,909
Restricted funds	339,851	-	-	339,851
Emergency management	68,230	-	-	68,230
Farmers market	-	-	966	966
Total assigned fund balance	<u>2,314,986</u>	<u>-</u>	<u>966</u>	<u>2,315,952</u>
<b>Unassigned:</b>				
General fund	<u>13,236,626</u>	<u>-</u>	<u>-</u>	<u>13,236,626</u>
Total governmental fund balances	<u>\$ 17,022,193</u>	<u>\$ 3,729,759</u>	<u>\$ 4,291,257</u>	<u>\$ 25,043,209</u>

**NOTE 22 – PRIOR PERIOD ADJUSTMENTS**

Net position/fund balance at January 1, 2020, was restated to give retroactive effect to the following prior period adjustments:

	Government-wide Statements		
	Governmental Activities	Business-type Activities	Total
To record previously unreported bond premiums payable	\$ (129,861)	\$ (84,754)	\$ (214,615)
To record long-term State Aid receivables	186,805	2,566,034	2,752,839
Net position, as previously reported	51,811,854	67,322,811	119,134,665
Net position, as restated	<u>\$ 51,868,798</u>	<u>\$ 69,804,091</u>	<u>\$ 121,672,889</u>

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	Proprietary Funds			
	Sewage Collection and Disposal	Solid Waste Disposal	Water Treatment and Distribution	Municipal Airport
To record previously unreported bond premiums payable	\$ (34,020)	\$ (39,990)	\$ (9,645)	\$ (1,099)
To record long-term State Aid receivables	2,425,930	-	140,104	-
Net position, as previously reported	29,393,032	14,086,432	15,625,320	8,218,027
Net position, as restated	<u>\$ 31,784,942</u>	<u>\$ 14,046,442</u>	<u>\$ 15,755,779</u>	<u>\$ 8,216,928</u>

	Fiduciary Funds	
	Private Purpose Trust	Custodial Funds
To reclassify private purpose trust funds which were reported as part of the school trust custodial funds	\$ 1,614,376	\$ (1,614,376)
Net position, as previously reported	-	4,336,919
Net position, as restated	<u>\$ 1,614,376</u>	<u>\$ 2,722,543</u>

**NOTE 23 – 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 2020, 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, 2020, to December 31, 2020, 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 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 2020, the City paid \$330,935 for workers' compensation and \$271,455 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 24 – 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.

**CITY OF LEBANON, NEW HAMPSHIRE**  
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**NOTE 25 – 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, 2020, 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 26 – CONTINGENT LIABILITIES**

There are various legal claims and suits pending against the City which arose in the normal course of the government's activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the City.

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 government'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 government anticipates such amounts, if any, will be immaterial.

**NOTE 27 – 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.

On March 27, 2020, the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency with respect to COVID-19; were not accounted for in the budget approved for 2020; and were incurred during the period that begins on March 1, 2020, and ends on December 31, 2020. The City was awarded a portion of this federal funding totaling \$599,955. In addition to funding from the CARES Act, there are several other federal and state grants available.

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

**NOTE 28 – 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 October 5, 2021, the date the December 31, 2020 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, 2020*

	December 31,							
	2013	2014	2015	2016	2017	2018	2019	2020
City's:								
Proportion of the net pension liability	0.54%	0.52%	0.52%	0.52%	0.53%	0.50%	0.50%	0.49%
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
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
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%
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%

**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, 2020*

	December 31,							
	2013	2014	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 1,347,646	\$ 1,672,029	\$ 1,745,205	\$ 1,871,074	\$ 1,927,693	\$ 2,106,239	\$ 2,156,652	\$ 2,185,777
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)
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
Contributions as a percentage of covered payroll	12.14%	15.37%	15.57%	16.19%	15.18%	17.70%	17.55%	16.95%

**CITY OF LEBANON, NEW HAMPSHIRE**  
**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –**  
**PENSION LIABILITY**  
**FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2020**

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

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, 2020. 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.

**Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2020:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	20 years beginning July 1, 2019 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smooth market for funding purposes: 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year (3.00% for teachers) in the 2017 valuation
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	2.45% per year
Investment Rate of Return	7.25% per year, net of investment expenses, including inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Based on the 2010-215 experience study.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the 2010-2015 experience study.

**Other Information:**

Notes	The board has adopted new assumptions based on the 2015-2019 experience study effective for employer contributions in the 2022-23 biennium.
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**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, 2020*

	December 31,				
	2016	2017	2018	2019	2020
City's proportion of the net OPEB liability	0.35%	0.36%	0.52%	0.51%	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
City's covered payroll	\$ 11,555,902	\$ 12,700,824	\$ 11,902,341	\$ 12,287,475	\$ 12,896,955
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%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%	7.75%	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, 2020*

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

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, 2020*

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

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, 2020**

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

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, 2020. 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.

The following assumptions were changed in the current year:

- Reduced the assumed rate of investment return from 7.25% to 6.75%
- Reduced the wage inflation from 3.25% to 2.75% (2.25% for teachers)
- Reduced price inflation from 2.5% to 2/0%
- Updated economic assumptions, including merit and longevity salary increases, disability rates, retirement rates, and mortality tables (specifically the new public pension plan mortality tables).

**Methods and Assumptions:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	Not applicable under statutory funding
Asset Valuation Method	5-year smooth market: 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year (3.00% for teachers) in the 2017 valuation
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	2.45% per year
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions
Funding Discount Rate	3.25% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Based on the 2010-2015 experience study.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the 2010-2015 experience study.

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

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, 2020. 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.

**CITY OF LEBANON, NEW HAMPSHIRE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –**  
**OTHER POSTEMPLOYMENT BENEFIT LIABILITY**  
**FOR THE FISCAL YEAR ENDED**  
**DECEMBER 31, 2020**

**Assumptions and Methodology**

**Economic Assumptions:**

Discount Rate A discount rate of 2.12% was used as of December 31, 2020. The discount rate was based on the Bond Buyer's 20 Bond Index.

Mortality Rate RPH-2014 Total Dataset headcount-weighted fully generation mortality table with projection scale MP-2019.

Health Care Trend Rate It was assumed that health care costs would increase in accordance with the trend rates in the following table:

<i>Year</i>	<i>Current Valuation</i>	<i>Prior Valuation</i>
2020	7.0%	7.0%
2021	6.5%	6.5%
2022	6.0%	6.0%
2023	5.5%	5.5%
2024	5.0%	5.0%
2025+	4.5%	5.0%

Participation Rate It was assumed that 40% of the current active employees covered under the active plan on the day before retirement would enroll in the retiree medical plan upon retirement.

Percent Married It was assumed that 40% of employees who elect retiree health care coverage for themselves would also elect coverage for their spouse upon retirement. It was assumed that male spouses are three years older than their wives and female spouses are three years younger than the retiree. For current retirees, actual census information was used.

Actuarial Value of Assets N/A

Per Capita Costs Per Capita Claim Costs prior to age 65 were developed by applying morbidity aging factors to the average premium rates reflecting the demographic characteristics of the insured group. Below are the annual per capita claim costs used:

<i>Age</i>	<i>Male</i>	<i>Female</i>
55	10,211	10,595
56	10,620	10,778
57	11,042	10,961
58	11,452	11,231
59	11,874	11,515
60	12,315	11,805
61	12,768	12,094
62	13,241	12,397
63	13,493	12,636
64	13,751	12,875

Administrative Expense Included in the premiums used

Participant Salary Increases 3.50% annually.

Payroll Growth Rate 2.50% annually.



***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, 2020*

	Estimated	Actual	Variance Positive (Negative)
<b>Taxes:</b>			
Property	\$ 21,586,075	\$ 21,817,251	\$ 231,176
Yield	5,000	-	(5,000)
Timber	-	11,970	11,970
Excavation	5,000	6,436	1,436
Payment in lieu of taxes	1,856,581	1,862,526	5,945
Interest and penalties on taxes	150,000	426,160	276,160
Total from taxes	<u>23,602,656</u>	<u>24,124,343</u>	<u>521,687</u>
<b>Licenses, permits, and fees:</b>			
Motor vehicle permit fees	2,567,300	2,693,210	125,910
Building permits	275,000	1,489,518	1,214,518
Other	60,300	52,377	(7,923)
Total from licenses, permits, and fees	<u>2,902,600</u>	<u>4,235,105</u>	<u>1,332,505</u>
<b>Intergovernmental:</b>			
<b>State:</b>			
Shared revenues	172,656	172,656	-
Meals and rooms distribution	712,436	712,436	-
Highway block grant	324,240	324,203	(37)
Water pollution grants	59,646	59,646	-
Other	64,000	122,928	58,928
<b>Federal:</b>			
Other	184,900	182,072	(2,828)
Total from intergovernmental	<u>1,517,878</u>	<u>1,573,941</u>	<u>56,063</u>
<b>Charges for services:</b>			
Income from departments	1,561,020	1,451,215	(109,805)
<b>Miscellaneous:</b>			
Sale of municipal property	-	13,642	13,642
Interest on investments	122,441	118,110	(4,331)
Other	261,600	393,047	131,447
Total from miscellaneous	<u>384,041</u>	<u>524,799</u>	<u>140,758</u>
<b>Other financing sources:</b>			
Transfers in	1,728,700	1,658,364	(70,336)
Total revenues and other financing sources	31,696,895	<u>\$ 33,567,767</u>	<u>\$ 1,870,872</u>
Unassigned fund balance used to reduce tax rate	1,940,000		
Amounts voted from fund balance	190,000		
Total revenues, other financing sources, and use of fund balance	<u>\$ 33,826,895</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, 2020**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ 23,573	\$ 685,360	\$ 584,277	\$ 66,723	\$ 57,933
Election and registration	156,827	649,290	661,712	124,765	19,640
Financial administration	137,623	3,300,415	2,678,223	391,092	368,723
Legal	-	300,000	284,580	-	15,420
Personnel administration	10,534	3,398,250	3,096,704	900	311,180
Planning and zoning	38,296	615,970	555,722	79,667	18,877
General government buildings	254,848	351,790	567,294	97,437	(58,093)
Cemeteries	-	54,300	52,239	-	2,061
Insurance, not otherwise allocated	-	272,000	207,682	-	64,318
Advertising and regional associations	-	22,520	22,290	-	230
Other	-	249,710	249,710	-	-
Total general government	<u>621,701</u>	<u>9,899,605</u>	<u>8,960,433</u>	<u>760,584</u>	<u>800,289</u>
Public safety:					
Police	20,438	5,438,890	5,011,624	55,322	392,382
Fire	-	4,221,750	4,049,592	-	172,158
Building inspection	-	428,030	418,254	-	9,776
Other	5,420	893,790	886,587	-	12,623
Total public safety	<u>25,858</u>	<u>10,982,460</u>	<u>10,366,057</u>	<u>55,322</u>	<u>586,939</u>
Highways and streets:					
Administration	6,238	1,123,850	1,027,809	10,326	91,953
Highways and streets	573,412	2,900,190	2,822,938	463,841	186,823
Bridges	-	3,500	367	-	3,133
Street lighting	-	139,910	151,545	-	(11,635)
Other	-	128,250	136,348	-	(8,098)
Total highways and streets	<u>579,650</u>	<u>4,295,700</u>	<u>4,139,007</u>	<u>474,167</u>	<u>262,176</u>
Welfare:					
Administration and direct assistance	-	272,830	250,534	-	22,296
Vendor payments and other	-	270,090	270,090	-	-
Total welfare	<u>-</u>	<u>542,920</u>	<u>520,624</u>	<u>-</u>	<u>22,296</u>
Culture and recreation:					
Parks and recreation	-	972,330	839,170	191,790	(58,630)
Library	6,175	1,340,920	1,235,648	14,805	96,642
Patriotic purposes	-	8,200	4,950	-	3,250
Total culture and recreation	<u>6,175</u>	<u>2,321,450</u>	<u>2,079,768</u>	<u>206,595</u>	<u>41,262</u>
Conservation	-	10,920	8,699	-	2,221
Debt service:					
Principal of long-term debt	-	2,754,440	2,754,010	-	430
Interest on long-term debt	-	797,120	931,620	-	(134,500)
Other	-	103,240	104,064	-	(824)
Total debt service	<u>-</u>	<u>3,654,800</u>	<u>3,789,694</u>	<u>-</u>	<u>(134,894)</u>
Other financing uses:					
Transfers out	-	2,119,040	2,135,817	-	(16,777)
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 1,233,384</u>	<u>\$ 33,826,895</u>	<u>\$ 32,000,099</u>	<u>\$ 1,496,668</u>	<u>\$ 1,563,512</u>

**SCHEDULE 3**  
**CITY OF LEBANON, NEW HAMPSHIRE**  
**Major General Fund**  
**Schedule of Changes in Unassigned Fund Balance**  
**For the Fiscal Year Ended December 31, 2020**

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 12,601,277
Changes:		
Unassigned fund balance used to reduce 2020 tax rate		(1,940,000)
Amounts voted from fund balance		(190,000)
2020 Budget summary:		
Revenue surplus (Schedule 1)	\$ 1,870,872	
Unexpended balance of appropriations (Schedule 2)	<u>1,563,512</u>	
2020 Budget surplus		3,434,384
Increase in nonspendable fund balance		(229,198)
Increase in assigned fund balance (non-encumbrance)		<u>(219,328)</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		13,457,135
<b><i>Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis</i></b>		
To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(370,509)
Elimination of the allowance for uncollectible taxes		<u>150,000</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		<u><u>\$ 13,236,626</u></u>

**SCHEDULE 4**  
**CITY OF LEBANON, NEW HAMPSHIRE**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**December 31, 2020**

	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	\$ 186,982	\$ 213,248	\$ 697,481	\$ 18,007	\$ -
Investments	-	-	-	-	-
Receivables, net of allowance for uncollectable:					
Accounts	-	9,470	-	25,593	966
Interfund receivable	4,178	-	-	-	-
Total assets	<u>\$ 191,160</u>	<u>\$ 222,718</u>	<u>\$ 697,481</u>	<u>\$ 43,600</u>	<u>\$ 966</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund payable	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances:</b>					
Nonspendable	-	-	-	-	-
Restricted	191,160	-	-	-	-
Committed	-	222,718	697,481	43,600	-
Assigned	-	-	-	-	966
Total fund balances	<u>191,160</u>	<u>222,718</u>	<u>697,481</u>	<u>43,600</u>	<u>966</u>
Total liabilities and fund balances	<u>\$ 191,160</u>	<u>\$ 222,718</u>	<u>\$ 697,481</u>	<u>\$ 43,600</u>	<u>\$ 966</u>

Special Revenue Funds						
Recreation Revolving	Impact Fees	Cemetery Maintenance	Downtown TIF District	Airport/ Tech Park TIF District	Permanent Fund	Total
\$ 97,860	\$ 892,937	\$ 11,400	\$ 429,270	\$ 13	\$ 66,163	\$ 2,613,361
-	-	-	-	-	1,697,638	1,697,638
-	-	-	-	-	-	36,029
-	-	-	-	-	-	4,178
<u>\$ 97,860</u>	<u>\$ 892,937</u>	<u>\$ 11,400</u>	<u>\$ 429,270</u>	<u>\$ 13</u>	<u>\$ 1,763,801</u>	<u>\$ 4,351,206</u>
\$ 1,188	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,188
-	-	-	-	-	58,761	58,761
<u>1,188</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,761</u>	<u>59,949</u>
-	-	-	-	-	1,561,280	1,561,280
-	-	-	429,270	13	143,760	764,203
96,672	892,937	11,400	-	-	-	1,964,808
-	-	-	-	-	-	966
<u>96,672</u>	<u>892,937</u>	<u>11,400</u>	<u>429,270</u>	<u>13</u>	<u>1,705,040</u>	<u>4,291,257</u>
<u>\$ 97,860</u>	<u>\$ 892,937</u>	<u>\$ 11,400</u>	<u>\$ 429,270</u>	<u>\$ 13</u>	<u>\$ 1,763,801</u>	<u>\$ 4,351,206</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, 2020**

	Special Revenue Funds				
	Public Library	Police Public Safety Revolving	Lebanon Open Space	Fire Public Safety Revolving	Farmers Market
<b>Revenues:</b>					
Taxes	\$ -	\$ -	\$ 7,141	\$ -	\$ -
Charges for services	-	277,266	-	46,858	-
Miscellaneous	52,577	-	4,751	-	13,878
Total revenues	<u>52,577</u>	<u>277,266</u>	<u>11,892</u>	<u>46,858</u>	<u>13,878</u>
<b>Expenditures:</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	284,359	-	20,122	-
Culture and recreation	62,467	-	-	-	12,982
Total expenditures	<u>62,467</u>	<u>284,359</u>	<u>-</u>	<u>20,122</u>	<u>12,982</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,890)</u>	<u>(7,093)</u>	<u>11,892</u>	<u>26,736</u>	<u>896</u>
<b>Other financing sources (uses):</b>					
Transfers in	20,955	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>20,955</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	11,065	(7,093)	11,892	26,736	896
Fund balances, beginning	180,095	229,811	685,589	16,864	70
Fund balances, ending	<u>\$ 191,160</u>	<u>\$ 222,718</u>	<u>\$ 697,481</u>	<u>\$ 43,600</u>	<u>\$ 966</u>

Special Revenue Funds

Recreation Revolving	Impact Fees	Cemetery Maintenance	Downtown TIF District	Airport/ Tech Park TIF District	Permanent Fund	Total
\$ -	\$ -	\$ -	\$ 428,633	\$ 13	\$ -	\$ 435,787
93,092	-	-	-	-	-	417,216
-	680,350	11,400	637	-	178,039	941,632
<u>93,092</u>	<u>680,350</u>	<u>11,400</u>	<u>429,270</u>	<u>13</u>	<u>178,039</u>	<u>1,794,635</u>
-	-	-	-	-	9,170	9,170
-	-	-	-	-	-	304,481
78,817	-	-	-	-	-	154,266
<u>78,817</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,170</u>	<u>467,917</u>
<u>14,275</u>	<u>680,350</u>	<u>11,400</u>	<u>429,270</u>	<u>13</u>	<u>168,869</u>	<u>1,326,718</u>
-	-	-	-	-	-	20,955
-	-	-	-	-	(25,109)	(25,109)
-	-	-	-	-	(25,109)	(4,154)
14,275	680,350	11,400	429,270	13	143,760	1,322,564
82,397	212,587	-	-	-	1,561,280	2,968,693
<u>\$ 96,672</u>	<u>\$ 892,937</u>	<u>\$ 11,400</u>	<u>\$ 429,270</u>	<u>\$ 13</u>	<u>\$ 1,705,040</u>	<u>\$ 4,291,257</u>



**SCHEDULE 6**  
**CITY OF LEBANON, NEW HAMPSHIRE**  
**Custodial Funds**  
**Combining Schedule of Fiduciary Net Position**  
**December 31, 2020**

	Custodial Funds			Total
	Taxes	Trust Funds	School Impact Fees	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 15,482,993	\$ 382,545	\$ 367,352	\$ 16,232,890
Investments	-	3,023,432	-	3,023,432
Total assets	<u>15,482,993</u>	<u>3,405,977</u>	<u>367,352</u>	<u>19,256,322</u>
<b>LIABILITIES</b>				
Intergovernmental payable - due to school district	<u>15,482,993</u>	-	<u>57,567</u>	<u>15,540,560</u>
<b>NET POSITION</b>				
Unrestricted	<u>\$ -</u>	<u>\$ 3,405,977</u>	<u>\$ 309,785</u>	<u>\$ 3,715,762</u>

**SCHEDULE 7**  
**CITY OF LEBANON, NEW HAMPSHIRE**  
**Custodial Funds**  
*Combining Schedule of Changes in Fiduciary Net Position*  
*For the Fiscal Year Ended December 31, 2020*

	Custodial Funds			Total
	Taxes	Trust Funds	School Impact Fees	
<b>Additions:</b>				
Contributions	\$ -	\$ 600,000	\$ 500,007	\$ 1,100,007
Investment earnings	-	53,624	-	53,624
Change in fair market value	-	35,633	-	35,633
Tax collections for other governments	38,099,910	-	-	38,099,910
Total additions	<u>38,099,910</u>	<u>689,257</u>	<u>500,007</u>	<u>39,289,174</u>
<b>Deductions:</b>				
Administrative expenses	-	5,823	221,709	227,532
Payments of taxes to other governments	38,099,910	-	-	38,099,910
Total deductions	<u>38,099,910</u>	<u>5,823</u>	<u>221,709</u>	<u>38,327,442</u>
Change in net position	-	683,434	278,298	961,732
Net position, beginning, as restated (see Note 22)	-	2,722,543	31,487	2,754,030
Net position, ending	<u>\$ -</u>	<u>\$ 3,405,977</u>	<u>\$ 309,785</u>	<u>\$ 3,715,762</u>

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



## 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 the aggregate remaining fund information of the City of Lebanon, as of and for the year ended December 31, 2020, 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 October 5, 2021.

#### ***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.

PLODZIK & SANDERSON  
Professional Association

October 5, 2021



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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 Each 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 each of the City of Lebanon's major federal programs for the year ended December 31, 2020. The City of Lebanon's major federal programs are 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, 2020.

### ***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.

*City of Lebanon*

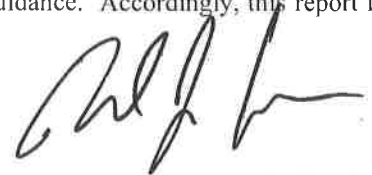
*Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control  
Over Compliance Required by the Uniform Guidance*

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.

October 5, 2021



PLODZIK & SANDERSON  
Professional Association

**SCHEDULE I**  
**CITY OF LEBANON, NEW HAMPSHIRE**  
*Schedule of Findings and Questioned Costs*  
*For the Year Ended December 31, 2020*

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:  
Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?                           yes          X   no
- Significant deficiency(ies) identified?                   yes          X   none reported

Noncompliance material to financial statements noted?                   yes          X   no

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified?                           yes          X   no
- Significant deficiency(ies) identified?                   yes          X   none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?                   yes          X   no

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?                   yes          X   no

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**NONE**

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

**NONE**

**SCHEDULE II**  
**CITY OF LEBANON, NEW HAMPSHIRE**  
*Schedule of Expenditures of Federal Awards*  
*For the Year Ended December 31, 2020*

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipient	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:				
TPHT/Village at Crafts Hill/Relocation	14.228	18-094-CDHS	\$ 287,357	\$ 291,400
HEADREST Facility Rehabilitation Study	14.228	19-094-FSPF	-	137
RVCC/Dartmouth Regional Technology Center Vision FS	14.228	19-094-FSED	982	1,026
HEADREST/Church Street Rehab	14.228	19-094-CDPF	27,303	36,262
<i>PROGRAM TOTAL</i>			<u>315,642</u>	<u>328,825</u>
<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	-	6,644
<b>U.S. DEPARTMENT OF JUSTICE</b>				
Passed Through the New Hampshire Department of Justice				
COVID-19 - Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-1209	-	31,836
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	-	63,123
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
Passed Through the New Hampshire Department of Transportation				
Airport Improvement Program:				
Improve Runway 18/36 Safety Area - Phase 1, Preliminary Design (Data Collection) and Conceptual Engineering)	20.106	AIP #3-33-0010-57-2017	-	74,997
Construct Snow Removal Equipment Building	20.106	AIP #3-33-0010-60-2019	-	1,008,355
Update Airport Layout Plan (ALP)	20.106	AIP #3-33-0010-59-2019	-	62,861
COVID-19 - CARES Act Grant	20.106	AIP #3-33-0010-63-2020	-	1,009,940
<i>PROGRAM TOTAL</i>			<u>-</u>	<u>2,156,153</u>
Highway Planning and Construction	20.205	41366	-	16,031
Passed Through the New Hampshire Department of Safety				
State and Community Highway Safety	20.600	#19-101	-	1,758
<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:				
First Responder Stipend	21.019	N/A	-	159,085
Municipal Aid	21.019	N/A	-	326,284
<i>PROGRAM TOTAL</i>			<u>-</u>	<u>485,369</u>
<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	MRC 12 1776	-	1,531

*(Continued)*



*SCHEDULE II (Continued)*  
**CITY OF LEBANON, NEW HAMPSHIRE**  
*Schedule of Expenditures of Federal Awards*  
*For the Year Ended December 31, 2020*

<b>U.S. ELECTION ASSISTANCE COMMISSION</b>				
<u>Passed Through the New Hampshire Secretary of State's Office</u>				
COVID-19 - HAVA Election Security Grants	90.404	DC20101CARES	-	43,200
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
<u>Passed Through the New Hampshire Department of Safety</u>				
Emergency Management Performance Grants	97.042	EMB-2018-EP-00007-A06	-	3,000
<b>DIRECT FUNDING</b>				
<b>U.S. DEPARTMENT OF JUSTICE</b>				
Bullet Proof Vest Partnership Program	16.607	N/A	-	3,275
Public Safety Partnership and Community Policing Grants	16.710	N/A	-	51,558
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
Assistance to Firefighters Grant	97.044	N/A	-	16,586
Staffing for Adequate Fire and Emergency Response (SAFR)	97.083	N/A	-	68,020
<i>Total Expenditures of Federal Awards</i>			<u>\$ 315,642</u>	<u>\$ 3,276,909</u>

**CITY OF LEBANON, NEW HAMPSHIRE**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

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

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the City of Lebanon under programs of the federal government for the year ended December 31, 2020. 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.