

**CITY OF LEBANON,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019**

CITY OF LEBANON, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
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DECEMBER 31, 2019

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PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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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, 2019, 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, 2019, 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.

Change in Accounting Principle

As discussed in Note 2-D to the financial statements, in fiscal year 2019 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

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

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,
- 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 September 30, 2020 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.



PLODZIK & SANDERSON
Professional Association

September 30, 2020

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, 2019. 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. 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 and earned but unused vacation leave).

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: The City of Lebanon maintains four different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Sewage Collection and Disposal, Solid Waste Disposal, Water Treatment and Distribution, and the Municipal Airport.

Fiduciary funds: 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 proprietary funds.

The City of Lebanon maintains one type of fiduciary fund. The Custodial Funds report resources, not in a trust, that are held by the City for other parties outside the City of Lebanon's reporting entity. The City maintains three custodial funds for taxes, trust funds held on behalf of the Lebanon School District and impact fees.

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.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City of Lebanon's progress in funding its obligations to provide pension and OPEB benefits to its employees.

The combining and individual statements referred to earlier in connection with the major general fund and nonmajor governmental funds are presented immediately following the required supplementary information on pensions and OPEB.

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 \$119,134,665.
- Governmental funds reported combined ending fund balances of \$12,793,364, a decrease of \$3,103,070.
- General fund unassigned fund balance was \$12,465,966, an increase of \$943,086.
- Combined governmental and business-type activities bonds/notes payable (including bond premium) was \$61,278,315, a decrease of \$3,764,239.
- Annual requirements (governmental and business-type activities combined) to amortize all bonds/notes payable (principal and interest) was \$73,458,445, an decrease of \$4,709,409.
- Authorized and unissued debt was \$44,969,293, an increase of \$16,104,293.

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 \$119,134,665, an increase of \$6,515,552 in comparison to the prior year.

The largest portion of net position (\$133,340,915) 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 (\$5,470,514) represents resources that are subject to external restrictions on how they may be used; the remaining balance (negative \$19,676,764) 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).

NET POSITION						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and Other Assets	\$20,345,672	\$36,177,432	\$24,908,379	\$25,650,656	\$45,254,051	\$61,828,088
Capital Assets	\$91,910,659	\$87,124,484	\$102,856,638	\$97,991,984	\$194,767,297	\$185,116,468
Total Assets	\$112,256,331	\$123,301,916	\$127,765,017	\$123,642,640	\$240,021,348	\$246,944,556
Deferred Outflows of Resources	\$2,099,879	\$3,091,992	\$196,802	\$286,421	\$2,296,681	\$3,378,413
Long-term Liabilities Outstanding	\$51,960,578	\$54,446,860	\$47,981,497	\$49,527,423	\$99,942,075	\$103,974,283
Other Liabilities	\$7,644,491	\$20,247,493	\$10,083,598	\$7,427,401	\$17,728,089	\$27,674,894
Total Liabilities	\$59,605,069	\$74,694,353	\$58,065,095	\$56,954,824	\$117,670,164	\$131,649,177
Deferred Inflows of Resources	\$2,939,287	\$3,477,026	\$2,573,913	\$2,630,245	\$5,513,200	\$6,107,271
Net Position:						
Net Investment in Capital Assets	\$66,801,639	\$59,804,338	\$66,539,276	\$59,973,053	\$133,340,915	\$119,777,391
Restricted	\$1,741,375	\$1,552,879	\$3,729,139	\$4,045,123	\$5,470,514	\$5,598,002
Unrestricted	(\$16,731,160)	(\$13,134,688)	(\$2,945,604)	\$325,816	(\$19,676,764)	(\$12,808,872)
Total Net Position	<u>\$51,811,854</u>	<u>\$48,222,529</u>	<u>\$67,322,811</u>	<u>\$64,343,992</u>	<u>\$119,134,665</u>	<u>\$112,566,521</u>

CHANGES IN NET POSITION						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program Revenues --						
Charges for Services	\$2,202,918	\$2,134,926	\$13,311,972	\$12,807,436	\$15,514,890	\$14,942,362
Operating Grants and Contributions	\$2,351,364	\$1,324,722	\$932,219	\$589,334	\$3,283,583	\$1,914,056
Capital Grants and Contributions	\$79,799	\$480,846	\$0	\$0	\$79,799	\$480,846
General Revenues --						
Property and Other Taxes	\$23,622,502	\$22,424,383	\$0	\$0	\$23,622,502	\$22,424,383
Licenses & Permits	\$3,170,711	\$3,274,131	\$0	\$0	\$3,170,711	\$3,274,131
Grants and Contributions Not Restricted to Specific Programs	\$1,181,282	\$887,693	\$481,869	\$207,308	\$1,663,151	\$1,095,001
Other General Revenues	\$620,263	\$597,077	\$916,962	\$597,935	\$1,537,225	\$1,195,012
Total Revenues	\$33,228,839	\$31,123,778	\$15,643,022	\$14,202,013	\$48,871,861	\$45,325,791
Gain (Loss) on sale of property			\$6,874	\$183,933	\$6,874	\$183,933
Contributions to Permanent Funds	\$0	\$9,000	\$0	\$0	\$0	\$9,000
Transfers:	\$1,217,048	\$697,423	(\$1,217,048)	(\$697,423)	\$0	\$0
Total Revenues Including Transfers	\$34,445,887	\$31,830,201	\$14,432,848	\$13,688,523	\$48,878,735	\$45,518,724
Expenses:						
General Government	\$6,905,314	\$6,461,342	\$0	\$0	\$6,905,314	\$6,461,342
Public Safety	\$12,857,987	\$12,947,960	\$0	\$0	\$12,857,987	\$12,947,960
Highway and Streets	\$6,715,698	\$5,914,489	\$0	\$0	\$6,715,698	\$5,914,489
Sewage Collection and Disposal	\$0	\$0	\$4,934,199	\$4,333,046	\$4,934,199	\$4,333,046
Solid Waste Disposal	\$0	\$0	\$2,565,060	\$2,692,636	\$2,565,060	\$2,692,636
Water Distribution and Treatment	\$0	\$0	\$2,468,908	\$2,224,205	\$2,468,908	\$2,224,205
Welfare (Human Services)	\$522,714	\$461,481	\$0	\$0	\$522,714	\$461,481
Municipal Airport	\$0	\$0	\$1,485,862	\$1,837,250	\$1,485,862	\$1,837,250
Culture and Recreation	\$2,997,465	\$2,953,865	\$0	\$0	\$2,997,465	\$2,953,865
Conservation	\$28,282	\$28,414	\$0	\$0	\$28,282	\$28,414
Interest on Long-term Debt	\$881,694	\$991,132	\$0	\$0	\$881,694	\$991,132
Total Expenses	\$30,909,154	\$29,758,683	\$11,454,029	\$11,087,137	\$42,363,183	\$40,845,820
Change in Net Position	\$3,536,733	\$2,071,518	\$2,978,819	\$2,601,386	\$6,515,552	\$4,672,904
Net Position Beginning 1/1	\$48,275,121	\$46,203,603	\$64,343,992	\$61,742,606	\$112,619,113	\$107,946,209
Net Position Ending 12/31	<u>\$51,811,854</u>	<u>\$48,275,121</u>	<u>\$67,322,811</u>	<u>\$64,343,992</u>	<u>\$119,134,665</u>	<u>\$112,619,113</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 \$3,536,733.

	<u>Amount</u>
Net change in General Fund balance	\$1,270,957
Net change in Capital Improvements Fund balance	(\$4,793,331)
Net change in other governmental funds fund balance	\$419,304
Capital outlays exceed depreciation expense and asset disposals	\$4,786,175
Revenue that does not provide current financial resources	(\$23,799)
Offset the effect of providing/using resources through the issuance/repayment of long-term principal debt	\$2,214,193
Change in accrued interest expense, compensated absences payable, and postemployment benefits payable	(\$336,766)
Total	<u>\$3,536,733</u>

Program revenues of \$4,634,081 covered 14% of program expenses. The remaining 86% 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 (\$23,622,502) consisting of property taxes (\$21,463,770) and other taxes (\$2,158,732) – payment-in-lieu-of-taxes, yield tax, excavation tax and penalties/interest on taxes. Property taxes comprise about 77.2% of total program revenues, general revenues and contributions and transfers. The Public Safety function makes up 41.6% of the total governmental activities’ expenses followed by General Government, 22.3%, Highway and Streets, 21.7%, and Culture and Recreation, 9.7%.

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	Amount	%	Amount	%
Governmental Activities:				
General Government	\$6,905,314	22.3%	(\$6,693,941)	25.5%
Public Safety	\$12,857,987	41.6%	(\$10,435,664)	39.7%
Highway and Streets	\$6,715,698	21.7%	(\$6,135,979)	23.4%
Welfare (Human Services)	\$522,714	1.7%	(\$492,057)	1.9%
Culture and Recreation	\$2,997,465	9.7%	(\$2,422,818)	9.2%
Conservation	\$28,282	0.1%	(\$18,698)	0.1%
Interest on Long-Term Debt	\$881,694	2.9%	(\$881,694)	3.4%
Capital Outlay	\$0	0.0%	\$805,778	-3.1%
Total	<u>\$30,909,154</u>		<u>(\$26,275,073)</u>	

Business-type Activities. Business-type activities for the year resulted in a change in net position of \$3,029,378.

	<u>Amount</u>
Solid waste disposal operations	\$659,404
Water treatment and distribution operations	\$1,030,963
Sewage collection and disposal operations	\$855,305
Municipal Airport operations	\$433,147
Total	<u>\$2,978,819</u>

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Business Type Activities:				
Solid Waste Disposal	\$2,565,060	22.4%	\$872,808	31.3%
Water Treatment and Distribution	\$2,468,908	21.6%	\$965,514	34.6%
Sewage Collection and Disposal	\$4,934,199	43.1%	\$1,250,053	44.8%
Municipal Airport	\$1,485,862	13.0%	(\$298,213)	-10.7%
Total	<u>\$11,454,029</u>	<u>100.0%</u>	<u>\$2,790,162</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 \$12,793,364, a decrease of \$3,103,070.

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.

<u>KEY ELEMENTS OF CHANGE IN COMBINED FUND BALANCES</u>	
General Fund revenues and transfers in exceed expenditures and transfers out	\$1,270,957
Capital Improvements Fund expenditures exceed revenues and transfers in	(\$4,793,331)
Other governmental funds expenditures and transfers out exceed revenues and transfers in	<u>\$419,304</u>
Net Change in Fund Balances	<u>(\$3,103,070)</u>
Other Governmental Funds:	
Library Fund revenues and transfers in exceed expenditures	(\$9,732)
Public Safety Revolving Fund (Police) revenues exceed expenditures	\$69,299
Lebanon Open Space Fund expenditures exceed revenues and transfers in	\$11,126
Public Safety Revolving Fund (Fire) revenues exceed expenditures	\$2,670
Farmers Market Fund expenditures exceed revenues	(\$702)
Recreation Revolving Fund expenditures exceed revenues	(\$11,580)
Impact Fees	\$159,995
Permanent Fund (cemetery perpetual care) revenues exceed expenditures and transfers out	<u>\$198,228</u>
Net Change in Fund Balances	<u>\$419,304</u>

UNASSIGNED FUND BALANCE, DECEMBER 31, 2019

Non-GAAP Budgetary Basis:	
	Unassigned Fund Balance 1/1 <u>\$11,676,062</u>
Percentage of total general fund current year budgeted expenditures	38.0%
Changes:	
Unassigned fund balance used to reduce tax rate and voted from surplus	(\$1,876,471)
Revenue surplus	\$1,803,429
Unexpended balance of appropriations	\$639,736
Decrease in nonspendable fund balance	(\$66,479)
Increase in assigned for abatement contingency	\$425,000
	Unassigned fund balance 12/31 non-GAAP budgetary basis <u>\$12,601,277</u>
Percentage of total general fund current year budgeted expenditures	38.8%
Reconciliation of Non-GAAP Basis to GAAP Basis:	
Deferral of property taxes not collected within 60 days of year-end	(\$285,311)
Elimination of the allowance for uncollectible taxes	\$150,000
	Unassigned fund balance 12/31 GAAP basis <u>\$12,465,966</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 \$194,767,297 (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.

2019 CAPITAL ASSETS			
	<u>Amount</u>		<u>Amount</u>
<u>Governmental Activities:</u>		<u>Business-type Activities:</u>	
Not being depreciated:		Not being depreciated:	
Land	\$7,629,286	Land	\$809,968
Intangible assets	\$111,847	Construction in progress	\$23,644,811
Construction in progress	\$14,765,885		
		Total	\$24,454,779
Total	\$22,507,018	Net of depreciation:	
Net of depreciation:		Land Improvements	\$11,257,753
Land Improvements	\$1,153,971	Building and Building Improvements	\$25,446,323
Building and Building Improvements	\$13,048,867	Machinery and Equipment	\$3,701,464
Machinery and Equipment	\$5,515,740	Infrastructure	\$37,996,319
Infrastructure	\$49,685,063		
		Total	\$78,401,859
Total	\$69,403,641	Net BV business-type activities capital assets	<u>\$102,856,638</u>
Net BV value governmental activities capital assets	<u>\$91,910,659</u>	Net BV all capital assets	<u>\$194,767,297</u>

BV = Book Value

2019 CAPITAL BUDGET			
Purpose:	<u>Amount</u>	Source of Financing:	<u>Amount</u>
Streets and Utilities	\$12,450,000	Intergovernmental (Grants)	\$872,000
Bridges	\$460,000	Other	\$189,500
Building Improvements	\$7,390,000	Debt Proceeds	\$19,925,000
Vehicles and Equipment	\$1,975,000	Interfund Transfers	\$1,637,513
Airport Infrastructure	\$115,000	Applied Fund Balance	\$375,987
Other	\$610,000		
		Total	<u>\$23,000,000</u>
Total	<u>\$23,000,000</u>		
Other Includes:			
Water System Mapping	\$290,000	Recreation Playing Fields	\$75,000
Asset Management Program	\$120,000		
Alteria-Route 120 Pedestrian&Transit Improvements	\$125,000		
		Total	<u>\$610,000</u>

Long-Term Debt

At the close of the current fiscal year, bonds/notes payable (governmental and business-type activities combined) was \$61,278,315, an decrease of \$3,764,239; annual requirements (governmental and business-type activities combined) to amortize all bonds/notes payable (principal and interest) was \$73,458,445, an decrease of \$4,709,409; authorized and unissued debt was \$44,969,293, a decrease of \$16,104,293. All outstanding debt is debt backed by the full faith and credit of the City.

Combined Sewer Overflow Separation and Utility Replacement Program: The U.S. Environmental Protection Agency (EPA) notified the City in November 2007 that it planned to file a lawsuit in the U.S. District Court for the State of New Hampshire regarding alleged violations of the Clean Water Act based on a sewer and storm water system in certain older sections of the City that discharged untreated sewer and storm water into two rivers and a brook. As of 2000, the City's system consisted of approximately 38 miles of sewer and interceptors, with approximately 40% of the sewer system comprised of combined sewers conveying both sanitary sewer and storm water flows. In 2000, the EPA issued an Administrative Order that required the City to eliminate six of seven combined sewer overflows by December 31, 2008 and the seventh by December 31, 2012. The City made substantial progress on this but faced a series of logistical challenges that hampered its efforts and delayed the schedule. Because of the delay and the inability of the City to fulfill the requirements of the Administrative Order, the EPA and City negotiated the terms of a consent decree with a revised schedule to settle the lawsuit that was filed at the same time at the federal district court on May 27, 2009. The revised schedule will complete the elimination of combined sewer overflows no later than 2020.

<u>LONG-TERM LIABILITIES, DECEMBER 31, 2019</u>				
Governmental activities:				
	<u>Balance 1/1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31</u>
Bonds/notes Payable	\$25,969,201	\$884,863	(\$2,867,849)	\$23,986,215
Unamortized Bond Premium	\$1,054,422	\$0	(\$79,684)	\$974,738
Total Bonds/notes Payable	\$27,023,623	\$884,863	(\$2,947,533)	\$24,960,953
Capital Leases Payable	\$296,523	\$0	(\$148,456)	\$148,067
Compensated Absences Payable	\$1,613,894	\$41,043	(\$46,463)	\$1,608,474
Net Other Postemployment Benefits	\$21,961,365	\$0	(\$159,307)	\$21,802,058
Net Pension Liability	\$3,551,455	\$0	(\$110,429)	\$3,441,026
Total	<u>\$54,446,860</u>	<u>\$925,906</u>	<u>(\$3,412,188)</u>	<u>\$51,960,578</u>
Business-type activities:				
	<u>Balance 1/1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31</u>
Bonds/notes Payable	\$37,276,397	\$1,200,000	(\$2,846,792)	\$35,629,605
Unamortized Bond Premium	\$742,534	\$0	(\$54,777)	\$687,757
Total Bonds/notes Payable	\$38,018,931	\$1,200,000	(\$2,901,569)	\$36,317,362
Compensated Absences Payable	\$276,442	\$19,922	(\$28,559)	\$267,805
Accrued Landfill Closure and Postclosure Care Costs	\$8,753,596	\$148,380	\$0	\$8,901,976
Net Other Postemployment Benefits	\$2,034,333	\$8,975	\$0	\$2,043,308
Net Pension Liability	\$444,121	\$6,925	\$0	\$451,046
Total	<u>\$49,527,423</u>	<u>\$1,384,202</u>	<u>(\$2,930,128)</u>	<u>\$47,981,497</u>

It was clear from the beginning the mandated work was going to substantially affect a significant portion of the City. It was therefore decided by the City Council to expand the scope of the work to include not just combined sewer overflow separation but also replacement of the aging water and sewer infrastructure and necessary streetscape improvements and upgrades at the same time.

From 2000 through 2019, the City has appropriated \$75.098 million for combined sewer overflow separation and utility replacement.

Long-term debt, in the form of general obligation debt, and loans through the State Revolving Fund, are the primary source of financing the combined sewer overflow separation and utility replacement work. The New Hampshire State Revolving Fund has Clean Water (CWSRF) and Drinking Water (DWSRF) components. The CWSRF provides funding to municipalities to improve and replace collection systems and wastewater treatment plants. The DWSRF provides assistance in the form of low interest loans to public water systems to finance the cost of drinking water infrastructure. Whether a CWSRF or DWSRF, the consequent cost of borrowing is apportioned to the General Fund, Water Treatment and Distribution Fund, and Sewage Collection and Disposal Fund on a 40%, 30%, and 30% basis, respectively. The former is primarily supported through property taxation; the latter two by user fees.

The first two or three-years (2000 – 2002) the combined sewer overflow separation work was an Army Corps of Engineers (ACOE) project; without that involvement, the total expected cost to the City might have been considerably larger (possibly \$3.5 million). Also, the City received a Community Development Block Grant from the State of New Hampshire of \$1.000 million and an EPA grant of \$299,400 early in the process. When ACOE involvement was terminated no further financial assistance was made available from the federal government and the work became the sole responsibility of the City to finance.

<u>Source of Financing</u>	<u>Amount</u>
Water Treatment and Distribution Fund	\$575,556
Sewage Collection and Disposal Fund	\$20,900
General Fund	\$114,617
Water Investment Fees Fund	\$143,076
Capital Reserve Fund	\$432,790
General Obligation Debt	\$39,775,430
Premium on General Obligation Debt	\$775,890
State Revolving Fund	\$31,959,905
EPA Grants	\$299,400
Community Development Block Grant	\$1,000,000
Total	<u>\$75,097,564</u>

F. NEXT YEAR'S BUDGETS AND RATES

- In 2019, the estimated total net assessed valuation, the amount on which the tax rate for municipal, county and local education tax is computed is \$1,916,260,556. A citywide assessment will occur in 2020. The last update before that was in 2015; the next will be 2025. 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 2019 City Budget Municipal Tax Rate (excluding school and county components) is \$11.25 per \$1,000 of assessed value, an increase of \$.28 or 2.5% over the comparable 2018 rate. A property assessed for tax purposes for \$250,000 will have an estimated 2019 municipal tax bill of about \$2,810, an increase of \$68 over the 2018 municipal tax bill.
- The tax rate is set (calculated) by the New Hampshire Department of Revenue Administration usually in October. The first step in calculating the tax rate for each of the four tax rate components is to subtract non-property tax revenues and applied spendable fund balance from legal appropriations. (In the case of the Municipal Tax Rate, a provision for taxes that either will not be collected (War Service Tax Credits) or might not be collected to varying degrees (abatements) is added in.) The result, divided by the Net Valuation on Which the Tax Rate for Municipal, County & Local Education Tax is Computed, is converted to a rate expressed per \$1,000 of assessed real estate value. (For the state education tax rate, the result is divided by the Net Valuation on Which Tax Rate for State Education Tax is Computed.) The City Budget concerns the Municipal Tax Rate only.

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

Tax bills are mailed on or around June 1 and November 1 each year, with interest accruing at a rate of 8% on bills outstanding for more than 30 days. Within 18 months of the date assessed (April 1), the Tax Collector places a lien on properties for all uncollected property taxes. The lien on these properties has priority over

other liens and accrues interest at 12% per annum. If property is not redeemed (taxes, penalties and interest) within the 2-year redemption period, the property is tax 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:* There was an increase in tipping fees in June of 2019 for disposing solid waste at the landfill. The current rate is \$75/ton. The estimated annual cost for an individual is \$43.80.

- *Water and Sewer Service Fees:* The 2019 City Budget provided an increase of 8.0% to water service rates (base user rate and minimum charge) approved by the City Council (December 5, 2018) effective January 1, 2019. The 2019 water rate increased from \$49.04 to \$52.96 per 1,000 cubic feet of metered water consumption. On May 15th, 2019, the council adopted Ordinance #2019-06 to amend City Code Chapter 68, Enumeration of Fees to incorporate a new fee structure for water and sewer rates. One of the considerations for changing the rates was to remove the disincentive to conserve water because of the minimum charge. The elderly residents were paying a fixed fee even though their consumption was low. The goal is the stability and predictability in rates and the ability to cover the costs of the system. Effective July 1, 2019, water 0-1200 rate is \$2.99 per 100CF, > 1200, the rate is \$5.98 per 100CF for water. There are also fixed charges for the size of the meter.

The 2019 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 5, 2018) effective January 1, 2019. The 2019 sewer service rate increased from \$99.00 to \$106.13 per \$1,000 cubic feet of metered water consumption. On May 15th, 2019, the council adopted Ordinance #2019-06 to amend City Code Chapter 68, Enumeration of Fees to incorporate a new fee structure for water and sewer rates. One of the considerations for changing the rates was to remove the disincentive to conserve water because of the minimum charge. The elderly residents were paying a fixed fee even though their consumption was low. The goal is the stability and predictability in rates and the ability to cover the costs of the system. Effective July 1, 2019, the new sewer structure rate is 9.08 per 100CF.

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 (2019 – 2024). 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 2019 City Budget has 182.20 active full-time equivalent (FTE) positions (172.00 full-time; 10.20 regular part-time positions excluding seasonal and occasional employees and call firefighters). 120.00 positions, or 65.9%, 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

	2018	2019	
<u>Fund</u>	<u>Budget</u>	<u>Budget</u>	<u>Change</u>
General	\$30,738,370	\$32,508,264	\$1,769,894
Solid Waste Disposal	\$5,738,950	\$3,454,260	(\$2,284,690)
Water Treatment and Distribution	\$3,075,250	\$3,647,675	\$572,425
Sewage Collection and Disposal	\$6,329,160	\$7,031,135	\$701,975
Municipal Airport	\$1,324,930	\$1,456,320	\$131,390
Emergency Management	\$25,000	\$25,000	\$0
Capital	<u>\$20,125,000</u>	<u>\$23,000,000</u>	<u>\$2,875,000</u>
Total	<u>\$67,356,660</u>	<u>\$71,122,654</u>	<u>\$3,765,994</u>
<u>Expenditure Type</u>			\$0
Personnel Services	\$21,485,760	\$21,980,940	\$495,180
Contractual Services	\$7,584,370	\$8,857,740	\$1,273,370
Materials and Supplies	\$3,194,980	\$3,413,610	\$218,630
Property	\$233,410	\$240,120	\$6,710
Debt Service	\$7,539,460	\$7,794,890	\$255,430
Interfund Transfers	<u>\$7,193,680</u>	<u>\$5,876,884</u>	<u>(\$1,316,796)</u>
Total	<u>\$47,231,660</u>	<u>\$48,164,184</u>	<u>\$932,524</u>
			\$0
Operation and Maintenance	\$12,023,520	\$11,492,410	(\$531,110)
Debt Service	\$7,539,460	\$7,794,890	\$255,430
Interfund Transfers	\$7,193,680	\$5,876,884	(\$1,316,796)
Capital	<u>\$20,475,000</u>	<u>\$23,000,000</u>	<u>\$2,525,000</u>
Total	<u>\$47,231,660</u>	<u>\$48,164,184</u>	<u>\$932,524</u>

- The General Fund is 45.7% of the 2019 City Budget; Capital Improvements Fund 32.3%; Sewage Collection and Disposal Fund 9.9%; Solid Waste Disposal Fund 4.8%; Water Treatment and Distribution Fund 5.1%; Municipal Airport Fund 2.0%; and Emergency Management Fund >0.3%.
- The operations and maintenance budget (excluding capital improvements, debt service, and interfund transfers) is 47.4% of the City Budget or \$33,728,000.
- The 2019 Capital Budget of \$23,000,000 is comprised of twenty-seven (27) projects and five sources of financing. Projects include Streets and Utilities (\$12,450,000), Bridges (\$460,000), Building Improvements (\$7,390,000), Vehicles and Equipment (\$1,975,000), Airport Infrastructure (\$610,000) and Other (\$610,000). Other consists of Water System Mapping (\$290,000), Asset Management Program (\$120,000), Altaria-Route 120 Pedestrian & Transit Improvements (\$125,000) and Recreation Playing Fields (\$75,000).
- The 2019 City Budget provides estimated revenues of \$67,308,305, an increase of \$2,834,015 from 2018. The General Fund makes up 44.9% of total revenues; Capital Improvements Fund 34.1%; Sewage Collection and Disposal Fund 9.3%; Solid Waste Disposal Fund 5.0%; Water Treatment and Distribution Fund 5.3%; Municipal Airport Fund 1.8%; and Emergency Management Fund >0.4%.
- 2019 Budget surplus is \$2,443,165 an increase of \$627,975 from 2018.

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, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 10,681,812	\$ 12,969,843	\$ 23,651,655
Investments	2,047,215	9,535,410	11,582,625
Taxes receivables (net)	1,327,977	-	1,327,977
Account receivables (net)	619,039	862,565	1,481,604
Intergovernmental receivable	2,272,232	4,014,690	6,286,922
Internal balances	2,967,633	(2,967,633)	-
Prepaid items	369,492	493,504	862,996
Tax deeded property, subject to resale	60,272	-	60,272
Capital assets:			
Land and construction in progress	22,507,018	24,454,779	46,961,797
Other capital assets, net of depreciation	69,403,641	78,401,859	147,805,500
Total assets	<u>112,256,331</u>	<u>127,765,017</u>	<u>240,021,348</u>
DEFERRED OUTFLOWS OF RESOURCES			
Amounts related to pensions	1,998,911	187,339	2,186,250
Amounts related to other postemployment benefits	100,968	9,463	110,431
Total deferred outflows of resources	<u>2,099,879</u>	<u>196,802</u>	<u>2,296,681</u>
LIABILITIES			
Accounts payable	1,122,160	453,818	1,575,978
Accrued salaries and benefits	55,651	-	55,651
Retainage payable	521,007	741,047	1,262,054
Contracts payable	796,623	1,163,466	1,960,089
Accrued interest payable	377,322	295,024	672,346
Intergovernmental payable	4,691,508	7,418,339	12,109,847
Escrow and performance deposits	80,220	11,904	92,124
Long-term liabilities:			
Due within one year	3,025,243	1,945,291	4,970,534
Due in more than one year	48,935,335	46,036,206	94,971,541
Total liabilities	<u>59,605,069</u>	<u>58,065,095</u>	<u>117,670,164</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Grants received in advance	42,380	-	42,380
Debt forgiveness	1,418,213	2,426,064	3,844,277
Deferred revenue	-	3,702	3,702
Amounts related to pensions	1,409,827	132,130	1,541,957
Amounts related to other postemployment benefits	68,867	12,017	80,884
Total deferred inflows of resources	<u>2,939,287</u>	<u>2,573,913</u>	<u>5,513,200</u>
NET POSITION			
Net investment in capital assets	66,801,639	66,539,276	133,340,915
Restricted	1,741,375	3,729,139	5,470,514
Unrestricted	<u>(16,731,160)</u>	<u>(2,945,604)</u>	<u>(19,676,764)</u>
Total net position	<u>\$ 51,811,854</u>	<u>\$ 67,322,811</u>	<u>\$ 119,134,665</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, 2019

	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	\$ 6,905,314	\$ 172,730	\$ 38,643	\$ -	\$ (6,693,941)	\$ -	\$ (6,693,941)
Public safety	12,857,987	1,662,943	755,380	4,000	(10,435,664)	-	(10,435,664)
Highways and streets	6,715,698	9,836	569,883	-	(6,135,979)	-	(6,135,979)
Welfare	522,714	-	30,657	-	(492,057)	-	(492,057)
Culture and recreation	2,997,465	357,409	214,971	2,267	(2,422,818)	-	(2,422,818)
Conservation	28,282	-	9,584	-	(18,698)	-	(18,698)
Interest on long-term debt	881,694	-	-	-	(881,694)	-	(881,694)
Capital outlay	-	-	732,246	73,532	805,778	-	805,778
Total governmental activities	<u>30,909,154</u>	<u>2,202,918</u>	<u>2,351,364</u>	<u>79,799</u>	<u>(26,275,073)</u>	<u>-</u>	<u>(26,275,073)</u>
Business-type activities:							
Sewage collection and disposal	4,934,199	5,898,930	285,322	-	-	1,250,053	1,250,053
Solid waste disposal	2,565,060	3,437,868	-	-	-	872,808	872,808
Water treatment and distribution	2,468,908	3,362,635	71,787	-	-	965,514	965,514
Municipal airport	1,485,862	612,539	575,110	-	-	(298,213)	(298,213)
Total business-type activities	<u>11,454,029</u>	<u>13,311,972</u>	<u>932,219</u>	<u>-</u>	<u>-</u>	<u>2,790,162</u>	<u>2,790,162</u>
Total	<u>\$ 42,363,183</u>	<u>\$ 15,514,890</u>	<u>\$ 3,283,583</u>	<u>\$ 79,799</u>	<u>(26,275,073)</u>	<u>2,790,162</u>	<u>(23,484,911)</u>
General revenues:							
Taxes:							
Property					21,463,770	-	21,463,770
Other					2,158,732	-	2,158,732
Motor vehicle permit fees					2,744,685	-	2,744,685
Licenses and other fees					426,026	-	426,026
Grants and contributions not restricted to specific programs					869,862	-	869,862
Unrestricted investment earnings					311,420	481,869	793,289
Miscellaneous					620,263	916,962	1,537,225
Total general revenues					<u>28,594,758</u>	<u>1,398,831</u>	<u>29,993,589</u>
Gain (Loss) on sale of property					-	6,874	6,874
Transfers					<u>1,217,048</u>	<u>(1,217,048)</u>	<u>-</u>
Total general revenues, contributions, and transfers					<u>29,811,806</u>	<u>188,657</u>	<u>30,000,463</u>
Change in net position					<u>3,536,733</u>	<u>2,978,819</u>	<u>6,515,552</u>
Net position, beginning, as restated (see Note 22)					<u>48,275,121</u>	<u>64,343,992</u>	<u>112,619,113</u>
Net position, ending					<u>\$ 51,811,854</u>	<u>\$ 67,322,811</u>	<u>\$ 119,134,665</u>

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

EXHIBIT C-1
CITY OF LEBANON, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
December 31, 2019

	General	Capital Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 8,784,821	\$ -	\$ 1,438,138	\$ 10,222,959
Investments	-	-	1,554,992	1,554,992
Receivables, net of allowance for uncollectible:				
Taxes	1,477,935	-	42	1,477,977
Accounts	543,570	-	70,393	613,963
Intergovernmental receivable	-	2,109,037	-	2,109,037
Interfund receivable	4,837,748	-	5,813	4,843,561
Voluntary tax liens	33,150	-	-	33,150
Voluntary tax liens reserved until collected	(33,150)	-	-	(33,150)
Prepaid items	399,849	25,390	-	425,239
Tax deeded property, subject to resale	60,272	-	-	60,272
Restricted assets:				
Cash and cash equivalents	458,853	-	-	458,853
Investments	492,223	-	-	492,223
Accounts receivable	5,076	-	-	5,076
Total assets	<u>\$ 17,060,347</u>	<u>\$ 2,134,427</u>	<u>\$ 3,069,378</u>	<u>\$ 22,264,152</u>
LIABILITIES				
Accounts payable	\$ 1,111,140	\$ -	\$ 11,020	\$ 1,122,160
Accrued salaries and benefits	55,651	-	-	55,651
Retainage payable	-	521,007	-	521,007
Contracts payable	-	796,623	-	796,623
Intergovernmental payable	1,506	4,690,002	-	4,691,508
Interfund payable	5,813	1,780,450	89,665	1,875,928
Escrow and performance deposits	80,220	-	-	80,220
Total liabilities	<u>1,254,330</u>	<u>7,788,082</u>	<u>100,685</u>	<u>9,143,097</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - Property taxes	285,311	-	-	285,311
Unavailable revenue - Grants received in advance	42,380	-	-	42,380
Total deferred inflows of resources	<u>327,691</u>	<u>-</u>	<u>-</u>	<u>327,691</u>
FUND BALANCES (DEFICIT)				
Nonspendable	460,121	-	1,561,280	2,021,401
Restricted	25,000	-	180,095	205,095
Committed	786,022	-	1,227,248	2,013,270
Assigned	1,741,217	-	70	1,741,287
Unassigned (deficit)	12,465,966	(5,653,655)	-	6,812,311
Total fund balances (deficit)	<u>15,478,326</u>	<u>(5,653,655)</u>	<u>2,968,693</u>	<u>12,793,364</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 17,060,347</u>	<u>\$ 2,134,427</u>	<u>\$ 3,069,378</u>	<u>\$ 22,264,152</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, 2019

Amounts reported for governmental activities in the Statement of Net Position are different because:			
Total fund balances of governmental funds (Exhibit C-1)		\$	12,793,364
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.			
Cost		\$	131,838,834
Less accumulated depreciation			<u>(39,928,175)</u>
			91,910,659
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.			(55,747)
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		\$	1,998,911
Deferred inflows of resources related to pensions			(1,409,827)
Deferred outflows of resources related to OPEB			100,968
Deferred inflows of resources related to OPEB			<u>(68,867)</u>
			621,185
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.			
Receivables		\$	(1,875,928)
Payables			<u>1,875,928</u>
			-
Long-term revenue (taxes) is not available to pay current-period expenditures, and therefore, is deferred in the governmental funds.			285,311
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.			163,195
Interest on long-term debt is not accrued in governmental funds.			
Accrued interest payable			(377,322)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.			
Bonds/notes		\$	23,986,215
Unamortized bond premium/debt forgiveness			2,392,951
Capital leases			148,067
Compensated absences			1,608,474
Net pension liability			21,802,058
Other postemployment benefits			<u>3,441,026</u>
			<u>(53,378,791)</u>
Net position of governmental activities (Exhibit A)		\$	<u>51,811,854</u>

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

EXHIBIT C-3
CITY OF LEBANON, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2019

	General	Capital Improvements	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 23,639,380	\$ -	\$ 542	\$ 23,639,922
Licenses and permits	3,170,711	-	-	3,170,711
Intergovernmental	1,963,955	620,660	-	2,584,615
Charges for services	1,614,474	-	588,444	2,202,918
Miscellaneous	924,561	111,586	527,194	1,563,341
Total revenues	<u>31,313,081</u>	<u>732,246</u>	<u>1,116,180</u>	<u>33,161,507</u>
EXPENDITURES				
Current:				
General government	6,709,914	-	8,662	6,718,576
Public safety	11,801,146	-	336,485	12,137,631
Highways and streets	4,014,988	-	-	4,014,988
Welfare	520,985	-	-	520,985
Culture and recreation	2,481,242	-	328,321	2,809,563
Conservation	9,088	-	-	9,088
Debt service:				
Principal	2,762,813	-	-	2,762,813
Interest	1,030,022	-	-	1,030,022
Capital outlay	317,400	7,960,559	-	8,277,959
Total expenditures	<u>29,647,598</u>	<u>7,960,559</u>	<u>673,468</u>	<u>38,281,625</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,665,483</u>	<u>(7,228,313)</u>	<u>442,712</u>	<u>(5,120,118)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,631,611	1,634,982	6,796	3,273,389
Transfers out	(2,026,137)	-	(30,204)	(2,056,341)
Bonds/notes proceeds	-	800,000	-	800,000
Total other financing sources (uses)	<u>(394,526)</u>	<u>2,434,982</u>	<u>(23,408)</u>	<u>2,017,048</u>
Net change in fund balances	1,270,957	(4,793,331)	419,304	(3,103,070)
Fund balances (deficit), beginning, as restated (see Note 22)	14,207,369	(860,324)	2,549,389	15,896,434
Fund balances (deficit), ending	<u>\$ 15,478,326</u>	<u>\$ (5,653,655)</u>	<u>\$ 2,968,693</u>	<u>\$ 12,793,364</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, 2019

Net change in fund balances of governmental funds (Exhibit C-3)		#####
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	\$ 7,450,340	
Disposal of capital assets	(44,721)	
Depreciation expense	<u>(2,619,444)</u>	4,786,175
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ 2,056,341	
Transfers out	<u>2,056,341</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	\$ (117,437)	
Change in allowance for uncollectible property taxes	100,000	
Decrease in deferred aid revenue	<u>(6,362)</u>	(23,799)
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	\$ (884,863)	
Recognition of principal forgiveness	(88,064)	
Repayment of bond principal	2,867,849	
Repayment of capital leases	148,456	
Amortization of bond premium	79,684	
Amortization of debt forgiveness	<u>91,131</u>	2,214,193
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 68,644	
Decrease in compensated absences	5,420	
Net change in net pension liability and deferred outflows and inflows of resources related to pensions	(368,822)	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>(42,008)</u>	(336,766)
Changes in net position of governmental activities (Exhibit B)		<u><u>\$3,536,733</u></u>

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, 2019

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 23,055,729	\$ 23,055,729	\$ 23,621,943	\$ 566,214
Licenses and permits	2,771,060	2,771,060	3,170,711	399,651
Intergovernmental	1,396,964	1,396,964	1,628,026	231,062
Charges for services	1,366,600	1,366,600	1,614,474	247,874
Miscellaneous	439,320	439,320	768,857	329,537
Total revenues	<u>29,029,673</u>	<u>29,029,673</u>	<u>30,804,011</u>	<u>1,774,338</u>
EXPENDITURES				
Current:				
General government	7,219,070	6,995,070	6,649,221	345,849
Public safety	12,180,900	11,885,900	11,669,696	216,204
Highways and streets	3,987,260	4,337,260	4,319,783	17,477
Welfare	562,410	562,410	520,985	41,425
Culture and recreation	2,482,910	2,482,910	2,471,783	11,127
Conservation	10,070	10,070	9,088	982
Debt service:				
Principal	2,766,480	2,766,480	2,762,813	3,667
Interest	1,034,010	1,034,010	1,030,022	3,988
Total expenditures	<u>30,243,110</u>	<u>30,074,110</u>	<u>29,433,391</u>	<u>640,719</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,213,437)</u>	<u>(1,044,437)</u>	<u>1,370,620</u>	<u>2,415,057</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,602,120	1,602,120	1,631,211	29,091
Transfers out	(2,265,154)	(2,434,154)	(2,435,137)	(983)
Total other financing sources (uses)	<u>(663,034)</u>	<u>(832,034)</u>	<u>(803,926)</u>	<u>28,108</u>
Net change in fund balances	<u>\$ (1,876,471)</u>	<u>\$ (1,876,471)</u>	566,694	<u>\$ 2,443,165</u>
Increase in nonspendable fund balance			(66,479)	
Decrease in assigned fund balance (non-encumbrance)			425,000	
Unassigned fund balance, beginning			11,676,062	
Unassigned fund balance, ending			<u>\$ 12,601,277</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, 2019

	Business-type Activities				Total
	Enterprise Funds				
	Sewage Collection and Disposal	Solid Waste Disposal	Water Treatment and Distribution	Municipal Airport	
ASSETS					
Cash and cash equivalents	\$ 3,055,307	\$ 5,855,915	\$ 3,698,020	\$ 360,601	\$ 12,969,843
Investments	152,673	8,855,357	527,380	-	9,535,410
Receivables:					
Accounts	291,943	442,180	56,474	71,968	862,565
Intergovernmental	1,860,022	35,276	2,087,511	31,881	4,014,690
Internal balances	-	-	25	-	25
Prepaid items	450,000	5,314	25,432	12,758	493,504
Capital assets:					
Land and construction in progress	13,809,042	272,009	7,665,617	2,708,111	24,454,779
Other capital assets, net of depreciation	43,364,344	9,880,852	18,399,376	6,757,287	78,401,859
Total assets	<u>62,983,331</u>	<u>25,346,903</u>	<u>32,459,835</u>	<u>9,942,606</u>	<u>130,732,675</u>
DEFERRED OUTFLOWS OF RESOURCES					
Amounts related to pensions	64,867	48,742	49,418	24,312	187,339
Amounts related to other postemployment benefits	3,277	2,462	2,496	1,228	9,463
Total deferred outflows of resources	<u>68,144</u>	<u>51,204</u>	<u>51,914</u>	<u>25,540</u>	<u>196,802</u>
LIABILITIES					
Current liabilities:					
Accounts payable	306,165	29,399	59,049	59,205	453,818
Retainage payable	361,186	-	379,861	-	741,047
Contract payable	523,578	232	639,656	-	1,163,466
Accrued interest payable	99,389	44,355	139,083	12,197	295,024
Intergovernmental	3,517,501	-	3,900,838	-	7,418,339
Internal balances	957,336	-	1,238,836	771,486	2,967,658
Escrow and performance deposits	-	-	-	11,904	11,904
Long term liabilities:					
Due within one year	901,066	324,585	651,962	67,678	1,945,291
Due in more than one year	25,580,030	10,875,516	8,775,355	805,305	46,036,206
Total liabilities	<u>32,246,251</u>	<u>11,274,087</u>	<u>15,784,640</u>	<u>1,727,775</u>	<u>61,032,753</u>
DEFERRED INFLOWS OF RESOURCES					
Debt forgiveness	1,362,407	-	1,063,657	-	2,426,064
Deferred revenue	-	-	-	3,702	3,702
Amounts related to pensions	45,751	34,377	34,855	17,147	132,130
Amounts related to other postemployment benefits	4,034	3,211	3,277	1,495	12,017
Total deferred inflows of resources	<u>1,412,192</u>	<u>37,588</u>	<u>1,101,789</u>	<u>22,344</u>	<u>2,573,913</u>
NET POSITION					
Net investment in capital assets	31,662,701	8,543,641	17,372,220	8,960,714	66,539,276
Restricted	-	3,008,207	542,548	178,384	3,729,139
Unrestricted	(2,269,669)	2,534,584	(2,289,448)	(921,071)	(2,945,604)
Total net position	<u>\$ 29,393,032</u>	<u>\$ 14,086,432</u>	<u>\$ 15,625,320</u>	<u>\$ 8,218,027</u>	<u>\$ 67,322,811</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, 2019

	Business-type Activities				Total
	Enterprise Funds				
	Sewage Collection and Disposal	Solid Waste Disposal	Water Treatment and Distribution	Municipal Airport	
Operating revenues:					
User charges	\$ 5,898,930	\$ 3,437,868	\$ 3,362,635	\$ 612,539	\$ 13,311,972
Intergovernmental revenues	285,322	-	71,787	575,110	932,219
Miscellaneous	89,100	218,926	55,790	553,146	916,962
Total operating revenues	<u>6,273,352</u>	<u>3,656,794</u>	<u>3,490,212</u>	<u>1,740,795</u>	<u>15,161,153</u>
Operating expenses:					
Salaries and wages	1,023,291	779,746	811,600	491,069	3,105,706
Operation and maintenance	1,776,182	783,278	425,898	214,231	3,199,589
Contractual services	119,263	219,363	202,724	214,134	755,484
Materials and supplies	150,549	16,012	196,150	14,723	377,434
Depreciation and amortization	1,184,161	715,294	552,800	527,629	2,979,884
Total operating expenses	<u>4,253,446</u>	<u>2,513,693</u>	<u>2,189,172</u>	<u>1,461,786</u>	<u>10,418,097</u>
Operating gain	<u>2,019,906</u>	<u>1,143,101</u>	<u>1,301,040</u>	<u>279,009</u>	<u>4,743,056</u>
Nonoperating revenue (expense):					
Interest income	49,836	369,120	62,913	-	481,869
Gain on sale of property	-	6,000	-	874	6,874
Interest expense	(680,753)	(51,367)	(279,736)	(24,076)	(1,035,932)
Total nonoperating revenues	<u>(630,917)</u>	<u>323,753</u>	<u>(216,823)</u>	<u>(23,202)</u>	<u>(547,189)</u>
Other financing sources (uses):					
Transfers in	-	-	270,830	244,110	514,940
Transfers out	(533,684)	(807,450)	(324,084)	(66,770)	(1,731,988)
Total other financing sources (uses)	<u>(533,684)</u>	<u>(807,450)</u>	<u>(53,254)</u>	<u>177,340</u>	<u>(1,217,048)</u>
Change in net position	855,305	659,404	1,030,963	433,147	2,978,819
Net position, beginning, as restated	28,537,727	13,427,028	14,594,357	7,784,880	64,343,992
Net position, ending	<u>\$ 29,393,032</u>	<u>\$ 14,086,432</u>	<u>\$ 15,625,320</u>	<u>\$ 8,218,027</u>	<u>\$ 67,322,811</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, 2019

	Business-type Activities				Total
	Enterprise Funds				
	Sewage Collection and Disposal	Solid Waste Disposal	Water Treatment and Distribution	Municipal Airport	
Cash flows from operating activities:					
Receipts from customers and users	\$6,629,752	\$3,646,922	\$3,461,126	\$1,861,129	\$15,598,929
Payments to employees	(927,733)	(783,686)	(746,092)	(578,753)	(3,036,264)
Payments to suppliers	(2,021,588)	(1,030,732)	(838,525)	(429,692)	(4,320,537)
Net cash provided by operating activities	<u>3,680,431</u>	<u>1,832,504</u>	<u>1,876,509</u>	<u>852,684</u>	<u>8,242,128</u>
Cash flows from capital and related financing activities:					
Principal paid on bonds	(1,773,403)	(300,000)	(653,538)	(66,579)	(2,793,520)
Acquisition and construction of fixed assets	(1,765,527)	(80,784)	(1,450,791)	(832,579)	(4,129,681)
Interest paid	(611,256)	(56,065)	(256,882)	(22,588)	(946,791)
Net cash used for capital and related financing activities	<u>(4,150,186)</u>	<u>(436,849)</u>	<u>(2,361,211)</u>	<u>(921,746)</u>	<u>(7,869,992)</u>
Cash flows from non-capital financing activities:					
Operating transfers in	957,311	-	1,509,641	244,110	2,711,062
Operating transfers out	(533,684)	(807,450)	(324,084)	(123,075)	(1,788,293)
Net cash provided by (used for) non-capital financing activities	<u>423,627</u>	<u>(807,450)</u>	<u>1,185,557</u>	<u>121,035</u>	<u>922,769</u>
Cash flows from investing activities:					
Purchase of investments	(132,604)	(820,732)	(9,959)	-	(963,295)
Interest received	49,836	369,120	62,913	-	481,869
Net cash provided by (used for) investing activities	<u>(82,768)</u>	<u>(451,612)</u>	<u>52,954</u>	<u>-</u>	<u>(481,426)</u>
Net increase/decrease in cash	(128,896)	136,593	753,809	51,973	813,479
Cash, beginning	3,184,203	5,719,322	2,944,211	308,628	12,156,364
Cash, ending	<u>\$3,055,307</u>	<u>\$5,855,915</u>	<u>\$3,698,020</u>	<u>\$360,601</u>	<u>\$12,969,843</u>
Reconciliation of Operating Gain to Net Cash Provided (Used) by Operating Activities					
Operating gain	\$2,019,906	\$1,143,101	\$1,301,040	\$279,009	\$4,743,056
Adjustments to reconcile operating gain to net cash used by operating activities:					
Depreciation expense	1,184,161	715,294	552,800	527,629	2,979,884
Loss on disposition of capital assets	-	(8,777)	-	-	(8,777)
(Increase)/Decrease in other receivables	13,162	(22,699)	30,494	(21,816)	(859)
(Increase)/Decrease in intergovernmental receivables	343,238	12,827	(59,580)	139,646	436,131
(Increase)/Decrease in prepaid items	(56,745)	(81)	1,176	(116)	(55,766)
Decrease in deferred outflows related to pensions	18,524	23,061	13,512	19,845	74,942
Decrease in deferred outflows related to OPEB	4,398	4,146	3,297	2,836	14,677
Increase/(Decrease) in accounts payable	81,151	(3,221)	(14,929)	13,512	76,513
Increase in escrow deposits	-	-	-	2,504	2,504
Increase/(Decrease) in compensated absences	10,171	9,750	(24,460)	(4,098)	(8,637)
Increase/(Decrease) in net pension liability	60,689	(25,292)	50,903	(77,325)	8,975
Increase/(Decrease) in OPEB	6,809	(6,033)	24,798	(18,649)	6,925
Decrease in deferred inflows related to pensions	(4,736)	(9,093)	(3,243)	(9,587)	(26,659)
Increase/(Decrease) in deferred inflows related to OPEB	(297)	(479)	701	(706)	(781)
Total adjustments	<u>1,660,525</u>	<u>689,403</u>	<u>575,469</u>	<u>573,675</u>	<u>3,499,072</u>
Net cash provided by operating activities	<u>\$3,680,431</u>	<u>\$1,832,504</u>	<u>\$1,876,509</u>	<u>\$852,684</u>	<u>\$8,242,128</u>

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

EXHIBIT F-1
CITY OF LEBANON, NEW HAMPSHIRE
Fiduciary Fund
Statement of Net Position
December 31, 2019

	All Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 14,647,909
Investments	4,115,009
Total assets	<u>18,762,918</u>
LIABILITIES	
Intergovernmental payable	<u>14,394,512</u>
NET POSITION	
Unrestricted	<u>\$ 4,368,406</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, 2019

	All Custodial Funds
ADDITIONS	
Contributions	\$ 740,309
Investment earnings	98,295
Change in fair market value	254,330
Tax collections for other governments	32,121,845
Total additions	33,214,779
DEDUCTIONS	
Administrative expenses	1,628,034
Payments of taxes to other governments	32,121,845
Total deductions	33,749,879
Change in net position	(535,100)
Net position, beginning, as restated (see Note 22)	4,903,506
Net position, ending	\$ 4,368,406

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

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

In 2019, the City implemented GASB Statement No. 84, *Fiduciary Activities*, which changed the way fiduciary activities are recorded. See Note 2-D for further information on this pronouncement.

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

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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.

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 Fund – 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 eight 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.

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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 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.

The City also reports the following fiduciary fund:

Custodial Fund – is custodial in nature and does 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.

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.

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 a reduction of the long-term liability.

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 column 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.

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

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

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1-J Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business 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 18, 2019 and November 1, 2019, and were due on July 1, 2019 and December 4, 2019, respectively. Interest accrues at a rate of 12% (from January 1, 2019 through March 31, 2019) and 8% (after April 1, 2019) on bills outstanding after the due date and 18% (from January 1, 2019 through March 31, 2019) and 14% (after April 1, 2019) on tax liens outstanding. The City placed a lien on all outstanding taxes from 2018 on May 2, 2019.

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, 2019 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$	1,832,969,756
For all other taxes	\$	1,916,260,556

The tax rates and amounts assessed for the year ended December 31, 2019 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$ 11.25	\$ 21,578,951
School portion:		
State of New Hampshire	2.31	4,229,319
Local	14.66	28,084,140
County portion	2.15	4,112,021
Total	\$ 30.37	\$ 58,004,431

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, 2019.

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.

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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 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 probable 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.

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

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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, inventory or tax deeded property subject to resale); 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.

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

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

It is the goal of the City to maintain an unassigned fund balance of 15% to 17% of current general fund budgeted expenditure activity. The City considers a balance of less than 15% to be a cause for concern and, taking into account factors or circumstances that may require a higher than normal maximum level of unassigned fund balance, a balance of more than 17% as excessive. An amount in excess of 15% may be considered to reduce tax levy requirements determined in conjunction with the

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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 receivable, and the useful lives and impairment of capital assets, 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 the 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 US generally accepted accounting principles.

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 with 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 2019, \$1,876,471 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

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

Revenues and other financing sources:	General
Per Exhibit D (budgetary basis)	\$ 32,435,222
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record miscellaneous income of the blended funds	491,633
To record transfers in to the blended funds	400
To eliminate transfers between expendable trust and general funds	794,000
To eliminate transfers between blended funds	(794,000)
Change in deferred tax revenue relating to 60-day revenue recognition recognized as revenue on the GAAP basis, but not on the budgetary basis	17,437
Per Exhibit C-3 (GAAP basis)	\$ 32,944,692

(Continued)

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Budgetary reconciliation to GAAP basis continued:

	General
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 31,868,528
Adjustment:	
Basis differences:	
Encumbrances, beginning	888,153
Encumbrances, ending	(1,233,384)
GASB Statement No. 54:	
To record expenditures of the blended funds during the year	559,438
To eliminate transfers between general and blended funds	(794,000)
To recognize transfers out of the blended funds	385,000
Per Exhibit C-3 (GAAP basis)	\$ 31,673,735

2-C Deficit Fund Balances

The capital improvements fund had a deficit fund balance \$5,653,655 at December 31, 2019. This deficit results from project expenditures in anticipation of future bond/note issuances and includes \$4,690,002 of intergovernmental payables representing unissued State Revolving Fund drawdown requests, see Note 11.

2-D Accounting Change

Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, was implemented during fiscal year 2019. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust of equivalent arrangement that meet specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or other condition is required to be taken or met by the beneficiary to release the assets. Beginning net position for the fiduciary funds was restated to retroactively report the change in accounting principle, see Note 22.

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. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the City's deposits was \$38,299,564 and the bank balances totaled \$39,877,798. Petty cash totaled \$2,165.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 23,651,655
Cash per Statement of Net Position - Fiduciary Fund (Exhibit F)	14,647,909
Total cash and cash equivalents	\$ 38,299,564

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NOTE 4 – RESTRICTED ASSETS

The following cash and investments 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	\$ 85,687
Grants	23,279
Emergency management	92,110
Heritage	30,460
Restricted funds	<u>227,317</u>
Total restricted cash and cash equivalents	<u>458,853</u>
Investments:	
General fund:	
Expendable trust	<u>492,223</u>
Accounts receivable:	
General fund:	
Grants	<u>5,076</u>
Total restricted assets	<u>\$ 956,152</u>

NOTE 5 – INVESTMENTS

Note 1-F describes statutory requirements covering the investment of the City funds. The City holds investments that are measured at fair value on a recurring basis. Because 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, 2019:

Investment type:	Valuation Measurement Method	Fair Value	Exempt from Disclosure	Less Than 1 Year	1-5 Years
Equities	Level 1	\$ 1,523,099	\$ 1,523,099	\$ -	\$ -
Fixed income	Level 1	14,174,535	2,057,372	3,026,670	9,090,493
Total fair value		<u>\$ 15,697,634</u>	<u>\$ 3,580,471</u>	<u>\$ 3,026,670</u>	<u>\$ 9,090,493</u>

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) as a means of managing credit risk. For trust funds, the policy specifies that not more than 45% nor less than 35% 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, 5%-15% international equities, and the balance in small-cap and mid-cap index funds. Not more than 60% nor less than 40% 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	\$ 1,523,099	\$ 1,523,099	\$ -	\$ -
Fixed income	14,174,535	2,057,372	11,991,030	126,133
Total fair value	<u>\$ 15,697,634</u>	<u>\$ 3,580,471</u>	<u>\$ 11,991,030</u>	<u>\$ 126,133</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)	\$ 11,582,625
Investments per Statement of Net Position - Fiduciary Funds (Exhibit F)	4,115,009
Total investments	<u>\$ 15,697,634</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, 2019. 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 receivable 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 2019	\$ 1,084,784	\$ 1,084,784
Unredeemed (under tax lien):		
Levy of 2018	110,744	110,744
Levy of 2017	48,092	48,092
Levies of 2016 and prior	223,001	223,001
Yield	11,356	11,356
Less: allowance for estimated uncollectible taxes	(150,000) *	-
Net taxes receivable	<u>\$ 1,327,977</u>	<u>\$ 1,477,977</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, 2019, 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, 2019 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	\$ 1,445,522	\$ -	\$ 70,393	\$ 1,515,915
Restricted	5,076	-	-	5,076
Intergovernmental	-	2,109,037	-	2,109,037
Voluntary tax liens	33,150	-	-	33,150
Gross receivables	1,483,748	2,109,037	70,393	3,663,178
Less: allowance for uncollectibles	(935,102)	-	-	(935,102)
Net total receivables	<u>\$ 548,646</u>	<u>\$ 2,109,037</u>	<u>\$ 70,393</u>	<u>\$ 2,728,076</u>

	Proprietary Funds				Total Proprietary Funds
	Sewage Collection and Disposal	Solid Waste Disposal	Water Treatment and Distribution	Municipal Airport	
Receivables:					
Accounts	\$ 291,943	\$ 442,180	\$ 56,474	\$ 71,968	\$ 862,565
Intergovernmental	1,860,022	35,276	2,087,511	31,881	4,014,690
Net total receivables	<u>\$ 2,151,965</u>	<u>\$ 477,456</u>	<u>\$ 2,143,985</u>	<u>\$ 103,849</u>	<u>\$ 4,877,255</u>

	Governmental Activities	Business-type Activities	Total Government- wide
	Receivables:		
Accounts	\$ 1,520,991	\$ 862,565	\$ 2,383,556
Intergovernmental	2,272,232	4,014,690	6,286,922
Voluntary tax liens	33,150	-	33,150
Gross receivables	3,826,373	4,877,255	8,703,628
Less: allowance for uncollectibles	(935,102)	-	(935,102)
Net total receivables	<u>\$ 2,891,271</u>	<u>\$ 4,877,255</u>	<u>\$ 7,768,526</u>

NOTE 8 – PREPAID ITEMS

Prepaid items at December 31, 2019 consist 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	\$ 99,296	\$ 37,288	\$ 99,296	\$ -	\$ 9,025	\$ 5,314	\$ 10,466
Debt	-	-	55,747	-	-	-	-	-
Interest	18,954	455,191	18,954	-	440,975	-	14,216	-
Other	251,242	1,025	225,852	25,390	-	-	750	275
Total	<u>\$ 369,492</u>	<u>\$ 493,504</u>	<u>\$ 399,849</u>	<u>\$ 25,390</u>	<u>\$ 450,000</u>	<u>\$ 5,314</u>	<u>\$ 25,432</u>	<u>\$ 12,758</u>

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NOTE 9 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 is as follows:

	Balance, beginning	Additions	Deletions	Balance, ending
Governmental activities:				
At cost:				
Not being depreciated:				
Land	\$ 7,629,286	\$ -	\$ -	\$ 7,629,286
Intangible assets	111,847	-	-	111,847
Construction in progress	8,150,786	6,786,587	(171,488)	14,765,885
Total capital assets not being depreciated	<u>15,891,919</u>	<u>6,786,587</u>	<u>(171,488)</u>	<u>22,507,018</u>
Being depreciated:				
Land improvements	3,370,274	44,013	-	3,414,287
Buildings and building improvements	21,533,158	81,290	(36,963)	21,577,485
Machinery and equipment	11,495,847	709,938	(160,490)	12,045,295
Infrastructure	72,294,749	-	-	72,294,749
Total capital assets being depreciated	<u>108,694,028</u>	<u>835,241</u>	<u>(197,453)</u>	<u>109,331,816</u>
Total all capital assets	<u>124,585,947</u>	<u>7,621,828</u>	<u>(368,941)</u>	<u>131,838,834</u>
Less accumulated depreciation:				
Land improvements	(2,151,758)	(108,558)	-	(2,260,316)
Buildings and building improvements	(8,087,587)	(449,322)	8,291	(8,528,618)
Machinery and equipment	(5,993,759)	(680,237)	144,441	(6,529,555)
Infrastructure	(21,228,359)	(1,381,327)	-	(22,609,686)
Total accumulated depreciation	<u>(37,461,463)</u>	<u>(2,619,444)</u>	<u>152,732</u>	<u>(39,928,175)</u>
Net book value, capital assets being depreciated	<u>71,232,565</u>	<u>(1,784,203)</u>	<u>(44,721)</u>	<u>69,403,641</u>
Net book value, all governmental activities capital assets	<u>\$87,124,484</u>	<u>\$5,002,384</u>	<u>\$ (216,209)</u>	<u>\$ 91,910,659</u>
Business-type activities:				
At cost:				
Not being depreciated:				
Land	\$ 809,968	\$ -	\$ -	\$ 809,968
Construction in progress	16,778,476	7,018,400	(152,065)	23,644,811
Total capital assets not being depreciated	<u>17,588,444</u>	<u>7,018,400</u>	<u>(152,065)</u>	<u>24,454,779</u>
Being depreciated:				
Land improvements	43,313,359	-	-	43,313,359
Buildings and building improvements	40,565,267	148,869	-	40,714,136
Machinery and equipment	7,577,522	686,046	(45,137)	8,218,431
Infrastructure	60,250,808	152,065	-	60,402,873
Total capital assets being depreciated	<u>151,706,956</u>	<u>986,980</u>	<u>(45,137)</u>	<u>152,648,799</u>
Total all capital assets	<u>169,295,400</u>	<u>8,005,380</u>	<u>(197,202)</u>	<u>177,103,578</u>
Less accumulated depreciation:				
Land improvements	(31,252,854)	(802,752)	-	(32,055,606)
Buildings and building improvements	(14,623,421)	(644,392)	-	(15,267,813)
Machinery and equipment	(4,144,669)	(408,658)	36,360	(4,516,967)
Infrastructure	(21,282,472)	(1,124,082)	-	(22,406,554)
Total accumulated depreciation	<u>(71,303,416)</u>	<u>(2,979,884)</u>	<u>36,360</u>	<u>(74,246,940)</u>
Net book value, capital assets being depreciated	<u>80,403,540</u>	<u>(1,992,904)</u>	<u>(8,777)</u>	<u>78,401,859</u>
Net book value, all business-type activities capital assets	<u>\$97,991,984</u>	<u>\$5,025,496</u>	<u>\$ (160,842)</u>	<u>\$ 102,856,638</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:

Governmental activities:	
General government	\$ 115,924
Public safety	470,582
Highways and streets	1,813,283
Culture and recreation	200,461
Conservation	19,194
Total depreciation expense	<u>\$ 2,619,444</u>
Business-type activities:	
Sewage collection and disposal	\$ 1,184,161
Solid waste disposal	715,294
Water treatment and distribution	552,800
Municipal airport	527,629
Total depreciation expense	<u>\$ 2,979,884</u>

NOTE 10 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2019 is as follows:

Receivable Fund	Payable Fund	Amount
General	Capital improvements	\$ 1,780,450
General	Nonmajor governmental	89,665
Nonmajor governmental	General	5,813
General	Major proprietary - Sewage collection and disposal	957,311
General	Major proprietary - Water treatment and distribution	1,238,836
General	Major proprietary - Municipal airport	771,486
Major proprietary - Water treatment and distribution	Major proprietary - Sewage collection and disposal	25
		<u>\$ 4,843,586</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, 2019 is as follows:

	Transfers In	Transfers Out	Cumulative Transfers
Major governmental funds:			
General	\$ 1,631,611	\$ (2,026,137)	\$ (394,526)
Capital improvements	1,634,982	-	1,634,982
Nonmajor governmental funds	6,796	(30,204)	(23,408)
Total governmental funds	<u>3,273,389</u>	<u>(2,056,341)</u>	<u>1,217,048</u>
Major proprietary funds:			
Sewage collection and disposal	-	(533,684)	(533,684)
Solid waste disposal	-	(807,450)	(807,450)
Water treatment and distribution	270,830	(324,084)	(53,254)
Municipal airport	244,110	(66,770)	177,340
Total proprietary funds	<u>514,940</u>	<u>(1,731,988)</u>	<u>(1,217,048)</u>
Total	<u>\$ 3,788,329</u>	<u>\$ (3,788,329)</u>	<u>\$ -</u>

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

NOTE 11 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$26,504,359 at December 31, 2019 consist of the following:

Governmental funds:	
General:	
Fees due to the State of New Hampshire	\$ 1,506
Capital improvements:	
State of New Hampshire - drawdown requests	<u>4,690,002</u>
Total governmental funds	<u>4,691,508</u>
Proprietary funds:	
Sewage collection and disposal:	
State of New Hampshire - drawdown requests	3,517,501
Water treatment and distribution:	
State of New Hampshire - drawdown requests	<u>3,900,838</u>
Total proprietary funds	<u>7,418,339</u>
Fiduciary fund:	
Custodial:	
Balance of 2019-20 district assessment due to the Lebanon School District	<u>14,394,512</u>
Total intergovernmental payables due	<u>\$ 26,504,359</u>

NOTE 12 – CONSTRUCTION COMMITMENTS

The City has active construction projects as of December 31, 2019. 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 completed are as follows:

	<u>Contracts Payable</u>	<u>Retainage Payable</u>
Governmental fund:		
Capital improvements	<u>\$ 796,623</u>	<u>\$ 521,007</u>
Proprietary funds:		
Sewage collection and disposal	523,578	361,186
Solid waste disposal	232	-
Water treatment and distribution	<u>639,656</u>	<u>379,861</u>
Total proprietary funds	<u>1,163,466</u>	<u>741,047</u>
Total	<u>\$ 1,960,089</u>	<u>\$ 1,262,054</u>

The remaining balances of uncompleted construction contracts at December 31, 2019 are as follows:

	<u>Total Contracts</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Governmental fund:			
Capital improvements	<u>\$ 8,584,418</u>	<u>\$ 3,924,755</u>	<u>\$ 4,659,663</u>
Proprietary funds:			
Sewage collection and disposal	2,246,627	765,395	1,481,232
Solid waste disposal	246,544	-	246,544
Water treatment and distribution	<u>5,116,984</u>	<u>1,129,729</u>	<u>3,987,255</u>
Total proprietary funds	<u>7,610,155</u>	<u>1,895,124</u>	<u>5,715,031</u>
Total	<u>\$ 16,194,573</u>	<u>\$ 5,819,879</u>	<u>\$ 10,374,694</u>

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NOTE 13 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources are as follows:

	<u>Government-wide Statements</u>	
	<u>Governmental</u> Activities	<u>Business-type</u> Activities
Amounts related to pensions (see Note 16)	\$ 1,998,911	\$ 187,339
Amounts related to other postemployment benefits (see Note 17)	100,968	9,463
Total	<u>\$ 2,099,879</u>	<u>\$ 196,802</u>

	<u>Proprietary Funds</u>			
	<u>Sewage</u> Collection and Disposal	<u>Solid</u> Waste Disposal	<u>Water</u> Treatment and Distribution	<u>Municipal</u> Airport
Amounts related to pensions (see Note 16)	\$ 64,867	\$ 48,742	\$ 49,418	\$ 24,312
Amounts related to other postemployment benefits (see Note 17)	3,277	2,462	2,496	1,228
Total	<u>\$ 68,144</u>	<u>\$ 51,204</u>	<u>\$ 51,914</u>	<u>\$ 25,540</u>

Deferred inflows of resources are as follows:

	<u>Government-wide Statements</u>	
	<u>Governmental</u> Activities	<u>Business-type</u> Activities
Unavailable revenue - Grants received in advance	\$ 42,380	\$ -
Debt forgiveness	1,418,213	2,426,064
Deferred revenue	-	3,702
Amounts related to pensions (see Note 16)	1,409,827	132,130
Amounts related to other postemployment benefits (see Note 17)	68,867	12,017
	<u>\$ 2,939,287</u>	<u>\$ 2,573,913</u>

	<u>Governmental</u> Fund General	<u>Proprietary Funds</u>			
		<u>Sewage</u> Collection and Disposal	<u>Solid</u> Waste Disposal	<u>Water</u> Treatment and Distribution	<u>Municipal</u> Airport
Unavailable revenue - Property taxes	\$ 285,311	\$ -	\$ -	\$ -	\$ -
Unavailable revenue - Grants received in advance	42,380	-	-	-	-
Debt forgiveness	-	1,362,407	-	1,063,657	-
Deferred revenue	-	-	-	-	3,702
Amounts related to pensions (see Note 16)	-	45,751	34,377	34,855	17,147
Amounts related to other postemployment benefits (see Note 17)	-	4,034	3,211	3,277	1,495
	<u>\$ 327,691</u>	<u>\$ 1,412,192</u>	<u>\$ 37,588</u>	<u>\$ 1,101,789</u>	<u>\$ 22,344</u>

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NOTE 14 – CAPITAL LEASE OBLIGATIONS

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

	Standard Interest Rate	Present Value of Remaining Payments as of December 31, 2019
Governmental activities:		
Capital lease obligations:		
Servers and related equipment	4.29%	\$ 14,837
Vehicle fleet	6.00%	113,758
Ford Interceptor	6.95%	19,472
Total capital lease obligations		\$ 148,067

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

	Governmental Activities
Equipment:	
Servers and related equipment	\$ 111,272
Vehicle fleet	341,661
Ford Interceptor	32,551
Total equipment	485,484
Less: accumulated depreciation	(199,757)
Total capital lease equipment	\$ 285,727

The annual requirements to amortize the capital leases payable as of December 31, 2019, including interest payments, are as follows:

Fiscal Year Ending December 31,	Governmental Activities
2020	\$ 146,024
2021	7,413
2022	7,413
Total requirements	160,850
Less: interest	(12,783)
Present value of remaining payments	\$ 148,067

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

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NOTE 15 – LONG-TERM LIABILITIES

Changes in the City’s long-term liabilities consisted of the following for the year ended December 31, 2019:

	Balance January 1 2019	Additions	Reductions	Balance December 31, 2019	Due Within One Year
Governmental activities:					
Bonds/notes payable:					
Bonds/notes	\$ 25,969,201	\$ 884,863	\$ (2,867,849) *	\$ 23,986,215	\$ 2,715,236
Premium	1,054,422	-	(79,684)	974,738	79,684
Total bonds/notes payable	<u>27,023,623</u>	<u>884,863</u>	<u>(2,947,533)</u>	<u>24,960,953</u>	<u>2,794,920</u>
Capital leases	296,523	-	(148,456)	148,067	134,655
Compensated absences	1,613,894	41,043	(46,463)	1,608,474	95,668
Net pension liability	21,961,365	-	(159,307)	21,802,058	-
Net other postemployment benefits	3,551,455	-	(110,429)	3,441,026	-
Total long-term liabilities	<u>\$ 54,446,860</u>	<u>\$ 925,906</u>	<u>\$ (3,412,188)</u>	<u>\$ 51,960,578</u>	<u>\$ 3,025,243</u>

***Water Pollution Control Revolving Fund Program** – Included in the \$2,782,986 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 June 1, 2019, in order to finance the Combined Sewer Overflow (CSO) #11 Phase 2 Water Main Replacement Project, which has been completed.

The total loan amount issued was \$800,000 (in the governmental activities), of which 11.0%, or \$88,063 was forgiven in the form of federal financial assistance.

	Balance January 1 2019	Additions	Reductions	Balance December 31, 2019	Due Within One Year
Business-type activities:					
Bonds/notes payable:					
Bonds/notes	\$ 37,276,397	\$ 1,200,000	\$ (2,846,792) *	\$ 35,629,605	\$ 1,872,114
Premium	742,534	-	(54,777)	687,757	54,777
Total bonds/notes payable	<u>38,018,931</u>	<u>1,200,000</u>	<u>(2,901,569)</u>	<u>36,317,362</u>	<u>1,926,891</u>
Compensated absences	276,442	19,922	(28,559)	267,805	-
Accrued landfill closure and postclosure care costs	8,753,596	148,380	-	8,901,976	18,400
Net pension liability	2,034,333	8,975	-	2,043,308	-
Net other postemployment benefits	444,121	6,925	-	451,046	-
Total long-term liabilities	<u>\$ 49,527,423</u>	<u>\$ 1,384,202</u>	<u>\$ (2,930,128)</u>	<u>\$ 47,981,497</u>	<u>\$ 1,945,291</u>

***Water Pollution Control Revolving Fund Program** – Included in the \$2,846,792 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 June 1, 2019, in order to finance the CSO #11 Phase 2 Water Main Replacement Project, which has been completed. The total loan amount issued was \$1,200,000 (\$600,000 in the sewage collection and disposal proprietary fund and \$600,000 in the water treatment and distribution proprietary fund), of which 11.0%, or \$132,094 (\$66,047 in the sewage collection and disposal proprietary fund and \$66,047 in the water treatment and distribution proprietary fund) was forgiven in the form of federal financial assistance.

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

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2019	Current Portion
Governmental activities:						
Bonds/notes payable:						
(Majority multi purpose)	\$ 5,273,904	2000	2020	5.125-5.50	\$ 240,000	\$ 240,000
	\$ 2,490,682	2001	2021	4.125-5.00	238,400	119,200
	\$ 2,490,682	2002	2022	3.00-5.00	270,000	90,000
	\$ 1,118,620	2003	2023	4.00-6.00	222,640	55,660
	\$ 3,506,098	2004	2024	3.00-5.00	860,715	172,143
	\$ 4,583,082	2005	2025	4.00-4.50	1,350,000	225,000
	\$ 4,441,665	2006	2026	4.50-5.00	1,545,000	225,000
	\$ 6,584,511	2007	2027	4.00-4.75	2,463,800	323,600
	\$ 2,396,404	2008	2028	4.00-4.125	640,725	74,525
	\$ 3,797,000	2009	2029	3.02-5.02	1,204,000	121,000
	\$ 3,948,393	2010	2030	3.823	2,146,070	197,370
	\$ 3,651,784	2011	2031	3.55	2,075,000	190,000
	\$ 428,374	2012	2032	2.57-3.18	264,680	20,360
	\$ 2,912,891	2014	2034	3.392	1,036,490	74,035
	\$ 655,000	2014	2024	5.10	325,000	65,000
	\$ 1,819,100	2016	2036	2.51	1,535,000	95,000
	\$ 1,272,534	2016	2036	2.00	891,952	-
	\$ 1,280,000	2017	2036	2.00	952,000	56,000
	\$ 1,856,400	2017	2037	2.52	1,625,000	115,000
	\$ 2,905,400	2018	2038	3.20	2,730,000	171,000
	\$ 728,283	2018	2038	2.70	589,914	32,773
	\$ 800,000	2019	2039	1.70	711,938	35,597
	\$ 84,863	2019	2023	2.99	67,891	16,973
Total bonds/notes payable					23,986,215	2,715,236
Bond premium					974,738	79,684
Total governmental activities					24,960,953	2,794,920
Business-type activities:						
Bonds/notes payable:						
(Majority multi purpose)	\$ 3,297,982	2001	2021	4.125-5.00	\$ 51,600	\$ 25,800
	\$ 1,769,210	2003	2023	4.00-6.00	77,360	19,340
	\$ 1,281,902	2004	2024	3.00-5.00	139,285	27,857
	\$ 1,254,393	2005	2025	4.00-4.50	360,000	60,000
	\$ 2,070,164	2006	2026	4.50-5.00	725,000	105,000
	\$ 1,901,689	2007	2027	4.00-4.75	1,066,200	121,400
	\$ 1,574,416	2008	2028	2.352	709,387	78,821
	\$ 2,030,611	2008	2028	4.00-4.125	949,275	105,475
	\$ 1,410,000	2009	2029	3.02-5.02	681,000	69,000
	\$ 3,152,607	2010	2030	3.823	1,733,930	157,630
	\$ 4,720,716	2011	2031	3.55	2,820,000	235,000
	\$ 1,294,062	2011	2031	3.55	447,859	31,802
	\$ 4,306,526	2012	2032	2.57-3.18	1,925,320	329,640
	\$ 2,207,000	2013	2033	4.10-5.60	1,520,000	115,000
	\$ 4,369,336	2014	2034	3.392	1,554,743	111,053
	\$ 1,908,801	2016	2036	2.00	1,337,930	-
	\$ 11,541,564	2016	2036	2.00	9,233,248	-
	\$ 1,904,452	2016	2036	2.00	1,224,811	-

(Continued)

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Bonds/notes payable:							
	\$	1,920,000	2017	2036	2.00	1,428,000	84,000
(Majority multi purpose) (Continued)	\$	200,000	2017	2036	1.96	175,611	8,742
	\$	4,672,089	2017	2037	2.42	3,971,277	-
	\$	1,629,000	2018	2038	3.20	1,545,000	84,000
	\$	1,092,424	2018	2037	2.70	884,863	49,159
	\$	1,200,000	2019	2039	1.70	1,067,906	53,395
Total bonds/notes payable						<u>35,629,605</u>	<u>1,872,114</u>
Bond premium						<u>687,757</u>	<u>54,777</u>
Total						<u>36,317,362</u>	<u>1,926,891</u>
Grand total	\$					<u>61,278,315</u>	<u>4,721,811</u>

The annual requirements to amortize all general obligation bonds/notes outstanding as of December 31, 2019, including interest payments, are as follows:

Governmental activities:

Fiscal Year Ending December 31,	Principal	Interest	Total
2020	\$ 2,715,236	\$ 1,032,079	\$ 3,747,315
2021	2,510,983	887,715	3,398,698
2022	2,374,783	738,315	3,113,098
2023	2,254,782	629,454	2,884,236
2024	2,177,150	531,273	2,708,423
2025-2029	7,427,310	1,593,298	9,020,608
2030-2034	3,195,174	528,258	3,723,432
2035-2039	1,330,797	121,999	1,452,796
Totals	<u>\$ 23,986,215</u>	<u>\$ 6,062,391</u>	<u>\$ 30,048,606</u>

Business-type activities:

Fiscal Year Ending December 31,	Principal	Interest	Total
2020	\$ 1,872,114	\$ 1,103,117	\$ 2,975,231
2021	2,839,050	999,793	3,838,843
2022	2,811,361	902,840	3,714,201
2023	2,827,503	807,142	3,634,645
2024	2,814,336	704,146	3,518,482
2025-2029	11,430,048	2,266,100	13,696,148
2030-2034	7,928,564	861,405	8,789,969
2035-2039	3,106,629	135,691	3,242,320
Totals	<u>\$ 35,629,605</u>	<u>\$ 7,780,234</u>	<u>\$ 43,409,839</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 \$8,901,976 as of December 31, 2019, 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 56.8% 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, 2019. 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, 2019 were as follows:

Per City Meeting Vote of	Purpose	Unissued Amount	Responsible Fund
2014	CSO Separation and Utility replacement	\$ 2,549,293	General/water treatment and distribution/sewage collection and disposal
2015	Packard Hill bridge	100,000	General
2015	CSO separation and utility replacement	2,970,000	General/water treatment and distribution/sewage collection and disposal
2016	Combined sewer overflow separation and utility replacement	5,070,000	General/water treatment and distribution/sewage collection and disposal
2017	CSO Separation and Utility replacement	6,300,000	General/water treatment and distribution/sewage collection and disposal
2017	Downtown visioning and tunnel improvements	200,000	General
2018	CSO Separation and Utility replacement	5,350,000	General/water treatment and distribution/sewage collection and disposal
2018	Downtown visioning and tunnel improvements	2,000,000	General
2018	Hillcrest Acres infrastructure construction	200,000	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	Hillcrest Acres infrastructure construction	4,550,000	General/water treatment and distribution
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	Lebanon Police Department HVAC repair and upgrade	620,000	General
2019	Radio communications repeater replacement	1,070,000	General
2019	City Hall renovations	3,330,000	General
2019	Street light conversion	920,000	General
2019	Water treatment facility improvements	3,420,000	Water treatment and distribution
2019	Lebanon sewer system rehabilitation	1,000,000	Sewage collection and disposal
2019	Asset management program	120,000	Sewage collection and disposal
		<u>\$ 44,969,293</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 – 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. All assets are held in a single trust and available to pay retirement benefits to all members.

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC) multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by $\frac{1}{4}$ of 1% or age 60.

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 officers and firefighters) members contribute 11.55% and 11.80%, respectively. For fiscal year 2019, the City contributed 25.33% for police officers, 27.79% for firefighters, and 11.08% for other employees through June 30, 2019. From July 1, 2019 through December 31, 2019 the City contributed 24.77% for police officers, 26.43% for firefighters, and 10.88% for other employees. The contribution requirement for the fiscal year 2019 was \$2,197,571, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At December 31, 2019, the City reported a liability of \$23,845,366 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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 participating towns and school districts, actuarially determined. At June 30, 2019, the City's proportion was 0.50%, which was the same as its proportion measured as of June 30, 2018.

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For the year ended December 31, 2019, the City recognized pension expense of \$2,629,145. At December 31, 2019, 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	\$ 90,934	\$ 762,930	\$ 8,522	\$ 71,502	\$ 99,456	\$ 834,432
Changes in assumptions	782,249	-	73,313	-	855,562	-
Net difference between projected and actual investment earnings on pension plan investments	-	178,091	-	16,691	-	194,782
Differences between expected and actual experience	120,546	468,806	11,298	43,937	131,844	512,743
Contributions subsequent to the measurement date	1,005,182	-	94,206	-	1,099,388	-
Total	\$ 1,998,911	\$ 1,409,827	\$ 187,339	\$ 132,130	\$ 2,186,250	\$ 1,541,957

The \$1,099,388 reported as deferred outflows of resources related to pensions results from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. 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
2020	\$ 467,858	\$ 43,848	\$ 511,706
2021	(647,851)	(60,717)	(708,568)
2022	(265,713)	(24,903)	(290,616)
2023	29,608	2,775	32,383
Totals	\$ (416,098)	\$ (38,997)	\$ (455,095)

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

Inflation:	2.5%
Salary increases:	5.6% average, including inflation
Wage inflation	3.25%
Investment rate of return:	7.25% net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on last experience study.

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, 2010 – June 30, 2015.

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 2019
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	9.00%	1.12%
Global Multi-Sector Fixed Income	10.00%	2.46%
Absolute Return Fixed Income	6.00%	1.50%
Total fixed income	25.00%	
Private equity	10.00%	7.90%
Private debt	5.00%	4.86%
Total alternative investments	15.00%	
Real estate	10.00%	3.00%
Total	100.00%	

Discount Rate – The discount rate used to measure the collective total pension liability was 7.25%. 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 7.25% 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 (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
Governmental activities	June 30, 2018	\$ 29,193,855	\$ 21,802,058	\$ 15,692,797
Business-type activities	June 30, 2018	2,736,072	2,043,308	1,470,742
		<u>\$ 31,929,927</u>	<u>\$ 23,845,366</u>	<u>\$ 17,163,539</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.

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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.

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 2019 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 2019, the City contributed 4.10% for police and fire, and 0.30% for other employees through June 30, 2019. From July 1, 2019 through December 31, 2019 the City contributed 3.66% for police and fire, and 0.29% for other employees. The contribution requirement for the fiscal year 2019 was \$228,904, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At December 31, 2019, the City reported a liability of \$2,239,957 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, 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 participating towns and school districts, actuarially determined. At June 30, 2019, the City’s proportion was 0.51%, which was a decrease of 0.01% from its proportion measured as of June 30, 2018.

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For the year ended December 31, 2019, the City recognized OPEB expense of \$277,963. At December 31, 2019, 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	\$ -	\$ 2,738	\$ -	\$ 257	\$ -	\$ 2,995
Net difference between projected and actual investment earnings on OPEB plan investments	-	2,301	-	216	-	2,517
Differences between expected and actual experience	-	3,563	-	334	-	3,897
Contributions subsequent to the measurement date	100,968	-	9,463	-	110,431	-
Total	\$ 100,968	\$ 8,602	\$ 9,463	\$ 807	\$ 110,431	\$ 9,409

The \$110,431 reported as deferred outflows of resources related to OPEB results from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2020. 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
2020	\$ (7,827)	\$ (734)	\$ (8,561)
2021	(1,527)	(143)	(1,670)
2022	158	15	173
2023	594	55	649
Totals	\$ (8,602)	\$ (807)	\$ (9,409)

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

Inflation:	2.5%
Wage inflation:	3.25%
Salary increases:	5.6% average, including inflation
Investment rate of return:	7.25% net of OPEB plan investment expense, including inflation for determining solvency contributions

Mortality rates were based on the 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 last experience study.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

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.

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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 2019
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	9.00%	1.12%
Global Multi-Sector Fixed Income	10.00%	2.46%
Absolute Return Fixed Income	6.00%	1.50%
Total fixed income	25.00%	
Private equity	10.00%	7.90%
Private debt	5.00%	4.86%
Total alternative investments	15.00%	
Real estate	10.00%	3.00%
Total	100.00%	

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2019 was 7.25%. 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 7.25% 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 (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
Governmental activities	June 30, 2018	\$ 2,221,384	\$ 2,048,015	\$ 1,897,369
Business-type activities	June 30, 2018	208,190	191,942	177,823
		<u>\$ 2,429,574</u>	<u>\$ 2,239,957</u>	<u>\$ 2,075,192</u>

Sensitivity of the City’s Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Assumption – GASB 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.

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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. The benefits are provided through the New Hampshire Inter-Local Trust.

Employees Covered by Benefit Terms – At January 1, 2018 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	62
Active employees	<u>161</u>
Total participants covered by OPEB plan	<u>223</u>

Total OPEB Liability – The City’s total OPEB liability of \$1,652,115 was measured as of January 1, 2018, and was determined by an actuarial valuation of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability of \$1,652,115 in the January 1, 2018 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:	4.1%
Healthcare Cost Trend Rates:	
Current Year Trend	7.5%
Second Year Trend	7.0%
Decrement	0.5% - 1.0%
Ultimate Trend	5.0%
Year Ultimate Trend is Reached	2022

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, 2018.

Mortality rates were based on the RP-2014 fully generation mortality table with projection scale MP-2017.

Changes in the Total OPEB Liability

	Governmental Activities	Business-type Activities	Total
OPEB liability beginning of year	\$ 1,384,740	\$ 243,418	\$ 1,628,158
Changes for the year:			
Service cost	42,287	7,866	50,153
Interest	44,497	22,424	66,921
Benefit payments	(78,513)	(14,604)	(93,117)
OPEB liability end of year	\$ 1,393,011	\$ 259,104	\$ 1,652,115

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Sensitivity of the City's OPEB Liability to Changes in the Discount Rate – The following table presents the City's OPEB liability calculated using the discount rate of 4.10% 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 (3.10%) or 1-percentage point higher (5.10%) than the current rate:

Total OPEB Liability	Discount Rate		
	1% Decrease	Baseline 4.10%	1% Increase
Governmental Activities	\$ 1,510,892	\$ 1,393,011	\$ 1,285,973
Business-type Activities	281,030	259,104	239,195
	<u>\$ 1,791,922</u>	<u>\$ 1,652,115</u>	<u>\$ 1,525,168</u>

Sensitivity of the City's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following table presents the City's OPEB liability calculated using the healthcare cost trend rate of 7.5% in the first year, decreasing in decrements to an ultimate rate of 5.00% by 2022, 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 (6.50% decreasing to 4.00%) or 1-percentage point higher (8.50% decreasing to 6.00%) than the current rate:

Total OPEB Liability	Healthcare Cost Trend Rates		
	1% Decrease	Baseline	1% Increase
	6.50%	7.50%	8.50%
	Decreasing to 4.00%	Decreasing to 5.00%	Decreasing to 6.00%
Governmental Activities	\$ 1,240,136	\$ 1,393,011	\$ 1,571,584
Business-type Activities	230,669	259,104	292,319
	<u>\$ 1,470,805</u>	<u>\$ 1,652,115</u>	<u>\$ 1,863,903</u>

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended December 31, 2019, the City recognized OPEB expense of \$632. At December 31, 2019, 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
Differences between expected and actual experience	\$ -	\$ 60,265	\$ -	\$ 11,210	\$ -	\$ 71,475

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
2020	\$ (8,308)	\$ (1,545)	\$ (9,853)
2021	(8,308)	(1,545)	(9,853)
2022	(8,308)	(1,545)	(9,853)
2023	(8,308)	(1,545)	(9,853)
2024	(8,308)	(1,545)	(9,853)
Thereafter	(18,725)	(3,485)	(22,209)
Totals	<u>\$ (60,265)</u>	<u>\$ (11,210)</u>	<u>\$ (71,474)</u>

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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, 2019 and are as follows:

General fund:	
General government	\$ 621,701
Public safety	25,858
Highways and streets	579,650
Culture and recreation	6,175
Total encumbrances	<u>\$ 1,233,384</u>

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	\$ -	\$ -	\$ -	\$ 155,848	\$ 23,508	\$ 179,356
C-844 Wastewater SAG (CSO)	163,195	58,868	222,063	244,793	88,302	333,095
L-145 Landfill SAG	-	-	-	35,275	-	35,275
	<u>\$ 163,195</u>	<u>\$ 58,868</u>	<u>\$ 222,063</u>	<u>\$ 435,916</u>	<u>\$ 111,810</u>	<u>\$ 547,726</u>

At December 31, 2019 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
2020	\$ 7,145	\$ 5,560	\$ 12,705	\$ 42,491	\$ 13,565	\$ 56,056
2021	8,764	5,882	14,646	44,385	13,394	57,779
2022	8,750	5,548	14,298	43,829	12,241	56,070
2023	8,689	5,215	13,904	32,514	11,088	43,602
2024	8,756	4,866	13,622	32,614	9,911	42,525
2025-2029	43,656	18,888	62,544	123,926	32,251	156,177
2030-2034	41,822	10,088	51,910	62,733	15,133	77,866
2035-2039	31,479	2,784	34,263	47,219	4,175	51,394
2040-2041	4,134	37	4,171	6,205	52	6,257
Totals	<u>\$ 163,195</u>	<u>\$ 58,868</u>	<u>\$ 222,063</u>	<u>\$ 435,916</u>	<u>\$ 111,810</u>	<u>\$ 547,726</u>

NOTE 20 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the Statement of Net Position at December 31, 2019 include the following:

	Governmental Activities	Business-type Activities	Total
Net investment in capital assets:			
Net book value, all capital assets	\$ 91,910,659	\$ 102,856,638	\$ 194,767,297
Less:			
General obligation bonds payable	(23,986,215)	(35,629,605)	(59,615,820)
Unamortized bond premiums	(974,738)	(687,757)	(1,662,495)
Capital leases payable	(148,067)	-	(148,067)
Total net investment in capital assets	<u>66,801,639</u>	<u>66,539,276</u>	<u>133,340,915</u>

(Continued)

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Governmental activities net position continued:

	Governmental Activities	Business-type Activities	Total
Restricted net position:			
Capital projects	-	3,186,591	3,186,591
Library	180,095	-	180,095
Perpetual care - nonexpendable	1,561,280	-	1,561,280
Water investment fees	-	542,548	542,548
Total restricted net position	<u>1,741,375</u>	<u>3,729,139</u>	<u>5,470,514</u>
Unrestricted (deficit)	<u>(16,731,160)</u>	<u>(2,945,604)</u>	<u>(19,676,764)</u>
Total net position	<u>\$ 51,811,854</u>	<u>\$ 67,322,811</u>	<u>\$ 119,134,665</u>

NOTE 21 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2019 include the following:

	General Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:				
Prepaid items	\$ 399,849	\$ -	\$ -	\$ 399,849
Tax deeded property	60,272	-	-	60,272
Permanent fund - principal balance	-	-	1,561,280	1,561,280
Total nonspendable fund balance	<u>460,121</u>	<u>-</u>	<u>1,561,280</u>	<u>2,021,401</u>
Restricted:				
Heritage fund - donations	25,000	-	-	25,000
Public library	-	-	180,095	180,095
Total restricted fund balance	<u>25,000</u>	<u>-</u>	<u>180,095</u>	<u>205,095</u>
Committed:				
Expendable trust	780,562	-	-	780,562
Heritage fund	5,460	-	-	5,460
Police public safety revolving	-	-	229,811	229,811
Lebanon open space	-	-	685,589	685,589
Fire public safety revolving	-	-	16,864	16,864
Recreation revolving	-	-	82,397	82,397
Impact fees	-	-	212,587	212,587
Total committed fund balance	<u>786,022</u>	<u>-</u>	<u>1,227,248</u>	<u>2,013,270</u>
Assigned:				
Encumbrances	1,233,384	-	-	1,233,384
Abatements	175,000	-	-	175,000
Grants	15,909	-	-	15,909
Restricted funds	224,814	-	-	224,814
Emergency management	92,110	-	-	92,110
Farmers market	-	-	70	70
Total assigned fund balance	<u>1,741,217</u>	<u>-</u>	<u>70</u>	<u>1,741,287</u>
Unassigned (deficit):				
General fund	12,465,966	-	-	12,465,966
Capital improvements (deficit)	-	(5,653,655)	-	(5,653,655)
Total unassigned fund balance (deficit)	<u>12,465,966</u>	<u>(5,653,655)</u>	<u>-</u>	<u>6,812,311</u>
Total governmental fund balances	<u>\$ 15,478,326</u>	<u>\$ (5,653,655)</u>	<u>\$ 2,968,693</u>	<u>\$ 12,793,364</u>

CITY OF LEBANON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 22 – PRIOR PERIOD ADJUSTMENTS

Net position/fund balance at January 1, 2019 was restated to give retroactive effect to the following prior period adjustments:

	Government-wide	Governmental Funds		All Custodial Funds
	Statements	Other	Nonmajor	
	Governmental Activities	Governmental Funds	Impact Fees	
To restate for the cumulative changes related to implementation of GASB Statement No. 84	\$ 52,592	\$ 52,592	\$ 52,592	\$ 4,903,506
Net position/fund balance, as previously reported	48,222,529	2,496,797	-	-
Net position/fund balance, as restated	<u>\$ 48,275,121</u>	<u>\$ 2,549,389</u>	<u>\$ 52,592</u>	<u>\$ 4,903,506</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 2019, the City was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability programs.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2019 to December 31, 2019 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Council 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 Primex³ 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 2019, the City paid \$139,232 and \$252,671, respectively, to Primex³ for worker's compensation and property/liability. At this time, Primex³ 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 \$2,650 annually into the Healthcare Flexible Spending Account or \$5,000 annually into the Dependent Care Reimbursement Account. This cap applies to both City contributions and employee pre-tax contributions. There are no limits on contributions to the Premium Conversion Benefit for Group Medical and Dental Plans.

NOTE 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, 2019, the balance in the escrow account was \$549,724. 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.

CITY OF LEBANON, NEW HAMPSHIRE
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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 – TAX ABATEMENTS

On July 24, 2019, the City reached a settlement agreement with a business regarding property tax assessments for the 2011 through 2017 tax years. As a result of the settlement, the City refunded \$466,341 related to excess property taxes collected from the entity.

On January 3, 2020, the City reached a settlement agreement with a local business regarding the property tax assessment for the 2016 property tax year in the amount of \$240,000. The amount was refunded as a tax credit on the business's July 2020 tax bill.

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 September 30, 2020, the date the December 31, 2019 financial statements were available to be issued, and the following event occurred that require recognition or disclosure:

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact any investments held by the City which are measured at fair value. Other financial impact could occur though such potential impact is unknown at this time.

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, 2019

	December 31,						
	2013	2014	2015	2016	2017	2018	2019
City's:							
Proportion of the net pension liability	0.54%	0.52%	0.52%	0.52%	0.53%	0.50%	0.50%
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
Covered payroll	\$ 11,097,378	\$ 10,876,951	\$ 11,206,359	\$ 11,555,902	\$ 12,700,824	\$ 11,902,341	\$ 12,287,475
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%
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%

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, 2019

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

CITY OF LEBANON, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

***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, 2019. 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 2019:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	21 years beginning July 1, 2018 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smooth market for funding purposes
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.13% 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. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
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 last experience study.

Other Information:

Notes	Contribution rates for fiscal year 2019 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.
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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, 2019

	December 31,			
	2016	2017	2018	2019
City's proportion of the net OPEB liability	0.35%	0.36%	0.52%	0.51%
City's proportionate share of the net OPEB liability (asset)	\$ 1,695,898	\$ 1,629,045	\$ 2,367,418	\$ 2,239,957
City's covered payroll	\$ 11,555,902	\$ 12,700,824	\$ 11,902,341	\$ 12,287,475
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%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%	7.75%

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, 2019

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

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, 2019

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

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 BENEFIT LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

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, 2019. 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.

There were no changes to benefit terms or assumptions in the current actuarial valuation report.

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
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.13% per year
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
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 last 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, 2019. 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.

Assumptions and Methodology

Economic Assumptions:

Discount Rate	A discount rate of 4.10% was used as of December 31, 2018. The discount rate was based on the <u>Bond Buyer’s 20 Bond Index</u> .
Mortality Rate:	RP-2014 fully generation mortality table with projection scale MP-2017.

CITY OF LEBANON, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFIT LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

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

<u>Year</u>	<u>Current Valuation</u>	<u>Prior Valuation</u>
2019	7.5%	6.0%
2020	7.0%	5.0%
2021	6.0%	5.0%
2022+	5.0%	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:

<u>Age</u>	<u>Male</u>	<u>Female</u>
55	11,198	11,620
56	11,647	11,820
57	12,110	12,020
58	12,559	12,317
59	13,022	12,628
60	13,505	12,946
61	14,003	13,264
62	14,521	13,595
63	14,797	13,858
64	15,080	14,120

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, 2019

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 21,005,504	\$ 21,463,770	\$ 458,266
Yield	5,000	90,060	85,060
Excavation	5,000	6,044	1,044
Payment in lieu of taxes	1,870,225	1,869,354	(871)
Interest and penalties on taxes	170,000	192,715	22,715
Total from taxes	<u>23,055,729</u>	<u>23,621,943</u>	<u>566,214</u>
Licenses, permits, and fees:			
Motor vehicle permit fees	2,465,260	2,744,685	279,425
Building permits	250,000	360,931	110,931
Other	55,800	65,095	9,295
Total from licenses, permits, and fees	<u>2,771,060</u>	<u>3,170,711</u>	<u>399,651</u>
Intergovernmental:			
State:			
Shared revenues	-	163,993	163,993
Meals and rooms distribution	701,463	701,463	-
Highway block grant	330,951	330,455	(496)
Water pollution grants	10,950	10,948	(2)
Other	60,000	58,862	(1,138)
Federal:			
FEMA	-	38,643	38,643
Other	293,600	323,662	30,062
Total from intergovernmental	<u>1,396,964</u>	<u>1,628,026</u>	<u>231,062</u>
Charges for services:			
Income from departments	<u>1,366,600</u>	<u>1,614,474</u>	<u>247,874</u>
Miscellaneous:			
Sale of municipal property	2,000	63,309	61,309
Interest on investments	130,000	255,931	125,931
Other	307,320	449,617	142,297
Total from miscellaneous	<u>439,320</u>	<u>768,857</u>	<u>329,537</u>
Other financing sources:			
Transfers in	<u>1,602,120</u>	<u>1,631,211</u>	<u>29,091</u>
Total revenues and other financing sources	30,631,793	<u>\$ 32,435,222</u>	<u>\$ 1,803,429</u>
Unassigned fund balance used to reduce tax rate	1,876,471		
Total revenues, other financing sources, and use of fund balance	<u>\$ 32,508,264</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, 2019

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ 85,768	\$ 716,230	\$ 701,036	\$ 23,573	\$ 77,389
Election and registration	5,269	750,320	569,758	156,827	29,004
Financial administration	195,609	3,028,210	2,987,442	137,623	98,754
Legal	-	300,000	286,245	-	13,755
Personnel administration	40,888	472,770	440,275	10,534	62,849
Planning and zoning	61,076	692,260	669,808	38,296	45,232
General government buildings	291,876	478,530	531,733	254,848	(16,175)
Cemeteries	-	53,180	51,594	-	1,586
Insurance, not otherwise allocated	-	239,020	205,569	-	33,451
Advertising and regional associations	-	22,110	22,106	-	4
Other	-	242,440	242,440	-	-
Total general government	<u>680,486</u>	<u>6,995,070</u>	<u>6,708,006</u>	<u>621,701</u>	<u>345,849</u>
Public safety:					
Police	81,056	5,695,140	5,671,963	20,438	83,795
Fire	27,998	4,649,680	4,589,855	-	87,823
Building inspection	-	514,310	504,489	-	9,821
Other	-	1,026,770	986,585	5,420	34,765
Total public safety	<u>109,054</u>	<u>11,885,900</u>	<u>11,752,892</u>	<u>25,858</u>	<u>216,204</u>
Highways and streets:					
Administration	4,776	847,640	848,843	6,238	(2,665)
Highways and streets	66,398	3,169,700	2,664,027	573,412	(1,341)
Bridges	-	3,500	1,762	-	1,738
Street lighting	-	152,170	136,167	-	16,003
Other	13,808	164,250	174,316	-	3,742
Total highways and streets	<u>84,982</u>	<u>4,337,260</u>	<u>3,825,115</u>	<u>579,650</u>	<u>17,477</u>
Welfare:					
Administration and direct assistance	-	272,720	231,295	-	41,425
Vendor payments and other	-	289,690	289,690	-	-
Total welfare	<u>-</u>	<u>562,410</u>	<u>520,985</u>	<u>-</u>	<u>41,425</u>
Culture and recreation:					
Parks and recreation	4,956	1,054,070	1,048,339	-	10,687
Library	8,675	1,421,340	1,423,841	6,175	(1)
Patriotic purposes	-	7,500	7,059	-	441
Total culture and recreation	<u>13,631</u>	<u>2,482,910</u>	<u>2,479,239</u>	<u>6,175</u>	<u>11,127</u>
Conservation	-	10,070	9,088	-	982
Debt service:					
Principal of long-term debt	-	2,766,480	2,762,813	-	3,667
Interest on long-term debt	-	935,350	935,287	-	63
Other	-	98,660	94,735	-	3,925
Total debt service	<u>-</u>	<u>3,800,490</u>	<u>3,792,835</u>	<u>-</u>	<u>7,655</u>
Other financing uses:					
Transfers out	-	2,434,154	2,435,137	-	(983)
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 888,153</u>	<u>\$ 32,508,264</u>	<u>\$ 31,523,297</u>	<u>\$ 1,233,384</u>	<u>\$ 639,736</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, 2019

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)	\$	11,676,062
Changes:		
Unassigned fund balance used to reduce 2019 tax rate		(1,876,471)
2019 Budget summary:		
Revenue surplus (Schedule 1)	\$	1,803,429
Unexpended balance of appropriations (Schedule 2)		<u>639,736</u>
2019 Budget surplus		2,443,165
Increase in nonspendable fund balance		(66,479)
Decrease in assigned fund balance (non-encumbrance)		<u>425,000</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		12,601,277
Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis		
To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(285,311)
Elimination of the allowance for uncollectible taxes		<u>150,000</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)	\$	<u><u>12,465,966</u></u>

SCHEDULE 4
CITY OF LEBANON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2019

	Special Revenue Funds							Permanent Fund	Total
	Public Library	Police Public Safety Revolving	Lebanon Open Space	Fire Public Safety Revolving	Farmers Market	Recreation Revolving	Impact Fees		
ASSETS									
Cash and cash equivalents	\$ 174,282	\$ 202,161	\$ 685,547	\$ -	\$ -	\$ 93,417	\$ 212,587	\$ 70,144	\$ 1,438,138
Investments	-	-	-	-	-	-	-	1,554,992	1,554,992
Receivables, net of allowance for uncollectable:									
Taxes	-	-	42	-	-	-	-	-	42
Accounts	-	27,650	-	40,785	1,958	-	-	-	70,393
Interfund receivable	5,813	-	-	-	-	-	-	-	5,813
Total assets	\$ 180,095	\$ 229,811	\$ 685,589	\$ 40,785	\$ 1,958	\$ 93,417	\$ 212,587	\$ 1,625,136	\$ 3,069,378
LIABILITIES AND FUND BALANCES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,020	\$ -	\$ -	\$ 11,020
Interfund payable	-	-	-	23,921	1,888	-	-	63,856	89,665
Total liabilities	-	-	-	23,921	1,888	11,020	-	63,856	100,685
Fund balances:									
Nonspendable	-	-	-	-	-	-	-	1,561,280	1,561,280
Restricted	180,095	-	-	-	-	-	-	-	180,095
Committed	-	229,811	685,589	16,864	-	82,397	212,587	-	1,227,248
Assigned	-	-	-	-	70	-	-	-	70
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	180,095	229,811	685,589	16,864	70	82,397	212,587	1,561,280	2,968,693
Total liabilities and fund balances	\$ 180,095	\$ 229,811	\$ 685,589	\$ 40,785	\$ 1,958	\$ 93,417	\$ 212,587	\$ 1,625,136	\$ 3,069,378

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, 2019

	Special Revenue Funds								Total
	Police Public	Lebanon	Fire Public	Farmers Market	Recreation Revolving	Impact Fees	Permanent Fund		
	Public Library	Safety Revolving	Open Space						
Revenues:									
Taxes	\$ -	\$ -	\$ 542	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 542
Charges for services	-	313,306	-	85,348	-	189,790	-	-	588,444
Miscellaneous	90,217	9,800	9,601	-	20,487	-	159,995	237,094	527,194
Total revenues	<u>90,217</u>	<u>323,106</u>	<u>10,143</u>	<u>85,348</u>	<u>20,487</u>	<u>189,790</u>	<u>159,995</u>	<u>237,094</u>	<u>1,116,180</u>
Expenditures:									
Current:									
General government	-	-	-	-	-	-	-	8,662	8,662
Public safety	-	253,807	-	82,678	-	-	-	-	336,485
Culture and recreation	105,762	-	-	-	21,189	201,370	-	-	328,321
Total expenditures	<u>105,762</u>	<u>253,807</u>	<u>-</u>	<u>82,678</u>	<u>21,189</u>	<u>201,370</u>	<u>-</u>	<u>8,662</u>	<u>673,468</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,545)</u>	<u>69,299</u>	<u>10,143</u>	<u>2,670</u>	<u>(702)</u>	<u>(11,580)</u>	<u>159,995</u>	<u>228,432</u>	<u>442,712</u>
Other financing sources (uses):									
Transfers in	5,813	-	983	-	-	-	-	-	6,796
Transfers out	-	-	-	-	-	-	-	(30,204)	(30,204)
Total other financing sources (uses)	<u>5,813</u>	<u>-</u>	<u>983</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,204)</u>	<u>(23,408)</u>
Net change in fund balances	(9,732)	69,299	11,126	2,670	(702)	(11,580)	159,995	198,228	419,304
Fund balances, beginning, as restated (see Note 22)	189,827	160,512	674,463	14,194	772	93,977	52,592	1,363,052	2,549,389
Fund balances, ending	<u>\$ 180,095</u>	<u>\$ 229,811</u>	<u>\$ 685,589</u>	<u>\$ 16,864</u>	<u>\$ 70</u>	<u>\$ 82,397</u>	<u>\$ 212,587</u>	<u>\$ 1,561,280</u>	<u>\$ 2,968,693</u>

SCHEDULE 6
CITY OF LEBANON, NEW HAMPSHIRE
Custodial Funds
Combining Schedule of Fiduciary Net Position
December 31, 2019

	Custodial Funds			Total
	Taxes	Trust Funds	Impact Fees	
ASSETS				
Cash and cash equivalents	\$ 14,394,512	\$ 221,910	\$ 31,487	\$ 14,647,909
Investments	-	4,115,009	-	4,115,009
Total assets	<u>14,394,512</u>	<u>4,336,919</u>	<u>31,487</u>	<u>18,762,918</u>
LIABILITIES				
Intergovernmental payable - Due to School District	<u>14,394,512</u>	<u>-</u>	<u>-</u>	<u>14,394,512</u>
NET POSITION				
Unrestricted	<u>\$ -</u>	<u>\$ 4,336,919</u>	<u>\$ 31,487</u>	<u>\$ 4,368,406</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, 2019

	Custodial Funds			Total
	Taxes	Trust Funds	Impact Fees	
Additions:				
Contributions	\$ -	\$ 700,000	\$ 40,309	\$ 740,309
Investment earnings	-	98,295	-	98,295
Change in fair market value	-	254,330	-	254,330
Tax collections for other governments	32,121,845	-	-	32,121,845
Total additions	<u>32,121,845</u>	<u>1,052,625</u>	<u>40,309</u>	<u>33,214,779</u>
Deductions:				
Administrative expenses	-	1,617,379	10,655	1,628,034
Payments of taxes to other governments	32,121,845	-	-	32,121,845
Total deductions	<u>32,121,845</u>	<u>1,617,379</u>	<u>10,655</u>	<u>33,749,879</u>
Change in net position	-	(564,754)	29,654	(535,100)
Net position, beginning, as restated (see Note 22)	-	4,901,673	1,833	4,903,506
Net position, ending	<u>\$ -</u>	<u>\$ 4,336,919</u>	<u>\$ 31,487</u>	<u>\$ 4,368,406</u>

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



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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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, 2019, 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 September 30, 2020.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lebanon'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

September 30, 2020

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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 the City of Lebanon's major federal program for the year ended December 31, 2019. The City of Lebanon's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Lebanon complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

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.

September 30, 2020



PLODZIK & SANDERSON
Professional Association

SCHEDULE I
CITY OF LEBANON, NEW HAMPSHIRE
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2019

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<u>Passed Through the New Hampshire Community Development Finance Authority</u>				
Community Development Block Grant/State's Program:				
TPHT/Tracy Street	14.228	17-094-CDHS	\$ -	\$ 14,434
TPHT/Village at Crafts Hill/Relocation	14.228	18-094-CDHS	14,090	14,537
HEADREST Facility Rehabilitation Study	14.228	19-094-FSPF	9,900	10,123
RVCC/Dartmouth Regional Technology Center Vision FS	14.228	19-094-FSED	10,000	10,745
HEADREST/Church Street Rehab	14.228	19-094-CDPF	-	93
<i>PROGRAM TOTAL</i>			<u>33,990</u>	<u>49,932</u>
U.S. DEPARTMENT OF JUSTICE				
<u>Passed Through the New Hampshire Department of Justice</u>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	-	54,456
U.S. DEPARTMENT OF TRANSPORTATION				
<u>Passed Through the New Hampshire Department of Transportation</u>				
Airport Improvement Program:				
Reconstruct, Mark, Light, and Sign a Portion of Taxiways 'B,' 'B1,' 'B2,' 'B3,' and 'B4'	20.106	AIP #3-33-0010-53-2016	-	24,903
Improve Runway 18/36 Safety Area - Phase I, Preliminary Design (Data Collection and Conceptual Engineering)	20.106	AIP #3-33-0010-57-2017	-	1,641
Acquire Snow Removal Equipment - Rotary Snow Plow	20.106	AIP #3-33-0010-58-2018	-	480,600
Update Airport Layout Plan (ALP)	20.106	AIP #3-33-0010-59-2019	-	26,768
<i>PROGRAM TOTAL</i>			<u>-</u>	<u>533,912</u>
Highway Planning and Construction	20.205	41366	-	15,071
<u>Passed Through the New Hampshire Department of Safety</u>				
HIGHWAY SAFETY CLUSTER				
State and Community Highway Safety:				
Sustained Traffic Enforcement Patrols (STEP)	20.600	#19-101	-	2,685
Operation Safe Commute Enforcement	20.600	#19-101	-	1,743
Join the NH Clique Enforcement Patrols	20.600	#19-101	-	306
National Priority Safety Program	20.616	#19-101	-	2,267
<i>CLUSTER TOTAL</i>			<u>-</u>	<u>7,001</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<u>Passed Through the National Association of County and City Health Officials</u>				
Medical Reserve Corps Small Grant Program	93.008	MRC 12 1776	-	4,180
U.S. DEPARTMENT OF HOMELAND SECURITY				
<u>Passed Through the New Hampshire Department of Safety</u>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4329-DR-NH	-	38,643
Emergency Management Performance Grants	97.042	EMB-2018-EP-00007-A06	-	4,000
Homeland Security Grant Program	97.067	N/A	-	501

The accompanying notes are an integral part of this schedule.

(Continued)

SCHEDULE II (Continued)
CITY OF LEBANON, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

DIRECT FUNDING

U.S. DEPARTMENT OF JUSTICE

Bullet Proof Vest Partnership Program	16.607	N/A	<u>-</u>	<u>1,445</u>
Public Safety Partnership and Community Policing Grants	16.710	N/A	<u>-</u>	<u>117,881</u>

U.S. DEPARTMENT OF HOMELAND SECURITY

Staffing for Adequate Fire and Emergency Response (SAFR)	97.083	N/A	<u>-</u>	<u>143,375</u>
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<i>Total Expenditures of Federal Awards</i>			<u>\$ 33,990</u>	<u>\$ 970,397</u>
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The accompanying notes are an integral part of this schedule.

CITY OF LEBANON, NEW HAMPSHIRE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019. 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.